



AL SALAM BANK B.S.C.

**BASEL III - PILLAR III
Composition of Capital Disclosure**

31 December 2025

COMPOSITION OF CAPITAL DISCLOSURE

Appendix PD-2: Reconciliation requirements

Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

There are no differences between the regulatory and accounting consolidation, other than Solidarity Group Holding BSC (c), which is not consolidated being a non-banking subsidiary. Furthermore, the Bank was granted an approval from the CBB to aggregate the risk weighted exposures of Al Salam Bank - Seychelles ("ASBS") instead of the line-by-line consolidation approach.

As mandated by the Central Bank of Bahrain ("CBB"), financing facilities and investments have been grossed up with collective impairment provision, as presented below:

	BHD '000
Balance sheet as per published financial statements	8,053,896
Collective provision impairment	51,298
Less: Provision related to Contingent Liabilities and Commitments	(2,241)
Balance sheet as in Regulatory Return	8,102,953

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2025

	BHD '000		
	Balance sheet as in published financial statements	Consolidated PIR data	Reference
Assets			
Cash and balances with banks and Central Bank	775,733	775,920	
of which Self financed		524,444	
of which financed by URIA		251,476	
Placements with banks and similar financial institutions	456,634	456,642	
of which Self financed		8,026	
of which financed by URIA		448,616	
Held-to-maturity investments	699,175	699,211	
of which Sovereign Sukuk	679,741		
of which Corporate Sukuk	19,434		
Available-for-sale investments	1,234,979	1,235,141	
of which Sovereign Sukuk	1,143,300		
of which Corporate Sukuk	91,679		
Financing assets	4,066,788	4,115,415	
of which Self financed		683,352	
of which financed by URIA		3,432,063	
Investment properties	84,129	84,129	
of which Self financed		76,283	
of which financed by URIA		7,846	
Investment in associates	279,000	279,000	
of which Self financed		37,528	
of which financed by URIA		241,472	
Property, plant, and equipment (PPE)	25,729	25,729	
of which eligible for deduction from CET1		5,032	G-1
of which not eligible for CET1 deduction		20,697	
Other Assets	431,729	431,765	
Non-Trading investment	96,004	96,004	
Takaful assets	29,748	29,748	
Other receivables and prepayments	75,038	75,074	
of which Self financed		68,474	
of which eligible for deduction from CET1		3,093	B-1
of which not eligible for CET1 deduction		65,381	
of which financed by URIA		6,600	
Goodwill & Intangibles	230,939	230,939	
of which eligible for deduction from CET1		47,588	G-2
of which not eligible for CET1 deduction		183,351	
Total Assets	8,053,896	8,102,953	
Liabilities			
Placements from financial institutions and customers	117,586	117,586	
Customers' current accounts	1,486,337	1,486,337	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	1,076,354	1,076,354	
of which Murabaha Term Financing	1,076,354	1,076,354	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	235,826	233,585	
of which Takaful Liabilities	93,460	93,460	
of which Other liabilities	142,366	140,125	
Unrestricted Investment Accounts	4,388,073	4,388,073	
of which amount eligible for T2		15,646	E-1
of which amount not eligible for regulatory capital		4,372,427	
Total Liabilities	7,304,176	7,301,935	
Owners' Equity			
Total share capital	285,090	285,090	A
Share capital	296,760	296,760	
Treasury stock	(8,684)	(8,684)	
Employee incentive scheme shares	(2,986)	(2,986)	
Reserves and retained earnings	177,357	177,357	
Share premium	209	209	C-1
Statutory reserve	39,566	39,566	
of which amount eligible for CET1		38,760	C-2
of which amount not eligible for CET1		806	
Retained earnings (excluding profit for the year), of which:	5,277	5,277	
Amount eligible for CET1		750	B-2
Amount not eligible for CET1		4,527	
Net profit for the year	76,834	76,834	
of which amount eligible for CET1		74,897	B-3
of which amount not eligible for CET1		1,937	
Fx translation adjustment	3,020	3,020	C-3
of which amount eligible for CET1		3,020	
Changes in fair value - amount eligible for CET1	27,614	27,614	
of which amount eligible for CET1		27,443	
of which amount not eligible for CET1		171	C-4
Share grant scheme	2,154	2,154	C-5
Real estate fair value reserve - amount eligible for T2	22,683	22,683	D
Subordinated Mudaraba	209,124	209,124	
of which amount eligible for AT1		165,942	E-2
of which amount not eligible for regulatory capital		43,182	
Minority interest in subsidiaries' share capital	78,149	78,149	
of which amount eligible for CET1		23,642	E-3
of which amount eligible for AT1		5,066	E-4
of which amount eligible for T2		6,755	E-5
of which amount not eligible for regulatory capital		42,687	
Expected credit losses (Stages 1 & 2)		51,298	F
of which amount eligible for T2		43,316	
of which amount not eligible for regulatory capital		7,982	
Total Owners' Equity	749,720	801,018	
Total Liabilities + Owners' Equity	8,053,896	8,102,953	

Appendix PD-1: Reconciliation requirements & Template
 Step 3: Composition of Capital Common Template as at 31 December 2025

BHD '000

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	281,997	A
2	Retained earnings	75,647	B1+B2+B3
3	Accumulated other comprehensive income (and other reserves)	71,586	C1+C2+C3+C4+C5
4	<i>Not Applicable</i>		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	23,642	E3
6	Common Equity Tier 1 capital before regulatory adjustments	452,872	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	25,971	G1+G2
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	26,649	G1+G2
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	<i>Not applicable</i>		
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	52,620	
29	Common Equity Tier 1 capital (CET1)	400,252	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	165,942	E2
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	5,066	E4
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	171,008	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments plus related stock surplus	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	171,008	
45	Tier 1 capital (T1 = CET1 + AT1)	571,260	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,683	D
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	22,401	E1 and E5
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	15,646	
50	Provisions	43,316	F
51	Tier 2 capital before regulatory adjustments	88,400	

AL SALAM BANK B.S.C.
BASEL III - PILLAR III - DISCLOSURES
31 December 2025

Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	88,400
59	Total capital (TC = T1 + T2)	659,660
60	Total risk weighted assets	2,426,591
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	16.5%
62	Tier 1 (as a percentage of risk weighted assets)	23.5%
63	Total capital (as a percentage of risk weighted assets)	27.2%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	10.5%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement	0.0%
67	of which: D-SIB buffer requirement	1.5%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	16.5%
National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	10.5%
70	CBB Tier 1 minimum ratio	12.0%
71	CBB total capital minimum ratio	14.0%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	3,721
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	710
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	51,298
77	Cap on inclusion of provisions in Tier 2 under standardised approach	43,316
78	N/A	
79	N/A	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

AL SALAM BANK B.S.C.
BASEL III - PILLAR III - DISCLOSURES
31 December 2025
**Appendix PD-3: Features of regulatory capital
For the period ended 31 December 2025**

		Common Equity Tier 1	Subordinated Mudaraba (AT1)	Tier 2
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.	Al Salam Bank Algeria (S.P.A)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	Not applicable	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	All applicable laws and regulations of the Kingdom of Bahrain	Algeria
4	Regulatory treatment			
5	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
7	Eligible at solo/group/group & solo	Solo and Group	Solo and Group	Group
8	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba	Subordinated Debt
9	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 296.76 Million	BD 165.94 million	BD 15.65 million
10	Par value of instrument	BD 0.100	Not applicable	Not applicable
11	Accounting classification	Shareholders' Equity	Subordinated Mudaraba	Quasi Equity
12	Original date of issuance	13-Apr-06	Various	13-Jan-25
13	Perpetual or dated	Perpetual	Perpetual	Dated
14	Original maturity date	No maturity	No Maturity	Non-callable for 5 years
15	Issuer call subject to prior supervisory approval	No	No	No
16	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date	First optional liquidation date 12 Jan 2030
17	Subsequent call dates, if applicable	Not applicable	Post First Call date	Not applicable
18	Coupons / dividends			Quarterly distribution
19	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed	Floating
20	Coupon rate and any related index	Not applicable	6% (reset midswap + 1.50%)	5.14% (Subject to attribution of profits to quasi-equity)
21	Existence of a dividend stopper	Not applicable	Yes	Not applicable
22	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
23	Existence of step up or other incentive to redeem	No	Yes	No
24	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
25	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
26	If convertible, conversion trigger (s)	Not applicable	Not applicable	Not applicable
27	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
28	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
29	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
30	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
31	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
32	Write-down feature	No	Yes	No
33	If write-down, write-down trigger(s)	Not applicable	Writedown at the point of non-viability	Not applicable
34	If write-down, full or partial	Not applicable	Both	Not applicable
35	If write-down, permanent or temporary	Not applicable	Permanent	Not applicable
36	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Constitute direct, unsecured, conditional, and subordinated obligations of the bank. Rank subordinate to all Senior Obligations and rank pari passue with all other pari passue obligations (if any). In priority only to Junior Obligations.	Subject to subordination based general loss absorbency feature applicable to participation based shariah compliant products
38	Non-compliant transitioned features	No	No	No
39	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable