

بنك السلام  
Al Salam Bank



**AL SALAM BANK B.S.C.**

**BASEL III - PILLAR III  
Disclosures**

**31 December 2025**

**Table of Contents**

1	Introduction.....	3
2	Financial Performance and Position.....	3
3	Group & Capital Structure.....	4
	3.1 Group Structure.....	4
	3.2 Capital Structure.....	5
4	Capital Adequacy Ratios (CAR).....	5
	4.1 Capital Management.....	5
5	Profile of Risk-Weighted Assets and Capital Charge.....	6
	5.1 Credit Risk.....	6
	5.2 Market Risk.....	13
	5.3 Operational Risk.....	13
	5.4 Rate of Return Risk.....	15
	5.5 Equity Position Risk.....	16
	5.6 Displaced Commercial Risk.....	16
	5.7 Liquidity Risk.....	16
6	QUASI-EQUITY (Equity of Investment Accountholders).....	17
7	Restricted Investment Accounts.....	19
8	Other Disclosures.....	20
	8.1 Currency Risk.....	20
	8.2 Related Party Transactions.....	20
	8.3 Restructured Facilities.....	20
	8.4 Assets Sold Under Recourse Agreements.....	20
	8.5 Legal Risk and Claims.....	20
	8.6 Deposit Protection Scheme.....	20
	8.7 Exposure to highly-leveraged and other high-risk counterparties.....	20
	8.8 CBB Penalties.....	20

**Appendix I - Composition of Capital Disclosure**

**Appendix II - Net Stable Funding Ratio (NSFR) Disclosure**

**Appendix III - Liquidity Coverage Ratio (LCR)**

**Appendix IV - Leverage Ratio**

## 1 Introduction

The Central Bank of Bahrain ("CBB") requirements, which act as a common framework for the implementation of the Basel III accord in the Kingdom of Bahrain came into effect on 1 January 2015.

The Basel III accord is built on three pillars:

- **Pillar I** deals with the basis for the computation of the regulatory capital adequacy ratio. It defines the calculation of Risk Weighted Assets (RWAs) for credit risk, market risk and operational risk, as well as the derivation of the regulatory capital base. The capital adequacy ratio is then calculated as the ratio of the Bank's regulatory capital to its total
- **Pillar II** involves the process of supervisory review of a financial institution's risk management framework and its capital adequacy.
- **Pillar III** relates to market discipline and requires the Bank to publish detailed qualitative and quantitative information of its risk management and capital adequacy policies and processes to complement the first two pillars and the associated supervisory review process.

The disclosures in this document are in addition to the disclosures included in the consolidated financial statements which are prepared in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions and in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2) and relevant CBB directives.

## 2 Financial Performance and Position

The Bank was incorporated on 19 January 2006 in the Kingdom of Bahrain. The Bank operates under Islamic Shari'a principles in accordance with the regulatory requirements for Islamic banks set by the CBB. The Bank's ordinary shares are listed in the Bahrain Bourse and Dubai Financial Market and operates under an Islamic retail banking license issued by CBB.

During Q1 2025, Solidarity Bahrain, a subsidiary of the Group that engages in Takaful business and listed on Bahrain Bourse had entered into a sale and purchase agreement with Bahrain National Holding company BSC, a company incorporated in Kingdom of Bahrain and listed on Bahrain Bourse for the purchase of 100% of the issued share capital of its two subsidiaries, BNI and BNL. In April 2025, the necessary regulatory and shareholders' approval were obtained and share transfers were completed and accordingly the Group consolidated the results and financial position of BNI and BNL from 1 April 2025.

The Bank and its principal banking subsidiaries operates through 20 branches and 1 auto finance office in the Kingdom of Bahrain, 26 branches in Algeria and 1 branch in Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted under the CBB's Regulated Islamic Banking Services as defined in the licensing framework.

The consolidated financial statements and capital adequacy regulatory disclosures of the Group have been prepared on a consistent basis where applicable.

**Table 2.1** Key Financial Indicators (PD 1.3.9 a,b,c)

	(BD '000s)					
	Dec-2025	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020
Net operating income	240,179	197,076	145,209	96,396	66,737	57,420
Net profit	85,459	69,501	48,178	33,070	21,224	9,118
Total assets	8,053,896	7,062,778	5,147,110	3,899,361	2,684,571	2,261,353
Total equity	749,720	593,381	408,650	337,355	296,759	281,167
<b>Key Ratios</b>	<b>Dec-2025</b>	<b>Dec-2024</b>	<b>Dec-2023</b>	<b>Dec-2022</b>	<b>Dec-2021</b>	<b>Dec-2020</b>
Earnings per share (fils)	22.7	20.7	16.3	12.8	8.8	3.9
Return on average assets (%)	1.1	1.1	1.1	1.0	0.9	0.4
Return on average equity (%)	16.0	15.8	13.2	10.5	7.4	3.0
Cost to Net operating income (%)	46.5	50.7	47.9	52.5	49.4	52.3
Dividend payout ratio (%)	30.4	26.4	42.5	39.1	42.6	-
Dividend yield ratio (%) (Including Bonus Shares)	6.7	6.8	5.9	9.9	7.1	6.8
Net profit margin on average Islamic assets (%)*	2.9	2.9	2.6	2.8	2.9	3.4

\* Considering total funding cost

2 Financial Performance and Position (continued)

Table 2.2 Financial Summary

Consolidated Financial Position	(BD '000s)					
	Dec-2025	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020
Cash and balances with banks and central banks	775,733	633,611	537,874	367,747	309,149	288,266
Placements with financial institutions	456,634	476,450	293,580	113,096	133,860	37,965
Investment in sukuk	1,934,154	1,447,803	1,002,839	837,381	639,688	409,503
Financing contracts	4,066,788	3,661,670	2,676,460	1,966,465	1,364,452	1,283,812
Non-trading investments	96,004	97,944	100,060	106,796	91,591	98,034
Takaful and related assets	29,748	26,353	67,370	51,690	-	-
Investments in real estate	84,129	129,295	78,070	62,462	60,904	70,529
Investments in associates	279,000	255,008	231,484	254,006	14,533	12,036
Other assets	100,767	129,894	81,228	67,720	44,423	35,237
Goodwill and other intangible assets	230,939	204,750	78,145	51,998	25,971	25,971
Placements from financial institutions and individuals	117,586	171,016	136,511	187,724	126,891	116,883
Customers' current accounts	1,486,337	1,279,886	1,066,031	550,281	482,739	363,970
Murabaha term financing	1,076,354	751,062	510,848	320,989	100,216	221,671
Takaful and related liabilities	93,460	75,550	114,493	91,741	-	-
Other liabilities	142,366	127,822	106,192	78,798	53,789	52,282
Quasi-equity	4,388,073	4,064,061	2,804,385	2,332,473	1,624,177	1,225,380
of which: Wakala from financial institutions	556,945	420,231	379,768	319,339	299,607	264,784
of which: Wakala and mudaraba from customers	3,831,128	3,643,830	2,424,617	2,013,134	1,324,570	960,596
<b>Capital</b>	<b>Dec-2025</b>	<b>Dec-2024</b>	<b>Dec-2023</b>	<b>Dec-2022</b>	<b>Dec-2021</b>	<b>Dec-2020</b>
Capital adequacy (%)	27.2	24.8	20.4	21.9	28.5	26.5
Equity / Total assets (%)	9.3	8.4	7.9	8.7	11.1	12.4
Total customer accounts / Equity (times)	7.1x	8.3x	8.5x	7.6x	6.1x	4.7x
<b>Liquidity and Other Ratios</b>	<b>Dec-2025</b>	<b>Dec-2024</b>	<b>Dec-2023</b>	<b>Dec-2022</b>	<b>Dec-2021</b>	<b>Dec-2020</b>
Islamic financing contracts / Total assets (%)	50.5	51.8	52.0	50.9	50.8	56.8
Investments / Total assets (%)	29.7	27.3	27.4	32.3	30.1	26.1
Liquid assets / Total assets (%)	23.5	23.9	21.2	20.1	32.7	18.3
Liquid assets / Current and Quasi-equity accounts (%)	32.2	31.5	28.2	27.2	41.7	26.0
Customer accounts / Total assets (%)	66.0	70.1	67.8	66.0	67.3	58.6
Due from financial institutions/ Total Assets (%)	5.7	6.7	5.7	2.9	5.0	1.7
Interbank Assets / Interbank Liabilities (%)	388.3	334.4	215.1	63.9	105.5	32.5
Islamic financing contracts / Customer accounts (%)	76.5	73.9	76.7	77.2	75.5	96.9
Number of employees (Bahrain Operations)	705	750	518	577	376	363

3 Group and Capital Structure

3.1 Group Structure

The consolidated financial statements for the year comprise of the financial statements of the Bank and its subsidiaries (together referred to as "the Group")

The principal subsidiaries and associates as at 31 December 2025 and their treatment for capital adequacy purposes are as follows:

	Entity classification as per CA Module	Treatment by the Bank
<b>Subsidiaries</b>		
Al Salam Bank- Seychelles limited.	Banking subsidiary	Aggregation of risk weighted assets
ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c))		Consolidation of risk weighted assets
Al Salam Bank Algeria (S.P.A)		
ASB Capital Limited (DIFC)	Financial entity	Full consolidation
Solidarity Group Holding B.S.C. (c)	Insurance Subsidiary	Risk weighting of investment exposure
<b>Associates</b>		
Gulf African Bank	Financial entity	Risk weighting of investment exposure
Bank of Bahrain and Kuwait B.S.C.*		
Bareeq Al Retal Real Estate Services W.L.L	Commercial entity	Risk weighting using look-through approach

\* Investment in BBK forms part of a security package assigned to the Bank under a shariah compliant financing structure. As per the requirements of the financial accounting standard, the effective economic interest of this arrangement is recognized as an investment in associate in the condensed consolidated interim financial information.

### 3.2 Capital Structure

The Group's regulatory total capital of BD 659,657 thousand comprises of CET 1, AT1 and Tier 2 capital which is detailed in the following table: (PD 1.3.11)

The issued and paid up share capital of the Group was BD 296,760 thousand at 31 December 2025, comprising of 2,967,599 thousand shares of BD 0.100 each. (PD 1.3.11)

As of 31 December 2025, the Bank has issued Subordinated Mudaraba (Additional Tier1 capital instrument) amounting to BD 165,942 thousand, net of issuance cost. The issue was at par and paid in cash.

The management believes that the current capital structure addresses the current and future activities of the Group.

Table 3.1 Breakdown of the Bank's Capital Base (PD 1.3.12, 13, 14, 15, 16, 20)

	(BD '000s)		
	CET1	AT1	T2
Issued and fully paid up ordinary shares	296,760		
Treasury shares	(8,684)		
Employee stock incentive program funded by the bank (outstanding)	(6,079)		
General Reserves	2,154		
Legal/statutory reserves	38,761		
Share premium	209		
Retained earnings	752		
Current interim cumulative net income / losses	74,897		
Unrealized gains and losses on available for sale financial instruments	27,443		
Gains and loss resulting from converting foreign currency subsidiaries to the parent currency	3,020		
Total Minority Interest in banking subsidiaries given recognition in CET1 capital	23,642		
<b>Total CET1 capital prior to regulatory adjustments</b>	<b>452,875</b>		
<b>Less:</b>			
Goodwill & Intangibles	(52,620)		
<b>Total Common Equity Tier 1 capital after regulatory adjustments above</b>	<b>400,255</b>		
Instruments issued by parent company		165,942	-
Instruments issued by banking subsidiaries to third parties		5,066	22,401
Asset revaluation reserve - Property, plant, and equipment		-	22,683
General financing loss provisions		-	43,310
<b>Total Available AT1 &amp; T2 Capital</b>		<b>171,008</b>	<b>88,394</b>
<b>Total Tier 1</b>		<b>571,263</b>	
<b>Total Capital (PD 1.3.20 a)</b>			<b>659,657</b>

Table 3.2

	(BD '000s)		
	Risk Weighted Exposures		
	Credit	Operational	Market
Risk Weighted Exposures (self-financed)	1,598,719	243,278	2,164
Risk Weighted Exposures (URIA)	575,655	-	-
Aggregation of Risk Weighted Exposures*	1,415	881	-
<b>Risk Weighted Exposures after Aggregation</b>	<b>2,175,789</b>	<b>244,159</b>	<b>2,164</b>
<b>Total Risk Weighted Exposures</b>			<b>2,422,112</b>

	CET 1	T1	Total Capital
<b>% of Total Risk Weighted Exposures (CAR) (PD 1.3.20 a)</b>	<b>16.5%</b>	<b>23.6%</b>	<b>27.2%</b>
<b>Minimum Required by CBB Regulations under Basel III (before CCB)</b>	<b>6.5%</b>	<b>8.0%</b>	<b>10.0%</b>
<b>Capital Conservation Buffer (CCB)</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
<b>Higher Loss Absorbency (HLA)</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>
<b>Minimum Required by CBB Regulations under Basel III (after CCB and HLA)</b>	<b>10.5%</b>	<b>12.0%</b>	<b>14.0%</b>

#### (PD 1.3.20 b)

Capital Adequacy Ratio of the group's significant subsidiaries**	CET 1	T1	Total Capital
Al Salam Bank Algeria (S.P.A)*	10.8%	14.0%	15.0%

\* Calculated in accordance with the Capital Adequacy requirements issued by the foreign subsidiary's respective Central bank.

\*\*ASBS has not been considered as a significant subsidiary as the regulatory capital is less than 5% of the Group's consolidated capital base.

## 4 Capital Adequacy Ratios (CAR)

No impediments on the transfer of funds or reallocation of regulatory capital exist and the Group has adequate capital to support the current and future activities of the Group. (PD 1.3.6.c and PD 1.3.16)

### 4.1 Capital Management

Internal Capital Adequacy Assessment Process (ICAAP)

The Group's capital management aims to maintain an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always maintaining minimum regulatory ratio requirements and for Pillar II risks.

The key principles driving capital management include:

- Adequate capital is maintained as buffer for unexpected losses to protect stakeholders i.e. shareholders and depositors.
- Optimize risk adjusted return on capital and generate sustainable return above the cost of capital.

The adequacy of the Group's capital is monitored using, primarily, the rules and ratios established by the CBB. The primary objective of the Group's capital management is to ensure that it complies with externally imposed capital requirements. The Group complied in full with all externally imposed capital requirements during the year ended 31 December 2025.

## 5 Profile of Risk-Weighted Assets and Capital Charge

The Group has adopted the standardized approach for credit risk and market risk and the basic indicator approach for operational risk for regulatory reporting purposes. The Group's risk-weighted capital requirement for credit, market and operational risks are given below.

For capital adequacy computations, assets funded by self-financed are considered at the prescribed RWA and assets funded by Quasi-equity are considered at 30% of the prescribed RWA.

### 5.1 Credit Risk

#### A Definition of exposure classes per Standard Portfolio (PD 1.3.21 a)

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the Standard portfolio approach mentioned under the CBB's Basel III capital adequacy framework covering the standardized approach for credit risk.

The descriptions of the counterparty classes along with the risk weights to be used to derive the risk weighted assets are as follows:

##### a. Claims on sovereigns

These pertain to exposures to governments and their central banks. Claims on Bahrain and GCC sovereigns are risk weighted at 0%. Claims on all other sovereigns are given a risk weighting of 0% where such claims are denominated and funded in the relevant domestic currency of that sovereign. Claims on sovereigns, other than those mentioned above are risk weighted based on their credit ratings.

##### b. Claims on public sector entities (PSEs)

Bahrain PSEs are assigned 0% risk weight. Other sovereign PSE's, in the relevant domestic currency and for which the local regulator has assigned risk weight as 0%, are assigned 0% risk weight by the CBB. PSEs other than those mentioned above are risk weighted based on their credit ratings.

##### c. Claims on banks

Claims on banks are risk weighted based on the ratings assigned to them by external rating agencies, however, short term claims on locally incorporated banks may be assigned a risk weighting of 20% where such claims on the banks are of an original maturity of three months or less and the claims are denominated and funded in either Bahraini Dinars or US Dollars.

Preferential risk weights that are one category more favorable than the standard risk weighting are assigned to claims on foreign banks licensed in Bahrain of an original maturity of three months or less denominated and funded in the relevant domestic currency. Such preferential risk weights for short-term claims on banks licensed in other jurisdictions are allowed only if the relevant supervisor also allows this preferential risk weighting to short-term claims on its banks.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation. Significant investment in subordinated debt of banking, securities and financial entities are risk weighted at 250% and investments in excess of 15% of the Bank's CET1, then the excess amount will be deducted from the bank's capital.

##### d. Claims on corporate portfolio, including insurance companies

Claims on corporate portfolio including insurance companies are risk weighted based on credit ratings. Risk weightings for unrated corporate claims are assigned at 100%.

##### e. Claims on regulatory retail portfolio

Retail claims that are included in the regulatory retail portfolio are assigned risk weights of 75% (except for past due Islamic financing contracts), if it meets the criteria mentioned in the CBB's rule book.

##### f. Mortgages

Claims secured by mortgages on residential mortgage and commercial real estate are subject to a minimum of 35%, 75% and 100% risk weight respectively.

Residential mortgage exposures granted under the Social Housing Scheme of the Kingdom of Bahrain is assigned a risk weight of 25%.

##### g. Past due receivables (PD 1.3.22 a)

The unsecured portion of the account receivables and lease payment receivables (other than a qualifying residential mortgage financing contract) that is past due for more than 90 days, is risk-weighted as follows (net of specific provisions and including partial write-offs):

(a) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the facility.

(b) 100% risk weight when specific provisions are 20% or more of the outstanding amount of the facility.

##### h. Investment in securities and sukuk

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150%. Investments in sukuk are risk weighted based on respective counterparty's credit ratings.

##### i. Holding of real estate

All other holdings of real estate by banks (i.e. owned directly, subsidiaries or associate companies or other arrangements such as trusts, funds or REITs) are risk-weighted at 200%. Investment in listed real estate companies and investment in unlisted real estate companies are risk-weighted at 300% and 400% respectively. Premises occupied by the Group are weighted at 100%.

##### j. Other assets

These are risk weighted at 100%.

5 Profile of Risk-Weighted Assets and Capital Charge

5.1 Credit Risk (continued)

Table 5.1 Funded and Unfunded Exposures (PD-1.3.17)

(BD '000s)

Exposure type	Self Financed Gross Credit Exposure	CRM	Net Credit Exposure	Risk-Weighted Assets (RWA)	Minimum Capital Charge
Cash and balances with banks and central banks	553,545	-	553,545	83,790	11,731
Sovereign Sukuk	1,788,968	-	1,788,968	9,978	1,397
Placements with financial institutions	-	-	-	-	-
Corporate Sukuk	91,175	-	91,175	71,627	10,028
Murabaha financing	120,570	9,840	110,730	110,010	15,401
Mudaraba financing	117,832	8,817	109,015	115,922	16,229
Ijarah financing	218,950	48,718	170,232	167,822	23,495
Salam financing	153,608	9,640	143,968	147,188	20,606
Istisna financing	72,946	2,615	70,331	70,478	9,867
Musharaka	3,093	-	3,093	3,093	433
Non-trading investments	87,062	-	87,062	341,728	47,842
Investments in real estate	74,818	-	74,818	149,635	20,949
Investments in associates	3,721	-	3,721	9,304	1,303
Investment in Subsidiary	546	-	546	818	115
Other assets	61,348	-	61,348	64,855	9,080
Goodwill and other intangible assets*	142,941	-	142,941	71,471	10,006
<b>Total funded exposures</b>	<b>3,491,123</b>	<b>79,630</b>	<b>3,411,493</b>	<b>1,417,719</b>	<b>198,481</b>
Contingent Liabilities & Commitments	259,503	23,331	236,172	181,000	25,340
<b>Total unfunded exposures</b>	<b>259,503</b>	<b>23,331</b>	<b>236,172</b>	<b>181,000</b>	<b>25,340</b>
Aggregation of Risk Weighted Exposures for AlSalam Bank Seychelles Limited	-	-	-	1,415	198
<b>Total exposures</b>	<b>3,750,626</b>	<b>102,961</b>	<b>3,647,665</b>	<b>1,600,134</b>	<b>224,019</b>

\* Gross exposure excludes goodwill and other intangibles amounting to BD 52,620 thousand which is subject to deduction from regulatory capital.

Exposure Type	Funded by EAIH Gross Credit Exposure	CRM	Net Credit Exposure	Risk-Weighted Assets (RWA)*30%	Minimum Capital Charge
Cash and balances with banks and central banks	199,290	-	199,290	11,448	1,603
Placements with financial institutions	447,967	3,378	444,589	21,826	3,056
Murabaha financing	1,196,464	61,605	1,134,859	190,004	26,601
Mudaraba financing	585,573	125,601	459,972	76,766	10,747
Ijarah financing	1,395,644	284,030	1,111,614	159,456	22,324
Salam financing	118,316	6,589	111,727	33,518	4,693
Istisna financing	70,258	5,112	65,146	19,544	2,736
Musharaka	27,160	2,333	24,827	7,418	1,039
Credit Cards	25,106	-	25,106	4,890	685
Investment in an associate	241,469	-	241,469	36,220	5,071
Investment in Subsidiary	52,176	-	52,176	14,565	2,039
<b>Total funded exposures</b>	<b>4,359,423</b>	<b>488,648</b>	<b>3,870,775</b>	<b>575,655</b>	<b>80,592</b>
Contingent Liabilities & Commitments	-	-	-	-	-
<b>Total unfunded exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total exposures</b>	<b>4,359,423</b>	<b>488,648</b>	<b>3,870,775</b>	<b>575,655</b>	<b>80,592</b>

Note a: In accordance with the Public Disclosure requirements to disclose the regulatory capital requirements for credit risk under standardised approach, have been extracted from the workings prepared based on the Form PIRI submitted to the CBB by the Bank.

Note b: The gross credit exposure is arrived after considering the following:

- inclusion of unfunded exposure (after CCF); and

- Gross credit exposure is reflected as gross of stage 1 and 2 expected credit loss (ECL) and net of specific provision

Note c: The unfunded exposure before (CCF) as of 31 December 2025 is BD 653,569 thousand.

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.1 Credit Risk (continued)

Excessive risk concentration (PD 1.3.26 a)

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counterparty limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Following is the Gross credit exposure by Islamic financing contracts which represents the exposure on accounts receivable and lease payments receivable which are covered by eligible collateral: (PD 1.3.17) (PD 1.3.25 b, c)

Table 5.2 Gross Credit Exposures (PD 1.3.26 b)

Current Credit Exposure by Type of Islamic Financing Contracts	Gross Positive Fair Value (Net of specific provision)	Eligible Collaterals Held (after appropriate haircuts) *			Total
		Cash	Sovereign Sukuk	Real Estate	
Murabaha financing	1,317,034	95,778	16,308	-	112,086
Mudaraba financing	703,405	179,987	-	-	179,987
Ijarah financing	1,614,594	34,172	-	753,776	787,948
Salam financing	271,924	16,832	-	-	16,832
Istisna financing	143,204	7,858	-	-	7,858
Musharaka	30,253	2,333	-	-	2,333
Credit Cards	25,106	-	-	-	-
<b>Total</b>	<b>4,105,520</b>	<b>336,960</b>	<b>16,308</b>	<b>753,776</b>	<b>1,107,044</b>

\* The value of collateral eligible for credit risk mitigation as per the CA module under Volume 2 of the CBB rule book. In addition, the Bank also maintains collateral in the form of mortgage residential properties, corporate guarantees and other tangible assets, which could be invoked to claim the amount owed in the event of default.

Credit risk concentrations and thresholds

The first level of protection against undue credit risk is through country, industry and threshold limits, together with customer and customer bank credit limits, set by the Board. Credit exposure to individual customers or customer banks is then controlled through a tiered hierarchy of delegated approval authorities.

Single name concentrations are monitored on an individual basis. Under the CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's approval for any planned exposure to a single counterparty, or group of closely related counterparties exceeding regulatory thresholds prescribed in CBB rulebook.

The CBB has set a single exposure limit of 15% of the bank's total capital base on exposures to individuals and a combined exposure limit of 25% of the total capital base of closely-connected counterparties. The excess amount of any exposure above the mentioned thresholds must be risk-weighted at 800% unless it is an exempt exposure in accordance with the requirements in the CBB rulebook.

Exposures in excess of regulatory limits (PD 1.3.23 f)

As at 31 December 2025, the Group's exposures in excess of 15% of the obligor limits to individual counterparties, excluding Central Bank and exempt exposures by CBB were BHD Nil thousand.

Table 5.3 Gross Credit Exposures (PD 1.3.23 a)

Exposure Type	Self Financed	
	Gross Credit Exposure*	Average Gross Credit Exposure**
Cash and balances with banks and central banks	524,223	537,853
Placements with financial institutions	8,018	11,359
Investment in sukuk	1,934,154	1,803,490
Financing contracts	634,759	617,524
Non-trading investments	96,004	96,195
Takaful and related assets	29,748	33,756
Investments in real estate	76,283	87,693
Investments in associates	37,528	28,191
Other assets	94,167	108,406
Goodwill and other intangible assets	230,939	225,793
<b>Total funded exposures</b>	<b>3,665,823</b>	<b>3,550,260</b>
Contingent Liabilities & Commitments	653,569	786,870
<b>Total unfunded exposures</b>	<b>653,569</b>	<b>786,870</b>
<b>Total exposures</b>	<b>4,319,392</b>	<b>4,337,130</b>

  

Exposure Type	Funded by EAIH	
	Gross Credit Exposure*	Average Gross Credit Exposure **
Cash and balances with banks and central banks	251,510	212,886
Placements with financial institutions	448,616	466,935
Financing contracts	3,432,029	3,356,571
Non-trading investments	-	2,373
Investments in real estate	7,846	14,692
Investment in associates	241,472	235,179
Other assets	6,600	1,650
<b>Total funded exposures</b>	<b>4,388,073</b>	<b>4,290,286</b>
Contingent Liabilities & Commitments	-	-
<b>Total unfunded exposures</b>	<b>-</b>	<b>-</b>
<b>Total exposures</b>	<b>4,388,073</b>	<b>4,290,286</b>

\* Exposures are net of ECL

\*\* The Group has calculated the average gross credit exposures based on average quarterly balances

Risk mitigation, collateral and other credit enhancements (PD 1.3.26 a)

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash, lien on property and guarantees from directors, corporates and high net worth individuals and banks. As at 31 December 2025, the collaterals eligible for CRM (after applying regulatory haircuts) amounted to BD 1,110,437 thousand.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses with respect to financing facilities. The Bank also makes use of master netting agreements with counterparties where relevant. (PD 1.3.25 a)

The main types of guarantors include rated banks and other financial institutions, Corporates and Sovereigns some of which are rated by ECAI's along with personal guarantees of the Board of Directors of the borrower and other high net worth individuals.

The Group obtains additional collateral as and when the value of the collateral originally obtained is assessed at lower than the minimum acceptable Loan to Value (LTV) ratio of collateral. Also, where the customer is not in a position to provide additional collateral, the Group reviews the situation and a suitable decision is made on the exposure to the said customer.

The Group ensures that at the inception of the facility, third parties valuation of the tangible collaterals is obtained and performs an annual review of the facility whereby the revised collateral valuation is obtained from the Bank's approved valuers.

In case of default, the Group will work with the counterparty to discuss how the outstanding facility can be settled. As a last resort, the counterparty's assets will be used to settle the outstanding obligation.

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.1 Credit Risk (continued)

5.1.1 Geographical Distribution of Exposures

The exposures are allocated to individual geographic areas based on the country where the exposure risk specific to the facility exists. The Geographical distribution of exposures by exposure type (including financing contracts, non trading investments, investments in real estate, development property and investment in associates) and funded or unfunded by is as follows:

Table 5.4 (PD 1.3.23 b)

(BD '000s)

Exposure type	Self Financed						Total
	GCC Countries	Middle East and North Africa	Europe	Asia	America	Others	
Cash and balances with banks and central banks	83,230	138,699	38,130	37,644	220,325	6,195	524,223
Investment in sukuk	1,924,618	-	9,536	-	-	-	1,934,154
Placements with financial institutions	6,395	-	1,623	-	-	-	8,018
Murabaha financing	17,432	96,314	-	-	-	-	113,746
Mudaraba financing	14,426	74,612	-	-	-	41	89,079
Ijarah financing	66,745	135,332	-	-	-	-	202,077
Salam financing	-	146,413	-	-	-	-	146,413
Istisna financing	-	78,189	-	-	-	-	78,189
Musharaka	-	5,255	-	-	-	-	5,255
Non-trading investments	96,004	-	-	-	-	-	96,004
Takaful and related assets	29,748	-	-	-	-	-	29,748
Investments in real estate	76,283	-	-	-	-	-	76,283
Investments in associates	37,528	-	-	-	-	-	37,528
Other assets	63,329	30,838	-	-	-	-	94,167
Goodwill and other intangible assets	230,939	-	-	-	-	-	230,939
<b>Total funded exposures</b>	<b>2,646,677</b>	<b>705,652</b>	<b>49,289</b>	<b>37,644</b>	<b>220,325</b>	<b>6,236</b>	<b>3,665,823</b>
Contingent Liabilities & Commitments	318,250	334,555	-	-	764	-	653,569
<b>Total unfunded exposures</b>	<b>318,250</b>	<b>334,555</b>	<b>-</b>	<b>-</b>	<b>764</b>	<b>-</b>	<b>653,569</b>
<b>Total exposures</b>	<b>2,964,927</b>	<b>1,040,207</b>	<b>49,289</b>	<b>37,644</b>	<b>221,089</b>	<b>6,236</b>	<b>4,319,392</b>

Table 5.5 (PD 1.3.23 b)

(BD '000s)

Exposure type	Funded by EIAH						Total
	GCC Countries	Middle East and North Africa	Europe	Asia	America	Others	
Cash and balances with banks and central banks	195,062	8,072	48,376	-	-	-	251,510
Placements with financial institutions	434,881	3,378	8,243	-	-	2,114	448,616
Murabaha financing	1,088,650	85,497	8,560	-	-	687	1,183,394
Mudaraba financing	548,453	61,275	-	-	-	3,650	613,378
Ijarah financing	1,292,215	113,314	-	-	-	1,625	1,407,154
Salam financing	-	113,606	-	-	-	-	113,606
Istisna financing	-	65,014	-	-	-	-	65,014
Musharaka	20,974	4,027	-	-	-	79	25,080
Credit Cards	24,383	-	-	-	-	20	24,403
Investments in real estate	7,846	-	-	-	-	-	7,846
Investments in associates	241,472	-	-	-	-	-	241,472
Other assets	6,600	-	-	-	-	-	6,600
<b>Total funded exposures</b>	<b>3,860,536</b>	<b>454,183</b>	<b>65,179</b>	<b>-</b>	<b>-</b>	<b>8,175</b>	<b>4,388,073</b>
Contingent Liabilities & Commitments	-	-	-	-	-	-	-
<b>Total unfunded exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total exposures</b>	<b>3,860,536</b>	<b>454,183</b>	<b>65,179</b>	<b>-</b>	<b>-</b>	<b>8,175</b>	<b>4,388,073</b>

Table 5.6 The geographical distribution of exposures including impaired assets and the related impairment provisions (PD 1.3.23 i)

(BD '000s)

	Gross Financing Contracts - Past Due not impaired	12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)	Gross Impaired Financing Contracts	Life time ECL credit impaired (Stage 3)
GCC Countries	104,939	(4,784)	124,412	(25,804)
Middle east and North Africa	90,215	(2,344)	48,170	(22,727)
Others	7	-	49	(10)
<b>Total</b>	<b>195,161</b>	<b>(7,128)</b>	<b>172,631</b>	<b>(48,541)</b>

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry

Table 5.7 Exposure by type of credit exposure (PD 1.3.23 c)

Exposure Type	Self Financed						Total
	Trading and Manufacturing	Banks and Financial Institutions	Real Estate	Individuals	Government and Public Sector Entities	Others	
Cash and balances with banks and central banks	-	-	-	-	524,223	-	524,223
Investment in sukuk	-	111,110	-	-	1,823,044	-	1,934,154
Placements with financial institutions	-	8,018	-	-	-	-	8,018
Murabaha financing	76,450	-	3,957	22,783	-	10,556	113,746
Mudaraba financing	52,388	-	282	-	342	36,067	89,079
Ijarah financing	71,692	-	35,645	36,958	-	57,782	202,077
Salam financing	130,946	-	-	-	-	15,467	146,413
Istisna financing	64,338	-	-	-	-	13,851	78,189
Musharaka	4,268	-	-	-	-	987	5,255
Non-trading investments	-	-	96,004	-	-	-	96,004
Takaful and related assets	-	29,748	-	-	-	-	29,748
Investments in real estate	-	-	76,283	-	-	-	76,283
Investments in associates	-	37,528	-	-	-	-	37,528
Other assets	22,449	1,361	3,383	12,996	255	53,723	94,167
Goodwill and other intangible assets	-	230,939	-	-	-	-	230,939
<b>Total funded exposures</b>	<b>422,531</b>	<b>418,704</b>	<b>215,554</b>	<b>72,737</b>	<b>2,347,864</b>	<b>188,433</b>	<b>3,665,823</b>
Contingent Liabilities & Commitments	236,414	42,088	99,415	158,904	-	116,748	653,569
<b>Total unfunded exposures</b>	<b>236,414</b>	<b>42,088</b>	<b>99,415</b>	<b>158,904</b>	<b>-</b>	<b>116,748</b>	<b>653,569</b>
<b>Total exposures</b>	<b>658,945</b>	<b>460,792</b>	<b>314,969</b>	<b>231,641</b>	<b>2,347,864</b>	<b>305,181</b>	<b>4,319,392</b>

Table 5.8 Exposure by type of credit exposure (PD 1.3.23 c)

Exposure Type	Funded by EIAH						Total
	Trading and Manufacturing	Banks and Financial Institutions	Real Estate	Individuals	Government and Public Sector Entities	Others	
Cash and balances with banks and central banks	-	8,072	-	-	243,438	-	251,510
Placements with financial institutions	-	120,809	-	-	327,807	-	448,616
Murabaha financing	62,825	28,255	15,962	781,360	107,859	187,133	1,183,394
Mudaraba financing	55,524	-	20,475	206,950	87,888	242,541	613,378
Ijarah financing	68,508	26,708	80,573	924,349	43,216	263,800	1,407,154
Salam financing	102,243	-	-	-	-	11,363	113,606
Istisna financing	54,320	-	-	-	-	10,694	65,014
Musharaka	3,157	-	20,575	399	-	949	25,080
Credit Cards	-	-	-	24,383	-	20	24,403
Investments in real estate	-	-	7,846	-	-	-	7,846
Investments in associates	-	241,472	-	-	-	-	241,472
Other assets	-	-	6,600	-	-	-	6,600
<b>Total funded exposures</b>	<b>346,577</b>	<b>425,316</b>	<b>152,031</b>	<b>1,937,441</b>	<b>810,208</b>	<b>716,500</b>	<b>4,388,073</b>
Contingent Liabilities & Commitments	-	-	-	-	-	-	-
<b>Total unfunded exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total exposures</b>	<b>346,577</b>	<b>425,316</b>	<b>152,031</b>	<b>1,937,441</b>	<b>810,208</b>	<b>716,500</b>	<b>4,388,073</b>

Table 5.9 The exposure by industry including impaired assets and the related impairment is as follows: (PD 1.3.23 h)

	(BD '000s)			
	Gross Financing Contracts - Past Due not impaired	12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)	Gross Impaired Financing Contracts	Life time ECL credit impaired (Stage 3)
Trading and Manufacturing	88,291	(2,051)	57,389	(18,767)
Banks and Financial Institutions	-	-	1,796	(430)
Real Estate	39,066	(339)	68,854	(10,169)
Individuals	15,601	(847)	18,229	(7,078)
Government and public sector entities	20,809	-	-	-
Others	31,394	(3,891)	26,363	(12,097)
<b>Total</b>	<b>195,161</b>	<b>(7,128)</b>	<b>172,631</b>	<b>(48,541)</b>

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry (continued)

Table 5.10 Ageing Analysis (PD 1.3.24 b)

	Gross Impaired and Past Due Contracts			Expected Credit Losses (ECL) / Specific Provisions	Net Outstanding	Market Value of Collateral
	up to 1 Year	Over 1 year up to 3 years	Over 3 years			
Trading and Manufacturing	113,870	31,810	-	(20,818)	124,862	102,424
Banks and Financial Institutions	1,796	-	-	(430)	1,366	1,784
Real Estate	88,824	13,283	5,813	(10,508)	97,412	166,777
Individuals	28,152	4,460	1,218	(7,925)	25,905	28,731
Government and public sector entities	20,809	-	-	-	20,809	-
Others	40,506	17,251	-	(15,988)	41,770	48,113
<b>Total</b>	<b>293,957</b>	<b>66,804</b>	<b>7,031</b>	<b>(55,669)</b>	<b>312,124</b>	<b>347,829</b>

5.1.3 Movement In Net Allowance For Credit Losses / Impairment (PD 1.3.24 d)

Table 5.11 The balance of allowance for credit loss in the below table includes all financing, finance lease assets and off-balance sheet exposures:

	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	POCI	Total ECL
<b>Balance at the beginning of the year</b>	<b>26,133</b>	<b>15,088</b>	<b>34,300</b>	-	<b>75,521</b>
- transferred to Stage 1: 12 month ECL	2,456	(1,084)	(1,372)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	(613)	2,198	(1,585)	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(313)	(6,268)	6,581	-	-
Net remeasurement of loss allowance	10,524	3,177	29,850	(7,893)	35,658
<b>Allowance for credit losses</b>	<b>12,054</b>	<b>(1,977)</b>	<b>33,474</b>	<b>(7,893)</b>	<b>35,658</b>
Exchange adjustments and other movements	-	-	(1,947)	7,893	5,946
Exposures written off during the period	-	-	(14,831)	-	(14,831)
<b>Balance at the end of the year</b>	<b>38,187</b>	<b>13,111</b>	<b>50,996</b>	-	<b>102,294</b>

5.1.4 Exposure by External Credit Rating

The Group uses public information provided by external rating agencies (accredited External Credit Assessment Institutions – ECAI) such as Standard & Poor's. The lowest of the ratings based on information available to the public is used as an input in computing rated exposures. (PD 1.3.22 c, d, e)

Exposure Type	Gross Credit Exposure*	Rated Exposure	Unrated Exposure
Cash	59,197	-	59,197
Claims on sovereigns	2,415,409	12,943	2,402,466
Claims on PSEs	2,900	-	2,900
Claims on banks	599,239	519,953	79,286
Claims on corporate portfolio	2,084,591	-	2,084,591
Regulatory retail portfolio	484,637	-	484,637
Mortgages	1,441,490	-	1,441,490
Past due receivables over 90 days	124,090	-	124,090
Investments in Securities and Sukuk	334,973	-	334,973
Holding of Real Estate	181,206	-	181,206
Other assets and Specialized financing	382,317	-	382,317
<b>Total</b>	<b>8,110,049</b>	<b>532,896</b>	<b>7,577,153</b>

\* Gross credit exposure above have been extracted from the workings prepared based on the Form PIRI submitted to the CBB by the Bank.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio through the internal risk rating system. As such, the Group uses internal risk ratings that are supported by a variety of financial analytics, combined with processed market information, to provide main inputs for measurement of counterparty credit risk. All internal ratings are tailored to various categories and are derived in accordance with the Group's credit policy and are assessed and updated on a regular basis. (PD 1.3.22 e)

Note a: In accordance with the Public Disclosure requirements to disclose the regulatory capital requirements for credit risk under standardised approach, the above amounts have been extracted from the workings prepared based on the Form PIRI submitted to the CBB by the Bank.

Note b: The gross credit exposure is arrived at after considering the following:

- inclusion of unfunded exposure (after CCF);
- Gross credit exposure is reflected as gross of stage 1 and 2 expected credit loss (ECL) and net of specific provision

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.1 Credit Risk (continued)

5.1.5 Maturity Analysis of Exposures

The table below summarizes the notional principal amounts and the relative exposure before applying credit risk mitigation:

**Table 5.13** (BD '000s)

	Notional Principal	Credit Exposure *
Contingent liabilities on behalf of customers	339,396	172,481
Irrevocable unutilised commitments	314,173	87,022
<b>Total</b>	<b>653,569</b>	<b>259,503</b>

\* Credit exposure is after applying CCF.

**Table 5.14** Contractual maturity analysis by major type of credit exposure - Funded (PD 1.3.23 g) (PD 1.3.24 a) (PD 1.3.38)

(BD '000s)

Exposure Type	Up to 3 months	3 months to 1 year	Total within 12 months	1 – 5 years	5 - 10 years	10 - 20 years	Over 20 years	Total Over 12 months	Total
Cash and balances with banks and central banks	775,733	-	775,733	-	-	-	-	-	775,733
Investment in sukuk	45,616	142,358	187,974	321,704	1,096,019	163,665	164,792	1,746,180	1,934,154
Placements with financial institutions	448,853	6,307	455,160	1,474	-	-	-	1,474	456,634
Financing contracts	869,775	1,077,354	1,947,129	1,112,382	95,287	580,048	331,942	2,119,659	4,066,788
Non-trading investments	-	-	-	-	-	-	96,004	96,004	96,004
Takaful and related assets	-	29,748	29,748	-	-	-	-	-	29,748
Investments in real estate	-	-	-	-	-	-	84,129	84,129	84,129
Investments in associates	-	-	-	-	-	-	279,000	279,000	279,000
Other assets	6,284	11,519	17,803	24,166	48,970	83	9,745	82,964	100,767
Goodwill and other intangible assets	-	-	-	-	-	-	230,939	230,939	230,939
<b>Total</b>	<b>2,146,261</b>	<b>1,267,286</b>	<b>3,413,547</b>	<b>1,459,726</b>	<b>1,240,276</b>	<b>743,796</b>	<b>1,196,551</b>	<b>4,640,349</b>	<b>8,053,896</b>

**Table 5.14 (a)** Contractual maturity analysis by major type of credit exposure - Unfunded

(BD '000s)

Exposure Type	Up to 3 months	3 months to 1 year	Total within 12 months	1 – 5 years	5 - 10 years	10 - 20 years	Over 20 years	Total Over 12 months	Total
Unutilised commitments	126,908	106,615	233,523	41,287	32,018	7,345	-	80,650	314,173
Contingent liabilities	75,612	119,047	194,659	91,180	53,359	186	12	144,737	339,396
<b>Total</b>	<b>202,520</b>	<b>225,662</b>	<b>428,182</b>	<b>132,467</b>	<b>85,377</b>	<b>7,531</b>	<b>12</b>	<b>225,387</b>	<b>653,569</b>

The above contractual maturity analysis is based on consolidated statement of financial position classification.

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.1 Credit Risk (continued)

5.1.5 Maturity Analysis of Exposures (continued)

Table 5.15 Contractual maturity analysis by major type of funding (PD 1.3.38)

Exposure Type	(BD '000s)								
	Up to 3 months	3 months to 1 year	Total within 12 months	1 – 5 years	5 - 10 years	10 - 20 years	Over 20 years	Total Over 12 months	Total
Placements from financial institutions and individuals	62,602	54,984	117,586	-	-	-	-	-	117,586
Customers' current accounts	1,486,337	-	1,486,337	-	-	-	-	-	1,486,337
Murabaha term financing	603,765	443,092	1,046,857	-	29,497	-	-	29,497	1,076,354
Takaful and related liabilities	-	93,460	93,460	-	-	-	-	-	93,460
Other liabilities	88,466	19,825	108,291	3,835	30,240	-	-	34,075	142,366
Quasi-equity	2,279,734	1,241,744	3,521,478	295,795	570,787	13	-	866,595	4,388,073
<b>Total</b>	<b>4,520,904</b>	<b>1,853,105</b>	<b>6,374,009</b>	<b>299,630</b>	<b>630,524</b>	<b>13</b>	<b>-</b>	<b>930,167</b>	<b>7,304,176</b>

5.2 Market Risk

Market risk arises from fluctuations in market prices on financial instruments and foreign exchange rates that could have an indirect effect on the Group's assets value and equity prices. The Board of Directors has set limits on the risk that may be accepted. This is monitored on a regular basis by the Group's Asset and Liability Committee. (PD 1.3.27 a, b)

Table 5.16 The Group's capital charge in respect of market risk in accordance with the standardized methodology is as follows:

	(BD '000s)				
	Risk Weighted Asset	Capital Requirement	Year end Capital Charge	Capital Requirement –Minimum*	Capital Requirement –Maximum*
Foreign exchange risk	2,164	303	173	303	1,389
<b>Total market risk</b>	<b>2,164</b>	<b>303</b>	<b>173</b>	<b>303</b>	<b>1,389</b>

\* The information in these columns shows the minimum and maximum capital charge of each of the market risk categories on a quarterly basis during the year ended 31 December 2025.

The Group maintains a conservative market risk exposure that is focused on the foreign exchange risk coming from the Group's banking book positions. The open positions were taken in order of running the Group's day to day operations that include funding for the Group's investment portfolio. The Group monitors and manages these open positions on a daily basis. (PD 1.3.21 b) (PD 1.3.27 a)

5.3 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or systems, or from external events. Operational risk is inherent in all business activities and can never be eliminated entirely; however shareholder value can be preserved and enhanced by managing, mitigating and, in some cases, insuring against operational risk. To achieve this goal, the Group has developed an operational risk framework which encompasses identification, measurement, management and monitoring of risk through risk control and mitigation. A variety of underlying processes are being deployed across the Group including risk and control self assessments, Key Risk Indicators (KRI), event management, new product review and approval processes and business contingency plans. (PD 1.3.21 c)

The Group's policy and procedures dictates that the operational functions of booking, recording and monitoring of transactions are carried out by staff that are independent of the individuals initiating the transactions. Each business line including Operations, Information Technology, Human Resources, Legal, Compliance and Financial Control is further responsible for employing the aforementioned framework processes and control programs to manage its operational risk within the guidelines established by the policy, and to develop internal procedures that comply with these policies. To ensure that all operational risks to which the Group is exposed to are adequately managed, support functions are also involved in the identification, measurement, management, monitoring and control/mitigation of operational risk, as appropriate. (PD 1.3.28) (PD 1.3.29)

Consistent with the fundamental principle of ownership, the relevant business units are accountable and responsible for managing the operational risks relevant to their respective businesses. Consequently, business and support units have documented procedures and controls in place along with departmental instruction manuals. Procedures are reviewed by the respective business or support unit and approved at the management level. (PD 1.3.28) (PD 1.3.29)

The Group has a well established Business Continuity Policy and Disaster Recovery Program, and has documented updated procedures covering all activities necessary for business continuity in case of a business disrupting event. Internal Audit also provides an independent assessment to evaluate the program's effectiveness.

5 Profile of Risk-Weighted Assets and Capital Charge (continued)

5.3 Operational Risk (continued)

(PD 1.3.19) (PD 1.3.30 a, b)

In accordance with the basic indicator approach methodology of Basel III, the total consolidated minimum capital charge in respect of operational risk was BD 34,182 thousand. This capital charge was computed by multiplying the bank's average gross income for the last three financial years by a predefined beta factor and adding the aggregation of operational risk weighted exposures of ASB Seychelles amounting to BD 881 thousand.

Table 5.17 (BD '000s)

	Dec-2025
Average gross income	129,748
Risk weighted exposures	243,278
Minimum capital charge	34,059

The Group uses the Temenos T24 core system developed by Globus, for obtaining the data needed for analysis of events and data related to credit, market and operational risk assessment. The Bank uses a dedicated system namely 'Risk Nucleus' system developed by BenchMatrix for effective operational risk management.

Non-Shari'a compliant income from non-sharia compliant sources for the period ended 31 December 2025 amounted to BD 237 thousand. No Sharia violations were identified during the year ended 31 December 2025. (PD 1.3.30 b.ii)

## 5 Profile of Risk-Weighted Assets and Capital Charge (continued)

## 5.4 Rate of Return Risk (PD 1.3.39)

Rate of return risk arises from the possibility that changes in return rates will affect future profitability or the fair values of financial instruments. The Group is exposed to rate of return risk as a result of mismatches of return rate repricing of assets and liabilities. In addition, rate of return risk can also affect the Group through market wide rate changes that are brought on by changes in the economy. The effect of the market rates is reflected and can be seen in the Group's pricing of contracts as they carry competitive pricing that follows the market. When risks are high, the market tends to place a higher rate of return to maintain the risk/return profile. Accordingly, the market reduces the rate of return when it identifies a decrease in the market wide risk that would be reflected by banks decreasing their rate of return pricing.

The Group's cautious asset liability strategy avoids funding long term lending facilities from short term borrowings. The Group has set limits for profit return risk and these are monitored on an ongoing basis by the Group's Asset and Liability Committee (ALCO).

The below tables provide the asset and liability re-pricing profile on the contractual repricing or maturity dates, whichever is earlier for the year ended 31 December 2025. (PD 1.3.27 c) (PD 1.3.40)

Assets	Total	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 2 years	>2 to 3 years	>3 years	Profit insensitive
Cash and balances with banks and central Bank	775,733	-	-	-	-	-	-	-	775,733
Placements with financial institutions	456,634	438,102	10,751	-	6,266	1,515	-	-	-
Investment in sukuk	1,934,154	16,648	28,967	15,306	127,053	222,935	68,302	1,454,943	-
Financing contracts	4,066,788	206,534	679,628	480,655	568,681	330,407	320,450	1,456,031	24,402
Non-trading investments	96,004	-	-	-	-	-	-	-	96,004
Takaful and related assets	29,748	-	-	-	-	-	-	-	29,748
Investments in real estate	84,129	-	-	-	-	-	-	-	84,129
Investments in associates	279,000	-	-	-	-	-	-	-	279,000
Other assets	100,767	-	-	-	-	-	-	-	100,767
Goodwill and other intangible assets	230,939	-	-	-	-	-	-	-	230,939
<b>TOTAL ASSETS (A)</b>	<b>8,053,896</b>	<b>661,284</b>	<b>719,346</b>	<b>495,961</b>	<b>702,000</b>	<b>554,857</b>	<b>388,752</b>	<b>2,910,974</b>	<b>1,620,722</b>
<b>Liabilities</b>	<b>Total</b>	<b>Up to 1 month</b>	<b>&gt;1 to 3 months</b>	<b>&gt;3 to 6 months</b>	<b>&gt;6 to 12 months</b>	<b>&gt;1 to 2 years</b>	<b>&gt;2 to 3 years</b>	<b>&gt;3 years</b>	<b>Profit insensitive</b>
Placements from financial institutions and individuals	117,586	15,537	38,665	42,221	13,513	750	750	6,150	-
Murabaha term financing	1,076,354	210,158	393,607	363,576	79,516	20,346	-	9,151	-
Customers' current accounts	1,486,337	-	-	-	-	-	-	-	1,486,337
Takaful and related liabilities	93,460	-	-	-	-	-	-	-	93,460
Other liabilities	142,366	-	-	-	-	-	-	-	142,366
Quasi-equity	4,388,073	2,014,654	857,246	573,058	714,581	160,907	21,206	46,421	-
<b>TOTAL LIABILITIES</b>	<b>7,304,176</b>	<b>2,240,349</b>	<b>1,289,518</b>	<b>978,855</b>	<b>807,610</b>	<b>182,003</b>	<b>21,956</b>	<b>61,722</b>	<b>1,722,163</b>
<b>TOTAL OWNERS' EQUITY</b>	<b>749,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>749,720</b>
<b>TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY</b>	<b>8,053,896</b>	<b>2,240,349</b>	<b>1,289,518</b>	<b>978,855</b>	<b>807,610</b>	<b>182,003</b>	<b>21,956</b>	<b>61,722</b>	<b>2,471,883</b>
<b>Off-Balance Sheet Liabilities</b>	<b>653,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>653,569</b>
<b>Total liabilities, Quasi-equity and owners' equity with Off-Balance Sheet Items (B)</b>	<b>8,707,465</b>	<b>2,240,349</b>	<b>1,289,518</b>	<b>978,855</b>	<b>807,610</b>	<b>182,003</b>	<b>21,956</b>	<b>61,722</b>	<b>3,125,452</b>
<b>Gap (A - B)</b>		<b>(1,579,065)</b>	<b>(570,172)</b>	<b>(482,894)</b>	<b>(105,610)</b>	<b>372,854</b>	<b>366,796</b>	<b>2,849,252</b>	
<b>Cumulative Gap</b>		<b>(1,579,065)</b>	<b>(2,149,237)</b>	<b>(2,632,131)</b>	<b>(2,737,741)</b>	<b>(2,364,887)</b>	<b>(1,998,091)</b>	<b>851,161</b>	

Table 5.18 (a)

(BD '000s)

Profit rate risk in the Banking Book	
200bp Profit Rate Shocks	
Upward rate shocks on net profit	1,485
Downward rate shocks on net profit	(1,485)
Impact on Economic Value of Equity	5.0%

**5.5 Equity Position Risk****(PD 1.3.21 d) (PD 1.3.31)**

Equity position risk arises from the possibility of changes in the price of equities or equity indices and the corresponding effect they will have on future profitability or the fair values of financial instruments. The Group is exposed to equity risk in the non-trading position and investment portfolio primarily in its core international and GCC markets.

Equity risk in the banking book is effectively managed by the active involvement of the Executive and Investment committees; adhering to the policies and procedures in place; involvement of competent professionals; adequate internal control environment and independent internal audit department.

**Executive Committee and Credit and Investment Committee Oversight**

The Board of Director's involvement begins with the approval of the Investment Policy which essentially determines the following: aggregate portfolio parameters, asset class restrictions, approval authorities, risk tolerance, maturity considerations, exit strategy and governance issues.

The Executive Committee has delegated authority within the overall Board authority. It provides direction to the Executive Management on all business matters and assumes the role of the Board to address matters arising between Board meetings. The Committee is responsible for business matters concerning credit risk, strategy review and recommendations to the Board. The Credit and Investment Committee reviews and approves all transactions related to corporate and real estate investments, as well as monitoring their performance on an ongoing basis. In addition, the Committee is responsible to oversee the performance of the fund managers and recommend exit strategies to maximize return to its investors.

**Internal Controls**

With regard to internal controls, the investment activity is subject to the same rigorous checks and balances in place for the commercial banking activity. Adequacy of internal controls is ensured by the recruitment of adequate qualified professionals, proper definition and communication of departmental and personnel roles, segregation of responsibilities of origination and implementation, independent reporting by the Financial Controls Department, periodic internal audit of the existence and implementation of processes and controls. All recommendations of the Strategy and Investment Department (S&I) are documented in the form of Investment Portfolio Reports and Investment Memorandums and are subject to independent review by the Credit and Investment Committee. Responsibility for all deployments and receipt of redemption proceeds vests with the S&I. The S&I ensures transparency in valuation by sourcing pricing from the available sources and using conservative valuation principles in accordance with international accounting standards. In addition, the S&I operates as an independent department responsible for due diligence of investments and specializes in sourcing deals and performing the initial analysis. Moreover, the Investment Administration Department will perform the investment management duties of monitoring the investments and preparing performance reports along with other required documentation. This set-up helps streamline processes as each unit focuses on specific set of duties at the same time having independence controls.

**Table 5.19** Equity positions in the Banking Book

	(BD '000s)		(BD '000s)			
		Gross Credit Exposure	Asset Categories for Credit Risk	Gross Credit Exposure	Risk-Weighted Assets (RWA)	Minimum Capital Charge
Quoted Equities		9,148	Equity Investments - Unlisted	1,662	2,493	349
Unquoted Equities		86,856	Investments in unrated funds - Unlisted	302	453	63
Investment in associates - equity accounted		279,000	Significant investment in the common shares of financial entities >10%	282,390	51,103	7,154
Net realized gain/ (loss) during the year		549	Investment in listed real estate companies	2,101	6,303	882
Net unrealized gain/ (loss) during the year		759	Investment in unlisted real estate companies	83,838	335,352	46,949

The Group's equity positions strategy consists of investments that are expected to bring in capital gains or for strategic reasons. The strategy has been drafted after considering the Board's risk appetite and the Board's approved liquidity, market risk and capital management policies. In line with the Board's approved policies, the investment strategy is conservative in the sense that it avoids investments with high volatility returns.

**5.6 Displaced Commercial Risk****(PD 1.3.41 a) (PD 1.3.21 f) (PD 1.3.32 i)**

The Group is exposed to displaced commercial risk in the event of having Equity of Investment Accounts (EOIA) profit rates that are lower than market rates, thus putting the Group in risk of paying EOIA holders from shareholders funds to cover the profit volatility risk. ASB has mitigated this risk through regular monitoring of liquidity gaps, deposit rates and concentrations in terms of the funding requirements by the Asset Liability Committee (ALCO). The ALCO reviews and monitors peer review analysis which includes average deposit rates paid by its peers in order to realign the deposit rates with the current market.

**5.7 Liquidity Risk****(PD 1.3.36) (PD 1.3.37)**

The Group monitors in an active manner its liquidity profile through analysis of the liquidity gap across specific timeframes in order to maintain the net asset liability position that is within the Board's risk appetite. The maintenance of the net asset liability position is done through the monitoring of the Group's liquidity indicators through which the Group's liquidity profile can be assessed. In addition, the Group further mitigates its liquidity risk by establishing multiple funding sources to decrease its correlation to an individual funding counterparty and concentration. The multiple funding lines can be used to offset any shortage resulting from the Group's obligations and/or to settle any shortage from each of the current accounts and Equity of investment accounts. The liquidity coverage ratio as of 31 December 2025 was 377.76%.

## 6 QUASI-EQUITY (Equity of Investment Accountholders "EIAH")

## (PD 1.3.32)

Equity of investment accountholders' fund is commingled with Group's fund to form one general pool. This pooled fund is used to fund and invest in banking assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Group does not allocate non-performing assets to EIAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to EIAH accountholders. Only the profits earned on pool of assets funded from EIAH and owners' equity are allocated between the owners' equity and IAH. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to investment accountholders and 85% is retained by the Group as Mudarib share. The Group did not charge any administration expenses to investment accounts.

The funds are invested and managed in accordance with Shari'a principles. (PD 1.3.32 b)

According to the terms of acceptance of the unrestricted investment accounts, 100% of the funds are invested. In order to avoid excessive risk concentration the Group invests the commingled funds in such a way so as to comply with the CBB's large exposures limits. All Equity of investment accounts are classified as Mudarabas where fees are deducted before profit allocation, as there is no limit against their withdrawal. It should however be noted that Mudaraba account fees are subject to being partially or totally waived in order to match investment account holder market returns. (PD 1.3.32 c, j, k)

The Risk weighted assets of the Group include the contribution from EIAH which are subject to the 30% risk weight.

The EIAH and other customers can use the Group's relationship managers for any advice, mediation services, grievances and complaints. (PD 1.3.32 f, g)

There is no variation between Mudarib agreed sharing and contractual agreed ratio. Profit earned and paid and rate of return comparatives for the Equity of investment account holders for the year ended 31 December 2025 and years ended 2024, 2023, 2022, 2021 and 2020 are as follows: (PD 1.3.33) (PD 1.3.41)

	(BD '000s)					
	Dec-2025	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020
Profit earned on the assets funded by EIAH (net of impairment)	246,501	241,146	176,689	110,403	68,425	60,186
Profit paid for EIAH	145,046	154,516	100,087	47,991	35,977	29,335
<b>Balance of:</b>						
PER	-	-	-	-	-	-
IRR	-	-	-	-	-	-
Annual Rate of Return Benchmark	3%	3%	3%	3%	3%	3%
Annual Rate of Return (EIAH) - Profit earned*	5.6%	5.9%	6.3%	4.7%	4.2%	4.9%
Annual Rate of Return (EIAH) - Profit paid*	3.3%	3.8%	3.6%	2.1%	2.2%	2.4%
PER Amount	-	-	-	-	-	-
PER %	-	-	-	-	-	-
IRR Amount	-	-	-	-	-	-
IRR %	-	-	-	-	-	-
<b>Reconciliation</b>						
Profit Earned	246,501	241,146	176,689	110,403	68,425	60,186
Mudarib fees and Wakala incentive	(101,455)	(86,630)	(76,602)	(62,412)	(32,448)	(30,851)
<b>Profit credited to EIAH accounts</b>	<b>145,046</b>	<b>154,516</b>	<b>100,087</b>	<b>47,991</b>	<b>35,977</b>	<b>29,335</b>
Mudarib fee as a percentage of total investment profit	41%	36%	43%	57%	47%	51%
EIAH Balance	4,388,073	4,064,061	2,804,385	2,332,473	1,624,177	1,225,380
RWA as per PIRI Forms	575,655	564,384	387,890	343,730	203,389	170,292

\* Based on closing balance

Table 6.2

	Dec-2025	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020
Rate of Return	3.3%	3.8%	3.6%	2.1%	2.2%	2.4%
Return on average EIAH assets (ROAA)	5.8%	7.0%	6.9%	5.6%	4.8%	5.5%
Return on average equity (Total Owner's Equity) (ROAE)	59.9%	69.1%	55.2%	36.8%	23.7%	20.9%

6 Equity of Investment Accountholders (continued)

Table 6.3 Equity of investment accountholders by Counterparty Type and Islamic Product (PD 1.3.33 h, i)

Total assets (net of ECL) - Breakdown by EIAH & Self financed					(BD '000s)
	Total Exposures	Funded by EIAH	Self Financed	% of EIAH to Total	
Sovereign	3,158,072	810,208	2,347,864	26%	
Financial Institutions	844,020	425,316	418,704	50%	
Corporate	2,041,626	1,215,108	826,518	60%	
Retail	2,010,178	1,937,441	72,737	96%	
<b>Total</b>	<b>8,053,896</b>	<b>4,388,073</b>	<b>3,665,823</b>	<b>54%</b>	

Table 6.4 The changes in asset allocation are as follows: (PD 1.3.32 d)

	(BD '000s)															
	Cash and balances with banks and central banks		Placements with financial institutions		Investments in associate		Investments in real estate		Non-trading investments		Financing Contracts		Other assets			
	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed		
Asset Allocation as on 31 December 2025	251,510	524,223	448,616	8,018	241,472	37,528	7,846	76,283	-	96,004	3,432,029	634,759	6,600	94,167		
Asset Allocation as on 31 December 2024	118,056	515,555	468,356	8,094	234,893	20,115	17,242	112,053	8,268	89,676	3,184,025	477,645	3,184,025	477,645		
Asset Allocation as on 31 December 2023	-	537,874	238,609	54,971	227,790	3,694	-	-	-	-	2,324,873	351,587	2,324,873	351,587		
Asset Allocation as on 31 December 2022	133,200	234,547	113,096	-	217,509	36,497	-	-	-	-	1,851,285	135,180	1,851,285	135,180		
Asset Allocation as on 31 December 2021	189,403	119,746	133,860	-	-	-	-	-	-	-	1,285,880	78,572	1,285,880	78,572		
Asset Allocation as on 31 December 2020	107,134	181,132	37,965	-	-	-	-	-	-	-	1,067,567	216,245	1,067,567	216,245		

There are no off-balance sheet exposures arising from investment decisions attributable to the EIAH.

**7 Restricted Investment Accounts (“RIA”) (PD-1.3.35)**

Under RIA, the IAH has authorized the Bank to invest the funds on the basis of Mudaraba contract for investments, but imposes certain restrictions as to where, how and for what purpose these funds are to be invested. Further, the Bank may be restricted from commingling its own funds with the RIA funds for this purposes of investment. In addition, there may be other restrictions which IAHs may impose. RIA funds are invested and managed in accordance with Shari’a requirements. The funds are managed by the Bank under a fiduciary capacity as per the instructions of the RIA holders and accordingly the Bank is not liable to make good any losses occurred due to normal commercial reasons.

The Bank has developed a policy, approved by the Board, which details the manner in which the RIA funds are deployed and the way the profits are calculated for the RIA.

The Bank as fund manager (mudarib) carries out its fiduciary duties and administers the scheme in a proper, diligent and efficient manner, in accordance with the Shari’a principles and applicable laws and relevant rules and guidelines issued by the CBB.

The Bank has appropriate procedures and controls in place which commensurate with the size of its portfolio which includes:

- a) Organising its internal affairs in a responsible manner, ensuring it has appropriate internal controls and management systems and procedures and controls designed to mitigate and manage risk;
- b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its RIA investors;  
and
- c) Ensuring that the Bank has the requisite level of knowledge and experience for the tasks that are undertaken and is competent for the work undertaken.

RIA products are made available to the customers through Wealth Management department. Detailed product information and risks about various RIA products is available in the respective information pack for the investors to make informed decisions. Such disclosure includes the disclosure on participation risks, default risks, investment risks and exchange rate risks.

	(BD '000s)	
	Dec-2025	Dec-2024
<b>(PD-1.3.35 (a) &amp; (b))</b>		
Return to RIA holders	460	7,615
Total RIA	7,990	12,495
Average RIA funds during the period (PD-1.3.33 (a))	10,243	90,505
<b>Average declared rate of return ((PD-1.3.33 (g))</b>		
12-Month	7.8%	6.7%
24-Month	-	7.0%
<b>(PD-1.3.33 (l) (m) (n) &amp; (o))</b>		
RIA Return Before Mudarib share	603	8,969
Mudarib’s share	(143)	(1,354)
<b>RIA Return after Mudarib share</b>	<b>460</b>	<b>7,615</b>
Mudarib share as a percentage of total RIA investment profit (PD-1.3.33 (f))	23.7%	15.1%
<b>Share of Islamic Financing Contracts in Total RIA Financing (PD-1.3.33 (h) and (PD-1.3.33 (v))</b>		
RIA Balance	7,990	12,495
Murabaha Financing	7,990	12,495
Share of Islamic Financing Contracts in Total RIA Financing	100%	100%
RWA as per PIRI Forms	-	-
<b>(PD-1.3.33 (w), (d) and 1.3.35(a),(b))</b>	<b>Dec-2025</b>	<b>Dec-2024</b>
Profit Earned	603	8,969
Profit Paid	460	7,615
Profit Paid as a Percentage of average RIA Funds	4.5%	6.4%
Return on average RIA assets	5.9%	7.8%

Profit earned and profit paid in the above table relates to the year ended 31 December 2025, whereas the rate of profit earned and profit paid are based on average balances of assets funded by RIA and balances maintained in RIA accounts throughout the year, respectively. Hence these rates may not match with the declared or expected rates disclosed in above table

	(BD '000s)	
<b>Counterparty Type Contracts Financed by RIA to Total RIA (PD-1.3.33 (i)), (PD-1.3.38)</b>		
RIA claims on corporate	7,990	
Percentage of Counterparty type contracts to Total Financing	100%	
<b>Maturity analysis</b>	<b>Amount</b>	
Next Day	-	
2 to 8 days	-	
8 days to 1 month	-	
1 to 3 months	1,500	
3 to 6 months	1,500	
6 months to 1 Year	4,990	
1 year to 3 years	-	
Above 3 years	-	

**8 Other Disclosures**

**8.1 Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored on a daily basis by the Market Risk department and on a periodic basis by the Audit and Risk Committee as well as ALCO to ensure positions are maintained within established limits. Substantial portion of the Group's assets and liabilities are denominated in Bahraini Dinars, US Dollars or Saudi Riyals. As the Bahraini Dinar and Saudi Riyals are pegged to the US Dollars, positions in these currencies are not considered to represent significant currency risk as of 31 December 2025.

The Group has an investment in a foreign banking subsidiary wherein the transactions are denominated in US Dollars (USD) and since the BHD is pegged to USD there is no foreign exchange translation effect on the investment. The group also has an investment in subsidiary denominated in Algerian Dinar. The impact of foreign currency translation is included under Foreign Currency Translation Reserve (FCTR) in equity. (PD 1.3.42)

The foreign currency translations are used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries: The foreign currency translation reserve credit balance is BHD 3,020 thousand.

**8.2 Related Party Transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Senior Management. For further details refer Note 30 titled Related Party Transactions in the consolidated financial statements for the year ended 31 December 2025. The intra-group and related party transactions are made at agreed commercial terms and are approved by the board. (PD 1.3.10 e) (PD 1.3.23 d)

**8.3 Restructured Facilities**

As at 31 December 2025, the balance of the restructured financing facilities to individuals and corporate was BD 59,563 thousand. In general, facilities are renegotiated to optimize a facility's credit profile with respect to its recoverability. This can involve changing any of the profit rate, tenure or security package. Previous restructuring of any facilities to individual and corporate customers did not have any significant impact on present and future earnings. (PD 1.3.23 j)

**8.4 Assets Sold Under Recourse Agreements**

The Group has not entered into any recourse agreement during the year ended 31 December 2025. (PD 1.3.23 k)

**8.5 Legal Risk and Claims**

As at 31 December 2025, legal suits amounting to BD 293 thousand (< Year 2024: BD 6,552 thousand) were pending against the Group. Based on the opinion of the Group's legal counsel, the total estimated liability arising from these cases is not considered to be material to the Group's consolidated financial position as the Group has also filed counter cases against these parties. (PD 1.3.30 c)

**8.6 Deposit Protection Scheme**

Certain customers' deposits of the Group are covered by deposit protection schemes established by the Central Bank of Bahrain (CBB). Customers' deposits held with the Bank in the Kingdom of Bahrain are covered by the Regulation Protecting Deposits and Equity of unrestricted investment accounts issued by the CBB in accordance with Resolution No.(34) of 2010. This scheme covers eligible 'natural persons' (individuals) up to a maximum of BD 20,000 as set out by CBB requirements. A periodic contribution as mandated by the CBB is paid by the Group under this scheme. (PD 4.4.2)

**8.7 Exposure to highly-leveraged and other high-risk counterparties**

The bank has no exposure to highly-leveraged and other high-risk counterparties as per the definition provided in the CBB rulebook (PD 1.3.23 e) (PD 1.3.24 e)

**8.8 CBB Penalties (PD 1.3.44)**

During the year an amount of BD Nil was paid as penalty to the Central Bank of Bahrain (CBB) for failure to comply with CBB requirements.

Appendix I - 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
<b>Balance sheet as per published financial statements</b>	<b>8,053,896</b>
Collective provision impairment	51,298
Less: Provision related to Contingent Liabilities and Commitments	(2,241)
<b>Balance sheet as in Regulatory Return</b>	<b>8,102,953</b>

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 PIRJ data	Reference
<b>Assets</b>			
Cash and balances with banks and Central Bank	775,733	775,920	
of which Self financed		524,410	
of which financed by URIA		251,510	
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		683,386	
of which financed by URIA		3,432,029	
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	
<b>Total Assets</b>	<b>8,053,896</b>	<b>8,102,953</b>	
<b>Liabilities</b>			
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	
<b>Total Liabilities</b>	<b>7,304,176</b>	<b>7,301,935</b>	
<b>Owners' Equity</b>			
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)	
<b>Reserves and retained earnings</b>	<b>177,357</b>	<b>177,357</b>	
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
<b>Subordinated Mudaraba</b>	<b>209,124</b>	<b>209,124</b>	
of which amount eligible for AT1		165,942	E-2
of which amount not eligible for regulatory capital		43,182	
<b>Minority interest in subsidiaries' share capital</b>	<b>78,149</b>	<b>78,149</b>	
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	
<b>Expected credit losses (Stages 1 &amp; 2)</b>		<b>51,298</b>	F
of which amount eligible for T2		43,312	
of which amount not eligible for regulatory capital		7,986	
<b>Total Owners' Equity</b>	<b>749,720</b>	<b>801,018</b>	
<b>Total Liabilities + Owners' Equity</b>	<b>8,053,896</b>	<b>8,102,953</b>	

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

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
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share capital plus related stock surplus	281,997	A-B1
2	Retained earnings	75,647	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	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>452,872</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
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	<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>52,620</b>	
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>400,252</b>	
<b>Additional Tier 1 capital: instruments</b>			
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	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>171,008</b>	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	<b>171,008</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>571,260</b>	
<b>Tier 2 capital: instruments and provisions</b>			
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	43,312	F
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>88,397</b>	

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

<b>Tier 2 capital: regulatory adjustments</b>		
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	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
58	<b>Tier 2 capital (T2)</b>	<b>88,397</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>659,657</b>
60	<b>Total risk weighted assets</b>	<b>2,422,112</b>
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	16.5%
62	Tier 1 (as a percentage of risk weighted assets)	23.6%
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%
<b>National minima including CCB (if different from Basel 3)</b>		
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%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
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	43,312
78	N/A	
79	N/A	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)</b>		
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**

	<b>Common Equity Tier 1</b>	<b>Subordinated Mudaraba (AT1)</b>	<b>Tier 2</b>
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	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
	<b>Regulatory treatment</b>		
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 296.76 Million	BD 165.94 million
9	Par value of instrument	BD 0.100	Not applicable
10	Accounting classification	Shareholders' Equity	Subordinated Mudaraba
11	Original date of issuance	13-Apr-06	Various
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date
16	Subsequent call dates, if applicable	Not applicable	Post First Call date
	Coupons / dividends		
	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed
17	Coupon rate and any related index	Not applicable	6% (reset midswap + 1.50%)
18	Existence of a dividend stopper	Not applicable	Yes
19	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
20	Existence of step up or other incentive to redeem	No	Yes
21	Noncumulative or cumulative	Non cumulative	Non cumulative
22	Convertible or non-convertible	Non convertible	Non convertible
23	If convertible, conversion trigger(s)	Not applicable	Not applicable
24	If convertible, fully or partial	Not applicable	Not applicable
25	If convertible, conversion rate	Not applicable	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
29	Write-down feature	No	Yes
30	If write-down, write-down trigger(s)	Not applicable	Writedown at the point of non-viability
31	If write-down, full or partial	Not applicable	Both
32	If write-down, permanent or temporary	Not applicable	Permanent
33	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
34	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.
35	Non-compliant transitioned features	No	No
36	If yes, specify non-compliant features	Not applicable	Not applicable
37			

**Appendix II - Net Stable Funding Ratio (NSFR) Disclosure**

**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.

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

No.	Item	Unweighted Values (before applying relevant factors)				BHD '000
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
<b>Available Stable Funding (ASF):</b>						
1	Capital:					
2	Regulatory Capital	626,974	-	-	72,281	<b>699,255</b>
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	604,193	35,160	7,923	<b>615,308</b>
6	Less stable deposits	-	2,363,270	560,114	230,891	<b>2,861,936</b>
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2,712,653	275,795	202,332	<b>874,636</b>
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	186,784	-	-	-
13	<b>Total ASF</b>					<b>5,051,135</b>
<b>Required Stable Funding (RSF):</b>						
14	Total NSFR high-quality liquid assets (HQLA)					<b>65,768</b>
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	<b>145,812</b>
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	<b>2,206,405</b>
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	139,784	<b>90,860</b>
21	Performing residential mortgages, of which:	-	-	-	511,181	<b>332,268</b>
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	511,181	<b>332,268</b>
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,435	-	-	<b>3,717</b>
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	<b>1,227,956</b>
30	OBS items		652,720	-	-	<b>32,636</b>
31	<b>Total RSF</b>					<b>4,014,562</b>
32	<b>NSFR (%)</b>					<b>125.8%</b>

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

**Appendix III - Liquidity Coverage Ratio (LCR)**

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)	Total unweighted value (average)	Total weighted value (average)	
<b>High-quality liquid assets</b>					
1 Total HQLA		1,197,284			1,158,961
<b>Cash outflows</b>					
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
<b>Cash inflows</b>					
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

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

---

**Appendix IV - Leverage Ratio**

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:

<b>S.No.</b>	<b>Description</b>	<b>BHD '000</b>
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	<b>Leverage ratio exposure [(1) + (2)*30% + (3)]</b>	<b>5,165,227</b>
5	Regulatory Adjustments	52,620
6	<b>Total exposures for the calculation of the leverage ratio [(4)-(5)]</b>	<b>5,112,607</b>
7	<b>Tier 1 Capital</b>	<b>571,260</b>
	<b>Leverage Ratio [(7)/(6)]</b>	<b>11.2%</b>
	Minimum Leverage Ratio as required by CBB	3.75%