



AL SALAM BANK B.S.C.

Liquidity and Leverage Ratios

31 December 2025

Background:

Al Salam Bank ("ASB") has been subjected to the Basel III NSFR standards from December 2019, pursuant to CBB circular No. EDBS/KH/54/2018 dated 16th August 2018. ASB is required to maintain NSFR of at least 100% on an on-going basis.

The objective of NSFR is to improve the resiliency of banks by promoting long term funding stability. NSFR is designed to limit the risks emanating from excessive maturity mismatches over the medium to long term. More specifically, the NSFR requires ASB to fund illiquid assets with a minimum amount of stable liabilities over a horizon of one year.

The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. CBB circular stipulates the applicable Required Stable Funding ("RSF") factor for each category of asset and Available Stable Funding ("ASF") factor for each type of funding source.

ASB seeks to ensure that its NSFR remains above the specified regulatory minimum requirements. This is achieved by:

- (i) Monitoring the NSFR closely against an established internal early warning trigger and management target.
- (ii) Managing and developing strategies to build a diversified funding base with access to funding sources across retail and wholesale channels.

Analysis and main drivers:

Al Salam Bank strategy is to maintain stable and well-diversified funding sources by focusing on raising more stable free float and long-term funds from core customer base in Bahrain and across other key GCC markets where strong banking relationships have been successfully established. The main driver of this strategy is to fund bank's core business activities with the widest funding base and hence maintaining comfortable funding mix for the long-term assets and subsequently healthy NSFR.

The Assets and Liabilities Committee (ALCO) regularly reviews the different liquidity indicators -including the NSFR- and set appropriate action plans in maintaining adequate, sustainable and healthy liquidity position. ALCO review takes global economic indicators as well as local micro economic factors into consideration. Hence effective liquidity management is set into practice steered by treasury and risk management department and collaborated with other key business units.

As at 31 December 2025, the weighted value of the Available Stable Funding (ASF) stood at BD 5.1 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 4.0 billion. The resultant NSFR stood at 125.8%, well above the current 100% threshold stipulated by CBB.

Post application of the relevant factors, the contribution of regulatory capital, retail and corporate customer accounts stood at 14%, 60% and 9% respectively. The bank does not rely on financial market funding sources as interbank funding activities are primarily used for short-term funding gaps.

ASB's High-Quality Liquid Assets (HQLA) requires minimum funding due to its sovereign nature and high liquidity which, after applying the relevant factors, makes up 2% of the RSF portfolio. Unencumbered financing and placements account for 67% and Investment exposures account for 13% of the RSF.

At ASB, there is considerable focus on growing and maintaining stability of demand and term customer accounts provided by private, corporate and retail customers which will continue to form a significant part of the funding.

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Net Stable Funding Ratio (NSFR) Report - Consolidated
31 December 2025

No.	Item	Unweighted Values (before applying relevant factors)				BHD '000 Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1 Capital:						
2 Regulatory Capital	626,974	-	-	-	72,338	699,312
3 Other Capital Instruments	-	-	-	-	-	-
4 Retail deposits and deposits from small business customers:						
5 Stable deposits	-	604,193	35,160	7,923	-	615,308
6 Less stable deposits	-	2,363,270	560,114	230,891	-	2,861,936
7 Wholesale funding:						
8 Operational deposits	-	-	-	-	-	-
9 Other wholesale funding	-	2,712,653	275,795	202,332	-	874,636
10 Other liabilities:						
11 NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-	
12 All other liabilities not included in the above categories	-	186,784	-	-	-	-
13 Total ASF						5,051,192
Required Stable Funding (RSF):						
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-	65,768
15 Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-
16 Performing financing and sukuk/ securities:						
17 Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-
18 Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	910,433	1,084	8,706	-	145,812
19 Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,347,296	572,625	1,499,295	-	2,206,405
20 With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	139,784	90,860
21 Performing residential mortgages, of which:	-	-	-	-	511,181	332,268
22 Adequacy Ratio Guidelines	-	-	-	-	511,181	332,268
23 Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,435	-	-	-	3,717
24 Other assets:						
25 Physical traded commodities, including gold	-	-	-	-	-	-
26 Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-	-
27 NSFR Shari'a-compliant hedging assets	-	-	-	-	-	-
28 NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-	-
29 All other assets not included in the above categories	1,116,671	68,742	5,607	212,846	-	1,227,956
30 OBS items	-	652,720	-	-	-	32,636
31 Total RSF		-	-	-	-	4,014,562
32 NSFR (%)						125.8%

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Liquidity Coverage Ratio (LCR) Report - Consolidated
31 December 2025

CBB issued its regulations on Liquidity Risk Management in August 2018. The regulations mandate that banks are required to maintain LCR of at least 100% on a daily basis. The objective of LCR is to manage assets and liabilities to create strong short-term resilience and sufficient liquidity that is enough to fund cash outflow for 30 days.

Below is the bank's average consolidated LCR for the period:

	Q4-2025	Q3-2025		BHD '000
		Total unweighted value (average)	Total weighted value (average)	
High-quality liquid assets				
1 Total HQLA		1,197,284		1,158,961
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:				
3 Stable deposits	335,871	10,076	332,125	9,964
4 Less stable deposits	1,262,418	126,242	1,258,512	125,851
5 Unsecured wholesale funding, of which:				
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7 Non-operational deposits (all counterparties)	1,937,822	1,025,457	1,981,936	1,072,168
8 Unsecured sukuk	-	-	-	-
9 Secured wholesale funding		-		-
10 Additional requirements, of which:				
11 Outflows related to Shari'a-compliant hedging instruments exposures and other collateral requirements	-	-	-	-
12 Outflows related to loss of funding on financing products	-	-	-	-
13 Credit and liquidity facilities	211,790	45,533	304,070	69,845
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	553,525	22,809	549,002	23,777
16 Total Cash Outflows		1,302,162		1,336,831
Cash inflows				
17 Secured lending (e.g. reverse repos)	-	-	-	-
18 Inflows from fully performing exposures	293,701	150,072	252,696	133,652
19 Other cash inflows	804,939	780,443	796,012	767,705
20 Total Cash Inflows	1,098,641	930,515	1,048,708	901,358
		Total adjusted Value		Total adjusted Value
21 Total HQLA		1,197,284		1,158,961
22 Total net cash outflows		382,615		436,313
23 Liquidity Coverage Ratio (%)*		323.0%		272.7%

*Represents simple average of daily LCR

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Leverage Ratio - Consolidated
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CBB in June 2018 issued guidelines on leverage ratio as part of updates to the Capital Adequacy Module. The ratio measures how well the banks' Tier 1 capital covers its total exposures (self-financed exposures and adjusted exposures funded by quasi-equity) both on-balance sheet and off-balance sheet.

Below is the bank's consolidated financial leverage ratio as at 31 December 2025:

S.No.	Description	BHD '000
1	Total Self-financed Assets	3,504,408
2	Total Quasi-equity financed Assets	4,366,134
3	Off Balance Sheet items - with relevant Credit Conversion Factors	350,979
4	Leverage ratio exposure [(1) + (2)*30% + (3)]	5,165,227
5	Regulatory Adjustments	52,620
6	Total exposures for the calculation of the leverage ratio [(4)-(5)]	5,112,607
7	Tier 1 Capital	571,260
	Leverage Ratio [(7)/(6)]	11.2%
	Minimum Leverage Ratio as required by CBB	3.75%