بنك السلام
Al Salam Bank

20
YEARS عاماً
Written by You كُتِبَت بأيديكم

Annual Report 2025

Licensed and regulated as an Islamic Retail Bank by the Central Bank of Bahrain

His Royal Majesty
King Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince and Prime Minister

Content Table

Corporate Governance (48-103)

Financial Statements (104-224)

Statistics

Awards Won **8**

App Downloads **173,725**

Headcount **701**

No of Branches **19**

ATM **44**

Corporate Overview

Establishing its headquarters in the Kingdom of Bahrain in 2006, Al Salam Bank has since cemented its reputation as the fastest growing Bank in the Kingdom and a highly influential force in the Islamic banking industry on a regional level. Leveraging on its robust financial standing as the industry's strongest in asset capital, the Bank has a proven track record in risk mitigation and effectively shifting to market dynamics, through its agile and aggressive growth strategy.

The Bank has adopted a digital-first mindset to meet the modern-day needs of its clientele, delivering curated financial solutions and a seamless, transformative customer experience. Harnessing the power of data-backed insights and state-of-art technology, Al Salam Bank offers a comprehensive range of innovative and unique Shari'a-compliant financial products and services through its extended network of branches and ATMs. In addition to its diverse range of retail banking services, the Bank also provides corporate banking, private banking, asset management, international transaction banking as well as treasury services.

Al Salam Bank's competitive edge lies in its unrivalled approach to nurturing client relationships, fuelled by a deeply-rooted ethos in humanizing the customer journey through personalization, convenience, and efficiency, creating a refined and rewarding client experience. The Bank prides itself on its solution-oriented philosophy, curating tailored solutions with its clients' financial needs at the epicenter of everything they do.

With a Bahrainization rate of 92%, Al Salam Bank considers its people to be its most valued asset. The Bank has prioritized the wellbeing of its human capital, empowering them with the requisite tools, training and opportunities to create an inspired workforce dedicated to the pursuit of excellence. Championing a highly energetic and collaborative work environment, Al Salam Bank fosters a culture of innovation which celebrates collective achievements.

Encouraging a socially responsible culture from within to drive positive change, the Bank is committed to supporting the social and financial wellbeing of the community in which it resides. Driven by the shared passion of its people to form deep relationships with clients, the Bank aims to create solutions to help its customers meet their financial goals in a sustainable manner.

Our Brand Promise

We nurture relationships by enriching experiences.

Mission

We are empowered by our human desire to make a difference

We are passionate by nature in all that we do

We have an innovative and solution-driven mindset

We are dedicated to the pursuit of excellence across all fronts


You Thrived.
We Built.
20
YEARS عاماً
Written by You.

Financial Highlights

Net Profit

BD **85.5** million (USD **226.7** million) 2025

BD **69.5** million (USD **184.3** million) 2024

BD **48.2** million (USD **127.8** million) 2023

BD **33.1** million (USD **87.8** million) 2022

BD **21.2** million (USD **56.3** million) 2021

Net Operating Income

BD **240.2** million (USD **637.1** million) 2025

BD **191.9** million (USD **509.1** million) 2024

BD **145.2** million (USD **385.2** million) 2023

BD **96.4** million (USD **255.7** million) 2022

BD **66.7** million (USD **177.0** million) 2021

Total Equity

BD **749.7** million (USD **1.99** billion) 2025

BD **593.4** million (USD **1.57** billion) 2024

BD **408.7** million (USD **1.08** billion) 2023

BD **337.4** million (USD **894.8** million) 2022

BD **297.0** million (USD **787.8** million) 2021

Total Assets

BD **8.05** billion (USD **21.36** billion) 2025

BD **7.06** billion (USD **18.73** billion) 2024

BD **5.15** billion (USD **13.65** billion) 2023

BD **3.89** billion (USD **10.34** billion) 2022

BD **2.69** billion (USD **7.12** billion) 2021

Cost to income ratio

46.5% 2025

49.2% 2024

47.9% 2023

52.5% 2022

49.4% 2021

Earning Per Share

Fils **22.7** 2025

Fils **19.2** 2024

Fils **16.3** 2023

Fils **12.8** 2022

Fils **8.8** 2021

Operational Highlights

Strategy

In 2025, Al Salam Bank entered a new chapter in its transformative journey commencing the implementation of an ambitious three-year strategy focused on optimization and performance, repositioning the bank into a diversified regional financial group. Building on this momentum, the bank executed its strategic priorities with discipline, directing its efforts toward expanding its revenue streams, strengthening its balance sheet, and delivering market-leading sustainable returns to shareholders.

Throughout the year, the bank maintained a clear strategic focus on refining its operating model to enhance resilience and scalability. This included strengthening capital and growing its balance sheet, with total equity increasing by 26.3% while asset base grew by 14.0%, achieving an improvement in Capital Adequacy Ratio from 24.8% in 2024 to 27.2% in 2025. These initiatives and metrics underscore the bank's commitment to maintaining a strong financial foundation capable of supporting sustainable, long-term growth.

Retail Banking

Retail Banking delivered resilient performance in 2025, maintaining a stable and well-balanced asset base despite an increasingly competitive operating environment. Growing demand for financing solutions, including Social Housing financing which increased by 5.0% during the year, reflects the bank's ability to capture opportunities across key retail segments while maintaining disciplined underwriting standards.

From a funding perspective, CASA balances recorded an increase by 13.0% supported by the continued momentum in the Danat Savings Scheme. This deliberate shift towards a more optimized funding mix strengthened the bank's liquidity position and contributed to improved overall cost efficiency.

Private Banking

Private Banking delivered another year of strong growth in 2025, with assets growing by 15.0% and liabilities increasing by 12.0%. This growth was driven by the successful onboarding of high-net-worth clients and deepened engagement across the existing client base.

During the year, Private Banking accelerated its geographic diversification strategy, with the international liability portfolio growing by 14.0%. This regional and international momentum was supported by the enhanced product suite offered to our clients, most notably the integration of ASB Capital's offerings which enabled Private Banking to provide clients with a more comprehensive and sophisticated range of solutions and contributed to increased client activity and a growing share of wallet.

Wealth Management

Wealth Management continued to be guided by a clear mandate to aggregate and grow group assets under management, enhance fee-based income, and institutionalize the investment experience. The department actively engaged in the placement of a diverse range of products, including advisory mandates, in-house investment solutions, subscriptions into ASB Capital funds, and client fixed income portfolios, with total assets under management increasing by 30.0% year-on-year.

Corporate Banking

Al Salam Bank's Corporate Banking department delivered a strong performance in 2025, built on years of disciplined portfolio construction, prudent/disciplined credit standards, and a deep-rooted commitment to supporting Bahrain's economic development. Despite operating in an environment characterized by elevated rates and tightening credit markets, Corporate Banking grew its financing book by 9.0% while simultaneously strengthening asset quality and reducing portfolio concentration. This growth was further supported by strong momentum in the syndications portfolio underpinned by a deliberate focus on regional participation.

On the liabilities front, Corporate Banking undertook a deliberate funding optimization exercise, reducing higher-cost deposits, thereby improving the efficiency of its funding base without compromising client relationships.

Operational Highlights (continued)

Treasury and Financial Institutions

Capitalizing on the opportunity presented by the prevailing interest rate environment, Treasury and Financial Institutions department strategically accelerated Sukuk acquisitions, growing the fixed income portfolio by approximately 33.6% and generating solid returns whilst improving diversification of exposures.

International Transaction Banking

International Transaction Banking continued to expand its client base in 2025 through increased client onboarding from new geographies, deeper engagement with existing relationships, and enhanced cross-border transaction activity.

Digital Channels and Innovation

2025 marked a year of significant progress in the bank's digital transformation agenda, with the accelerated execution of its digital roadmap across channels, products, and internal processes. Key launches during the year included ASB Pay Business, the Al Salam Business App, and a multi-currency debit card. In a step to further expanding the bank's digital wealth proposition, the bank introduced digital investment products through the bank's mobile application encompassing short-term government Sukuk subscriptions and four newly launched ASB Capital funds spanning Global Equities, MENA Equities, Global Technology, and Sukuk.

The year also saw the launch of ONE App, Bahrain's first digital financial marketplace built on open banking infrastructure. By enabling multi-banking capabilities and extending non-salary transfer financial services, the platform achieved more than 63,000 downloads and provided access to more than nine banking products within its first year. ONE App was recognized with the prestigious e-Government Award for Best Digital Transformation Project, a testament to the bank's commitment to delivering seamless, client-centric digital innovation.

Operations

The Operations department continued its transformative efforts, marked by the introduction of advanced systems and comprehensive process review and automation. These efforts streamlined workflows, enhanced service delivery, and improved overall operational efficiency across the bank.

During the year, a centralized service request system was implemented with predefined workflows to manage client requests more effectively. With requests automatically routed to the relevant teams, the department was able to reduce manual coordination, achieve faster turnaround times and ensure consistency and accountability across operations.

Information Technology

In 2025, Information Technology delivered another transformational year, accelerating the bank's digital agenda and strengthening its position as a provider of innovative, secure, and customer-centric financial services. With 99.9% availability across critical platforms, IT ensured a reliable banking experience while supporting growth and resilience.

A major milestone in 2025 was the successful infrastructure modernization project, which improved scalability, resilience, and time to market alongside initiatives aimed at strengthening performance, capacity, and data protection. AI and automation further improved efficiency, with turnaround times reduced by 99.0% in certain use cases, streamlining operations, enhancing compliance, and minimizing manual intervention. These initiatives have improved efficiency, reduced operational overhead, and strengthened service delivery across the bank.

Human Resources

The Human Resources department continued to play a central role in strengthening organizational capabilities and fostering a highperformance culture required to support the bank's strategic ambitions. Total training hours exceeded 78,968, reflecting a sustained investment in capability development across key functions including banking, risk, compliance, and digital innovation.

Internally, the "One Family One Future" program strengthened alignment with the bank's vision and deepened collaboration across all levels of the organization. This was complemented by a series of wellbeing and engagement initiatives delivered throughout the year, supporting employee health, inclusion, and overall engagement, and reflecting the bank's commitment to developing its people and building a futureready workforce.

Operational Highlights (continued)

Brand, Marketing and Corporate Communications

In 2025, the Brand, Marketing and Corporate Communications function continued to support the bank's growth agenda by strengthening market visibility, advancing digital proposition awareness, supporting product and platform launches, and reinforcing Al Salam Bank's relevance through purpose-led engagement.

Brand Positioning and Market Visibility

A key focus during the year was the continued strengthening of the Bank's brand positioning through high-visibility communications linked to innovation, digital capability, and regional relevance. This was reflected in the public positioning of milestone initiatives such as the listing of the XASB Sukuk ETF on the London Stock Exchange, announced in November 2025.

Community Engagement and Purpose-Led Initiatives

Alongside commercial and product-led communications, the function also contributed to the bank's broader purpose-led and community narrative. A notable achievement associated with Project Dream, Al Salam Bank's long-term youth development initiative delivered in partnership with Tumooh and Ole Academy, was announced in January 2026 following 2025 activity, when players enrolled in the program won the JPL Premiership – Top Tier (GCC) for the 2014 age group in a tournament involving more than 22 youth academies across the GCC.

Awards and External Recognition

The cumulative effect of these efforts was reflected in the bank's strong external recognition during 2025, with Al Salam Bank receiving a total of 8 prestigious awards across key categories. The bank was named Bank of the Year: Bahrain 2025 by The Banker and Best Retail Bank in Bahrain 2025 by Euromoney Awards for Excellence, alongside multiple recognitions for its leadership in Islamic banking and customer-centricity, including Best Islamic Bank in Bahrain 2025, Best Islamic Retail Bank in Bahrain 2025, and Most Customer-Centric Islamic Bank in Bahrain 2025.

In addition, the bank's leadership was recognized at the highest level, with Mr. Rafik Nayed, Group CEO, named among the Top Influential CEOs for 2025 by Forbes Middle East and awarded Best Islamic Banking CEO – Bahrain 2025. These accolades collectively reinforce the bank's market position and reflect the effectiveness of its strategic direction, operational performance, and commitment to delivering differentiated value to its clients.

Real Estate & Investments

In line with the group's strategy of reducing non-core banking holdings, a series of real estate disposals was executed during 2025, significantly reducing its composition of the balance sheet. Key transactions included the exit of the group's 15.6% shareholding in Seef Properties and the disposal of several repossessed assets.

You Grew.
We Empowered.

20 YEARS عاماً

Written by You.

Board of Directors

H. E. Shaikh Khalid bin Mustahail Al Mashani

Chairman
Non-executive

Director since: 5 May 2014
Current Term started: 31 March 2024
Experience: more than 30 years

His Excellency Shaikh Khalid AlMashani has over 30 years of experience and holds several important managerial positions. He is the Chairman of the Board of Directors of Al Salam Bank, the Solidarity Group Holding and Solidarity Bahrain in the Kingdom of Bahrain, as well as Chairman of Bank Muscat S.A.O.G. and Dhofar International Development & Investment Holding Company S.A.O.G. in Sultanate of Oman. Additionally, H.E. Shaikh Khalid Al Mashani is also Director of Al Omaniya Financial Services Company, Dhofar Food and Investment Co S.A.O.G. in Sultanate of Oman and Maalem Holding in the Kingdom of Bahrain.

H.E. Shaikh Khalid Al Mashani holds a Bachelors Degree in Economics, and a Masters Degree in International Boundary Studies from the School of Oriental & African Studies, from the University of London.

Mr. Matar Mohamed Al Blooshi

Deputy Chairman
Non-executive

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 31 years

Mr. Matar Mohamed Al Blooshi has over 31 years of experience in the financial sector and fund management industries. Beginning his career in 1992 with the Central Bank of the United Arab Emirates as a Dealer in the Treasury department, he then joined Abu Dhabi Investment Company as a Portfolio Manager in 1995. In 1998, he advanced his career and joined First Gulf Bank as the Head of Treasury & Investment, moving to National Bank of Abu Dhabi in 2001 as Head of Foreign Exchange and Commodities.

In February 2005, Mr. Matar Al Blooshi became the Head of Domestic Capital Market Group and the General Manager of Abu Dhabi Financial Services (a subsidiary of National Bank of Abu Dhabi) and was given the title of Senior Manager, Asset Management Group in October 2006. Mr. Matar Al Blooshi is Group Chief Investment Officer at Das Holding LLC, a Member of the Board of Directors of Al Salam Bank and member of SAYACORP in Bahrain, Etisalat Misr, Air Arabia, Chief investment officer and Member of Emirates Strategic Investment Company in Emirates.

Mr. Matar Al Blooshi holds a Bachelor's degree in Banking & Financial Management from University of Arkansas in the United States.

Board of Directors (continued)

Mr. Salman Saleh Al Mahmeed

Board Member
Non-executive

Director since: 15 February 2010
Current Term started: 31 March 2024
Experience: more than 38 years

Mr. Salman Saleh Al Mahmeed has over 38 years of experience. He currently holds the following positions: Chairman of Burj Al Jewar and Burj Al Safwa, Vice Chairman of Solidarity Bahrain and Vice Chairman of Dar Albilad, and Chairman of Coca Cola Bottling Company Bahrain. He is also a Board member of the Ritz Carlton Bahrain and Owner's Representative of Global Express and the Movenpick Hotel in Bahrain.

Previously, Mr. Salman AlMahmeed served as a Board Member and a member of the Executive committee, Investment committee and Strategy committee at the Bahraini Saudi Bank. He also held the position of CEO of Bahrain Airport Services and was the Investment Director at Magna Holdings.

Mr. Salman Al Mahmeed holds a Master's degree in Business Administration, a Diploma in Hotel Management and a Bachelor's degree in Management.

Mr. Salim Abdullah Al Awadi

Board Member
Independent

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 36 years

Mr. Salim Abdullah Al Awadi holds various positions in several companies. He is the Board member of Al Salam Bank Bahrain, Board member of Al Salam Bank Seychelles Board member of Al Salam Bank Algeria and the Deputy CEO of Al Omaniya Financial Services S.A.O.G., Oman. He is also Director of Dhofar International Development & Investment Holding S.A.O.G., Oman. Chairman of Dhofar Poultry S.A.O.C., Oman and Chairman of Rital Travel LLC, Oman.

Mr. Salim Al Awadi holds a Bachelor's Degree in Business Administration, a Post Graduate Diploma in Accounting from Strathclyde University, UK and an MBA from Lincoln University, UK.

Board of Directors (continued)

Mr. Zayed Ali Rashid Al-Amin

Board Member
Independent

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 27 years

Mr. Zayed Al-Amin is a Bahraini Businessman with over 27 years of experience in the finance and investment sectors. Currently serving as Executive Director of Investments at Ali Rashid Al-Amin Group, he is also a Board Member of various organizations including Board Member of Al Salam Bank, Vice Chairman of Solidarity Group Holding, Board Member of Esterad Investment Co., Board Member of Gulf African Bank "Kenya", Board Member of SAYACORP. And a former Board Member of MIDAD Gulf Energy, Board Member of RAMAKAZA Logistics "Qatar" and Board Member of Food Storage Co. Ltd. "KSA". Prior to his current responsibilities at Al- Amin Group, he worked for National Bank of Bahrain and Towry Law International, and Bahrain Gourmet as a Chairman.

Mr. Zayed Al-Amin holds a Post Graduate Degree in Finance and Investment from the London School of Business & Finance. He has also attended many executive courses in management, finance and investment.

Mr. Alhur Mohammed Al Suwaidi

Board Member
Independent

Director since: 22 March 2018
Current Term started: 31 March 2024
Experience: more than 21 years

Mr. Alhur Mohammed Al Suwaidi is a well-rounded investment strategist with over 21 years of experience in investments, portfolio management in both listed and private equities. He currently holds the position as a Director in Al Salam Bank in the Kingdom of Bahrain, and also a Director in Al Salam Bank Seychelles.

Beginning his career in 2004, Mr. Alhur Al Suwaidi held senior positions at Abu Dhabi Investment Authority (ADIA), UAE. as a Portfolio Manager, Fund Manager and Investment Manager. He also served in a number of Advisory Boards of General Partners and International Private Equity Firms which includes Leonard Green and Partners, The Blackstone Group, Carlyle Group, Apollo Global Management, Ares Management and Silver Lake Partners and Chairman of BHM Capital in UAE.

Mr. Alhur Al Suwaidi holds a Bachelor degree in Business Administration from Chapman University, California, USA.

Board of Directors (continued)

Mr. Hisham Al-Saie

Board Member
Independent

Director since: 17 March 2021
Current Term started: 31 March 2024
Experience: more than 27 years

Mr. Hisham Al Saie is the Chief Executive Officer of Star Capital W.L.L in the Kingdom of Bahrain, bringing over 27 years of experience across financial investments, real estate asset management and development, corporate finance, and start-up ventures. He holds an MBA from the London Business School and has completed the INSEAD YMP Executive Management Program. Additionally, he earned a BA in Accounting from the University of Texas.

Beyond his executive role at Star Capital, Mr. Al Saie is currently a member of the Board and Executive Committee at Al Salam Bank. He also serves as Board member of McLaren Group Limited where he is a member of the Board Audit and Risk Committee and the Chairman of the Board Remuniration Committee. In addition, he is a member of the Board at Investcorp Holdings B.S.C where he contributes as a member of the Board Nomination & Remuneration Committee.

Furthermore, he is a Board member at Solidarity Group, where he holds the position of the Chairman of the Board Audit Committee. Prior to his current position, Mr. Al Saie served as Deputy CEO at Premier Group for approximately 18 years, primarily overseeing the group's investment portfolio as Chief Investment Officer. During his time at Premier Group he held several non- Executive directorship positions in companies such as Diyyar Al-Muharraq, Bahrain Bay and Al-Khaleeji Bank - Qatar. Before joining Premier Group, he was the Head of Corporate Finance at SICO Investment Bank, where he was instrumental in structuring key equity and debt capital market transactions across the region. His earlier professional experience includes roles at BDO Jawad Habib, PricewaterhouseCoopers, and Arthur Andersen.

Mr. Tariq Abdul Hafidh Salim Al- Aujaili

Board Member
Independent

Director since: 17 March 2021
Current Terms started: 31 March 2024
Experience: more than 24 years

Mr. Tariq Al-Aujaili has over 24 years of experience in the financial sector. He currently holds the following positions: Board Member at Al Salam Bank, Vice Chairman at Dhofar International Development and Investment Holding Co. SAOG, Dhofar Insurance SAOG and Oman Investment and Finance Co. SAOG. Additionally, Mr. Tariq serves as a Board member at Bank Dhofar SAOG, Solidarity Bahrain and Chairman at Garden Hotel, Muscat, Oman.

Mr. Tariq Al-Aujaili holds a bachelor's degree in accounting and financial studies from the London School of Economics and Political Science.

Board of Directors (continued)

Mr. Ahmed Habib Ahmed Kassim

Board Member
Independent

Director since: 31 March 2024
Current Term started: 31 March 2024
Experience: more than 22 years

Mr. Ahmed Kassim brings over 22 years of experience, having served in various prestigious organizations in the Kingdom of Bahrain. He is currently a Board Member of Al Salam Bank and serves as the Chairman of Quality Wire Products.

Mr. Kassim holds the position of Vice President at Century 21 – Bahrain. He is also a Board Member at several other esteemed institutions, including Habib Ahmed Kassim & Sons, Al Mahd Day Boarding School, Solidarity Bahrain, and Banz Group.

Mr. Ahmed Kassim earned a Bachelor's degree in Economics and Finance from Bentley College in Boston, Massachusetts.

Fatwa & Shari'a Supervisory Board

Sheikh Adnan Abdullah Al Qattan
Chairman

Sheikh Adnan Al Qattan holds Master's degree in the Quran and Hadith from the University of Um Al-Qura, Makka, Kingdom of Saudi Arabia; and Bachelor's degree in Islamic Shari'a from the Islamic University, Madeena, Saudi Arabia. Shaikh Al Qattan is also a Judge in the Supreme Sharia Court of Appeals, Ministry of Justice – Kingdom of Bahrain. Shaikh Al Qattan is a Member of Shari'a Supervisory Boards for several Islamic banks, and he is also Chairman of Al Sanabil Orphans Protection Society, Chairman of the Board of Trustees of the Royal Charity Establishment under the Royal Court – Kingdom of Bahrain, and President of the Kingdom of Bahrain Hajj Mission. In addition, he is a Friday sermon orator at Al Fateh Grand Mosque.

Shaikh Al Qattan contributed to drafting the Personal Status Law for the Ministry of Justice and is a regular participant in Islamic committees, courses, seminars and conferences.

Dr. Fareed Yaqoub Al Meftah
Member

Dr. Fareed AlMuftah is the Undersecretary – Court of Cassation, Supreme Judicial Council – Bahrain, the Former Undersecretary of the Ministry of Justice & Islamic Affairs – Bahrain, member of the Supreme Council of Islamic Affairs and a former judge of the high Shari'a Court. Dr. Fareed is the Chairman of the Shari'a Supervisory Board of Khaleeji Commercial Bank (KHCB) and a former Lecturer at the University of Bahrain and wrote a lot of research papers. Dr. Fareed holds PhD in Islamic Philosophy from University of Edinburgh – United Kingdom.

Dr. Nedham Mohammed Yaqoobi
Member

Sheikh Dr. Nedham Mohammed Yaqoobi is an internationally acclaimed Shari'a scholar in the Islamic banking industry. He has a background in both Traditional Islamic sciences with senior scholars from different parts of the Muslim World. He holds a PhD in Islamic studies also a degree from McGill University in Canada. Sheikh Nedham has taught Islamic Subjects in Bahrain and lectured all over the world. He is a member of many International Boards: the Shari'a Council of AAOIFI, Dow Jones Islamic Index, Central Bank of Bahrain Shari'a Committee and IIFM Shari'a Council. He is also a member of several local and International Shari'a Boards. Sheikh Nedham has edited several Arabic manuscripts and has more the 500 audiovisual lectures and lessons in both Arabic and English.

Dr. Osama Mohammed Bahar
Member

Sheikh Dr. Osama Mohammed Bahar is a recognized Shari'a scholar in Islamic banking and financing. He has extensive experience in the structuring of financial and Islamic products and Islamic contracts, in addition to his contributions to a number of research papers on Islamic finance and banking. Sheikh Osama Bahar holds a bachelor's degree from Prince Abdul Qader University for Islamic Studies in Algeria and he has a Master's degree in the Islamic economy from 'Al Awzai University' in Lebanon and PhD in Islamic Financial Engineering from Islamic University of Europe. He is also a member of many Shari'a Supervisory Boards.

Executive Management

Mr. Rafik Nayed

Group Chief Executive Officer

Experience: more than 33 years

Mr. Rafik Nayed is a banking executive with over 33 years of experience spanning financial services, oil and gas and investment sectors. He joined Al Salam Bank from Deutsche Bank where he held several positions, including Vice Chairman of the MENA region, Chief Country Officer for the UAE and Senior Executive Officer of Deutsche Bank AG Dubai (DIFC). Prior to his tenure at Deutsche Bank, Mr. Nayed was the Chief Executive Officer of the Libyan Investment Authority and prior to that worked for many years in the oil and gas and financial services industries in a variety of senior international positions. He currently serves as the Chairman of Al Salam Bank Algeria, Managing Director of ASB Capital, Chairman of ASB Capital Services, Chairman of Gulf African Bank and Board Member of Solidarity Group Holding and Al Salam Bank Seychelles. Under his leadership, Al Salam Bank has undergone a significant transformation journey emerging as the largest domestic bank in the Kingdom of Bahrain. Since 2018, the Group's profitability increased by 4.6 times while also successfully completing 3 M&A transactions, expanding its local and regional footprint.

Mr. Anwar Mohammed Murad

Deputy Group Chief Executive Officer – Banking

Experience: more than 32 years

Mr. Anwar Murad is a proficient Banker with over 32 years of experience in the areas of Private Banking, Treasury, Market Risk Management and Retail Banking. Prior to his current appointment with the Bank, Mr. Murad served as the Executive Vice President - Head of Private Banking at Al Salam Bank since May 2006. Previous to joining Al Salam Bank, he was the Head of Private Banking at BMI Bank, Bahrain and Regional Market Risk Manager for the MENA region at ABN AMRO Bank where he also headed the Bank's Treasury Operations in Bahrain and he held various senior positions at CitiBank – Bahrain. Mr. Murad has extensive knowledge and experience in Global Consumer Banking, Treasury and Investment products including Money Market, Foreign Exchange, Debt Derivatives, and Structured Products.

Executive Management (continued)

Mr. Eihab Abdellatif Ahmed

Deputy Gorup Chief Executive Officer - Corporate Affairs

Experience: more than 30 years

Mr. Eihab Ahmed has a wide range of professional experience that spans over 30 years covering all major legal disciplines including but not limited to Investment Banking, Corporate Banking and Criminal, Labour, Public and Private International Laws. Prior to joining Al Salam Bank, he was the General Counsel - Corporate Secretary & Money Laundering Reporting Officer (MLRO) Legal & Compliance of First Energy Bank - Bahrain. He was the focal point of communication between the Board of Directors and Senior Management as well as between the Bank and its Shareholders, providing advisory and guidance on Corporate Governance principles and practices. Mr. Ahmed had worked at the International Investment Bank - Bahrain (IIB) as Head of Legal and Compliance, MLRO and for Khaleej Finance & Investment as the Head of Legal, MLRO and Corporate Secretary. He also worked for a number of reputed firms in the Kingdom of Bahrain. Before coming to Bahrain 20 years ago, he served the Ministry of Justice, Sudan as a Legal Counsel. Mr. Ahmed holds L.L.B degree from the Faculty of Law – University of Khartoum, Sudan. In January 2017, he obtained his International Diploma in Governance, Risk and Compliance from the ICTA and University of Manchester, UK. He also holds the Sudanese Bar certificate from Sudan and he is a registered member of the Sudanese Advocates Association as a Proper Advocate before various Courts of Law. Mr. Ahmed is a Certified Compliance Officer (CCO) from the American Academy of Financial Management - Dubai, UAE. In 2014, Mr. Eihab was awarded the GCC MLRO of the year.

Mr. Yousif Ahmed Ebrahim

Chief Financial Officer

Experience: more than 32 years

Mr. Yousif Ebrahim is a proficient banker with over 32 years of experience in the areas of finance and audit. He is primarily responsible for directing and overseeing the financial and fiscal management of the Bank and its subsidiaries that includes contributing to the Bank's strategy planning, leading and directing the budget process, maintaining appropriate accounting framework and establishing effective system of cost management and internal control. Prior to joining Al Salam Bank, he served as the Chief Financial Officer at First Energy Bank for more than 9 years. He also worked at Gulf International Bank as a Vice President of Internal Audit and he was also in the Audit & Business Assurance services at PricewaterhouseCoopers. Mr. Ebrahim is a Certified Public Accountant (USA) and a member of the American Institute of Certified Public Accountant.

Executive Management (continued)

Mr. Ahmed Abdulla Saif

Group Chief Strategy Officer

Experience: more than 19 years

Mr. Ahmed Saif brings over 19 years of experience in the banking sector. Prior to joining Al Salam Bank in 2008 as part of the Investment Team, Mr. Saif worked with DBS Singapore as an Investment Analyst. In 2012, he was appointed as the Head of the Investment Middle Office Department, and in 2016 took the reigns as the Head of Strategic Acquisition and Investment Management before becoming Head of Strategy and Planning in 2018. Mr. Saif occupies various positions within the Bank's affiliate and subsidiary companies, including being a board member in Al Salam Bank-Algeria, Al Salam Bank-Seychelles, First Insurance (Solidarity Jordan), and a Board Advisor at ASB Capital. He holds an MSc in Finance and Financial Law with Honors from SOAS University of London, UK, and a BSc with Honors in Commerce, majoring in Finance & Economics, from DePaul University, USA.

Mr. Ali Habib Qassim

Chief Private Banking Officer

Experience: more than 26 years

Mr. Ali Habib Qassim is a seasoned banking professional with over 26 years of expertise spanning Corporate, Investment, and Private Banking. Throughout his career, he has played a pivotal role in expanding the Bank's regional and international footprint by driving product line growth and strengthening client relationships. His deep expertise in investment and wealth management has been instrumental in delivering tailored financial solutions to high-net-worth clients. Since his appointment as Head of Private Banking in 2011, Mr. Ali has been at the forefront of enhancing the Bank's private banking offerings. Prior to this role, he was responsible for marketing the Bank's Corporate Banking products and services across local and GCC markets, managing key relationships with financial institutions and government entities. Mr. Ali holds a Master's degree in Science from Emerson College, Boston, USA.

Executive Management (continued)

Mr. Mohammed Yaqoob Buhijji

Chief Retail Banking Officer

Experience: more than 24 years

Mohammed Buhijji is an accomplished executive of multi-cultural environments with superb organizational skills and has enjoyed an exceptional career to date with more than 24 years of high-level management in banking and consultancy. His skillset embraces superb hallmarks of understanding business restructuring and development processes within an organization. An initial period with Ernst & Young became the baseline for his audit and consultancy skills with exposure to international business practices in major financial institutions and government bodies. He moved to the nascent Al Salam Bank in 2007 to establish the Internal Audit division and various departmental policies and procedures. His essential role in driving the two acquisitions and subsequent mergers with Bahraini Saudi Bank and BMI Bank covered integration and conversion of significant areas of business-related processes. Mr. Buhijji has been resolute in the delivery of operational and financial targets as evidenced by the seamless and impressive Retail Banking transformation within Al Salam Bank resulting in a major contribution to the Bank's asset book and profitability. Mr. Buhijji holds MBA degree from the University of Strathclyde, Glasgow, and completed two Executive Management Programs at Harvard Business School, Boston, and Ivey Business School in Canada.

Mr. Ahmed Jasim Murad

Chief Corporate Banking Officer

Experience: more than 29 years

Mr. Ahmed Murad brings over 29 years of experience in the banking sector covering areas that include Retail, Commercial and Corporate Banking. Prior to joining Al Salam Bank B.S.C., he served as Head of Corporate Banking and also a member of the Credit Committee at National Bank of Bahrain BSC. Mr. Murad holds a Bachelor degree in Business Marketing from St. Edward's University – Austin, Texas, USA, Associate Diploma in Commercial Studies from University of Bahrain, and Executive Diploma from University of Virginia, USA. Moreover, he attended number of banking training courses inside the Kingdom of Bahrain and abroad.

Executive Management (continued)

Mr. Hussain Abdulhaq

Chief Treasury Officer

Experience: more than 25 years

Mr. Hussain Abdulhaq is an experienced Treasurer in the area of Islamic Banking and Financial Markets. His 25 years banking career as a treasury specialist has been very focused in Islamic liquidity management, Islamic capital markets, the development of Islamic compliant investment products and hedging instruments as well as Financial Institutions relationships. Mr. Abdulhaq joined Al Salam Bank in 2007 as a senior member in the treasury team, and has led the treasury integration process of Al Salam Bank and Bahrain Saudi Bank in 2010 and the same for BMI Bank in 2014. Prior to joining Al Salam Bank, he was in charge of dealing room activities for Kuwait Finance House Bahrain for a period of 5 years. Mr. Abdulhaq holds an MBA degree in Banking & Islamic Finance with honors from University of Bahrain and is a Chartered Financial Analyst (CFA).

Mr. Hamed Mashal

Chief Investment Officer

Experience: more than 21 years

Hamed Yousef Mashal is the head of real estate and investments, responsible for the management of the bank's real estate portfolio and the non-real estate investment portfolio. Previously, Hamed was the head of retail banking at Kuwait Finance House-Bahrain, responsible for managing the bank's branch network, consumer finance, business development, digital development, contact center, cards and e-channels. Hamed is currently a board member of Seef Properties, Bareeq Al Retaj Real Estate Services, and Fraser Suites Seef – Bahrain. After being awarded a BSc (with honors) in Computer and Business Studies from the University of Warwick, Hamed joined Deutsche Bank's Graduate Program in London. Upon joining Kuwait Finance House-Bahrain in 2007, Hamed completed the Project Management Professional (PMP) examination and then proceeded to obtain the Chartered Financial Analyst (CFA) designation in 2010. In 2016, Hamed was awarded with the Masters of Business Administration (MBA) degree with distinction from the Warwick Business School and subsequently obtained the MRICS qualification from the Royal Institute of Chartered Surveyors in 2017. Hamed is the author of the book titled "Islamic Real Estate Investment Trusts: A Property Selection Methodology".

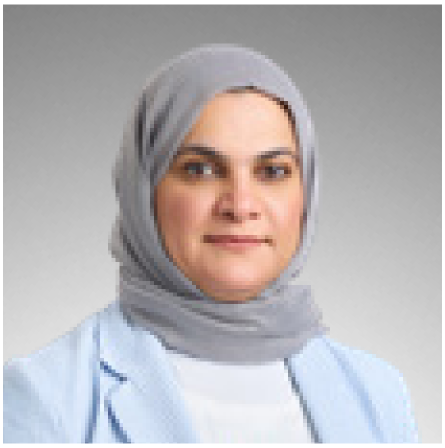
Executive Management (continued)

Mr. Mazar Rashed Jalal

Chief Operating Officer

Experience: more than 21 years

Mazar Rashed Jalal is the Chief Operating Officer at Al Salam Bank, where he is responsible for leading enterprise operations, retail credit administration, remedial services, and internal control. With more than 21 years of experience in Islamic Banking, Mazar is recognized for his expertise in process reengineering, automation, and digital transformation, leveraging advanced technologies including Artificial Intelligence to deliver operational efficiency and enhance the client experience. Over the course of his career, Mazar has played a key role in several landmark mergers and acquisitions within Bahrain's banking sector. He was a member of the Board Independent Committee during the acquisition of Bahrain Islamic Bank (BisB) by the National Bank of Bahrain (NBB), where he advised on compliance and governance matters. He also served as project manager for the successful operational integration following Al Salam Bank's strategic acquisition of Ithmaar Bank's retail banking business. Additionally, Mazar led the operational migration during the merger of Kuwait Finance House–Bahrain with Al Salam Bank, including the seamless transfer of corporate and wealth management portfolios. This complex migration was completed in record time with the support of Robotic Process Automation (RPA), setting a new standard for efficiency and innovation. At Al Salam Bank, Mazar continues to drive transformative initiatives that redefine how clients interact with the Bank. He spearheaded the shift to paperless branch banking, eliminating manual paperwork and aligning operations with the Bank's sustainability objectives. He also introduced a nationwide network of 24/7 self-service kiosks, enabling thousands of clients to securely update their personal information and reissue cards independently. Under his leadership, Al Salam Bank integrated with the Ministry of Industry and Commerce (MOIC) to enable instant, paperless SME onboarding, significantly improving turnaround time and operational efficiency. Moreover, he led the implementation of DocuSign-powered digital services, accelerating approval cycles and reducing friction across documentation processes. Prior to joining Al Salam Bank, Mazar held senior roles at Bahrain Islamic Bank (BisB) and Kuwait Finance House–Bahrain, where he was instrumental in shaping regulatory compliance frameworks and driving digital advancements. He holds a Bachelor of Science in Accounting from the University of Bahrain, an International Compliance Associate Diploma (UK), and a Diploma in Islamic Banking and Insurance (UK). Passionate about advancing Bahrain's financial ecosystem, Mazar remains committed to delivering secure, scalable, and Sharia-compliant innovations that empower both clients and the wider economy.



Ms. Muna Al Balooshi

Chief Human Resources Officer

Experience: more than 26 years

Ms. Muna Al Balooshi is a practiced HR professional with over 26 years of industry experience and vast knowledge of HR policies and Labor Law regulations. Prior to her appointment with Al Salam Bank in 2006, Ms. Al Balooshi was the Head of Human Resources at the Court of HRH the Crown Prince prior to this served as HR Associate with KPMG Bahrain. She has played a major role in the Bank's two acquisitions of the Bahraini Saudi Bank and BMI Bank where she managed the merger of the Bank's Human Resources. She holds an MBA from De Paul University, Chicago, and is a CIPD Associate.

Executive Management (continued)

Mr. Mahmood Qannati

Chief Marketing Officer

Experience: more than 26 years

With over 26 years of extensive experience in Marketing, Communications and Branding on both local and regional levels, Mahmood Qannati is a veteran of the communications industry; having worked across various sectors including banking, telecommunications, automotive and aviation. During his time in the United Arab Emirates, Mr. Qannati worked in prominent and established institutions, leading Standard Chartered Bank as the Regional Head of Marketing & Branding for the entire Middle East, Africa and Pakistan region, as well as serving as the Middle East Chief Marketing Officer at Cigna Insurance. He has also held several senior positions on a local level, gaining experience in marketing and communications at HSBC Bank, Bahrain International Airport and Batelco. Most recently, Mr. Qannati served as the Chief Corporate Communications and Marketing Officer at Bahrain Islamic Bank (BisB), after which he joined Al Salam Bank as Head of Marketing and Communications. Mr. Qannati holds a Master's degree in Marketing Information Systems from the University of Sunderland and a Bachelor's degree in Marketing from the University of Bahrain.

Mr. Krishnan Hariharan

Chief Risk Officer

Experience: more than 41 years

Mr. Krishnan Hariharan is a versatile Banker with over 41 years of experience in conventional and Islamic banks in the region and India. Prior to joining Al Salam Bank in 2019 he worked with Ithmaar Bank, Bahrain as Chief Risk Officer. Before joining Ithmaar Bank, he was part of the founding team of Alizz Islamic Bank, Sultanate of Oman. He holds twin Bachelor degrees one in Commerce and the other in Economics from Universities in India, he also holds a Master degree in Financial Management from Jamanalal Bajaj Institute of Management Studies, Mumbai – India.

Executive Management (continued)

Mr. Qassim Taqawi

Chief Legal Officer

Experience: more than 23 years

Mr. Qassim Taqawi is a skilled legal counsel with over 23 years of experience covering Investment Banking, Islamic Banking, Retail Banking, Finance, Company Law, Labor Law, Real Estate and Construction. Mr. Taqawi has handled legal matters covering the GCC, USA, Europe and MENA region. Prior to his appointment with Al Salam Bank, Mr. Taqawi held a number of senior executive positions with various Banking and Financial Institutions throughout the region. In addition to his current executive responsibilities as General Counsel, Mr. Taqawi is a member of the Bank's Investment Committee and Remedial Committee. Mr. Taqawi holds a Bachelor degree (LLB) in Law, and is a registered lawyer with the Ministry of Justice & Islamic Affairs in the Kingdom of Bahrain.

Mr. Essa Abdulla Bohijji

Chief Auditor

Experience: more than 25 years

Mr. Essa Bohijji has more than 25 years of consulting and industry experience covering financial services, commercial entities, governmental bodies, and internal audit. Prior to joining Al Salam Bank, Mr. Bohijji was the Chief Auditor and Board Secretary of an Islamic Investment Bank in Bahrain and held senior positions at Ernst & Young where he worked in the Audit and Assurance Services Group and Business Advisory Services responsible for the Internal Audit and Risk Management assignments. Mr. Bohijji has previously served as a Board and Audit Committee member of Al Salam Bank-Algeria, a non-executive Audit Committee member in Manara Developments B.S.C. (c), as a Board member of BMI Bank, as a Board and Audit Committee member of Bahraini Saudi Bank, and an interim Board member in BMIO Bank in Seychelles. Mr. Bohijji is a Certified Public Accountant (CPA), licensed from the state of New Hampshire and is a member of the American Institute of Certified Public Accountants. He also holds a B.Sc. in Accounting from the University of Bahrain.

Executive Management (continued)

Mr. Ali Al Khaja

Chief Compliance Officer

Experience: more than 17 years

Mr. Ali Al Khaja brings more than 17 years of Compliance experience to the Bank. Prior to joining Al Salam Bank, he worked with Kuwait Finance House Bahrain, where he was responsible for various regulatory aspects including ensuring that transactions, investments and general dealings with the public were in compliance with the Central Bank of Bahrain (CBB) regulations and applicable laws. Previous to this he was employed by the CBB, where he held responsibility for the oversight of various local Islamic Banks in the Kingdom of Bahrain. Mr. Al Khaja holds a Bachelor degree in Banking and Finance from the University of Bahrain and an International Diploma in Compliance from the International Compliance Association (ICA).

Mr. Hemantha Wijesinghe

Chief Technology Officer

Experience: more than 25 years

Mr. Hemantha Wijesinghe is the Chief Technology Officer at Al Salam Bank, possessing over 25 years of experience in Information Technology management in the banking and finance sector in international markets globally. Prior to his UK based global roles, he had also covered multiple regions including Asia, Middle East, North America and Europe. He carries various international qualifications covering systems engineering and other areas of information technology, in addition to his higher IT studies in NCC Education (UK). Further to the Chartered institute of IT (UK), Mr. Wijesinghe also holds a MSc in Strategic Business Information Technology from the University of Portsmouth – UK.

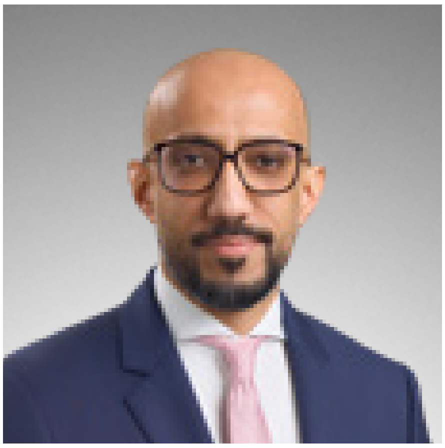
Executive Management (continued)

Mr. Rashid Alkhan

Head of Wealth Management

Experience: more than 21 years

Rashid Alkhan brings a track record of over 21 years of expertise in the banking and investment field. He was previously the Head of Wealth Management and Private Banking at Kuwait Finance House - Bahrain where he spearheaded the setup of the wealth management function and led the substantial growth in both customers and assets under management. Prior to that, Rashid was a senior member of the investment team at KFH-Bahrain, which focused on private markets and alternative investments globally. Rashid received his MBA from London Business School in 2018, he is a Chartered Alternative Investment Analyst (CAIA), holds an MSc in Islamic Economics, Banking & Finance from Loughborough University in the United Kingdom, a bachelor's degree in Finance from Concordia University's John Molson School of Business in Canada, and completed his Executive Education from INSEAD Business School. He is the author of thefirst book written on Islamic Sukuk in 2006 titled "Islamic Securitization: A Revolution in the Banking Industry".



Mr. Haitham Alhaddad

Head of Digital Channels

Experience: more than 24 years

Haitham Al Haddad is a seasoned banking professional with over 24 years of experience in the banking and finance sector. As the Head of Digital Channels at Al Salam Bank, he spearheads the development and execution of the bank's digital strategy and implementation roadmap. With a keen focus on innovation and client-centricity, Haitham is responsible for driving the digital channels' business and ensuring their alignment with the overall business objectives. Prior to his current role, Haitham served as the Head of Business Development at Al Salam Bank, where he managed strategic business relationships and developed retail banking products and services. Haitham also led the management of e-channels, ensuring seamless client experiences across various touchpoints. Before joining Al Salam Bank, Haitham served as the Head of Product Development at BMI Bank, where he was responsible for product development, market analysis, and strategic planning. He holds a Master of Business Administration from the University of Texas Pan American and a Bachelor of Business Administration in Finance from the University of Texas at Brownsville.

Executive Management (continued)

Mr. Mohammed Alshehabi

Head of Innovation

Experience: more than 19 years

Mohammed AlShehabi has over 19 years of experience in banking covering multiple areas including Capital Markets, Corporate Banking as well as Treasury and Trade Services. He is the Head of Innovation at Al Salam Bank. Mohammed is responsible for the Bank's digital strategy and fintech initiatives with an objective to maintain the Bank's pioneering role in offering digitally native Shari'a-compliant digital products & services in the Kingdom of Bahrain. Prior to joining Al Salam Bank in 2018, he was part of the Corporate Banking team at Citi Bahrain with a business coverage role after spending several years at Citi's Treasury & Trade Solutions unit covering Bahrain and Saudi Arabia. He started his career at the Arab Banking Corporation as part of the Debt Capital Markets team as well as ABC Islamic Bank before moving to the Bahrain Economic Development Board's Business Development team with a focus on Financial Services. Mohammed holds dual Bachelor degrees with a B.Sc. in Accounting and a B.B.A. in E-Business.

Dr. Mohammed Burhan Arbouna

Head of Shari'a Compliance

Experience: more than 28 years

Dr. Mohammed Burhan Arbouna is a well versed Islamic banking and finance expert with over 28 years of Islamic banking experience. Prior to joining Al Salam Bank, Dr. Arbouna was the Shari'a Head and Shari'a Board Member of Seera Investment Bank B.S.C Bahrain, Head of the Shari'a department at Kuwait Finance House Bahrain, and has worked as a Shari'a researcher and consultant for the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain. He is a respected lecturer on Islamic banking and finance, and provides consultancy on orientation and professional programs for a number of professional and educational institutions. Dr. Arbouna was also a member of the Islamic Money Market Framework (IMMF) steering committee, a committee initiated by the Central Bank of Bahrain for the management of liquidity amongst Islamic banks. He holds a PhD in comparative law with a specialization in Islamic banking and finance and a Masters in Comparative Laws with specialization in Law of Evidence from the International Islamic University Malaysia, a BA degree in Shari'a, and Higher Diploma in Education from the Islamic University, Medina.

Executive Management (continued)

Sheikh Ahmed Abdulrahim Al Mahmood

Head of Internal Shari'a Audit

Experience: more than 19 years

Sheikh Ahmed Al Mahmood has around 19 years of professional experience in the field of Shari'a supervision and auditing in Islamic financial institution. Prior to joining Al Salam Bank, he established the Shari'a department in BMI Bank and GBCORP in addition to join the Shari'a department of Abu Dhabi Islamic Bank (ADIB). He also played an essential role in the integration and conversion phases of the Bank's acquisition of BMI Bank; serving as a member in the Conversion Committee. He serves in multiple professional entities as member e.g Member of scientific committee in Shari'a Professional Association – Dubai and member of Shari'a Committee in Mawarid Finance – Dubai. He holds an MBA degree in Islamic Finance from University of Bolton – UK, in addition to BA in Islamic Studies from University of Bahrain. He holds various professional qualifications that includes Certified Shari'a Advisor and Auditor (CSAA) from AAOIFI along with Advanced Diploma in Islamic commercial Jurisprudence (ADICJ) from BIBF. He also provided several training workshops on the principles of Islamic banking and Shari'a governance and wrote a lot of researches and published articles about Islamic banking & products.

Board of Directors' Report

The group delivered record financial performance during the year with gross operating income of BD 444.2 million, an increase of 13.3% compared to 2024

H. E. Shaikh Khalid bin Mustahail Al Mashani

Board of Directors' Report (continued)

Total Assets

14.0%

BD 8.05bn

The global economic environment in 2025 was characterized by heightened uncertainty across trade, policy direction, and geopolitical developments. While global growth moderated modestly compared to 2024, economic fundamentals across the GCC remained supportive, underpinned by sustained investment activity and continued economic diversification efforts. These factors continued to support regional resilience and provide a foundation for sustainable growth, despite ongoing global challenges.

In Bahrain, economic growth is expected to stabilize at 3.5% in 2025, up from 3.0% in 2024, supported by the continued expansion of various sectors including infrastructure, logistics, fintech, and tourism. During the year, Bahrain's sovereign credit rating was revised downwards, prompting the implementation of reforms aimed at strengthening fiscal position and furthering revenue diversification. These initiatives reflect a broader commitment to reinforcing the Kingdom's long-term economic resilience and macroeconomic stability.

Against this backdrop, Al Salam Bank navigated the operating environment with discipline and focus, remaining committed to executing its strategy, diversifying revenues, expanding regionally, and delivering sustainable growth. It is our pleasure to present our Annual Report for 2025 to our esteemed shareholders, customers, and partners, outlining the strategic progress achieved during the year and the priorities shaping the group's next phase of growth.

Over recent years, Al Salam Bank strengthened its presence through a combination of organic expansion and strategic inorganic growth, evolving into a diversified regional financial group. In 2025, the focus increasingly shifted towards optimization and performance, ensuring that the scale achieved translates into sustainable profitability, operational efficiency, and balance sheet resilience. This represents a natural and important progression for the group, aligning growth ambitions with long-term financial sustainability.

The group delivered record financial performance during the year with gross operating income of BD 444.2 million (USD 1.18 billion), an increase of 13.3% compared to 2024. Driven by the improved performance of the group's core banking operations, effective asset liability management, and the implementation of group-wide optimization initiatives, net profit attributable to shareholders reached BD 76.8 million (USD 203.8 million), increasing by 30.2% compared to BD 59.0 million (USD 156.5 million) in 2024.

The group also continued to expand its balance sheet, with consolidated assets closing at BD 8.05 billion (USD 21.36 billion), an increase of 14.0% from BD 7.06 billion (USD 18.73 billion) in 2024, supported by higher financing assets and an expanded fixed income portfolio. Growth across business verticals was achieved alongside a continued emphasis on resilience and balance sheet strength. During the year, we further strengthened our capital position through targeted capital-building initiatives, growing total equity by 26.3% to reach BD 749.7 million (USD 1.99 billion), compared to BD 593.4 million (USD 1.57 billion) in 2024. As a result, the group's capital adequacy ratio increased from 24.8% in 2024 to 27.2% in 2025, reinforcing the group's capacity to support future growth while maintaining a strong capital buffer.

Board of Directors' Report (continued)

In light of the strong 2025 performance, and consistent with our firm commitment to enhance long-term sustainable value for our shareholders, the Board of Directors has recommended a dividend distribution of 15% of the bank's issued and paid-up share capital (8% cash dividends and 7% stock dividends), aggregating to BD 44.1 million (USD 117.0 million). This recommendation remains subject to AGM and regulatory approvals.

Our disciplined approach to balance sheet optimization and funding management served as a key enabler for growth. In response to dynamic market conditions, Al Salam Bank continued to optimize its asset allocation and funding profile through a strategic focus on sovereign fixed income instruments, selective participation in high credit-quality exposures across local and regional markets, and further diversifying the group's funding base. Collectively, these efforts supported income growth during the year, improved risk-adjusted returns, and further enhanced our balance sheet positioning.

Alongside the continued strengthening of its domestic platform, the group made further progress in expanding its regional footprint through its subsidiaries and new growth verticals, including ASB Capital. During the year, the successful listing of the XASB Sukuk ETF on the London Stock Exchange, in partnership with Xtrackers by DWS, represented an important milestone in broadening international access to ethical investment solutions. ASB Capital also launched its global equity fund, global Sukuk fund, global technology fund, and MENA equity fund during 2025. These developments reflect the group's growing regional presence and its ability to connect international capital with high-quality opportunities, while further diversifying its revenue sources.

As part of our strategic roadmap to consistently invest in digital capabilities to support our scale, agility, and disciplined growth, we strengthened our digital foundations this year through a comprehensive infrastructure modernization program, while continuing to roll out digital offerings including our new wealthtech proposition. These capabilities underpin the group's efforts to enhance customer experience, promote financial inclusion, and support growth across its core and emerging business segments.

Throughout the year, the group remained guided by its brand promise, "we nurture relationships by enriching experiences." This commitment is reflected not only in how the bank serves its customers, but also in how it supports its people and contributes to the communities in which it operates. Social responsibility initiatives continued to focus on building capability, inclusion, and opportunity, recognizing that sustainable value creation is shaped as much by societal progress as it is by financial performance.

As we close 2025, I would like to thank the bank's valued customers, shareholders, and partners for their continuing support and loyalty, and in particular, to the entire Al Salam Bank team whose effort and commitment underpins our success and reputation.

In line with the Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2023, we are pleased to attach the table below that shows the remuneration of members of the Board and the Executive Management for the year ending 31 December 2025.

Board of Directors' Report (continued)

Disclosure forms for the remuneration of members of the Board of Directors and the Executive Management in the report of the board of directors

First: Board of directors' remuneration details:

	Fixed remunerations					Variable remunerations							
Name	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First: Independent Directors:													
1. Mr. Salim Abdullah Al Awadi	140,000	52,000	-	-	192,000	-	-	-	-	-	-	192,000	-
2. Mr. Alhur Mohammed Al Suwaidi	140,000	72,000	-	-	212,000	-	-	-	-	-	-	212,000	-
3. Mr. Tariq Abdul Hafidh Al- Aujaili	140,000	72,000	-	-	212,000	-	-	-	-	-	-	212,000	-
4. Mr. Ahmed Habib Kassim	140,000	60,000	-	-	200,000	-	-	-	-	-	-	200,000	-
Second: Non-Executive Directors:													
1. H. E. Shaikh Khalid Al Mashani	180,000	79,000	-	-	259,000	-	-	-	-	-	-	259,000	-
2. Mr. Matar Mohamed Al Blooshi	140,000	52,000	-	-	192,000	-	-	-	-	-	-	192,000	-
3. Mr. Salman Saleh Al Mahmeed	140,000	44,000	-	-	184,000	-	-	-	-	-	-	184,000	-
4. Mr. Zayed Ali Al-Amin	140,000	68,000	-	-	208,000	-	-	-	-	-	-	208,000	-
5. Mr. Hisham Saleh Al-Saie	140,000	44,000	-	-	184,000	-	-	-	-	-	-	184,000	-
Total	**1,300,000**	**543,000**	**-**	**-**	**1,843,000**	**-**	**-**	**-**	**-**	**-**	**-**	**1,843,000**	-

Note: All amounts stated in Bahraini Dinars. The Bank does not have any Executive Directors

Other remunerations:

* No in-kind benefits.

** No share of the profits.

Board remuneration represents allocation of proposed remuneration for 2025, subject to approval of the Annual General Meeting

Board of Directors' Report (continued)

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2025	Aggregate Amount
Top 6 remunerations for executives, including CEO* and Senior Financial Officer**	2,038,500	1,942,760	1,344,620	5,325,880

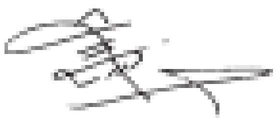
Note: All amounts must be stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).

** The company's highest financial officer (CFO, Finance Director, ...etc)

Notes:

1 Paid salaries and allowances exclude indirect staff expenses such as GOSI contributions, leave and indemnity accruals, medical insurance and air travel reimbursements.
2 Other cash remuneration include sales based incentives and board remuneration earned by executive management from their role in investee companies or other subsidiaries.
3 In addition to the benefits reported above, the Bank also operates a long-term share incentive plan (LTIP) that allows employees to participate in a share-ownership plan. Under the terms of the LTIP, employees allocated shares, would vest and acquired by employees over a performance period of 5 years. The non-cash accounting charge for the LTIP is assessed under IFRS 2 - Share-based payment and recognized over the vesting period of 5 years. No new share awards were made during 2025. Refer to the Remuneration related disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.



H.E. Shaikh Khalid Bin Mustahil Al Mashani
Chairman
9 February 2026
Manama, Kingdom of Bahrain


You Dreamed.
We Believed.
20
YEARS عاماً
Written by You.

Message from the Group Chief Executive Officer

The Bank delivered record net profit attributable to shareholders of BD 76.8 million, representing a 30.2% increase compared to 2024

Rafik Nayed

Message from the Group Chief Executive Officer (continued)

Total Equity

26.3%

BD

749.7m

2025 marked a year of strong performance and continued strategic progress for Al Salam Bank, as we further strengthened our position as one of Bahrain's leading financial institutions while advancing our transformation into a more diversified and digitally enabled regional financial group.

The global economic landscape in 2025 remained complex and uncertain, shaped by trade tensions, evolving policy directions, and geopolitical developments that continued to influence global markets and capital flows. Despite these challenges, GCC economies demonstrated resilience, supported by sustained investment activity and ongoing economic diversification. Bahrain maintained a stable growth trajectory, underpinned by the continued expansion of its non-oil sectors.

Against this backdrop, Al Salam Bank achieved a strong set of results in 2025, advancing its strategic priorities while maintaining disciplined execution. Our performance reflects the strength of our diversified operating model, our prudent approach to risk, and our ability to adapt to evolving market conditions, as we continue to position the Group for long-term growth.

The Bank delivered record net profit attributable to shareholders of BD 76.8 million (US$ 203.8 million), representing a 30.2% increase compared to 2024 and reinforcing our continued trajectory of sustained growth. Earnings per share increased to 22.7 fils (6.0 US cents), up from 19.2 fils (5.1 US cents) in 2024. Correspondingly, total comprehensive income attributable to shareholders increased by 54.1% to BD 103.4 million (US$ 274.3 million).

Our balance sheet continued to expand during the year, with total assets increasing by 14.0% to BD 8.05 billion (US$ 21.36 billion), supported by disciplined growth in financing assets and an expanded fixed income portfolio. Financing assets increased by 11.1% to BD 4.10 billion (US$ 10.79 billion), while customer deposits grew by 7.1% to BD 5.48 billion (US$ 14.54 billion), reflecting continued customer confidence of our market positioning.

We further strengthened our financial position, with total equity increasing by 26.3% to BD 749.7 million (US$ 1.99 billion). The Group's capital adequacy ratio improved to 27.2% in 2025, up from 24.8% in 2024, reinforcing our capacity to support future growth while maintaining a strong capital base.

We continued to evolve as a diversified regional financial group, making further progress across our core business lines and growth platforms. Our asset management arm, ASB Capital, expanded its offering during the year with the launch of multiple investment funds across global equities, sukuk, and thematic strategies. This was complemented by the successful listing of the XASB Sukuk ETF on the London Stock Exchange, marking a key milestone in expanding international investor access and strengthening our regional presence.

Message from the Group Chief Executive Officer (continued)

On the retail and digital front, we continued to enhance our customer experience through targeted digital investments and new service offerings. Our ongoing infrastructure modernization programme and the rollout of advanced digital capabilities, including our wealthtech proposition, have strengthened our ability to deliver more seamless, efficient, and accessible banking services. These efforts reflect our broader ambition to evolve into a next-generation financial platform, where digital innovation and client-centricity are embedded at the core of how we operate.

Our disciplined approach to balance sheet optimization and funding diversification remained a key driver of performance. Through active asset allocation, a focus on high-quality exposures, and the expansion of our funding base, we enhanced returns while maintaining a prudent and well-managed risk profile.

As we look ahead, we remain focused on building on the strong foundation we have established. Our priorities include further strengthening our regional presence, advancing our digital capabilities, and continuing to diversify our income streams across banking, asset management, and associated financial services.

While the global outlook remains uncertain, the underlying fundamentals of our region remain strong. Al Salam Bank is well-positioned to capture growth opportunities, supported by a robust balance sheet, a clear strategic roadmap and a disciplined execution framework.

I would like to extend my sincere appreciation to our shareholders, customers, and partners for their continued trust and support. I also thank the Al Salam Bank team, whose dedication and commitment remain central to driving the Bank's success.

As we move forward, we remain committed to delivering sustainable value, strengthening our market position, and contributing positively to the communities we serve.

Rafik Nayed

Group Chief Executive Officer

Al Salam Bank


You Achieved.
We Aspired.
20
YEARS عاماً
Written by You.

Management Review of Operations and Activities

Global Macro Financial Environment Overview

In 2025, the global macroeconomic environment continued to be shaped by the gradual easing of inflationary pressures against the backdrop of tighter monetary conditions across most advanced and emerging economies. While major central banks maintained a cautious stance on rates for much of the year, economic growth showed signs of stabilization, supported by resilient consumer demand and a gradual normalization of global supply chains. However, growth momentum remained uneven across regions, constrained by elevated geopolitical tensions, trade fragmentation, fiscal pressures, and higher financing costs.

The Middle East and North Africa region demonstrated economic resilience, supported by energy sector performance, continued public investment, and structural reform agendas aimed at diversification and private sector growth. Oilexporting economies benefited from disciplined fiscal policies despite sustained infrastructure spending, while nonoil growth was reinforced by expansion in tourism, logistics, financial services, and technologyenabled sectors. Across the region, governments continued to advance economic transformation initiatives, strengthen regulatory frameworks, and enhance financial sector depth and inclusion. While geopolitical uncertainties and global economic headwinds presented challenges, the MENA region entered 2026 with broadly stable macroeconomic fundamentals, adequate liquidity, and a strong capital position within the banking system, supporting confidence in mediumterm growth prospects.

Bahrain Economic Snapshot

Bahrain's macroeconomic environment remained stable, supported by resilient nonoil economic activity and a wellregulated financial sector, despite regional and global uncertainty. Real GDP growth fsor 2026 is expected to grow by 3.3%, driven by a 3.5% growth in non-oil activities and a 2.1% growth in oil activities. Notwithstanding the persistence of geopolitical risks and global economic headwinds, Bahrain's diversified economic base, sound financial system, and role as a regional hub for Islamic banking are expected to continue providing a supportive operating environment for the bank. The Financial Services sector witnessed the implementation of several key initiatives aimed at advancing digital transformation and expanding financial services.

Financial Performance

The group delivered strong financial results during the year, with net profit attributable to shareholders increasing to BD 76.8 million, reflecting an increase of 30.2% compared to BD 59.0 million in 2024. This performance was driven by proactive balance sheet optimization, disciplined repricing, and continued growth across key business segments, alongside increased contributions from associates.

The group also continued to expand its balance sheet, with consolidated assets closing at BD 8.05 billion, an increase of 14.0% from BD 7.06 billion in 2024, supported by higher financing assets and an expanded fixed income portfolio. The group's financing book and customer deposits posted substantial increases of 11.1% and 7.1% respectively, closing the year at BD 4.10 billion and BD 5.48 billion respectively. As of 31 December 2025, 95.9% of the financing portfolio was classified under the "good and satisfactory" category compared to 97.5% in 2024, with the non-performing facilities ratio maintained at a low level of 4.2%. Total equity attributable to owners' of the bank increased by 28.3% from BD 360.5 million in 2024 to BD 462.4 million in 2025.

Despite the significant growth recorded in 2025, the group continued to report strong solvency and liquidity and, in accordance with the Basel III capital adequacy guidelines, achieved a Capital Adequacy Ratio of 27.2% against a mandatory Central Bank of Bahrain minimum requirement of 14.0% for DSIBs.

Strategy

In 2025, Al Salam Bank entered a new chapter in its transformative journey commencing the implementation of an ambitious three-year strategy focused on optimization and performance, repositioning the bank into a diversified regional financial group. Building on this momentum, the bank executed its strategic priorities with discipline, directing its efforts toward expanding its revenue streams, strengthening its balance sheet, and delivering market-leading sustainable returns to shareholders.

Management Review of Operations and Activities (continued)

Throughout the year, the bank maintained a clear strategic focus on refining its operating model to enhance resilience and scalability. This included strengthening capital and growing its balance sheet, with total equity increasing by 26.3% while asset base grew by 14.0%, achieving an improvement in Capital Adequacy Ratio from 24.8% in 2024 to 27.2% in 2025. These initiatives and metrics underscore the bank's commitment to maintaining a strong financial foundation capable of supporting sustainable, long-term growth.

In parallel, the group advanced its growth agenda across both existing and new business verticals. The continued development of ASB Capital, the group's asset management arm, represented a significant step in its objective to diversify its revenue streams and capture a growing share of the regional asset and wealth management space.

ASB Capital delivered a strong performance in 2025, marked by continued growth in assets under management (AUM) and the successful execution of its product expansion strategy. AUM reached USD 6.00 billion in 2025, reflecting sustained client inflows and strong demand for diversified investment solutions.

As part of its product rollout plan, ASB Capital expanded its investment offering through the launch of multiple funds, including the Global Equities Fund in partnership with State Street Investment Management, alongside the Global Sukuk Fund, MENA Equities Fund, and Global Technology Fund. Another key milestone was the launch of its first passive investment product, the Sukuk ETF in partnership with Xtrackers by DWS, listed on the London Stock Exchange under the ticker XASB. This initiative underscores ASB Capital's commitment to innovation and its focus on providing accessible, Shari'a-compliant investment solutions to a global investor base.

ASB Capital also continued to expand its capital markets mandates, playing an advisory role in several high-profile Sukuk issuances, including Kuwait International Bank's USD 300 million issuance, Alinma Bank's USD 500 million issuance, and Kuwait Finance House's USD 850 million Additional Tier 1 (AT1) Sukuk. These transactions highlight the platform's growing credibility and expertise in structuring and executing complex capital market deals.

In parallel, the group's strategic investments continued to contribute meaningfully to the financial performance in 2025. Al Salam Bank Algeria continued to advance its three-year growth strategy, achieving a 7.2% expansion in its balance sheet and a 9.3% increase in profitability, marking it as the highest profitability level since the bank's inception. Solidarity Group Holding (SGH) reported a remarkable increase in balance sheet by 33.6%, driven by the consolidation of Bahrain National Life Insurance Company (BNL) and Bahrain National Insurance Company (BNI) within SGH. This transaction also positioned Solidarity Bahrain, SGH's subsidiary, as the country's largest takaful and insurance provider which presents a milestone that underscores the group's growing influence across Bahrain's financial sector.

Retail Banking

Retail Banking delivered resilient performance in 2025, maintaining a stable and well-balanced asset base despite an increasingly competitive operating environment. Growing demand for financing solutions, including Social Housing financing which increased by 5.0% during the year, reflects the bank's ability to capture opportunities across key retail segments while maintaining disciplined underwriting standards.

From a funding perspective, CASA balances recorded an increase by 13.0% supported by the continued momentum in the Danat Savings Scheme. This deliberate shift towards a more optimized funding mix strengthened the bank's liquidity position and contributed to improved overall cost efficiency.

As part of its focus on growing fee-based income, the Cards Business delivered outstanding performance for the year, with core card revenues increasing by 13.0%, average monthly credit card spends rising by 63.0% and cross-border spending growing by 73.0%. Growth was driven by a combination of enhanced product offerings, targeted campaigns, innovative client propositions, most notably an exclusive FIFA World Cup campaign with Visa, and the launch of a targeted multi-currency credit card for the UHNW segment. These initiatives deepened client engagement and resulted in Visa recognizing Al Salam Bank in 2025 for ranking among the top used cards in Bahrain across key merchants and leading luxury brands.

Management Review of Operations and Activities (continued)

Building on its existing capabilities, Retail Banking continued to invest in service delivery and client experience, enhancing the onboarding processes for MSMEs and individuals, alongside delivering continued improvements across digital channels. Underpinning this approach was the launch of ASB Pay, the bank's acquiring platform offering both traditional and innovative point-of-sale (POS) solutions, developed during the year in direct response to the evolving needs of the bank's Corporate, SME, and Private Banking clients. Fully integrated within the bank's ecosystem, ASB Pay supports same-day settlement and competitive merchant service fees, enabling seamless merchant onboarding and digital payment settlement at scale.

In parallel, Al Ruwad affluent customers gained access to a newly launched suite of diversified investment products through ASB Capital and Wealth Management, delivering strong sales performance in its first year and a notable increase in AUMs. This success highlights Al Ruwad's commitment to offering sophisticated, client-tailored investment opportunities that enable its clients to grow and protect their wealth with confidence.

The collective impact of these efforts resulted in strong client acquisition momentum during the year, with the overall customer base increasing by 16.0%, a testament to the bank's deliberate effort to expand its market share in the retail banking space.

Private Banking

Private Banking delivered another year of strong growth in 2025, with assets growing by 15.0% and liabilities increasing by 12.0%. This growth was driven by the successful onboarding of high-net-worth clients and deepened engagement across the existing client base.

During the year, Private Banking accelerated its geographic diversification strategy, with the international liability portfolio growing by 14.0%. This regional and international momentum was supported by the enhanced product suite offered to our clients, most notably the integration of ASB Capital's offerings which enabled Private Banking to provide clients with a more comprehensive and sophisticated range of solutions and contributed to increased client activity and a growing share of wallet.

Private Banking also played a pivotal role in the group's capital markets activity, spearheading the bank's Additional Tier 1 Capital fundraising process and supporting Solidarity Bahrain's Tier 2 capital issuance, a reflection of the depth of its client relationships and its proven ability to mobilize private capital at scale.

Digital enablement remained a key enabler of the department's growth, improving client access, streamlining service delivery, and enhancing the overall client experience. This was further complemented by the launch of a targeted multi-currency credit card for the UHNW segment, designed to better address evolving client needs. These initiatives collectively strengthen Private Banking's competitive positioning as it continues to expand its regional and international footprint.

Wealth Management

Wealth Management continued to be guided by a clear mandate to aggregate and grow group assets under management, enhance fee-based income, and institutionalize the investment experience. The department actively engaged in the placement of a diverse range of products, including advisory mandates, in-house investment solutions, subscriptions into ASB Capital funds, and client fixed income portfolios, with total assets under management increasing by 30.0% year-on-year. In addition, Wealth Management supported key capital initiatives across the group, further demonstrating its distribution capabilities and strong client relationships. Building on its existing platform, the department continued to strengthen its advisory proposition, expand its product suite, and enhance client engagement, reinforcing its role as a key driver of recurring, fee-based revenue and long-term client value creation.

Corporate Banking

Al Salam Bank's Corporate Banking department delivered a strong performance in 2025, built on years of disciplined portfolio construction, prudent/disciplined credit standards, and a deep-rooted commitment to supporting Bahrain's economic development. Despite operating in an environment characterized by elevated rates and tightening credit markets, Corporate Banking grew its financing book by 9.0% while simultaneously strengthening asset quality and reducing portfolio concentration. This growth was further supported by strong momentum in the syndications portfolio underpinned by a deliberate focus on regional participation.

On the liabilities front, Corporate Banking undertook a deliberate funding optimization exercise, reducing higher-cost deposits, thereby improving the efficiency of its funding base without compromising client relationships.

Management Review of Operations and Activities (continued)

Operationally, Corporate Banking continued to invest in digitizing its services evidenced by the introduction of working capital facilities on its Workspaces platform, the launch of streamlined digital onboarding, the expansion of digital adoption rate within its client base, and the migration of payroll and payment processes to automated channels. Collectively, these initiatives improved client experience whilst enhancing operational efficiency to further support scaling up its operations as it looks to the opportunities ahead.

Treasury and Financial Institutions

Capitalizing on the opportunity presented by the prevailing interest rate environment, Treasury and Financial Institutions department strategically accelerated Sukuk acquisitions, growing the fixed income portfolio by approximately 33.6% and generating solid returns whilst improving diversification of exposures. Liquidity and funding management remained a cornerstone of Treasury's approach throughout the year. Despite market volatility, Treasury prudently maintained a strong balance between profitability and risk, diversifying its funding sources and optimizing the bank's balance sheet to reinforce overall financial resilience.

Treasury also continued to strengthen its market presence and counterparty relationships during the year, enhancing its funding and hedging product suite while maintaining its active role in supporting sovereign and institutional issuances, further cementing Al Salam Bank's standing as a credible and capable participant in the region's capital markets.

International Transaction Banking

International Transaction Banking continued to expand its client base in 2025 through increased client onboarding from new geographies, deeper engagement with existing relationships, and enhanced cross-border transaction activity. The segment recorded growth in trade finance volumes and related foreign exchange transactions, with total volumes increasing by 15.0% year-on-year. This performance was supported by a diversified client mix and the bank's ability to capture opportunities across regional and international markets.

International Transaction Banking also maintained its cost-effective funding base, with a significant portion of its portfolio supported by CASA balances. Continued focus on structured trade solutions and supply chain financing further contributed to portfolio growth and revenue generation, reflecting the bank's focus on expanding global reach, strengthening client relationships, and delivering efficient trade and funding solutions.

Digital Channels and Innovation

2025 marked a year of significant progress in the bank's digital transformation agenda, with the accelerated execution of its digital roadmap across channels, products, and internal processes. Key launches during the year included ASB Pay Business, the Al Salam Business App, and a multi-currency debit card. In a step to further expanding the bank's digital wealth proposition, the bank introduced digital investment products through the bank's mobile application encompassing short-term government Sukuk subscriptions and four newly launched ASB Capital funds spanning Global Equities, MENA Equities, Global Technology, and Sukuk.

A standout development was the launch of the bank's digital financing service, making Al Salam Bank the first and only bank in Bahrain to offer a fully integrated, end-to-end digital financing experience. The intelligent module assesses each customer's financial profile in real time, automatically calculates the optimal financing amount tailored to their capacity and enables customers to apply for new financing or top ups anytime, anywhere, with funds credited instantly upon approval.

The year also saw the launch of ONE App, Bahrain's first digital financial marketplace built on open banking infrastructure. By enabling multi-banking capabilities and extending non-salary transfer financial services, the platform achieved more than 63,000 downloads and provided access to more than nine banking products within its first year. ONE App was recognized with the prestigious e-Government Award for Best Digital Transformation Project, a testament to the bank's commitment to delivering seamless, client-centric digital innovation.

Operations

The Operations department continued its transformative efforts, marked by the introduction of advanced systems and comprehensive process review and automation. These efforts streamlined workflows, enhanced service delivery, and improved overall operational efficiency across the bank.

During the year, a centralized service request system was implemented with predefined workflows to manage client requests more effectively. With requests automatically routed to the relevant teams, the department was able to reduce manual coordination, achieve faster turnaround times and ensure consistency and accountability across operations.

Management Review of Operations and Activities (continued)

In parallel, Robotic Process Automation (RPA) solutions were introduced to accelerate routine processes, particularly across back-office operations. These solutions improved transaction processing speed and reliability, while allowing employees to focus on higher-value activities, thereby enhancing overall productivity.

Through a comprehensive process reengineering exercise, existing workflows were critically reviewed and redesigned to eliminate redundant steps, remove bottlenecks, and align processes with modern best practices. This resulted in a leaner and more agile operational framework.

Collectively, these initiatives delivered measurable improvements, including faster client response times, higher accuracy and consistency in data processing, improved employee productivity, and enhanced client satisfaction driven by more reliable and efficient service delivery.

Information Technology

In 2025, Information Technology delivered another transformational year, accelerating the bank's digital agenda and strengthening its position as a provider of innovative, secure, and customer-centric financial services. With 99.9% availability across critical platforms, IT ensured a reliable banking experience while supporting growth and resilience.

A major milestone in 2025 was the successful infrastructure modernization project, which improved scalability, resilience, and time to market alongside initiatives aimed at strengthening performance, capacity, and data protection. AI and automation further improved efficiency, with turnaround times reduced by 99.0% in certain use cases, streamlining operations, enhancing compliance, and minimizing manual intervention. These initiatives have improved efficiency, reduced operational overhead, and strengthened service delivery across the bank.

The bank also enhanced its retail and corporate digital channels to deliver seamless, end-to-end customer journeys including digital Sukuk subscriptions, Visa Click to Pay, expanded financing options, and additional self-service and lifestyle features. The launch of the ASB Business App further improved secure and accessible banking for SME clients, supporting stronger digital adoption and customer convenience.

The bank also maintained strong regulatory and governance performance, delivering all regulatory initiatives in line with Central Bank of Bahrain and BENEFIT requirements, achieving ISO 27701 certification, and maintaining compliance with ISO 27001, ISO 22301, and PCI-DSS.

Human Resources

The Human Resources department continued to play a central role in strengthening organizational capabilities and fostering a highperformance culture required to support the bank's strategic ambitions. Total training hours exceeded 78,968, reflecting a sustained investment in capability development across key functions including banking, risk, compliance, and digital innovation.

Youth development and talent pipeline remained a priority during the year. During the year, the bank launched "Tanweer," a professional orientation and training initiative designed specifically for high school students in the Kingdom of Bahrain. The Tanweer Program engaged more than 68 students across Bahrain, and the Summer Internship Program hosted over 51 interns through structured, departmentbased training. Both initiatives collectively reinforced Al Salam Bank's commitment to nurturing the next generation of banking professionals and contributing to Bahrain's national workforce development agenda.

Internally, the "One Family One Future" program strengthened alignment with the bank's vision and deepened collaboration across all levels of the organization. This was complemented by a series of wellbeing and engagement initiatives delivered throughout the year, supporting employee health, inclusion, and overall engagement, and reflecting the bank's commitment to developing its people and building a futureready workforce.

Brand, Marketing and Corporate Communications

In 2025, the Brand, Marketing and Corporate Communications function continued to support the bank's growth agenda by strengthening market visibility, advancing digital proposition awareness, supporting product and platform launches, and reinforcing Al Salam Bank's relevance through purpose-led engagement. Throughout the year, the function played an active role in translating business priorities into clear market-facing narratives, while ensuring that the bank's communications remained aligned with the bank's broader positioning as a client-centric, innovation-led financial institution.

Management Review of Operations and Activities (continued)

Brand Positioning and Market Visibility

A key focus during the year was the continued strengthening of the Bank's brand positioning through high-visibility communications linked to innovation, digital capability, and regional relevance. This was reflected in the public positioning of milestone initiatives such as the listing of the XASB Sukuk ETF on the London Stock Exchange, announced in November 2025. The listing marked the first Sukuk ETF by a Bahraini financial group and broadened investor access to more than 150 sukuk exposures through a single investment instrument accessible via Al Salam Invest on the bank's app. This represented not only a product milestone for the Group, but also an important brand and reputation milestone, reinforcing Al Salam Bank's profile financial innovation and cementing its position as a diversified, regional financial group.

Strategic Campaigns and Partnerships

From a campaign and partnership perspective, 2025 saw the delivery of targeted initiatives that enhanced customer relevance and supported product visibility in everyday use cases. One notable example was the Ramadan 2025 collaboration with talabat, through which Al Salam Bank offered eligible credit and prepaid cardholders a one-year free talabat pro subscription, available to the first 3,500 cardholders. Beyond its promotional value, the initiative demonstrated the bank's continued focus on building lifestyle-oriented partnerships that connect banking products to clients' daily needs and create added value through the wider ecosystem.

Community Engagement and Purpose-Led Initiatives

Alongside commercial and product-led communications, the function also contributed to the bank's broader purpose-led and community narrative. A notable achievement associated with Project Dream, Al Salam Bank's long-term youth development initiative delivered in partnership with Tumooh and Ole Academy, was announced in January 2026 following 2025 activity, when players enrolled in the program won the JPL Premiership – Top Tier (GCC) for the 2014 age group in a tournament involving more than 22 youth academies across the GCC. According to the bank's announcement, the initiative is built around a structured development framework focused on long-term player progression and aligned with the bank's commitment to youth development, sports excellence, and community engagement, including support for Bahrain's future sporting aspirations toward the 2030 and 2034 FIFA World Cups.

Awards and External Recognition

The cumulative effect of these efforts was reflected in the bank's strong external recognition during 2025, with Al Salam Bank receiving a total of 8 prestigious awards across key categories. The bank was named Bank of the Year: Bahrain 2025 by The Banker and Best Retail Bank in Bahrain 2025 by Euromoney Awards for Excellence, alongside multiple recognitions for its leadership in Islamic banking and customer-centricity, including Best Islamic Bank in Bahrain 2025, Best Islamic Retail Bank in Bahrain 2025, and Most Customer-Centric Islamic Bank in Bahrain 2025.

In addition, the bank's leadership was recognized at the highest level, with Mr. Rafik Nayed, Group CEO, named among the Top Influential CEOs for 2025 by Forbes Middle East and awarded Best Islamic Banking CEO – Bahrain 2025. These accolades collectively reinforce the bank's market position and reflect the effectiveness of its strategic direction, operational performance, and commitment to delivering differentiated value to its clients.

Overall, in 2025, the Brand, Marketing and Corporate Communications function continued to evolve as a strategic enabler of visibility, engagement, and institutional reputation. By supporting the launch and positioning of key propositions, strengthening communication of flagship milestones, and amplifying external recognition, the function contributed to reinforcing Al Salam Bank's market standing and long-term growth narrative.

Real Estate & Investments

In line with the group's strategy of reducing non-core banking holdings, a series of real estate disposals was executed during 2025, significantly reducing its composition of the balance sheet. Key transactions included the exit of the group's 15.6% shareholding in Seef Properties and the disposal of several repossessed assets.

In parallel, the bank continued to optimize its remaining real estate portfolio to enable future exits, enhance portfolio efficiency, and improve liquidity. These efforts collectively reflect a disciplined approach to capital allocation and active portfolio management, supporting the broader objective of optimizing returns and strengthening its balance sheet.

Corporate Governance Report

Corporate Governance Practice

The Bank is committed to upholding the highest standards of corporate governance that is essential for fostering transparency, accountability, and ethical conduct. The Bank's governance framework includes robust risk management systems and strict compliance with regulatory requirements including CBB Rulebook's Module HC, promoting effective oversight by the Board of Directors. Furthermore, The Bank prioritizes clear communication with stakeholders and regularly evaluate the conducted practices to ensure alignment with best standards.

Major Shareholders as of 31 December 2025

S. No.	Investor Name	Country	No. of Shares	%
1	Bank Muscat (S.A.O.G)	Sultanate of Oman	437,315,389	14.74
2	Muscat Overseas Company L.L.C.	Sultanate of Oman	250,246,941	8.43
3	Sayacorp B.S.C Closed	Kingdom of Bahrain	186,273,227	6.28

Shareholding – 31 December 2025

Category	No. of Shares	No. of Shareholders	% of Outstanding Shares
Less than 1%	983,153,010	22,996	33.13
1% up to less than 5%	1,110,610,224	13	37.42
5% up to less than10%	436,520,168	2	14.71
10% up to less than 20%	437,315,389	1	14.74
20% up to less than 50%	-	-	-
50% and above	-	-	-
Total	2,967,598,791	23,012	100

The outstanding ordinary share ownership of the Bank is distributed as follows:

Nationality	No. of Shares	Ownership Percentage
Kingdom of Bahrain		-
Government	-	-
Institution	910,063,265	30.67
Individual	432,887,287	14.59
GCC		
Government	-	-
Institution	1,125,807,479	37.94
Individual	304,706,254	10.27
Others		
Government	-	-
Institution	167,022,703	5.63
Individual	27,111,803	0.91
Total	2,967,598,791	100

Corporate Governance Report (continued)

Board of Directors

The Board of Directors provides central leadership to the Bank, establishes the Bank's objectives, and develops the strategies that directs the ongoing activities of the Bank to achieve these objectives. Directors determine the future of the Bank through the protection of its assets and reputation. Directors apply skill and care in exercising their duties to the Bank and are subject to fiduciary duties. Directors are accountable to the shareholders of the Bank for the Bank's performance and can be removed from office by them.

The primary responsibility of the Board is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to balance the interests of its diverse stakeholders including its customers, correspondents, employees, suppliers, and the local community. In all actions taken by the Board, the directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Bank and its stakeholders. In discharging that obligation, directors may rely on the honesty and professional integrity of the Bank's senior management and, its external advisors and auditors.

Board Composition

The Board consists of members who possess both the required skills and expertise to govern the Bank in a manner that would achieve the objectives of all stakeholders. Furthermore, in compliance with relevant regulations, the Board Committees consist of Directors with adequate professional background and experience. The Board periodically reviews its composition, the contribution of Directors and the performance of its various Committees. The appointment of Directors is subject to prior screening by the Nomination and Corporate Governance Committee and the Board of Directors, as well as the approval of both the Shareholders and the Central Bank of Bahrain. The classification of "executive", "non-executive" and "independent" directors is as per the definitions stipulated in the Central Bank of Bahrain Rulebook.

Each Director is elected for a three-year term, after which he must present himself to the Annual General Meeting of shareholders for re-appointment. Board Meeting attendance is as per the regulations stipulated in the Central Bank of Bahrain Rulebook.

Currently, Al Salam Bank does not have any female representation on the Board of Directors as per the below:

Gender	Men	Women
Number of Directors	9	0
Percentage %	100%	0%

Corporate Governance Report (continued)

Mandate of the Board of Directors and their Roles and Responsibilities

The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives in accordance with relevant statutory and regulatory structures. The Board is also responsible for the consolidated financial statements of the Group. The Board ensures the adequacy of financial and operational systems and internal controls, as well as the implementation of corporate ethics and the code of conduct. The Board has delegated the responsibility of the day-to-day management of the Bank to the Group Chief Executive Officer ("Group CEO").

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rests with the Board. This includes:

- Reviewing the strategic plan of the Bank.
- Performance reviews of the Senior Management (all approved persons).
- Performance assessment of the Board, Board Sub-Committees and the Shari'a Supervisory Board.
- Approving material acquisition and disposal of assets.
- Approving capital expenditure.
- Approving authority levels.
- Appointing auditors and, reviewing the financial statements and financing activities.
- Reviewing the Corporate Governance Report
- Approving the annual operating plan and budget.
- Ensuring regulatory compliance through its various committees.
- Reviewing the adequacy and integrity of the internal controls; and
- Approving all policies pertaining to the Bank's operations and functioning.

Board Elections System

Article 25 of the Bank's Articles of Association provides the following:

1. The company shall be administered by a Board of Directors consisting of not less than five (5) members elected by the shareholders by means of cumulative voting by secret ballot and in accordance with the provisions of the Commercial Companies Law, after obtaining the approval of the Central Bank of Bahrain for their appointment. Members of the Board of Directors shall be appointed or elected to serve for a term not exceeding three (3) years renewable. A cumulative vote shall mean that each shareholder shall have a number of votes equal to the number of shares he owns in the Company and shall have the right to vote for one candidate or to distribute them among his chosen candidates.
2. Each shareholder owning 10% or more of the capital may appoint whoever represents him on the Board to the same percentage of the number of the Board members. His right to votes shall be forfeited for the percentage he has appointed representatives. If a percentage is left that does not qualify him to appoint another member, he may use such percentage to vote.
3. The Board of Directors shall elect, by secret ballot, a Chairman and one Vice Chairman or more, three years renewable. The Vice Chairman shall act for the Chairman during his absence or if there is any barrier preventing him. The Ministry of Industry and Commerce and the Central Bank of Bahrain shall be provided with a copy of the resolution electing the Chairman and the Deputy Chairman.
4. The Board of Directors shall consist of independent and non-executive members in accordance with the Central Bank of Bahrain's rules and regulations.
5. No person may be appointed or elected as a member of the Board of Directors until he has declared his acceptance to such nomination in writing, provided that the declaration includes the disclosures of any work performed that may directly or indirectly constitute competition for the company, names of the companies and entities in which he works in or in which he is a member of their board of directors.

Corporate Governance Report (continued)

Article 27 of the Bank's Articles of Association covers the "Termination of Membership in the Board of Directors" which states the following:

A Director shall lose his office on the Board in the event that he:

1. Fails to attend four consecutive meetings of the Board in one year without an acceptable excuse, and the Board of Directors decides to terminate his membership;
2. Resigns his office by virtue of a written request;
3. Forfeits any of the provisions set forth in Article 26 of the Articles of Association;
4. Is elected or appointed contrary to the provisions of the Law; and
5. Has abused his membership by performing acts that may constitute a competition with the Company or caused actual harm to the Company;
6. If he has been convicted before any court for theft, embezzlement, fraud, forgery or issuing dishonored cheques or any crime as provided in the law;
7. If he declares bankruptcy;
8. If any of the shareholders have terminated his appointment to any of their representatives on the Board of Directors or if the shareholders of the General Assembly vote for his removal in accordance with Article 42; or
9. If the Central Bank of Bahrain considers him not eligible for the position.

Independence of Directors

An independent Director is a Director whom the Board has specifically determined has no material relationship, which could affect his independence of judgment, taking into account all known facts. The Directors have disclosed their independence by signing the Directors Annual Declaration whereby they have declared that during the year ending 31 December 2025, they have met all the conditions required by the various regulatory authorities to be considered independent.

As of 31 December 2025, the members of the Board were:

Non-executive Members

H.E. Shaikh Khalid bin Mustahil Al Mashani	Chairman
Mr. Matar Mohamed Al Blooshi	Deputy Chairman
Mr. Salman Saleh Al Mahmeed	Board Member

Independent Members

Mr. Ahmed Habib Kassim	Board Member
Mr. Alhur Mohammed Al Suwaidi	Board Member
Mr. Hisham Saleh AlSaie	Board Member
Mr. Salim Abdullah Al Awadi	Board Member
Mr. Tariq Abdulhafidh AlAujaili	Board Member
Mr. Zayed Ali Al-Amin	Board Member

All current Directors were elected for a three-year term on 31 March 2024.

Corporate Governance Report (continued)

The Board Charter

The Board has adopted a Charter which provides the authority and practices for governance of the Bank. The Charter was approved by the Board with the beginning of its term in 2024 and it has been updated to be aligned with the new regulation rules. The charters include general information on the composition of the Board of Directors', classification of Directors', Board related Committees, Board of Directors' roles and responsibilities, Board of Directors' code of conduct, Board remuneration and evaluation process, insider dealing, conflict of interest and other Board related information.

Conflict of Interest

The Bank has a documented procedure for dealing with situations involving "conflict of interest" of Directors. In the event of the Board or its Committees considering any issues involving "conflict of interest" of Directors, the decisions are taken by the full Board/ Committees. The concerned Director abstains from the discussion/ voting process. These events are recorded in Board/ Committees proceedings. The Directors are required to inform the entire Board of (potential) conflicts of interest in their activities with, and commitments to, other organizations as they arise and abstain from voting on the matter. This disclosure includes all material facts in the case of a contract or transaction involving the Director. A report detailing the absentation from voting relating to conflict of interest is made available to shareholders upon their request.

The below illustrates instances where Board Members have abstained from voting due to conflict of interest:

Sr.	Members	Instances of abstaining from voting	Status
1	Mr. Ahmed Habib Kassim	2 instances	Approved by Board
2	Mr. Hisham Saleh AlSaie	4 instances	Approved by Board
3	Mr. Zayed Ali Al-Amin	1 instance	Approved by Board

Induction and Orientation for New Directors

When new Directors are appointed, they shall be provided with an appointment letter and the Directors' Handbook containing information relevant to the performance of their duties as members of the Board. The Handbook includes the Corporate Governance Guidelines, Charters of the Board and Committees, key policies, etc. The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rests with the Board.

Code of Conduct

The Board has an approved Code of Conduct for Directors, as follows:

- To act with honesty, integrity and in good faith, with due diligence and care, in the best interest of the Bank and its stakeholders;
- To act only within the scope of their responsibilities;
- To have a proper understanding of the affairs of the Bank and to devote sufficient time to their responsibilities;
- To keep confidential Board discussions and deliberations;
- Not to make improper use of information gained through the position as a director;
- Not to take undue advantage of the position of director;
- To ensure his/her personal financial affairs will never cause reputational loss to the Bank;
- To maintain sufficient/detailed knowledge of the Bank's business and performance to make informed decisions;
- To be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- To consider themselves as a representative of all Shareholders and act accordingly;
- Not to agree to the Bank incurring an obligation unless he/she believes at the time, on reasonable grounds, that the Bank will be able to discharge the obligations when it is required to do so;

Corporate Governance Report (continued)

- Not to agree to the business of the Bank being carried out or cause or allow the business to be carried out, in a manner likely to create a substantial risk of serious loss to the Bank's creditors;
- To treat fairly and with respect all of the Bank's employees and customers with whom they interact;
- Not to enter into competition with the Bank;
- Not to demand or accept substantial gifts from the Bank for himself/herself or his/her associates;
- Not to take advantage of business opportunities to which the Bank is entitled for himself/herself or his/her associates;
- Report to the Board any potential conflicts of interests; and
- Absent themselves from any discussions or decision-making that involves a subject in which they are incapable of providing objective advice or which involves a subject or proposed conflict of interest.

Evaluation of Board Performance

The Board has adopted a 'Performance Assessment Framework' designed to provide Directors with an opportunity to assess their performance on an annual basis. The self-assessment consists of three categories, such as:

- Assessment of the Board as a unit;
- Assessment of the Committee as a unit; and
- Self-assessment of individual Directors.

The results of the annual performance assessment shall be communicated to the Shareholders at the Annual General Meeting. The results for this year were satisfactory.

Remuneration of Directors

Remuneration of the Directors as provided by Article 34 of the Articles of Association states the following:

"The General Assembly shall specify the remuneration of the members of the Board of Directors. However, such remunerations must not exceed in total 10% of the net profits after deducting statutory reserve and the distribution of dividends of not less than 5% of the paid capital among the shareholders. The General Assembly may decide to pay annual bonuses to the Chairman and members of the Board of Directors in the years when the Company does not make profits or in the years when it does not distribute profits to the shareholders, subject to the approval of the Ministry of Industry and Commerce. The report of the Board of Director to the general Assembly shall include full statement of the remuneration the members of the Board of Directors have been paid during the year in accordance with the provisions set forth in Article (188) of the Law."

The Board, based upon the recommendation of the Remuneration Committee and subject to the laws and regulations, determines the form and amount of Director compensation subject to final approval of the shareholders at the Annual General Meeting. The Remuneration Committee shall conduct an annual review of Directors' compensation.

As per the Directors Remuneration Policy approved by the Shareholders, the structure and level for the compensation for the Board of Directors consist of the following:

1. Annual remuneration subject to the annual financial performance of the Bank and as per the statutory limitation of the law.
2. The total amount payable to each Board member with respect to Board and Committee meetings attended during the year.
3. The remuneration of the Board of Directors will be approved by the shareholders at the Annual General Meeting.

In addition to the above, Directors of the Bank may not enter any consulting arrangements with the Bank without the prior approval of the Board. Directors who serve on the Audit and Risk Committee shall not directly or indirectly provide or receive compensation for providing accounting, consulting, legal, investment banking or financial advisory services to the Bank.

Corporate Governance Report (continued)

Board Meetings and Attendances

The Board of Directors meets at the summons of the Chairman or his Deputy (in the event of his absence or disability) or if requested to do so as per the Bank's Board Charter. According to the Bahrain Commercial Companies Law and the Bank's Articles of Association, the Board meets at least four times a year. A meeting of the Board of Directors shall be valid if attended by half of the members in person. During 2025, the Directors that were present at the Annual General Meeting are detailed in the minutes of the 2025 Annual General Meeting. The details of the Board meetings held during 2025 are as follows:

Board Meetings in 2025 - Minimum Four Meetings per Annum

Members	9 Feb	13 May	3 Jun	13 Aug	17 Sep	12 Nov	8 Dec	%
H.E. Shaikh Khalid bin Mustahil Al Mashani	√	√	√	√	√	√	√	100
Mr. Matar Mohamed Al Blooshi	√	√	√	√	√	√	√	100
Mr. Ahmed Habib Kassim	√	√	√	√	√	√	√	100
Mr. Alhur Mohammed Al Suwaidi	√	√	√	√	√	√	√	100
Mr. Hisham Saleh AlSaie	√	√	√	√	√	√	√	100
Mr. Salim Abdullah Al Awadi	√	√	√	√	√	√	√	100
Mr. Salman Saleh Al Mahmeed	√	√	√	√	√	√	√	100
Mr. Tariq Abdulhafidh AlAujaili	√	√	√	√	√	√	√	100
Mr. Zayed Ali Al Amin	√	√	√	√	√	√	√	100

Directors' Interests

Directors' shares ownership in two-year comparison as of 31 December:

	No of shares		Number of Shares in 2025	
Member	2025	2024	Bought	Sold
H.E. Shaikh Khalid bin Mustahil Al Mashani	0	0	0	0
Mr. Matar Mohamed Al Blooshi	0	0	0	0
Mr. Ahmed Habib Ahmed Kassim	53,463,061	49,502,835	11,253,282	11,253,282
Mr. Alhur Mohammed Al Suwaidi	0	0	0	0
Mr. Hisham Saleh AlSaie*	5,134,272	4,289,049	502,100	0
Mr. Salim Abdullah Al Awadi	0	0	0	0
Mr. Salman Saleh Al Mahmeed	0	0	0	0
Mr. Tariq Abdulhafidh AlAujaili	0	0	0	0
Mr. Zayed Ali Al-Amin	5,000,000	6,000,000	680,000	2,000,000

* Indirect ownership

Approval Process for Related Parties' Transactions

The Bank has a due process for dealing with transactions involving related parties. Any such transaction will require the unanimous approval of the Board of Directors. The nature and extent of transactions with related parties are disclosed in the consolidated financial statements under note 30- related party transaction.

Corporate Governance Report (continued)

Material Transactions that require Board Approval

Depending on the internal risk rating transactions above BD 5 million and up to BD 15 million requires the approval of the Executive Committee of the Board of Directors, any transaction above BD 15 million requires the approval of the Board of Directors of the Bank. In addition, when acquiring 20% of a company Board approval is required regardless of the amount.

Material Contracts and Financing Involving Directors and Senior Management During 2025

The Bank's dealings with its directors/ associated entities are conducted on an arms-length basis and at prevailing commercial terms in respect of its exposure to and deposits received from them. All financing facilities to senior management members are governed by the policies applicable to staff, which are reviewed and approved by the Board Remuneration & Nomination Committee. Material contracts and financing facilities involving directors and senior management during 2025 are as follows:

- Financing Facilities provided to certain Directors of the Board and related entities with a total amount of BD 1,287,127.
- Financing Facilities provided to senior management with a total amount of BD 484,000.

All related party transactions are disclosed in note 30 of the consolidated financial statements for the year ending 31 December 2025.

Directorships held by Directors on Other Boards

The High-Level Controls Module of the Central Bank of Bahrain Rulebook provides that no Director should hold more than three directorships in Bahrain public companies. All members of the Board of Directors met this requirement and are approved by the Central Bank of Bahrain.

Board Committees

Consistent with the industry's best practice, the Board has established four Committees with defined roles and responsibilities. The Standing Committees of the Board are Executive Committee, Audit and Risk Committee, Remuneration Committee and, Nomination and Corporate Governance Committee.

Certain information relating to the work of certain Board Committees during the year 2025, summary of the dates of Committee meetings held, Directors' attendance and a summary of the main responsibilities of each Committee is enclosed in this report.

Executive Committee

The Committee operates under the delegated authority of the Board and provides direction to the executive management on business matters, as delegated by the Board, to address matters arising between the Board meetings. The Committee is responsible for reviewing business matters concerning credit and market risks, strategy review and providing recommendation to the Board.

Committee Meetings in 2025 - Minimum four meetings per annum.

Four Committee meetings were held during 2025 as follows:

Members	26 Jan	25 May	10 Sep	27 Nov	%
Mr. Matar Mohamed Al Blooshi (Chairman)	√	√	√	√	100
Mr. Hisham Saleh AlSaie	√	√	√	√	100
Mr. Salim Abdullah Al Awadi	√	√	√	√	100
Mr. Salman Saleh Al Mahmeed	√	√	√	√	100

Corporate Governance Report (continued)

Audit and Risk Committee

The Committee's responsibility is to assist the Board in discharging its oversight duties relating to matters such as Audit, Risk and Compliance including the integrity of the Bank's financial statements, financial reporting process and systems, internal controls and financial controls. The Committee also acts as a liaison between the external auditor, internal auditor and the Board. The Committee is also charged with the responsibility of handling whistleblowing complaints and monitoring related party transactions.

Committee Meetings in 2025 - Minimum four meetings per annum.

Eight Committee meetings were held during 2025 as follows:

Members	5 Feb	5 Mar	6 May	26 May	6 Aug	8 Sep	5 Nov	30 Nov	%
Mr. Tariq Abdulhafidh AlAujaili (Chairman)	√	√	√	√	√	√	√	√	100
H.E. Shaikh Khalid bin Mustahil Al Mashani	√	√	√	√	√	√	√	√	100
Mr. Ahmed Habib Kassim	√	√	√	√	√	√	√	√	100
Mr. Alhur Mohammed Al Suwaidi	√	√	√	√	√	√	√	√	100
Mr. Zayed Ali Al Amin	√	√	√	√	√	√	√	√	100

Remuneration Committee

The Committee's role is to provide a formal and transparent procedure for developing a compensation policy for the Board, Group Chief Executive Officer and Senior Management (approved persons and material risk takers); ensures that compensation offered is competitive, in line with the market/peer group and consistent with the responsibilities assigned to employee. In addition, the Committee recommends to the Board special compensation plans, including annual performance bonus and short/long ter m incentives to attract, motivate and retain key employees.

Committee Meetings in 2025 - Minimum two meetings per annum.
Three meetings were convened during 2025:

Members	5 Feb	26 May	30 Nov	%
H.E. Shaikh Khalid bin Mustahail Al Mashani (Chairman)	√	√	√	100
Mr. Alhur Mohammed Al Suwaidi	√	√	√	100
Mr. Tariq Abdulhafidh AlAujaili	√	√	√	100

Nomination and Corporate Governance Committee

The Committee's role is to evaluate and nominate candidates to the Board, as well as facilitate the assessment of the performance of the Board, Committees and individual Directors. In addition, the Committee is responsible to ensure that Directors receive adequate training during the year so as to be able to perform their duties on the Board and the Committees they serve on. The Committee is also charged with the responsibility of ensuring that the Corporate Governance Framework of the Bank is adequate and in compliance with the prevailing regulations. The Committee liaises with the Bank's Corporate Governance Officer to manage the governance related activities.

Committee Meetings in 2025 - Minimum two meetings per annum.

Corporate Governance Report (continued)

Two meetings were convened during 2025:

Members	26 Jan	10 Sep	%
Mr. Salim Abdullah Al Awadi (Chairman)	√	√	100
Dr. Fareed AlMaftah (Shari'a Supervisory member)	√	√	100
Mr. Matar Mohamed Al Blooshi	√	√	100
Mr. Zayed Ali Al-Amin	√	√	100

Fatwa & Shari'a Supervisory Board

The Bank is guided by a Shari'a Supervisory Board "Sharia Board" consisting of four distinguished scholars. The Shari'a Board reviews the Bank's activities to ensure that all products and investment transactions comply fully with the rules and principles of Islamic Shari'a. Further, the Shari'a Board review and vet the screening criteria for charitable donations.

The Shari'a Supervisory Board is closely working with an internal Shari'a audit function which is in place and adequately performing its duties as stipulated in the Shari'a Governance Module and AAOIFI Standards. In addition, one designated member from the Shari'a Board represented the Sharia Board in the Nomination and Corporate Governance Committee to raise Sharia concerns in relation to the corporate governance related matters. During the year, there has been no Sharia concerns raised on corporate governance matters.

The Sharia Board conducted four meetings during the financial year. Its members are remunerated by annual retainer fee and sitting fees per meeting attended. Its members are not paid any performance-related remuneration. Performance assessment of the Shari'a Board is done on a self-assessment basis and submitted to the Board for their review and action.

Annual General Meeting

The Board of Directors report to the Shareholders on the performance of the Bank through the Annual General Meeting. The meeting shall be convened upon an invitation from the Chairman of Board and be convened during the three months following the end of the Bank's financial year.

All the Directors, especially the Chairs of the Board and Committees, at least one member of the Shari'a Supervisory Board and the external auditors shall be present at this meeting to answer questions from the Shareholder regarding matters within their responsibilities:

At a minimum, the Board shall report on the following to the Shareholders, for their approval, at the Annual General Meeting:

- Audited financial statements of the Bank;
- Related party transactions executed;
- Corporate governance report;
- Corporate social responsibility report;
- Performance assessment of the Board, Committees and individual Directors; and
- Remuneration for the Directors and the Shari'a Supervisory Board members.

Executive Management

The Board delegates the authority of managing the Bank to the Group Chief Executive Officer ("Group CEO"). The Group CEO and Executive Management are responsible for implementation of decisions and strategies approved by the Board of Directors and the Shari'a Supervisory Board.

Corporate Governance Report (continued)

Senior Managers' interest

The number of shares held by the senior managers, in two-year comparison, as on 31 December 2025 is as follows:

	Shares	
Members	2025	2024
Mr. Anwar Mohammed Murad*	919,812	851,679
Mr. Abdulkarim Turki	11,908	11,026
Mr. Essa Abdulla Bohijji	164,938	152,721
Dr. Mohammed Burhan Arbouna	462	428
Total	1,096,526	1,015,854

*The shares represent shares under Mr. Anwar's guardianship

Management Committees

The Group Chief Executive Officer ("Group CEO") is supported by a number of management committees each having a specific mandate to give focus to areas of business, risk and strategy. The various committees and their roles and responsibilities are:

	Roles and Responsibilities
Executive Management Committee	Overseeing the other Management committees and assisting the Group CEO in various issues or topics as and when required.
Asset Liability Committee	Review the trading and liquidity policy for the overall management of the balance sheet and its associated risks.
Credit and Investment Committee	Recommending the risk policy and framework to the Board, the Committee's primary role is the selection and implementation of risk management systems, portfolio monitoring, stress testing, risk reporting to Board, Board Committees, Regulators and Executive Management. The Committee approves and monitors retail and corporate credit transactions, transactions relating to real estate investments, and oversee the performance of fund managers and recommend exit strategies to maximize return to its investors.
Human Resource Committee	Enable the Bank's employees to meet their professional and personal goals aligned with the growth of the Bank by focusing on skill enhancement, career development, rewards with performance, and work life balance.
Information Security Committee	The role of the committee is advisory in nature. It assists the relevant stakeholders to develop, review and execute a comprehensive Information Security Management System (ISMS) for the Bank. The Committee aims to strengthen the Information Security Department's capabilities as well.
Information Technology Steering Committee	Oversees the information technology function of the Bank. It recommends the annual IT budget and plans, drawn up in accordance with the approved strategy of the Bank, to the Group CEO for submission to the Board of Directors for their approval. It supervises the implementation of the approved IT annual plan within set deadlines and budgetary allocations.
Operational, Market Risk and Compliance Committee	Review the Bank's Operational and Market Risk policies, which must be approved by the Board and be consistent with the corporate values and strategy of the Bank and makes recommendations to procedures related to Operational and Market Risk management. Furthermore, the Committee ensures the Bank's compliance with applicable regulations.
Remedial NPF's and Provisioning Committee	Assess and follow up on all non-performing assets of the Bank with the objective of maximizing recoveries for the Bank.
Sustainability Committee	Oversees the Corporate Social Responsibility affairs of the Bank, managing donations and sponsorship requests, evaluating the proposals, and allocating funds to causes that the Bank is committed to support, in line with the annual corporate social responsibility plan and the Corporate Social Responsibility Policy. Any exceptions to the approved plan are reviewed and recommended to the Board for approval. The Committee is also involved in the preparation of the Corporate Social Responsibility Report, which forms part of the Annual Report, detailing the donations and sponsorships made during the year.

Corporate Governance Report (continued)

Executive Management Compensation

The performance bonus of the Group Chief Executive Officer and Senior Management is recommended by the Remuneration Committee and approved by the Board. The Performance for the Compliance, Audit and Risk functions are assessed and approved by both the Audit and Risk Committee and the Remuneration Committee.

Compliance

The Bank is committed to maintaining the highest standards of regulatory compliance in all aspects of its business and operations. This commitment is reinforced by the establishment of a compliance framework which is designed to ensure adherence to all applicable laws, regulations and guidelines set by the Central Bank of Bahrain and other regulatory authorities.

The Bank continuously endeavors to enhance and develop its Compliance and Anti Money Laundering policies, procedures and systems to meet evolving regulatory requirements and maintain a strong compliance culture.

Remuneration and appointment of the External auditors

During the Annual General Meeting held on 19 March 2025, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31 December 2025 and authorized the Board of Directors to determine their remuneration. KPMG and its member firms have provided following services to Al Salam Bank B.S.C. and its subsidiaries during the year:

Categories of services	Fees (BD 000's)	Major type of services included in each category
(a) Audit of the group consolidated financial statements	623.30	• Audit of the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2025. • Review of condensed consolidated interim financial information of the Bank and its subsidiaries for the quarter ended 31 March, 30 June and 30 Sep 2025.
(b) Services other than Audit*		**Audit related services**
• Audit related	352.51	Agreed upon procedures engagements relating to regulatory compliance requirements of CBB, MOIC and Capital market and related services required by regulators to be performed by the external auditors across the group entities.
• Tax	35.06	**Tax related services** Includes VAT compliance related services and corporate tax advisory services across the group entities.
• Advisory	336.08	**Advisory services** Mainly includes certain pre-deal financial and tax due diligence services, review of structures used for group reorganisation and issuance of capital instruments, review of stress test and capital plans under different scenarios and assistance with compliance and reporting of liquidity risk metrics.

* The assessment of conflict and independence is reviewed and approved by the Audit Committee of the Group and / or its subdiaries, as applicable.

Internal Control

Internal control is an active process that is continually operating at all levels within the Bank. The Bank has established an appropriate culture to facilitate an effective internal control process. Every employee of the Bank participates in the internal control process and contributes effectively by identifying risks at an earlier stage and implementing mitigating controls at optimum cost. Residual risk is properly communicated to the senior management and corrective actions are taken.

Corporate Governance Report (continued)

Key Persons Policy

The Bank has established a Key Persons' Policy to ensure that Key Persons are aware of the legal and administrative requirements regarding holding and trading of the Bank's shares, with the primary objective of preventing abuse of inside information. Key Persons include the Directors, Executive Management, designated employees and any person or firm connected to the identified Key Persons. The ownership of the Key Persons' Policy is entrusted to the Board's Audit Committee. The latest Key Persons' Policy is posted on the Bank's website and is updated every board term.

Employee Relations

Al Salam Bank is committed to promoting a diverse and inclusive environment and encourages understanding of the individuality and creativity that each employee uniquely brings to the Bank. Employees are hired and placed on the basis of ability and merit. Evaluation of employees is maintained on a fair and consistent basis.

In line with the Bank's policy of being on equal opportunity firm and as part of Central Bank of Bahrain's Rulebook and Corporate Governance requirements, the Bank shall not employ relatives of employees up to the 4th degree. Existing employees must alert the Human Resources of any relatives or relationship of other employees or candidates being interviewed. Failure to do so will subject the employee to disciplinary action pursuant to the Law No. 36 of 2012 Promulgation of the Labour Law in the Private Sector and the Bank's Disciplinary Guidelines.

Communication Policy

The Bank recognizes that active communication with different stakeholders and the general public is an integral part of good business and administration. In order to reach its overall communication goals, the Bank follows a set of guiding principles such as efficiency, transparency, clarity and cultural awareness.

The Bank uses modern communication technologies in a timely manner to convey messages to its target groups. The Bank shall reply without unnecessary delay, to information requests by the media and the public. The Bank strives in its communication to be as transparent and open as possible while taking into account Bank confidentiality. This contributes to maintaining a high level of accountability. The Bank also proactively develops contacts with its target groups and identifies topics of possible mutual interest. The Bank reinforces clarity by adhering to a well-defined visual identity in its external communications. The Bank's formal communication material is provided in both Arabic and English languages.

The annual reports and quarterly financial statements and Corporate Governance reports are published on the Bank's website. Shareholders have easy access to various types of forms including proxies used for the Annual General Meeting. In addition, forms are also available online to file complaints or make inquiries which are duly dealt with. The Bank regularly communicates with its staff through internal communications to provide updates of the Bank's various activities.

Whistle Blowing Policy

This Policy details the procedures for a whistleblower to escalate a complaint to the designated authority and procedures that are to be followed by the Audit and Risk Committee to ensure that a valid whistleblowing complaint is investigated properly and action taken appropriately, while protecting the whistleblower from any adverse reaction due to their complaint.

Delegation of Authority Limits

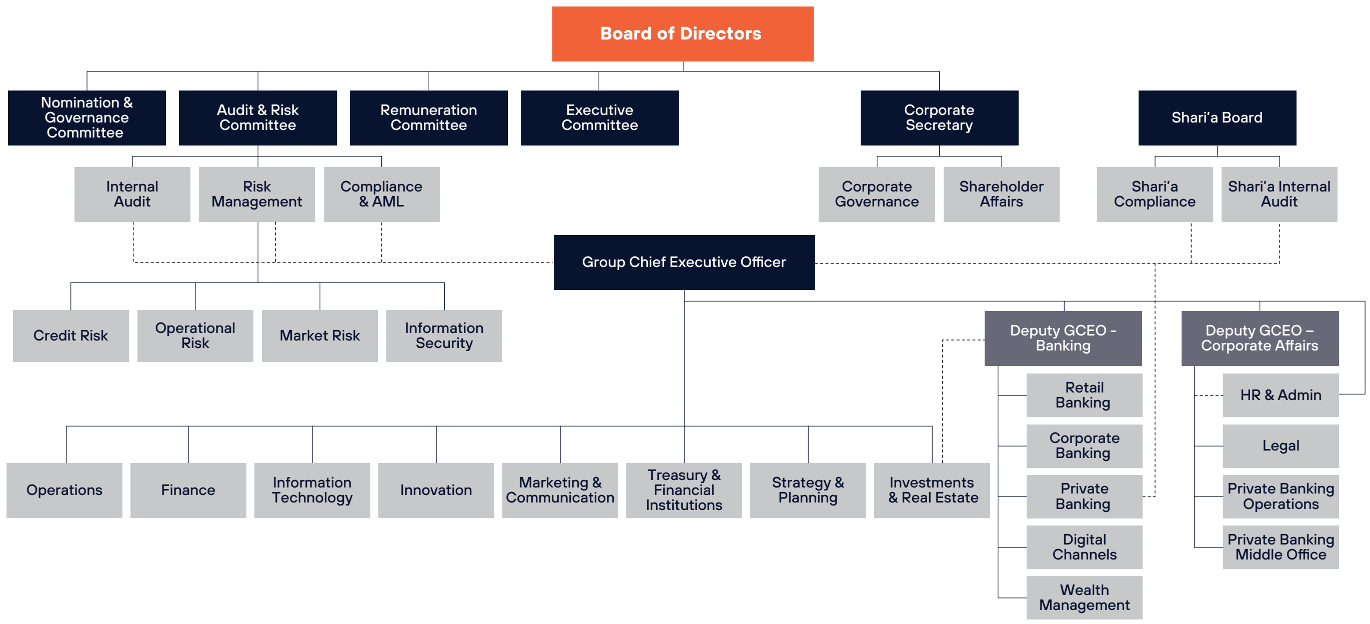
Approving limits for the Board, Board Committees and other designated individuals are incorporated into the Delegation of Authority Limits. The authorities are established for both financial and operational activities.

Disclosures

The Bank has a Disclosures Policy in place detailing the Bank's internal as well as external communications and disclosures. The Board oversees the process of disclosure and communication with the internal and external stakeholders.

Corporate Governance Report (continued)

Organizational Structure



Remuneration Policy

Core Remuneration Policy

The fundamental principles underlying our remuneration policy which has been approved by the Board of Directors and the shareholders of the Bank are:

- The composition of salary, benefits and incentives is designed to align employee and shareholder interests;
- Remuneration determination takes into account both financial and non-financial factors over both the short and longer-term;
- Emphasis is on performance evaluations that reflect individual performance, including adherence to the Bank's risk and compliance policies in determining the total remuneration for a position;
- The Bank has set a fixed remuneration of the employees at such a level to reward the employees for an agreed level of performance and the variable pay or bonus will be awarded purely at the discretion of the Board's Remuneration Committee in recognition of the employees exceptional effort in any given performance period;
- The Bank shall have a well-defined variable pay scheme in place, to support the Remuneration Committee, should they decide to pay variable pay or bonus in any performance period;
- Variable pay will be determined based on achievement of targets at the Bank level, unit level and individual level;
- Variable pay scheme is designed in a manner that supports sound risk and compliance management. In order to achieve that goal:
    - Performance metrics for applicable business units are risk-adjusted where appropriate;
    - Individual award determinations include consideration of adherence to compliance-related goals.
- The remuneration package of employees in Control and Support functions are designed in such a way that they can function independent of the business units they support. Independence from the business for these employees is assured through:
    - Setting total remuneration to ensure that variable pay is not significant enough to encourage inappropriate behaviours while remaining competitive with the market;
    - Remuneration decisions are based on their respective functions and not the business units they support;
    - Performance measures and targets are aligned to the Bank and individual objectives that are specific to the function;
    - Respective function's performance as opposed to other business unit's performance is a key component for calculating individual incentive payments.
- Both qualitative and quantitative measures will be used to evaluate an individual's performance across the Bank.
- The Bank reviews the salaries and benefits periodically, with an objective of being competitive in the market places, based on salary surveys and market information gathered through secondary sources.
- The Bank does not provide for any form of severance pay, other than as required by the Labour Law for the Private Sector (Law No.36 of 2012 of the Kingdom of Bahrain), to its employees.

Remuneration Policy (continued)

Regulatory Alignment

The Bank reviewed and revised the remuneration policy and especially its variable pay policy to meet the requirements of the CBB Guidelines on remuneration with the help of external consultants. Key regulatory areas and the Bank's response are summarized below:

REGULATORY AREA	BANK'S PRACTICE
Governance	The composition of Remuneration Committee, is as required by the CBB remuneration guidelines and is chaired by an Independent Director. The Remuneration Committee charter has been revised in line with the requirements of the CBB guidelines and the Committee will be responsible for the design, implementation and supervision of the remuneration policy. The aggregate fees / compensation paid to Remuneration Committee members for 2021 amounted to BD 36,000 (2020: BD 22,500). The Committee utilized the services of an external consultant to redesign and implement the revised remuneration policy aligned to the CBB guidelines on remuneration.
Risk Focused Remuneration Policy	The Bank has set the Fixed Remuneration of the employees at such a level to reward the employees for an agreed level of performance and the variable pay or bonus is being paid purely at the discretion of the Remuneration Committee in recognition of the employees exceptional efforts in any given performance period. Should the Remuneration Committee decide to award Variable Pay, it will be determined based on risk adjusted targets set at the Business unit level aggregated to the Bank level. The variable pay for the Group CEO, senior management in Business units and the Material Risk takers would be higher as compared to the fixed pay subject to achieving the risk adjusted targets both at the business unit and the Bank level. For employees in Control and Support functions, the pay mix is structured as more fixed and lesser variable. Further the variable pay, for employees in Control and Support Functions, is based on their units target and individual performance and not linked to Bank's performance.
Capital and Liquidity	The bonus or variable pay computation process is designed in such a way to ensure that it does not impact the Capital and Liquidity as there are validation checks prior to approval of the Remuneration Committee. The validation checks are the bonus pool as compared to the realized profit, impact on capital adequacy computed as per Basel III guidelines and as compared to the total fixed pay.
Deferral and Share Linked Instruments	The Bonus for the Group CEO, his deputies and Material Risk Takers and Approved Persons as per CBB and those whose total remuneration exceeds the regulatory threshold has a deferral element and share - linked payment. Phantom or Shadow shares are offered to such employees. The deferral arrangements are as follows: Group CEO, his deputies and top 5 Executive Management members (in terms of total remuneration) in Business units: • 40% of the variable pay will be paid in cash at the end of the performance period; and • The balance 60% will be deferred over a period of 3 years with 10% being cash deferral and 50% being phantom or shadow shares and the entire deferred variable pay will vest equally over a 3-year period. For all other employees in Business units and Approved Persons in Control and Support Functions and whose total remuneration exceeds the regulatory threshold: • 50% of the variable pay will be paid in cash at the end of the performance period; and • 10% in the form of phantom or shadow shares at the end of the performance period and the phantom or shadow shares subject to a minimum share retention period of 6 months from the award date. • The balance 40% will be deferred over a period of 3 years and paid in the form of phantom or shadow shares and vests equally over the 3 year period and the phantom or shadow shares subject to a minimum share retention period of 6 months from the award date.
Claw Back and Malus	The Bank has introduced claw - back and malus clauses whereby the Remuneration Committee has the right to invoke these clauses under certain pre-defined circumstances where in the Bank can claw-back the vested as well as the unvested bonus paid or payable to an employee.

Remuneration Policy (continued)

Remuneration Components

It is the Bank's intent to have a transparent, structured and comprehensive remuneration policy that covers all types of compensation and benefits provided to employees.

The remuneration policy provides a standardized framework for remuneration covering employees at all levels of the Bank.

Remuneration offered by the Bank shall reflect the Bank's objective of attracting and retaining the desired level of talent from the banking sector.

Remuneration will be at a level, which will be commensurate with other Banks of similar activity in Bahrain, and will allow for changes in the cost of living index. The compensation package shall comprise of basic salary and benefits and discretionary variable pay.

The following table summarizes the total remuneration:

Element of Pay	Salary and Benefits
Rationale	To attract and retain the desired level of talent.
Summary	*Reviewed annually.* Benchmarked to the local market and the compensation package offered to employee is based on the job content and complexity. The Bank offers a composite fixed pay i.e. it is not split as Basic and Allowances but is paid as one lump sum. The benefits are aligned to the local market practice.

Remuneration Policy (continued)

<table>
<tr><th>Element of Pay</th><th>Variable Pay / Bonus</th></tr>
<tr><td>Rationale</td><td>
To incentivize the achievement of annual targets set at the Bank level and at the Business unit levels and thereby also make sure that senior management get substantial portion as variable pay which is linked to performance.
The Variable pay is deferred to ensure that the management’s interests are aligned to the shareholder value and to align time horizon of risk.
</td></tr>
<tr><td>Summary</td><td>
The Bonus pool is determined based on the bottom up approach i.e. by setting base multiples of monthly salary per level and aggregating the multiples per unit and then on to the Bank level.
The basis of payment of bonus would be as follows:
<table>
<tr><td>GCEO and Senior Management</td><td>Base multiple * Bank score * Individual score</td></tr>
<tr><td>Business units</td><td>Base multiple * Bank score * Unit score * Individual score</td></tr>
<tr><td>Control & Support units</td><td>Base multiple * Bank score * Unit score * Individual score</td></tr>
</table>
Computation of Variable Pay - Business Units
Beginning of the financial year:
Targets are set for the Business units and are aggregated to the Bank level target. In setting targets certain Bank wide risk parameters which include capital, liquidity, profit and qualitative measure such as reputation risk and the Bank and unit specific KPIs shall be considered. For achieving this target, total Bonus pool is set based on monthly multiples of salary across the Bank. The Key feature is that bonus is self-funding and the different levels of targets are not just % increase in profits but profits adjusted for additional bonus. This Bonus Pool is subject to additional checks for its impact on the capital adequacy, as a proportion of net profit and realized profit and as a proportion of the total fixed pay in any given financial year.
At the end of the financial year:
The actual results are evaluated against targets, considering the risk parameters matrix and adjustments if any to the unit score or the Banks score as appropriate are made and the bonus pool is revised accordingly.
The actual bonus pool is approved by the Remuneration Committee and the individual Bonus payments are as per the scoring matrix.
Computation of Variable Pay – Control and Support Units
The Unit targets as set out and agreed with the Remuneration Committee in the beginning of each evaluation period will be the base for Variable pay to be paid. Except in the case of Bank making a loss, the variable pay for the employees in the Control and Support unit, would be payable based on the Unit targets and the individual performance.
Base Multiples are set for each employee level in each Control and Support unit. The achievement of unit target is assigned a weight of 1 and scored based on the level of actual results achieved.
The individual performance score is based on the individual rating and the score is set to vary between 0 up to a maximum of 1.
The Summary of the Variable pay process is:
Links reward to Bank, business unit and individual performance.
Target setting process considers risk parameters which are both quantitative and qualitative such as reputation.
Aligned to time horizon of risk the bonus has a deferral element and a share linkage to align the employee’s interest with that of the shareholders.
Bonus can be lesser or nil if the Bank or business units do not achieve the risk adjusted targets or make losses. Post risk assessment is carried out to ensure that in case of material losses or realization of less than expected income which can be attributed to employee’s actions the claw back or malus as appropriate is invoked.
</td></tr>
</table>

Remuneration Policy (continued)

Details of Remuneration

(A) Board of Directors

Amounts in BD	2025	2024
Attendance fee and travel expenses	543,000	587,000
Remuneration paid	1,300,000	1,110,000
Al Salam Bank subsidiaries' Board remuneration, attendance fees and expenses	1,832,978	1,941,000

(B) Employees

		Amounts in BD thousands					
			Variable upfront		Variable deferred		
31-Dec-25	**No of staff**	**Fixed ***	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Total**
Approved person business line	10	2,707	1,394		260	1,225	5,586
Approved person control & support	17	2,693	881		169	739	4,482
Other material risk takers	68	3,686	1,372		61	243	5,362
Other employees - Bahrain operations	606	18,529	5,959			12	24,500
Other overseas entities #	943	7,510	2,122				9,632
	1,644	**35,125**	**11,728**	**-**	**490**	**2,219**	**49,562**
31-Dec-24							
Approved person business line	8	2,239	2,589		268	1,299	6,395
Approved person control & support	22	2,678	1,367		176	775	4,996
Other material risk takers	51	2,812	1,815		56	227	4,910
Other employees - Bahrain operations	669	19,739	5,745			74	25,558
Other overseas entities	867	5,708	2,780				8,488
	1,617	**33,176**	**14,296**	**-**	**500**	**2,375**	**50,347**

* Fixed remuneration includes all compensation and benefits that are due to employees based on contractual arrangements (GOSI,indemnity,tickets & medical)

The above table includes the employee cost details of the Bank and its subsidiaries in Algeria, UAE and Seychelles. It excludes compensation of non-banking entities consolidated with the Group. Overseas banking subsidiaries are included in the table above only if their results are conslidated for a full calendar year.

Severance payments during the year amounted to BD1.5 Mn for a total of 30 employees (of which highest award to a single employee was BD301 thousand) who volunatrily resigned for early retirement during the year.

Remuneration Policy (continued)

Deferred Performance Bonus Awards

31-Dec-25	Cash	Phantom shares		LTIP Shares	Total
Awards	**(BD000)**	**Nos.**	**(BD000)**	**(BD000)**	
Opening balance	1,016	17,829,081	2,598	812	4,426
Awarded during the year	490	10,053,821	1,593		2,083
Bonus shares and other adjustments		916,762			-
Exercised / sold / paid during the year	(326)	(6,369,561)	(957)		(1,283)
Vested for the year				(812)	(812)
Remeasurement of share awards	-		440		440
Adjustment for forfeitures					-
Closing balance	**1,180**	**22,430,103**	**3,674**	**-**	**4,854**

31-Dec-24	Cash	Phantom shares		LTIP Shares	Total
Awards	**(BD000)**	**Nos.**	**(BD000)**	**(BD000)**	
Opening balance	738	16,873,959	2,295	2,437	5,470
Awarded during the year	500	5,400,168	751	-	1,251
Bonus shares adjustment		1,181,177			-
Exercised / sold / paid during the year	(222)	(5,626,224)	(725)	-	(947)
Vested for the year				(1,625)	(1,625)
Remeasurement of shares			277	-	277
Risk Adjustment	-	-	-		-
Closing balance	**1,016**	**17,829,080**	**2,598**	**812**	**4,426**

Risk Management & Compliance

Risk Management & Compliance

At Al Salam Bank, our success is largely dependent on how efficiently we identify, measure, control and manage risks. Hence, we view risk management as a core competency from a strategic point of view. Provisions of the Basel Accord are the catalysts to the successful implementation of the pillars of risk management in line with industry best practice.

The fundamental principle underlying our risk management framework is ensuring that accepted risks are within the Board approved risk appetite and the returns are commensurate with the risks taken. The risk appetite approved by the Board is cascaded down to business units at a granular level and compliance to the same is monitored, reported and suitable corrective action, wherever required, is initiated. The objective is creating shareholder value through protecting the Group against unforeseen losses, ensuring maximization of earnings potential and opportunities vis-à-vis the Group's risk appetite and ensuring earnings stability.

With this in mind, the Bank has focused its efforts on establishing effective and practical risk management and compliance frameworks taking into consideration local and international best practices, the requirements of the Central Bank of Bahrain and the Basel Accord.

The Bank continues to invest in new technologies to enhance its physical and cyber security posture. It will also invest in new projects to ensure compliance to the changing regulatory landscape and further strengthen its risk-management framework.

Risk Management Framework

The risk management framework defines the risk culture of Al Salam Bank and sets the tone throughout the Group to practice the right risk behavior consistently to ensure that there is always a balance between business profits and risk appetite.

The risk management framework achieves this through the definition of the Group's key risk management principles covering credit, market, operational, information security, strategic and reputation risks.

Moreover, the framework further addresses the roles and responsibilities of the Board, risk management group and senior management towards risk management. The individual component of the framework captures the risk assessment methodology adopted, risk limits, the risk management information systems and reports, as well as the Group's approach to capital management.

The effectiveness of the risk management framework is independently assessed and reviewed through internal audits, external audits and Central Bank of Bahrain supervision. In addition, business and support groups carry out periodic risk control self-assessments.

As a result, the risk management framework creates an alignment between business and risk management objectives.

Capital Management

The cornerstone of risk management framework is the optimization of risk-reward relationship against the capital available through a focused and well monitored capital management process involving risk management, finance, and business groups.

Corporate Governance

The risk management framework is supported by an efficient Corporate Governance Framework discussed on pages 48 to 61.

Risk Ownership

The implementation of the Group-wide risk management framework is the responsibility of the Risk Management Department under the supervision of the Group Chief Executive Officer and Board Audit and Risk Committee. Ownership of the various risks across the Group lies with the business and support heads, being the first line of defense, and it is their responsibility to ensure that these risks are managed in accordance with the risk management framework. Risk Management assists business and support heads in identifying concerns and risks, identifying risk owners, evaluating risks as to likelihood and consequences, assessing options for mitigating the risks, prioritizing risk management efforts, developing risk management plans, authorizing implementation of risk management plans and tracking risk management efforts.

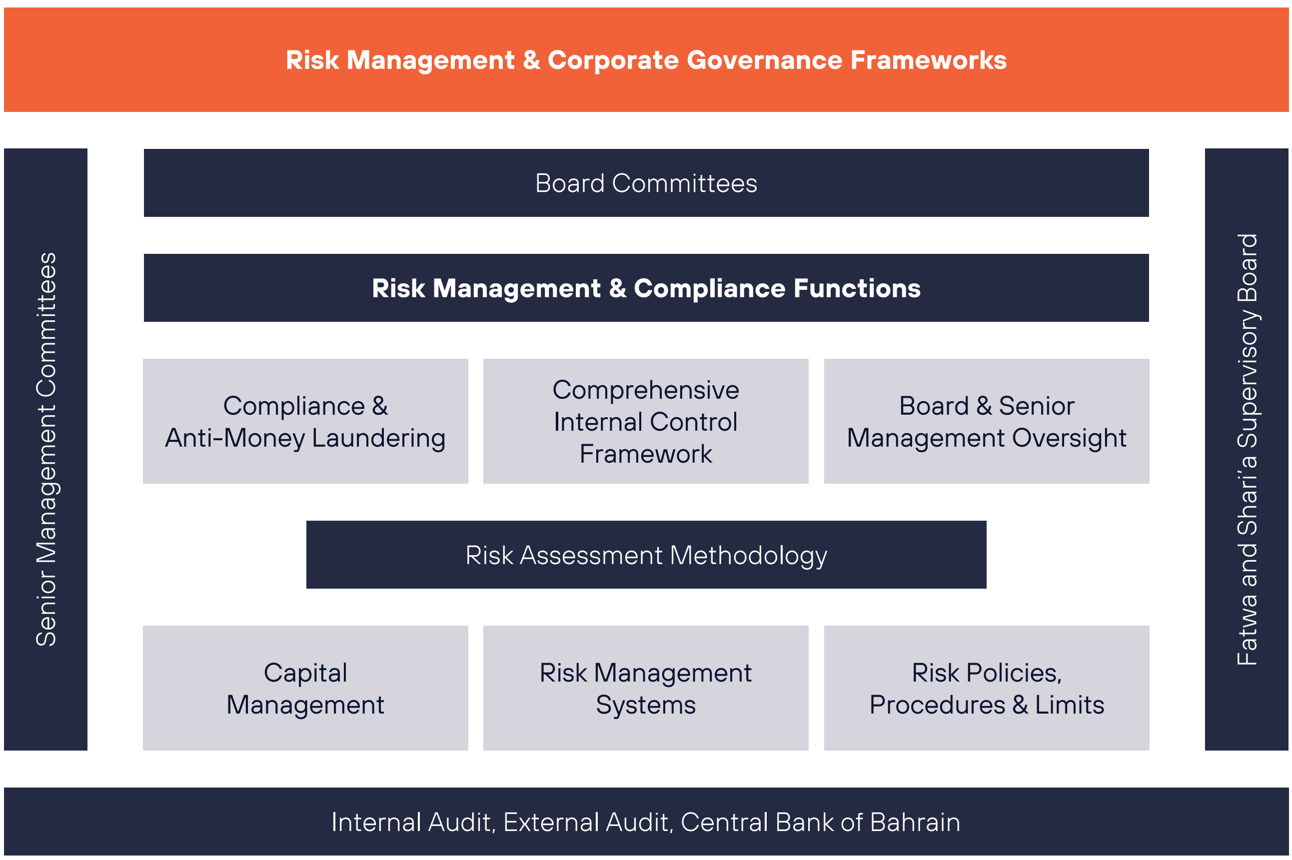
Compliance & Anti-Money laundering Department

The Bank has established an independent and dedicated department to coordinate the implementation of compliance and Anti-Money Laundering and Anti-Terrorist Financing program. The program covers policies and procedures for managing compliance with regulations, anti-money laundering, disclosure standards on material and sensitive information and insider trading. In line with its commitment to combat money laundering and terrorist financing, Al Salam Bank through its Anti-Money Laundering policies ensures that adequate preventive and detective internal controls and systems operate effectively. The policies govern the guidelines and procedures for client acceptance, maintenance and monitoring in line with the Central Bank of Bahrain and International standards such as FATF recommendations and Basel Committee papers.

All inward and outward electronic transfers are screened against identified sanction lists issued by certain regulatory bodies including the UN Security Council Sanctions Committees and US Department of the Treasury - OFAC, in addition to those designated by the Central Bank of Bahrain.

The compliance program also ensures that all applicable Central Bank of Bahrain regulations are complied with and/ or non-compliance is detected and addressed in a timely manner. The program includes compliance with regulations set by Ministry of Industry & Commerce and Bahrain Bourse.

The Bank has formulated appropriate policies and implemented the requirements of Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) as required by the regulators. The due diligence and reporting requirements have been complied with.



Sustainability Report 2025

Message from the ESG Officer

At its most effective, sustainability reporting provides a substantive account of what was delivered, the decisions made, the systems strengthened, and the areas where additional work is required. This report has been prepared with that objective.

FY2025 marked a year of deliberate program execution. With the CBB ESG Module established as the Bank's primary disclosure framework, this year's focus was on data quality, cross-functional delivery, and the progressive integration of sustainability considerations into core business and operational processes.

On the Environmental pillar, the Bank directed structured financing activity toward new energy and hybrid vehicles. This reflects an effort to align product design with lower-emission outcomes consistent with Bahrain's national sustainability commitments. These are early but concrete steps in channeling the Bank's financing capacity toward environmentally constructive ends.

On the Social pillar, the Bank sustained workforce development and community engagement throughout the year. Youth financial literacy, graduate internships, and the executive leadership program demonstrate continued investment in human capital at both institutional and national levels. The extension of digital banking tools to SMEs and entrepreneurs broadened access to Shari'a-compliant financial services. Full alignment with the Wages Protection System affirmed the Bank's obligations as a responsible employer operating within Bahrain's regulatory framework.

As part of the Governance pillar, the Bank made substantive investments in its operational and institutional infrastructure. The migration of core data center operations to Tier III certified facilities, the attainment of ISO 9001:2015 certification for the Shari'a Audit Department for the second consecutive year, and the convening of the Bank's third Shari'a Forum collectively demonstrate a sustained and structured commitment to governance quality. These are not isolated achievements; they are evidence of an improving institutional control environment.

As we advance our ESG ambitions, the focus shifts to strengthening the internal foundations - data, process, and governance - that will enable more comprehensive disclosures in the years ahead. Al Salam Bank remains committed to continuous improvement in the quality and completeness of its sustainability disclosures, and to ensuring that this report serves as a substantive account of performance rather than a statement of intent.

Sustainability Report 2025 (continued)

01 About this Report

This Report presents Al Salam Bank's environmental, social, and governance (ESG) performance, management approach, and key initiatives for the financial year ended 31 December 2025. It constitutes the Bank's annual sustainability disclosure prepared in accordance with the applicable regulatory and reporting frameworks set out below. Al Salam Bank B.S.C. is referred to throughout as Al Salam Bank or the Bank.

Reporting Boundary and Scope

This Report covers the non-financial performance of Al Salam Bank for the period 1 January 2025 to 31 December 2025. The reporting boundary encompasses the Bank's directly controlled operations in the Kingdom of Bahrain, including its head office, branch network, and operational facilities. This boundary is defined on the basis of operational control, consistent with the approach applied in prior reporting cycles.

Following the completion of the Kuwait Finance House Bahrain acquisition and integration in FY2024, the FY2025 reporting boundary reflects the enlarged operational scope of the consolidated Group. Comparative FY2024 figures have been restated where necessary to ensure year-on-year consistency, and restatements are identified within the relevant disclosure tables. Entities over which the Bank does not exercise direct operational control, including associate companies and jointly controlled entities, are excluded from the reporting boundary unless otherwise stated.

Reporting Frameworks and Guidelines

This Report has been prepared in alignment with the CBB Rulebook, Common Volume, Part A: Environmental, Social and Governance Requirements, which establishes the mandatory ESG disclosure obligations applicable to all CBB-licensed banks, including prescribed KPIs across the Environmental, Social, and Governance pillars.

Where a specific disclosure departs from the above framework or includes a reference to another framework, whether due to data limitations, boundary considerations, or methodology constraints, this is explained within the relevant section.

Materiality

The disclosures in this Report are aligned with the CBB ESG Module's prescribed KPI set, which reflects the material sustainability topics applicable to banking institutions operating in Bahrain. A standalone materiality assessment has been conducted for this reporting cycle.

Responsibility Statement

The data presented in this Report is sourced from Al Salam Bank's internal management systems, spanning human resources, finance, operations, information technology, facilities management, and compliance functions. Data collection and consolidation was conducted through a structured internal process involving designated data owners across relevant business units and support functions. Where precise measurements were not available, reasonable estimates or proxies have been applied; these are identified within the relevant sections alongside an explanation of the estimation methodology used.

The Bank's senior management has reviewed the contents of this Report. The Board of Directors confirms that this Report represents a fair and accurate account of Al Salam Bank's non-financial and sustainability performance for the financial year ended 31 December 2025.

Forward-Looking Statements

Certain statements in this Report reflect management's current expectations, intentions, and assumptions regarding the Bank's future sustainability performance, targets, and strategic direction. Such statements are inherently subject to known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or outcomes to differ materially from those expressed or implied. Forward-looking statements should not be construed as representations of fact, and no undue reliance should be placed upon them.

Assurance

No external assurance has been obtained for the ESG disclosures presented in this Report. The data and narratives contained herein have been subject to internal review and management sign-off.

Publication and Availability

This Report is published on an annual basis and is made available on Al Salam Bank's corporate website. It is intended for a broad stakeholder audience including shareholders, regulators, employees, customers, and other interested parties.

Contact

Stakeholders with feedback or enquiries relating to this Report may direct correspondence to:

Marketing and Communications Team

marcomms@alsalambank.com

Al Salam Bank B.S.C., P.O. Box 18282, Manama,
Kingdom of Bahrain

Sustainability Report 2025 (continued)

02 Our Sustainability Approach

Our Sustainability Agenda

Al Salam Bank operates at the intersection of a rapidly evolving regulatory landscape and a national development agenda that places sustainability at its core. The Kingdom of Bahrain's Economic Vision 2030 and its commitment to net-zero emissions provide the broader context within which the Bank's sustainability program is positioned. Along with the regulatory expectations, these imperatives define not only what the Bank reports, but how it is expected to conduct itself as a financial institution with obligations that extend beyond financial performance.

Al Salam Bank's sustainability agenda is embedded in the decisions the Bank takes about where it deploys capital, how it manages its operations, how it develops its people, and how it accounts for its performance to regulators, shareholders, and the wider community. The four themes set out below reflect the areas in which we operate and drove meaningful effort during FY2025.

Financing with Purpose

Al Salam Bank's most direct lever for sustainability impact is how and where we deploy capital. The Bank's financing portfolio is increasingly shaped by a recognition that product design and societal outcome are interlinked considerations. In FY2025, the Bank directed structured financing activity toward new energy vehicles, hybrid mobility solutions, and affordable housing program, areas where access to Shari'a-compliant financing has a tangible effect on individual welfare and broader social objectives.

The introduction of financing solutions for new energy and hybrid vehicles reflects our intent to support customers making the transition toward more sustainable transportation, expanding access to eco-friendly mobility through structured sustainability-linked products. Simultaneously, participation in government-linked housing programs demonstrates our alignment with the social housing agenda of the Kingdom of Bahrain, providing citizens with accessible and structured pathways to homeownership. These initiatives represent the integration of sustainability considerations into the Bank's mainstream financing activity, with potential for further integration driven through product placement and targeted outcomes.

Operational and Institutional Resilience

Sustainability is closely interlined to business resilience and sound institutional foundation. Our focus in FY2025 has been on strengthening the internal architecture- operational, governance, and process, that enables our business objectives. This is a closely integrated workstream and the foundation on which the rest of our sustainability agenda rests. Our operational resilience was strengthened through a series of data and process quality initiatives, in addition to supporting the integrity of our digital channels.

We have invested in the resilience of our infrastructure, the integrity of our governance processes, and the quality of our internal controls. These investments were made as part of our deliberate and ongoing effort to build an institutional durability and accountability. The strength of our governance framework, the robustness of our operational continuity, and the quality standards embedded in our Shari'a compliance function are mutually reinforcing and support our sustainability agenda. Together, they reflect our intent and objective to operate as a responsible institution that remains considerate of its key stakeholders – our regulators, shareholders, and the customers who depend on us.

People, Inclusion, and Community Engagement

Our social agenda is anchored in two complementary objectives: developing the talent within the institution and extending meaningful access to financial services beyond it. Internally, the Bank sustained a structured program of human capital investment during FY2025, spanning executive leadership development, graduate internships, and youth orientation initiatives that collectively reflect a multi-tiered commitment to Bahraini workforce development and national talent pipeline building.

Beyond the institution, the Bank's engagement with financial inclusion has taken concrete form through the expansion of digital tools designed specifically for small and medium enterprises, entrepreneurs, and freelancers, segments that are central to Bahrain's private sector development agenda. These tools extended access to structured, Shari'a-compliant financial services to a broader segment of the economy, supporting operational efficiency and financial empowerment at the grassroots level. Participation in financial literacy programming and community health awareness initiatives further demonstrates the Bank's understanding of its obligations as a corporate citizen that extend beyond its immediate customer base.

Sustainability Report 2025 (continued)

Transparent and Accountable Disclosure

Our ESG disclosures are prepared in accordance with the regulatory requirements and sustainability frameworks that provide a sound structural basis for sustainability measurement and monitoring initiatives.

Our approach to reporting is guided by a consistent set of principles. We are committed to methodological transparency, documenting the assumptions, estimation approaches, and data sources that inform our quantitative disclosures. We remain committed to an honest account of performance, that emphasize our achievements while recognizing areas where there is scope for improvement.

We view credible disclosures as a regulatory obligation and as a wider reflection of institutional character. The same standards of rigour, consistency, and accountability that govern our financial reporting are applied to the non-financial disclosures in this report. Our stakeholders - regulators, shareholders, customers, employees, and the broader community - are provided with sustainability information that is substantive and accurate, providing a genuine basis for assessing our performance. The external recognition we received during FY2025 across institutional performance and digital banking capability is noted in this context. Our aspiration is that our sustainability disclosures are assessed by the same measure.

A Cross-Functional Commitment

Our sustainability agenda is a product of collaboration across the organisation. The disclosures and initiatives reflect the collective contribution of Human Resources and Administration, Finance, Strategy, and Product, each bringing a distinct and necessary perspective to how we manage and report on our non-financial performance.

Human Resources provides the workforce data, people policies, and employee engagement programs that drive our social disclosures. Administration ensures measurement and monitoring of energy, waste, and water related data at office locations. Strategy shapes the direction of our sustainability agenda, ensuring it is coherent with the Bank's broader institutional priorities and responsive to the regulatory and market environment in which we operate. Individual lines of business provide critical inputs to translate sustainability intent into customer-facing outcomes, embedding environmental and social considerations into the design of our financing solutions and digital offerings.

Sustainability Report 2025 (continued)

02 Our Sustainability Approach

ESG Governance

Guiding Principles

Effective sustainability management requires a clearly defined governance structure, one that establishes accountability, connects ESG considerations to institutional decision-making, and provides the organisational framework within which our sustainability agenda is directed and reported. Our ESG governance model operates across two levels: Board-level oversight and management-level coordination.

The Board: Setting Direction and Maintaining Oversight

Ultimate accountability for ESG matters rests with the Board of Directors. The Board, supported by its relevant committees, is responsible for ensuring that material environmental, social, and governance considerations are reflected in the Bank's strategic priorities and risk framework. Specific Board-level responsibilities in relation to ESG include approving ESG-related policies and material updates, on the recommendation of the ESG Committee, reviewing ESG disclosures and reporting, with reference to the Bank's obligations under the CBB ESG Module, overseeing ESG-related risks including environmental, social, governance, and emerging sustainability risks in coordination with the Risk Management Committee, and providing strategic direction on material ESG matters, informed by submissions from the ESG Committee.

The Executive Committee provides oversight of the operational and executional dimensions of the sustainability agenda, ensuring that ESG priorities are reflected in the Bank's strategic and operational planning processes.

The Audit and Risk Committee is responsible for overseeing the identification, assessment, and management of climate-related and broader sustainability risks, within the wider enterprise risk framework, ensuring these are appropriately integrated within the Bank's enterprise risk framework

The Corporate Governance Committee holds primary responsibility for ESG governance matters at Board level overseeing the adequacy of the Bank's sustainability governance framework in alignment with the regulatory expectations.

The ESG Committee: Implementation, Coordination, and Accountability

At the management level, ESG responsibilities are formalized through a dedicated ESG Committee, constituted under a Board-approved ESG Committee Charter. The Committee is a cross-functional body comprising representatives from Legal and Compliance, Corporate Communications, Human Capital and Administration, Information Technology, and Risk Management.

The ESG Committee serves as the primary coordination mechanism for the Bank's sustainability program. It is responsible for reviewing ESG performance, consolidating disclosures, and escalating material matters to senior management for consideration and direction. The cross-functional composition reflects the Bank's recognition that sustainability outcomes are produced across the organisation with effective ESG management requiring structured collaboration across disciplines.

Connecting Governance to Performance

Our governance structure is designed to ensure that ESG considerations are not managed comprehensively. The distribution of responsibilities across Board committees, each engaging with sustainability through the lens of its existing mandate, ensures that ESG is embedded within the Bank's established governance architecture. By connecting Board-level oversight to a structured management-level coordination mechanism, we have established clear lines of accountability that link our sustainability agenda to institutional decision-making. The disclosures in this Report are also a direct output of that governance structure.

Sustainability Report 2025 (continued)

Materiality Assessment

Materiality Assessment: Foundation of Purposeful Disclosures

Materiality assessment is a structured process for identifying the sustainability topics most relevant our operations, stakeholder relationships, and strategic context. For Al Salam Bank, it serves a dual purpose: fulfilling a component requirement of the CBB ESG Reporting Guidelines and providing a disciplined basis for directing management attention and reporting toward ESG matters of substantive significance. The outcome of this process defines the scope of our sustainability program and informs the disclosures presented in this Report.

Our Approach

Our materiality assessment is designed to systematically translate stakeholder expectations and internal business considerations into a defined set of ESG priorities. The process begins with the identification of a comprehensive universe of ESG topics relevant to the banking sector and Bahrain's operating context. Topic identification draws on multiple inputs, including internal risk assessments, prior-year reporting themes, regulatory guidance, and sector-specific considerations such as data privacy and cybersecurity, customer satisfaction, ethics and anti-corruption, and workforce sustainability.

Identified topics are evaluated across two dimensions: their significance to our external stakeholders, and their relevance to our internal stakeholders in terms of business strategy and operational performance. The intersection of these dimensions is represented through a prioritization matrix, a materiality heatmap, that positions topics according to the relative weight of stakeholder concern against assessed business impact.

FY2025 Assessment

In FY2025, we conducted a structured materiality assessment engaging both internal and external stakeholder groups through a formal survey process. Responses were aggregated and mapped to produce the prioritization matrix presented alongside. The assessment considered stakeholder responses across three (3) stakeholder categories – internal(management), internal (employees) and external - covering an inventory of 16 ESG topics. In 2025, we did not anticipate any material changes for our external stakeholders. The material topics identified for the reporting period are set out in the heatmap above and inform the scope of disclosures contained in this Report. Assessment outputs were reviewed by senior management prior to publication. The following section presents a detailed assessment of the results generated as part of this process.

Sustainability Report 2025 (continued)

02 Our Sustainability Approach

Survey Results

Survey Responses

Internal Respondents

82%

External Respondents

18%

The survey responses included a diverse mix of internal and external respondents, ensuring a balanced representation from all stakeholders.

Top 2 Topics (By Pillar)

Environmental

1. Energy Consumption
2. Waste Management

Social

1. Workplace Health & Safety
2. Workforce Composition

Governance

1. Data Privacy and Security
2. Ethics and Anti-Corruption

Material Topics

The six material topics were identified through an aggregation of internal and external stakeholder responses, reflecting the priorities and concerns of both the Group's leadership and its broader stakeholder base.

Environmental

- **Energy Consumption** covers the Bank's direct and indirect energy use across operations, including fuel consumption across the vehicle fleet and electricity consumed at facilities. Given the scale of the Al Salam's operations, energy consumption represents a significant input cost and emissions driver, making its management central to the Bank's environmental agenda.
- **Waste Management** encompasses the generation, handling, and disposal of operational waste across the Bank's facilities and service operations.

Social

- **Workplace Health and Safety** reflects the Bank's commitment to provide a safe working environment across all operational sites, including branches, and corporate offices. This topic covers incident prevention, occupational health, and compliance with applicable health and safety regulations.
- **Workforce Composition** addresses the structure and diversity of the Bank's workforce, including representation of nationals in the workforce, gender representation, and the equitable distribution of roles and development across age and grade.

Governance

- **Data Privacy and Cybersecurity** covers the protection of customer and employee data, the integrity of the Bank's digital systems, and compliance with applicable data governance obligations, areas of increasing relevance given the growing reliance on digital platforms and customer-facing technology.
- **Ethical Conduct** encompasses the Bank's commitment to operating with integrity across all business activities, including anti-corruption controls, fair dealing practices, and the governance frameworks that underpin accountability at the leadership and operational level.

Sustainability Report 2025 (continued)

ESG Performance Highlights

Environmental

Total Energy Consumption

14,297 GJ

GHG Emission - By Category

GHG Emissions are categorized and reported under Scope 1, 2, and 3 in line with the GHG Protocol.

Scope 1 **140** $mtCO_2e$

Scope 2 **2410** $mtCO_2e$

Scope 3 **171** $mtCO_2e$

Emissions Intensity

3.88

tCO_2e per FTE

Waste Generated

922

tonnes

Social

Total Workforce

701

Female Representation

32%

Average Training Hours per employee

115 Female

115 Male

115 Total

Workforce Composition by Management level

58% Entry and Mid Level

42% Senior-Level

93%

Bahrainization Rate

Governance

66%

Independent Directors

100%

employees participated in conduct and anti-corruption training

0

Instances of Whistleblowing incidents

0

Incidents of Anti Corruption

0

Instances of Conflict of Interest

Sustainability Report 2025 (continued)

03 Environmental – Detailed Disclosures

Environmental

Environmental Stewardship

Al Salam Bank's approach to environmental management reflects its recognition that a financial institution's responsibilities extend meaningfully beyond its immediate business objectives. The environmental consequences of an organization's operations, and of the economic activity it finances, are long-term in nature, and managing them responsibly is increasingly central to what it means to operate as a sustainable business.

The Bank's environmental agenda is accordingly structured around two complementary commitments. The first is operational: monitoring, managing, and progressively reducing the environmental impact of the Bank's own facilities, resource consumption, and day-to-day activities. The second is strategic: ensuring that the Bank's financing activity is increasingly oriented toward economically productive outcomes that are consistent with environmental responsibility and aligned with the Kingdom of Bahrain's broader sustainability ambitions. Together, these commitments reflect the Bank's view that sound environmental stewardship is a critical component of its performance.

Al Salam's Environmental Footprint

As a financial services institution, Al Salam Bank's direct environmental impact is concentrated in the energy consumption, water usage, and waste generation associated with its branch network, head office operations, and supporting facilities. Electricity consumption across the Bank's premises constitutes the most significant environmental input, driven by lighting, cooling, and the operation of IT infrastructure and equipment.

Paper consumption, associated with customer documentation, internal processes, and correspondence, represents a secondary but actively managed resource input, with the Bank's ongoing digitization efforts contributing to a progressive reduction in paper dependency.

Waste generated through day-to-day banking operations, including general office waste and electronic equipment disposal, is managed in accordance with applicable regulatory requirements. Water consumption, while not an intensive resource for the Bank's operations, is monitored as part of the Bank's broader commitment to responsible resource stewardship.

While the Bank's direct footprint is modest relative to industrial or manufacturing enterprises, the Bank views the disciplined monitoring and management of its operational environmental impact as a foundational commitment, which provides the credibility and internal discipline to its broader environmental agenda.

National and Global Alignment

The Bank's environmental commitments are shaped by both the national sustainability agenda and internationally recognized development goals. Bahrain's Economic Vision 2030 and the Kingdom's target to achieve net-zero emissions by 2060, establish a clear expectation that private sector institutions contribute actively to Bahrain's decarbonization and resource efficiency trajectory, an expectation that the Bank's environmental practices are designed to meet.

At the international level, the Bank's environmental performance is anchored in SDG 7 (Affordable and Clean Energy), and SDG 12 (Responsible Consumption and Production) - the goals most directly relevant to the Bank's operational context and financing activity. These frameworks, taken together, provide a guiding benchmark against which the Bank measures the broader relevance and impact of its environmental commitments.

Oversight and Authorities

Environmental matters at Al Salam Bank operate through a structured oversight framework connecting Board-level accountability with operational responsibility at the management level. Environmental matters are considered within the Board's broader ESG and risk governance mandate, with the Board Audit and Risk Committee providing oversight of material environmental risks and their implications for the Bank's overall risk profile. The Committee also oversees the integrity of environmental disclosures and the adequacy of related controls, if material.

At the management level, the Administration Department holds primary responsibility for the Bank's operational environmental performance. This encompasses monitoring of energy and resource consumption across the Bank's facilities, measurement and monitoring of related KPIs, and maintenance of the data underpinning the Bank's environmental disclosures. The Administration Department coordinates with relevant business units to ensure that environmental considerations are embedded in facility management, procurement, and operational planning.

Sustainability Report 2025 (continued)

Responsible Finance and Environmental Goals

The Bank's environmental impact extends beyond its own operational footprint to encompass the economic activities it chooses to finance. For a financial institution, the composition of the financing portfolio is as consequential an environmental variable as the energy consumed across its facilities, and in many respects, with larger impact on the ecosystems based in areas related to its financing activities. Recognising this, the Bank views responsible finance as an integral dimension of its environmental agenda.

As an Islamic bank, the Bank's financing principles are grounded in the avoidance of harm and the promotion of broad-based welfare - values that are directly consistent with the goals of environmental responsibility. In practice, this alignment is reflected in the Bank's support for financing products that encourage sustainable consumption choices, including the financing of hybrid and fuel-efficient vehicles. As the market for cleaner solutions continues to develop across the GCC, the Bank is positioned to play an enabling role in this transition through accessible, Sharia-compliant financing structures that make lower-emission choices financially viable for a broad customer base.

The strategic significance of the financing portfolio extends to the Bank's longer-term emissions disclosure trajectory. Financed emissions, classified under Scope 3 of the GHG Protocol, represent the indirect emissions associated with the economic activities the Bank supports, and are increasingly recognized as the most material component of a financial institution's overall carbon footprint. While the Bank is in the early stages of developing its Scope 3 measurement capability, the composition and environmental profile of the financing portfolio will increasingly inform this disclosure as data availability and measurement frameworks continue to mature. The Bank's current emphasis on financing environmentally aligned activity is therefore not only a reflection of its values, but a deliberate step toward a more complete and credible environmental disclosure over time.

Integrating environmental considerations into financing decisions also serves a sound risk management purpose. Exposure to carbon-intensive or environmentally misaligned assets carries transition risk implications that are increasingly scrutinized by regulators, investors, and rating agencies. By directing capital toward lower-emission and resource-efficient economic activity, the Bank progressively reduces its portfolio's vulnerability to transition risk while reinforcing its standing as a financial institution that creates value responsibly and sustainably.

Key Environmental Initiatives

Promoting Green Mobility Through Responsible Finance

In 2025, the Bank launched a targeted auto financing initiative designed to accelerate customer adoption of new energy vehicles, reinforcing the direct link between the Bank's financing activity and its environmental commitments. The initiative offered competitive, Sharia-compliant financing terms alongside a cashback incentive for customers choosing to finance a new energy vehicle, making lower-emission mobility choices more financially accessible to a broader segment of the retail base.

By embedding an environmental preference into a mainstream retail financing product, the Bank demonstrated that sustainable finance could be effectively positioned at the intersection of commercial and environmental value. This initiative is a practical expression of the Bank's broader responsible finance agenda, directing financing activity toward economic choices that are consistent with Bahrain's sustainability ambitions and the global transition toward a lower-carbon economy.

Expanding Access to Hybrid Mobility Through Bundled Financing

Building on its commitment to responsible finance, the Bank entered into a strategic collaboration with the exclusive distributor of a leading hybrid vehicle range in Bahrain to introduce a comprehensive, bundled financing solution for hybrid electric vehicles. The initiative reflects a deliberate effort to reduce the practical and financial barriers associated with transitioning to cleaner mobility consolidating vehicle financing, multi-year motor takaful insurance, and an extended service package into a single, transparent monthly instalment. The result is a financing product that offers customers genuine financial clarity alongside the environmental benefit of a lower-emission vehicle choice. The initiative further reflects the Bank's view that partnerships with automotive distributors are a meaningful channel through which responsible finance can be delivered at scale. By combining financial expertise with the distributor's aftersales infrastructure and vehicle range, the collaboration created an end-to-end ownership proposition that is accessible, convenient, and environmentally aligned.

Sustainability Report 2025 (continued)

03 Environmental – Detailed Disclosures

E.2. Energy Consumption

In 2025, the Bank's total energy consumption stood at 14,297.18 GJ, reflecting the most comprehensive energy inventory reported to date. This includes diesel consumption across owned and operated assets including generator sets, electricity consumed across the Bank's branch network and facilities, and for the first time, petrol consumption, which has been incorporated into the reporting boundary from 2025 onward as part of a more holistic approach to energy data collection.

Electricity remains the dominant energy input, accounting for a year-on-year increase of approximately 8%, reflecting continued expansion of the Bank's operational footprint. Diesel consumption similarly trended upward, from 23.97 GJ in 2024 to 29.67 GJ in 2025, consistent with increased operational activity.

Note: Two disclosures inform the comparability of this data. First, the Bank's energy reporting boundary expanded from 2024 onward to incorporate the operational footprint associated with business acquisition, which accounts for the significant step-up in consumption between 2023 and 2024. Second, petrol consumption has been reported for the first time in 2025; prior year figures are therefore not available for this line item, and year-on-year comparison is not applicable. Both factors should be considered when interpreting trends across the reporting period.

Energy (Absolute)	2023	2024	2025
Diesel (Liters)	570	630	780
Petrol (Liters)	-	-	58,500
Electricity (kWh)	1,309,274	3,184,945	3,450,348

Energy (GJ)	2023	2024	2025
Diesel (GJ)	21.68	23.97	29.67
Petrol (Liters)			1846.26
Electricity (GJ)	4,713.39	11,465.80	12421.25
Total Energy (GJ)	**4,735.07**	**11,489.77**	**14297.18**

E.3. Energy Intensity

The Bank's overall energy intensity increased modestly in 2025 relative to 2024, driven in part by the inclusion of petrol consumption within the reporting boundary for the first time. Adjusting for this, the underlying trend in electricity intensity, the dominant component, demonstrated marginal improvement, suggesting that core energy consumption is being managed with increasing efficiency relative to the Bank's revenue base. Diesel intensity remained negligible and stable across all three reporting periods.

The increase in intensity between 2023 and 2024 is attributable to the expansion of the Bank's operational footprint following the business acquisition, which materially increased the energy consumption base and the revenue denominator. Intensity comparisons across this transition should accordingly be interpreted with caution.

Note: FY2024 revenue figures have been restated; intensity ratios for that year reflect the restated revenue denominator. The inclusion of petrol from 2025 onward requires that this change in scope must be accounted for, for full comparability with prior periods.

Energy Intensity (GJ / Revenue BHD '000)	2023	2024	2025
Diesel	0.00009	0.00007	0.00008
Petrol	-	-	0.00479
Electricity	0.01922	0.03310	0.03224
Energy Intensity	**0.01930**	**0.03316**	**0.03711**

*Energy intensity is calculated as total energy consumption in gigajoules (GJ) divided by the Bank's total revenue expressed in BHD thousands (BHD '000). Revenue is used as the organisational metric as consistent and meaningful denominator for the Bank, enabling period-on-period comparability.

Sustainability Report 2025 (continued)

E.4. Energy Mix

Electricity has consistently constituted most of the energy mix across all reporting periods, highlighting the relatively low dependence on combustion-based fuels characteristic of the Bank's financial services operation. Diesel's share of the overall mix has remained negligible and stable, reflecting its limited role in the Bank's operational energy profile. A notable shift in the 2025 energy mix is petrol as a reportable fuel category, accounting for approximately 12.9% of total energy consumption following its inclusion in the reporting boundary for the first time. This has the effect of proportionally reducing electricity's share of the mix relative to prior years, though absolute electricity consumption continued to grow. The shift in proportions therefore reflects a change in reporting scope rather than a structural change in the Bank's underlying energy profile. No renewable sources of energy were used during the reporting period.

Note: Petrol consumption was not captured within the reporting boundary in 2023 and 2024, and prior year figures are therefore not comparable for this line item. The expansion of the Bank's operational footprint from 2024 onward, following a business acquisition, also influences period-on-period comparability of the overall mix.

Energy Mix (Proportion)	2023	2024	2025
Fuel	**0.5%**	**0.2%**	**13.1%**
Diesel	0.5%	0.2%	0.2%
Petrol	0.0%	0.0%	12.9%
Electricity	**99.5%**	**99.8%**	**86.9%**
Total	**100%**	**100%**	**100%**

Sustainability Report 2025 (continued)

03 Environmental – Detailed Disclosures

E.5. GHG Emissions

The Bank's total GHG emissions have increased substantially across the reporting period, driven by operational expansion, broadening of reporting boundaries, and enhanced measurement capabilities across emission scopes.

Scope 1 Emissions: Scope 1 emissions from diesel consumption remained marginal through 2024, contributing a negligible share of the Bank's overall emissions profile. The material increase observed in 2025 reflects the first-time inclusion of petrol consumption within the Scope 1 boundary.

Scope 2 Emissions: Scope 2 emissions from purchased electricity representing the Bank's largest emissions category and primary contributor to its carbon footprint, increased by 8%. A significant increase occurred in 2024 following the expansion of the Bank's operational footprint through a business acquisition, which substantially increased the number of facilities and associated electricity consumption captured within the inventory boundary.

Scope 3 Emissions: Scope 3 emissions reporting was introduced in FY 2024, with current coverage limited to business air travel. Emissions within this scope increased in 2025 as measurement systems matured and data capture improved. Expansion of the Scope 3 reporting boundary remains subject to data availability, and validation protocols.

Note: Three factors inform emissions trends: (1) operational boundary expansion in 2024 following a business acquisition, limiting direct comparability with 2023; (2) first-time reporting of Scope 1 petrol in 2025; and (3) phased introduction of Scope 3 measurement from 2024 onward. These boundary adjustments reflect the Bank's commitment to transparency and continuous improvement in climate-related disclosures.

GHG Emissions (mt-CO2 eq)	2023	2024	2025
Scope 1 Emissions	1.52	1.68	139.77
Scope 2 Emissions	914.66	2,225.00	2410.41
Scope 3 Emissions	-	110.95	170.65
Total Emissions	**916.18**	**2,337.63**	**2,720.83**

Methodology

GHG emissions have been quantified using the activity-based methodology, whereby absolute consumption data for each emissions source is multiplied by the corresponding emission factor to derive tCO_2e. Scope 1 emission factors for petrol and diesel have been sourced from the DEFRA GHG Conversion Factors dataset. Scope 2 emission factors reflecting grid electricity consumption have been sourced from the IEA Emission Factors dataset, applying the country-specific grid factor relevant to the Kingdom of Bahrain. All emissions are expressed in tonnes of CO_2 equivalent (tCO_2e) and calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

E.6. Emission Intensity

The Bank's emission intensity increased from 3.88 mt-CO2 eq per FTE in 2025. The substantial increase in 2024 reflects the same operational boundary expansion and business acquisition noted above, while the more moderate increase in 2025 is consistent with the ongoing growth in Scope 2 emissions and first-time inclusion of Scope 1 petrol.

Note: Direct year-on-year comparability of emission intensity metrics remains limited due to the factors outlined in the interpretation note under E.5. GHG emissions, including operational boundary changes, phased introduction of emission sources, and evolving measurement coverage across scopes.

Emission Intensity	2023	2024	2025
Total Emissions	916.18	2,337.63	2,720.83
Total FTEs	518	750	701
Emission Intensity	1.77	3.12	3.88

Sustainability Report 2025 (continued)

E.7. Climate Risk Mitigation

Climate risk is embedded within the Bank's broader enterprise risk management framework as a proactive measure, reflecting the Bank's approach to emerging risk preparedness rather than response to identified material exposures. This integrated approach ensures climate-related considerations are systematically evaluated across operational, financial, credit, and regulatory risk dimensions through existing governance structures.

At the Board level, climate-related matters are reviewed by the Executive Committee as part of its strategic oversight mandate. The Audit and Risk Committee provides oversight of the Bank's risk policies and governance frameworks, within which climate risk considerations are embedded. At the management level, the Credit and Risk Committee applies risk policy across the Bank's financing and operational activities, including the assessment of potential sustainability or climate-related factors where relevant.

The Bank recognizes that evolving regulatory expectations and market dynamics related to decarbonization may create future transition considerations for certain sectors and asset classes. The Bank's growing emphasis on financing hybrid and energy-efficient vehicles, and its broader orientation toward sustainability-aligned lending, represents a forward-looking approach to portfolio positioning in an evolving market environment.

During the current reporting period, no material climate risks were identified that required specific financial provisioning or strategic intervention. The Bank will continue to monitor climate-related developments and refine its risk identification and assessment capabilities in subsequent periods.

E.8. Water Usage

Water consumption is associated with routine operational use across the Bank's branch network, head office, and supporting facilities, principally sanitation, pantry, and general facility maintenance, rather than any water-intensive industrial or manufacturing process. The Bank reports water consumption attributable to its operations on a best-efforts basis, in line with its commitment to transparent and comprehensive environmental disclosure.

In 2025 the Bank's water consumption increased primarily due to a change in reporting boundary. Water consumption associated with the Bank's headquarters, previously subsumed within rental arrangements and therefore not captured as a discrete utility expense, has been incorporated into the reported figure for the first time. Additionally, branch network expansion arising from the Bank's acquisition activity has extended the scope of reported consumption. Prior year figures have not been restated.

Note: Reported figures reflect consumption across facilities within the Bank's operational boundary for each respective reporting period, with the expanded boundary from 2024 onward incorporating additional facilities following the business acquisition. Comparisons across the reported period should therefore be interpreted in the context of this expanded boundary rather than as a reflection of underlying consumption trends.

Water Consumption (cubic meters)	**2023**	**2024**	**2025**
Water Withdrawn	2,211,000	3,107,100	7,295,000
Water Recycled	0	0	0
Water Consumed	2,211,000	3,107,100	7,295,000

Sustainability Report 2025 (continued)

03 Environmental – Detailed Disclosures

E.9. Waste

The Bank's waste profile comprises two streams: paper waste and general waste, both of which are monitored and reported across the Bank's operational boundary. Paper waste arises primarily from customer documentation, internal processes, and administrative correspondence. The Bank recognises paper consumption and the associated waste as a manageable environmental input, and closely linked to its ongoing digitization agenda, spanning paperless account opening, digital statements, and electronic internal workflows. General waste encompasses office and facility waste generated across the Bank's branch network and head office, including packaging, consumables, and general operational waste. Both waste streams are managed in accordance with applicable regulatory requirements governing municipal waste handling and disposal in the Kingdom of Bahrain.

Note: The data for 2024 onwards must be interpreted in the context of an expanded scope of reporting boundary due to the completion of a business acquisition.

Waste Generation	2023	2024	2025
Non-Hazardous Waste (kgs)	576,000	651,000	922,000
Hazardous Waste (kgs)	0	0	0

E.10. Emission Targets

The Bank's current approach to emissions management is centered on the rigorous measurement, monitoring, and transparent disclosure of its GHG emissions inventory across Scope 1, 2, and 3, in accordance with internationally recognized standards and reporting frameworks. This foundational work is aligned with the Bank's position that credible targets must be grounded in a well-established and accurate emissions baseline.

As of the current reporting period, the Bank is not subject to mandatory emissions reduction targets at the national, industry, or regional level. Nonetheless, the Bank remains committed to aligning its emissions trajectory with the Kingdom of Bahrain's national sustainability goals, including its net-zero ambition, and to supporting the broader objectives of the UN Sustainable Development Goals most relevant to its operational context.

Oversight of the Bank's emissions-related obligations and disclosures sits with the Audit and Risk Committee at the Board level, which is responsible for ensuring compliance with applicable regulatory requirements, including those pertaining to ESG reporting and climate-related disclosures, and for monitoring the Bank's alignment with evolving national and international expectations in this area. As the regulatory landscape continues to develop and the Bank's measurement capability matures, the Bank continues to monitor the emergence of formal emissions reduction targets. Should new regulatory requirements emerge pertaining to emission targets or climate-related disclosures, the Bank is committed to ensuring full and timely alignment with such requirements, consistent with its broader sustainability commitments.

Sustainability Report 2025 (continued)

04 Social & Community Impact – Detailed Disclosures

Social

Social Responsibility

Al Salam Bank's approach to social responsibility reflects its recognition that a financial institution of its scale and reach has a meaningful role to play in the communities it serves, as an employer, as a provider of financial services, and as a participant in Bahrain's broader economic development agenda. The Bank's social agenda is structured around two complementary commitments, which include investing in the development, wellbeing, and equitable treatment of its own workforce, and directing its financial and institutional resources toward outcomes that generate broad-based social value across the Kingdom.

The Bank's most direct social impact is felt through its employment relationship with its workforce, spanning recruitment, compensation, training and development, health and safety, and employee welfare. As one of Bahrain's established Islamic financial institutions, the Bank employs a significant and diverse workforce across its branch network, head office, and operational functions. Beyond direct employment, the Bank's commercial activity generates economic value that extends across supply chains, business partners, and the communities in which its customers live and work.

National and International Alignment

Bahrain's Economic Vision 2030 places human capital development, the expansion of private sector employment for Bahraini nationals, and the advancement of social welfare at the center of the Kingdom's long-term development agenda. The Bank's workforce practices, Bahrainisation commitments, and community-oriented initiatives are designed to contribute directly to these priorities, reflecting the expectation that the private financial sector plays an active and accountable role in national social development. At the international level, the Bank's social performance is aligned with the SDGs most directly relevant to its workforce and community context: SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities).

Oversight and Authorities

Al Salam Bank operates through a structured oversight framework connecting Board-level accountability with functional responsibility at the management level. Social matters, encompassing workforce practices, employee welfare, and community contribution, are considered within the Board's broader governance mandate. The Board Risk Committee provides oversight of material social risks, including those arising from workforce management, occupational health and safety, and the Bank's broader obligations to its stakeholders.

At the management level, the Human Resources function holds primary responsibility for workforce-related matters, including recruitment, compensation, performance management, training and development, and employee wellbeing. Bahrainisation compliance and national employment commitments are managed within this function in coordination with relevant business units. Community investment and social initiative programming are managed through the Marketing & Communications and Finance function.

The structure ensures that social performance and related data is reviewed at both, Management and Board Level, and are subject to comprehensive governance and oversight.

Policy Framework

The Bank's people are its most consequential institutional asset, and the primary channel through which its values are expressed, and its relationship with customers and communities is sustained. Recognising this, the Bank has established a formal HR Policy that provides the governance foundation for its people-related practices, ensuring that every stage of the employment relationship is managed with consistency, fairness, and accountability. The HR Policy covers the full spectrum of the employment lifecycle from recruitment and selection, through structured onboarding and induction, to the terms and conditions that govern the day-to-day employment relationship. It further encompasses performance management frameworks that support a culture of continuous development and accountability, structured training and capability investment aligned with both individual and organisational priorities, and clearly defined standards of employee conduct supported by fair and transparent disciplinary procedures. Together, these elements reflect the Bank's commitment to creating a working environment in which employees are supported, fairly treated, and equipped to contribute meaningfully to the Bank's mission.

Supporting the Local Economy Through Financial Inclusion

Beyond its role as an employer, the Bank contributes to Bahrain's social fabric through the financial products and services it provides to individuals, businesses, and communities across the Kingdom. Access to Sharia-compliant financing solutions spanning retail, SME, and corporate banking enables customers to pursue economic opportunity, invest in education and housing, and build financial resilience in a manner consistent with their values.

Sustainability Report 2025 (continued)

04 Social & Community Impact – Detailed Disclosures

The Bank's support for SME financing is of particular social relevance, given the role that small and medium enterprises play in generating employment and economic activity at the community level. By providing accessible financing to this segment, the Bank contributes directly to the diversification and resilience of Bahrain's private sector economy a priority that sits at the heart of Vision 2030's economic transformation agenda.

Financial inclusion, in the Bank's view, is both a social obligation and a sound business principle. Expanding access to financial services across underserved or emerging customer segments deepens the Bank's relevance within the community while contributing to the broader goal of an equitable and participatory economy.

Key Social Initiatives

Investing in Bahrain's Future Workforce

In 2025, the Bank launched a professional orientation and training initiative targeting high school students across Bahrain, with the objective of introducing young nationals to career pathways in the Islamic banking sector and equipping them with foundational knowledge of Sharia-compliant finance.

The program was designed to accommodate students from grades 10 to 12, drawn from both public and private schools with a total capacity of up to 100 participants. The training initiative comprised one week of structured, interactive learning delivered by experienced Bank employees, spanning the principles of Islamic finance, regulatory and governance frameworks, emerging trends in financial technology and artificial intelligence, and direct exposure to live banking environments and departmental functions.

The initiative reflects the Bank's recognition that meaningful social contribution begins with investing in the pipeline of national talent that will shape Bahrain's financial sector over the long term. By engaging students at a formative stage of their academic and career development, the program supports informed decision-making around further education and professional pathways, contributing directly to the national priority of building a skilled, future-ready Bahraini workforce aligned with the ambitions of Vision 2030.

Developing National Talent Through Structured Internship Programming

The Bank's Annual Summer Internship Programme, in its 19th consecutive edition (2025), welcomed 45 university students drawn from leading local and international institutions, marking the largest cohort in the program's history. The two-month structured training experience was designed to equip participants with practical exposure to core banking functions, cross-departmental operations, and the professional competencies required to navigate a rapidly evolving financial services landscape. The 2025 edition was aligned with topical themes of sustainable development through innovation and artificial intelligence, reflecting the Bank's strategic emphasis on the intersection of ESG principles and digital transformation. The Annual Summer Internship Programme represents one of the Bank's contributions to national human capital development. By providing structured, mentorship-led professional exposure to university students at a formative stage of their careers, the Bank contributes directly to the development of a skilled, future-ready national workforce, a priority that sits at the heart of Bahrain's Vision 2030 and the Bank's own Bahrainisation commitments.

Promoting Youth Financial Literacy Through Experiential Learning

In 2025, the Bank participated for the third consecutive year in Youth City 2025, a national platform dedicated to youth empowerment and skills development through the delivery of an interactive financial awareness program designed specifically for young Bahrainis.

The program, titled "Life with Al Salam Bank," was structured as a simulation-based learning experience in which participants navigated a series of real-life financial scenarios and were required to make financial decisions reflecting realistic life circumstances. Each session concluded with a guided reflection exercise, during which participants evaluated the short and long-term consequences of their choices, reinforcing the practical relevance of financial planning and responsible financial behaviour.

Sustainability Report 2025 (continued)

The initiative was designed to move beyond conventional financial education by placing participants at the center of the learning experience, making financial concepts accessible, engaging, and immediately applicable to everyday life. The Bank's repeated participation in this platform reflects its conviction that financial literacy is a foundational social investment, one that contributes to the development of a more informed, financially capable generation, and supports the broader national priority of building a knowledge-based, economically resilient society in line with Bahrain's Vision 2030.

Employee-Led Cancer Awareness and Fundraising Initiative

During the reporting period, the Bank hosted an employee-driven fundraising and awareness initiative in support of Breast and Prostate Cancer Awareness Month. The initiative brought together employees from across the organisation in a collective effort to raise both funds and awareness for cancer research and patient care in Bahrain, with a total of BD 3,000 raised through voluntary employee contributions.

The event was held at the Bank's headquarters and featured educational booths, wellness activities, and donation stations designed to encourage broad employee participation and deepen awareness of the importance of early detection and cancer advocacy. Representatives from a leading national cancer support body participated in the event, contributing expert perspectives on prevention, and early diagnosis.

The initiative was driven by employee solidarity and voluntary contribution rather than external programming reflecting the Bank's commitment to fostering a workplace culture grounded in empathy, collective responsibility, and impactful social engagement.

Advancing SME Financial Inclusion Through Digital Innovation

In 2025, the Bank launched a dedicated digital banking application designed specifically for small and medium-sized enterprises, reinforcing its commitment to expanding access to financial services for a segment that plays a central role in Bahrain's private sector economy and Vision 2030 agenda. The application was designed to address practical barriers to SME banking engagement, enabling new clients to open accounts and register digitally without a branch visit, and allowing existing clients to manage accounts, approve payments, and action service requests remotely. Integration with the Bank's existing business banking portal further streamlined the onboarding experience, reducing administrative friction and consolidating digital services into a single, accessible interface.

The initiative reflects the Bank's broader view that financial inclusion for the SME sector requires that access be convenient, efficient, and compatible with the operational realities of small business owners. By removing the requirement for in-branch engagement and enabling real-time financial management, the Bank extended meaningful banking access to entrepreneurs who may otherwise face time and logistical constraints in managing their banking relationship. From an ESG perspective, the initiative also carries an environmental dimension, the reduction in paper-based processes and branch visits associated with digital account opening and transaction management contributes, in a measured way, to the Bank's broader goal of reducing its operational environmental footprint.

Investing in Women's Leadership and Executive Capability

In 2025, the Bank supported the participation of several employees in the National Executive Leadership Programme for Bahraini Women, a national initiative designed to strengthen the representation of Bahraini women in leadership and senior decision-making roles. The program, delivered in partnership with a leading international institution, equipped participants with advanced executive capabilities and strategic leadership skills aligned with the Kingdom's broader agenda for sustainable development and gender inclusion.

One employee from the Treasury and Financial Institutions Department successfully completed the program during the reporting period, while two further employees from the Finance and Internal Audit departments commenced participation in the subsequent cohort. The progression of employees through successive cohorts of the same program reflects a sustained organisational commitment towards gender-inclusive leadership.

The Bank's participation in this program is directly aligned with Bahrain's Vision 2030 priorities around human capital development and the advancement of Bahraini women into leadership roles across the private sector. It also contributes to the Bank's internal diversity and inclusion agenda, with the objective of ensuring that female employees at all levels have access to the development pathways and institutional support needed to progress into senior and executive functions.

Sustainability Report 2025 (continued)

04 Social & Community Impact – Detailed Disclosures

S.1. Workforce Composition

The Bank's workforce composition is reported across three dimensions: gender, age group, and employment type. The workforce expanded materially between 2023 and 2024, reflecting the increase in headcount following the business acquisition in 2024, which brought a significant number of additional employees within the reporting boundary.

The Bank's workforce remained entirely full-time across the reporting period, reflecting a staffing model with no reliance on part-time employment arrangements. Gender representation has been consistent over the three-year period, with male employees accounting for approximately 68% of the total workforce and female employees comprising the remaining 32%, a ratio that has held stable across 2023, 2024, and 2025.

The age profile of the workforce is predominantly concentrated in the 30–50 years bracket, which has grown as a proportion of the total workforce over the period, reaching 85% in 2025. The under-30 cohort has correspondingly contracted slightly, representing 9% of the workforce in 2025 compared to 11% in the prior two years. Employees over 50 have remained a consistently small share of the workforce throughout.

The Bank also maintains an internship program as a separate talent pipeline. Internship opportunities continue to provide university students with structured entry-level exposure to the Bank's operations. Interns are reported separately and are not included in the total workforce headcount.

Workforce Composition	2023	2024	2025
Total Workforce	**518** (100%)	**750** (100%)	**701** (100%)
By Gender			
Male	**354** (68%)	**507** (68%)	**474** (68%)
Female	**164** (32%)	**243** (32%)	**227** (32%)
By Age-Group			
Under 30 years	**55** (11%)	**86** (11%)	**61** (9%)
30 - 50 years	**430** (83%)	**606** (81%)	**597** (85%)
Over 50 years	**33** (6%)	**58** (8%)	**43** (6%)
By Employment Type			
Full-Time Employees	**518** (100%)	**750** (100%)	**701** (100%)
Part-Time Employees	**0**	**0**	**0**
Interns	**91**	**103**	**75**

S.2. Child and Forced Labor

- The Bank maintains a firm commitment to ethical employment practices, with zero tolerance for child labor or forced labor across all operations and business relationships. This commitment is embedded within the Bank's broader HR governance framework, encompassing the Human Resources Policy, Employee Code of Conduct, and HR Handbook, each of which establishes clear criteria for employment eligibility, terms of engagement, and mandatory compliance with the Bahrain Labor Law for the Private Sector (Law No. 36 of 2012).
- No risks related to child labor or forced labor were identified during the reporting period, and no violations were reported. The Bank's employment policies are reviewed periodically at the Board level and through relevant management functions, including the Human Resources department, to ensure continued alignment with applicable legal requirements and evolving best practice standards.

Sustainability Report 2025 (continued)

S.3. Employee Turnover

Employee turnover is reported on an absolute basis and as a percentage of total workforce, with breakdowns provided by gender and age group. Gender and age-group splits are expressed as a proportion of total turnover rather than total workforce, providing a more detailed view of the demographic profile of departing employees.

In 2025, the Bank's employee turnover rate was 6%, indicating a broadly stable workforce retention trajectory. Male employees represented most of the total departures across all three years, accounting for 72% in 2025. Female departures correspondingly comprised a smaller share throughout, ranging between 20% and 39% across the period.

By age group, the 30–50 years cohort has consistently represented the largest proportion of total departures, accounting for 69% in 2025, broadly reflective of their dominant share of the overall workforce. The under-30 segment represented a comparatively small proportion of departures in 2025 at 15%. The over-50 cohort represented 15% of the total departures in 2025.

Employee Turnover	2023	2024	2025
Total Turnover*	**64** (12%)	**20** (3%)	**39** (6%)
By Gender**			
Male	**39** (61%)	**16** (80%)	**28** (72%)
Female	**25** (39%)	**4** (20%)	**11** (28%)
By Age-Group**			
Under 30 years	**1** (2%)	**3** (15%)	**6** (15%)
30 - 50 years	**49** (77%)	**10** (50%)	**27** (69%)
Over 50 years	**14** (22%)	**7** (35%)	**6** (15%)

S.4. Gender Pay Ratio

The Bank monitors gender pay equity as part of its broader commitment to fair and equitable employment practices. The gender pay ratio is expressed as the median female salary relative to the median male salary, providing a measure of structural pay equity across the workforce that is independent of seniority mix or role distribution.

Pay differentials, where they exist, are driven by factors including seniority level, years of experience, and functional specialization rather than gender. The Bank's compensation framework is designed to ensure that remuneration decisions are made based on role requirements and individual performance, with gender playing no role in the determination of pay.

The Bank's median female compensation to median male compensation ratio stood at 0.63 in 2024, improving marginally to 0.65 in 2025, reflecting a modest positive movement across the reporting period.

Gender Pay Ratio	2024	2025
Median Female Compensation to Median Male Compensation (Ratio)	0.63	0.65

Sustainability Report 2025 (continued)

04 Social & Community Impact – Detailed Disclosures

S.5. Health & Safety

The Bank recorded zero workplace injuries, fatalities, and lost days due to work-related injury during the last three reporting periods, a consistent outcome that reflects the effectiveness of the Bank's occupational health and safety controls across its branch network, head office, and operational facilities.

As a financial services institution, the Bank's operational environment is inherently lower-risk relative to industrial or manufacturing enterprises. Nonetheless, the Bank maintains a structured approach to workplace safety, ensuring full compliance with applicable municipal health and safety regulations in the Kingdom of Bahrain. Safety standards are applied consistently across all premises, encompassing facility maintenance, emergency preparedness, and the general working conditions to which all employees are subject. The Bank is committed to maintaining this record and to upholding a working environment in which the health, safety, and wellbeing of all employees remains a standing organisational priority.

Health & Safety	2023	2024	2025
Total Number of Injuries or Fatalities	0	0	0
Total Lost Days due to Work Injury	0	0	0

S.6. Non-Discrimination

The Bank is committed to maintaining a workplace free from discrimination, ensuring equal opportunity across all aspects of the employment relationship including recruitment, terms of employment, performance management, and work allocation, irrespective of gender, ethnicity, or any other protected characteristic as defined under applicable law. Non-discrimination principles are embedded within the Bank's Human Resources Policy and Employee Code of Conduct, both of which are subject to periodic review at the Board level and through the Human Resources function to ensure continued alignment with Bahrain's Labor Law for the Private Sector (Law No. 36 of 2012) and relevant regulatory requirements.

While a standalone non-discrimination policy has not been adopted, the coverage afforded by the existing policy framework ensures that these principles are consistently applied across all operational and employment contexts. The Bank maintains formal grievance redressal mechanisms through which employees may raise concerns or complaints relating to discrimination or workplace conduct. These mechanisms are designed to ensure that all matters are reviewed and resolved promptly, fairly, and with appropriate confidentiality. No instances of discrimination were reported during the reporting period, reflecting the effectiveness of the Bank's preventive framework and its commitment to a respectful, equitable, and inclusive working environment.

S.7. Nationalization

The Bank has maintained a consistently high proportion of Bahraini nationals within its workforce throughout the reporting period, reflecting its commitment to supporting national employment objectives in alignment with Bahrain's broader economic development priorities.

In 2023, nationals represented 92% of the total workforce, with this proportion increasing marginally to 93% in 2024 and being sustained at the same level through 2025. Notably, this ratio has remained stable despite variability in overall headcount, indicating that workforce adjustments across the period have not disproportionately affected national employees.

The Bank's nationalization profile continues to be in alignment with regulatory thresholds, highlighting its role as a meaningful contributor to Bahraini employment within the financial services sector.

Workforce Nationalization	2023	2024	2025
Total number of nationals in the workforce	478	696	653
Proportion of nationals as part of the total workforce	92%	93%	93%

Sustainability Report 2025 (continued)

S.8. Community Investment

The Bank measures its community investment commitment through monetary contributions directed toward social, educational, and charitable initiatives, expressed as a proportion of total revenues. This approach provides a consistent and comparable basis for evaluating the scale of the Bank's community contribution relative to its overall financial performance, reflecting the view that meaningful social investment should be proportionate to organisational capacity.

The Bank's community investment activity during the reporting period spanned a range of initiatives encompassing youth development and financial literacy, employee-driven charitable fundraising, support for national health awareness causes, and partnerships with educational and community institutions. These contributions reflect a deliberate effort to direct resources toward areas of genuine community need and national priority.

The Bank's total CSR spending increased significantly in 2025, reflecting a material increase in community investment relative to prior years. Expressed as a proportion of total revenue, CSR spending rose to 0.4% in 2025, compared to 0.19% in 2024 and 0.28% in 2023.

Community Investments	2023	2024	2025
Total CSR Spending (BHD)	677,000	658,000	1600,000
CSR Spending (as a % of total revenue)	0.28%	0.19%	0.4%

S.9. Human Rights

The Bank upholds human rights principles across all aspects of its operations and business relationships. While a standalone human rights policy has not been adopted, the relevant principles are embedded within the Bank's existing governance framework including the Human Resources Policy, Employee Code of Conduct, and HR Handbook ensuring that the Bank's practices are consistent with applicable legal obligations and internationally recognized human rights standards. The Bank's approach covers the full spectrum of human rights considerations relevant to its operational context, including the prohibition of forced labor and child labor, non-discrimination in employment. These commitments extend to the Bank's broader value chain, with the expectation that business relationships are conducted in a manner that does not directly or indirectly contribute to human rights violations. The Bank's policies are subject to periodic review at the Board level and through relevant management functions to ensure continued alignment with Bahrain's Labor Law for the Private Sector and applicable regulatory requirements. No human rights violations were reported or identified during the reporting period.

Human Rights	2023	2024	2025
Number of instances of violations identified as human rights violations	0	0	0

Sustainability Report 2025 (continued)

04 Social & Community Impact – Detailed Disclosures

S.10. Management Composition

Management composition is reported across three seniority bands - Early Career Professionals, Middle Management, and Senior Management - with each band disaggregated by gender. This structure provides visibility into both the overall distribution of the workforce across seniority levels and the gender profile.

The Bank's workforce is structured across three management levels: Early Career Professionals, Middle Management, and Senior Management. Early Career Professionals represent the largest segment of the workforce, with headcount moderating slightly in 2025 following growth in 2024. Gender representation within this category has remained stable, with male employees accounting for approximately 64% and female employees comprising 36% consistently across all three years. Middle Management has grown steadily over the reporting period, reflecting the Bank's continued organisational development. Female representation at this level has shown a marginal improvement, increasing from 26% in 2023 and 2024 to 27% in 2025, indicating a gradual progression of women into mid-level roles. Senior Management has remained constant at three individuals across the full reporting period. This tier is currently entirely male, a profile the Bank recognises as an area for continued focus as part of its broader commitment to workforce diversity and inclusive leadership development.

Note: Following the business acquisition completed during the reporting period, minor variances may be observed between categorical breakdowns and aggregated totals across certain metric, due to ongoing data harmonization initiatives.

Management Composition*	2023	2024	2025
Early Career Professionals	**317**	**460**	**407**
Male	204 (64%)	292 (63%)	260 (64%)
Female	113 (36%)	168 (37%)	147 (36%)
Middle Management	**198**	**287**	**294**
Male	147 (74%)	212 (74%)	214 (73%)
Female	51 (26%)	75 (26%)	80 (27%)
Senior Management	**3**	**3**	**3**
Male	3 (100%)	3 (100%)	3 (100%)
Female	0 (0%)	0 (0%)	0 (0%)

Sustainability Report 2025 (continued)

S.11. Development and Training

The Bank continued to invest in a broad and structured learning agenda in 2025, spanning technical banking skills, regulatory compliance, digital capability, leadership development, and employee wellbeing. A significant portion of the training portfolio was directed toward building digital and artificial intelligence literacy across all levels of the organisation. Programs ranged from foundational AI awareness to advanced executive-level modules on AI strategy, prompt engineering, and agentic tools, reflecting the Bank's recognition of AI as a core competency for its workforce.

Complementary training in data science, Power BI, Microsoft Copilot, and cloud computing further strengthened the Bank's digital proficiency base. Compliance and risk management remained a core pillar of the training calendar, with employees completing programs covering anti-money laundering, KYC, sanctions compliance, fraud awareness, data privacy, cybersecurity, and Basel IV implications. Mandatory induction sessions across compliance, information security, Sharia, and human resources ensured consistent baseline awareness for new joiners throughout the year. Islamic finance and Sharia governance continued to receive dedicated focus, with employee participation in AAOIFI conferences, Sharia board sessions, and Islamic banking and finance certification programs reinforcing the Bank's commitment to Sharia-compliant operations.

Leadership and professional development programming was delivered across career levels, from early career modules to senior leadership grooming initiatives. Specialist tracks including the HEC Accelerating Women's Leadership Programme and the Waqf Fund Leadership Grooming for Managers underscored the Bank's commitment to inclusive talent development and gender equity in career progression. Employees also participated in a range of industry conferences and forums throughout the year, including GITEX Global, Fintech Forward, Money 2020, Seamless Middle East, and the Leap Conference, maintaining the Bank's engagement with emerging trends across the financial services landscape.

Learning & Development	2023	2024	2025
Average Hours of Trainings*	72	77	115
By Gender			
Male	69	80	115
Female	80	71	115

Average training hours per employee are reported on an overall basis and disaggregated by gender, providing a measure of both the volume of learning investment and its equitable distribution across the workforce. Average training hours per employee increased significantly over the reporting period, rising from 72 hours in 2023 to 77 hours in 2024, and reaching 115 hours in 2025, representing a 60% increase relative to the base year and reflecting a substantial step-up in the Bank's investment in employee development. By gender, male employees averaged 69 hours in 2023 and 80 hours in 2024, while female employees averaged 80 hours and 71 hours respectively over the same period. In 2025, average training hours converged to 115 hours across both male and female employees, indicating an equitable distribution of learning opportunities regardless of gender.

Sustainability Report 2025 (continued)

05 Governance – Detailed Disclosures

Governance

Institutional Integrity

Al Salam Bank's approach to governance reflects its recognition that the integrity and credibility of a financial institution are ultimately determined by the quality of its decision-making frameworks, the accountability of its leadership, and the consistency with which its values are applied across all business activities. Robust governance is the foundation upon which stakeholder trust is built and sustained, and the mechanism through which the Bank's commercial, social, and environmental commitments are executed. The Bank's governance framework is designed to ensure transparency, accountability, and ethical conduct across all levels of the organisation, providing the structural underpinning from which its broader ESG agenda derives its credibility and coherence.

Governance Structure

The Bank's governance structure is anchored by a clearly defined Board of Directors, whose composition reflects a diverse range of expertise and experience across financial services, risk and governance, enabling effective strategic oversight and informed decision-making. The Board is supported by several key committees, each responsible for specific areas of governance: the Executive Committee, the Audit and Risk Committee, the Remuneration Committee, and the Nomination and Corporate Governance Committee.

At the operational level, the Bank maintains a comprehensive suite of governance policies and internal controls designed to safeguard stakeholder interests and ensure consistent ethical conduct. These include a Code of Conduct, compliance policies, gift and entertainment guidelines, related party transaction controls, and whistleblowing mechanisms, collectively ensuring that the Bank operates with integrity and that potential conflicts of interest are identified and managed transparently.

The Bank operates in full compliance with the regulatory requirements of the Kingdom of Bahrain's supervisory institutions, including the Central Bank of Bahrain, the Ministry of Industry and Commerce, and the Bahrain Bourse. This regulatory alignment ensures that the Bank's governance practices meet the highest standards applicable to licensed Islamic financial institutions operating in the Kingdom. At the international level, the Bank's governance commitments are aligned with SDG 16 (Peace, Justice and Strong Institutions) and SDG 17 (Partnerships for the Goals), reflecting the Bank's recognition that strong institutional governance is a prerequisite for sustainable and responsible business conduct.

Policy Framework

The Bank's governance mechanism is operationalized through a structured policy framework that establishes clear standards of conduct, defines accountability, and provides the mechanisms through which ethical behaviour is enforced and monitored across the organisation.

At the core of this framework is the Employee Code of Conduct, which sets out the behavioural standards expected of all employees in their day-to-day professional activities, including obligations around confidentiality, conflicts of interest, and the responsible use of organisational resources. The Code provides the baseline ethical reference against which employee conduct is assessed and is applicable across all levels and functions of the organisation.

The Bank maintains a dedicated Anti-Bribery & Corruption Policy that prohibits bribery, facilitation payments, and any form of corrupt conduct in connection with the Bank's business activities, whether involving public officials, private counterparties, or any other stakeholder. This is complemented by policies governing gifts and entertainment and related party transactions, which establish clear thresholds, disclosure obligations, and approval requirements to ensure that business relationships are conducted transparently and free from undue influence.

The Bank's Whistleblowing Policy provides a formal and protected channel through which employees and stakeholders may report concerns regarding unethical conduct, policy violations, or potential misconduct, without fear of retaliation. This mechanism is central to the Bank's culture of accountability, ensuring that governance standards are upheld not only through top-down policy but through an organisational environment in which concerns can be raised openly and addressed appropriately.

Together, these policies are reviewed periodically at the Board level to ensure continued relevance, regulatory alignment, and effectiveness, reflecting the Bank's commitment to maintaining a governance framework that is not static but responsive to the evolving regulatory and ethical landscape in which it operates.

Sustainability Report 2025 (continued)

Key Governance Initiatives

Strengthening the Governance framework

In 2025, the Bank convened an Extraordinary General Meeting at which shareholders approved a series of resolutions with direct governance significance.

Amendments to the Bank's Articles of Association were approved to expand the scope of permissible business activities to include digital commerce platforms, online retail services, and the marketing and distribution of financial products on behalf of third parties. This reflects the Bank's strategic orientation toward digital diversification and positions the governance framework to accommodate an evolving business model.

Shareholders also approved revised Board membership criteria, raising the qualification threshold for Board nominees to require a relevant university degree, a minimum of ten years of experience in financial services, and at least three years of service as an approved person within a regulated financial institution. This amendment reinforces the Bank's commitment to Board quality and deepens the expertise requirements governing its most senior governance body.

Together, these resolutions reflect an active and engaged shareholder base and a governance framework that is responsive to both strategic opportunity and evolving market conditions.

ISO 9001:2015 Recertification - Shari'a Audit Department

During the reporting period, the Bank's Shari'a Audit Department achieved ISO 9001:2015 Quality Management System certification for the second consecutive time, awarded by an internationally accredited certification body. The Bank holds the distinction of being the first Islamic bank in Bahrain's banking sector to have received this certification, a recognition that has now been sustained and reaffirmed through a successive audit cycle.

ISO 9001:2015 is among the most widely recognized international standards for quality management systems, establishing the principles and requirements for the systematic monitoring, measurement, and continuous improvement of operational processes. Its application to the Shari'a Audit function is particularly significant, embedding globally recognized quality management rigour into a function that is central to the Bank's compliance with Islamic banking principles and the integrity of its Sharia governance framework.

The recertification reflects the Shari'a Audit Department's sustained commitment to operating at the highest professional standards and its ongoing efforts to align audit practices with international best practice. From a governance perspective, this achievement reinforces the credibility and independence of the Bank's Sharia oversight function, providing stakeholders with an externally validated assurance of the quality and consistency of the Bank's Sharia compliance processes.

Strengthening Digital Infrastructure and Cybersecurity Resilience

During the reporting period, the Bank finalized an agreement to migrate its core data center operations to a Tier III certified facility, one of the highest recognized classifications for data center reliability and operational resilience. The migration represents a significant upgrade to the Bank's underlying technology infrastructure, with direct implications for data security, service continuity, and the Bank's long-term digital scalability.

The Tier III standard requires concurrent maintainability of all critical systems, ensuring that infrastructure components can be serviced and upgraded without disruption to live operations. For a financial institution of the Bank's scale and customer reach, this level of resilience is directly relevant to its obligations around data protection, cybersecurity risk management, and uninterrupted service delivery, all of which are central to sound governance and customer trust.

From a governance perspective, this investment reflects the Bank's proactive approach to managing technology and cybersecurity risk, ensuring that the physical and operational foundations of its digital infrastructure are commensurate with the sensitivity of the data it holds and the expectations of its customers, regulators, and other stakeholders. It also forms part of the Bank's broader digital transformation agenda, reinforcing its capacity to innovate securely and resopnsibly as the financial services landscape continues to evolve.

Sustainability Report 2025 (continued)

05 Governance – Detailed Disclosures

G.1. Board Composition

The Bank's Board comprises nine members, with a majority of six serving as independent directors, reflecting a governance structure designed to ensure objectivity, impartiality, and the effective exercise of oversight independent of executive management. The remaining three members serve as non-executive directors, with no executive directors on the Board, further reinforcing the separation between governance and day-to-day management.

Board members are elected by shareholders and serve a tenure of three years, consistent with applicable corporate governance requirements and the Bank's Articles of Association. Board composition is subject to the qualification criteria approved by shareholders, which require members to possess relevant sector expertise and regulatory standing as approved persons within a licensed financial institution.

Female representation on the Board stands at zero in the current reporting period. The Bank acknowledges this as an area for continued attention as it progresses its broader diversity and inclusion agenda at the leadership level.

The Board is supported by four committees, each with a defined mandate and scope of oversight responsibility.

The Executive Committee is responsible for overseeing strategic and operational matters requiring Board-level direction between scheduled Board meetings. It acts on behalf of the Board within delegated authority limits, ensuring continuity of governance and timely decision-making on material business matters.

The Audit and Risk Committee provides oversight of the Bank's financial reporting integrity, internal control environment, risk management frameworks, and compliance with applicable regulatory requirements. It is also responsible for overseeing the Bank's ESG-related disclosures and ensuring that the controls underpinning sustainability reporting are adequate and reliable.

Board Composition	2025
Total Board Members	9
Female Board Members	0
Non-Executive Directors	3
Executive Directors	0
Independent Directors	6
Tenure	3 years
Representation	Elected

The Remuneration Committee oversees the design and application of the Bank's remuneration framework for Board members and senior executive management, ensuring that compensation structures are aligned with long-term value creation, prudent risk-taking, and the interests of shareholders and other stakeholders.

The Nomination and Corporate Governance Committee is responsible for overseeing Board composition, succession planning, and the nomination of candidates for Board membership in accordance with the approved qualification criteria. It also monitors the Bank's adherence to applicable corporate governance standards and best practices and oversees the periodic evaluation of Board and committee effectiveness.

Sustainability Report 2025 (continued)

G.2. Collective Bargaining

- The Bank is fully committed to upholding the rights of its employees with respect to freedom of association and collective bargaining, recognising these as fundamental workplace rights that are integral to a fair and equitable employment relationship. The Bank's approach in this area is governed by the Bahrain Labor Law for the Private Sector (Law No. 36 of 2012), which provides the overarching legal framework for employee rights and employer obligations in the Kingdom.
- In practice, employee concerns and workplace grievances at the Bank are effectively addressed through established internal mechanisms, including formal grievance procedures and direct engagement channels with the Human Resources function. These mechanisms are designed to ensure that employee concerns are heard, reviewed, and resolved in a timely, fair, and confidential manner, reducing the need for formal collective dispute resolution while maintaining a workplace environment built on open communication, mutual respect, and accountability.
- As of the current reporting period, no employees of the Bank are covered under a collective bargaining agreement.

G.3. Whistleblowing Mechanism

- The Bank's Whistleblowing Policy establishes a formal and protected mechanism through which concerns relating to misconduct, policy violations, or unethical conduct may be reported, applicable to Board directors, all employees including temporary staff, and external parties who encounter misconduct in the course of their dealings with the Bank.
- Reportable matters under the policy include, but are not limited to, non-compliance with internal policies or legal obligations, fraud, misuse of organisational resources, safety risks, environmental harm, and any other conduct inconsistent with the Bank's ethical standards. The policy is designed to ensure that such concerns can be raised through a clearly defined, confidential, and accountable channel.
- The Head of Compliance serves as the designated Whistleblower Officer. Reports are directed to the Designated Contact, who is responsible for escalating matters to the Audit and Risk Committee. In the absence of the Designated Contact, reports are directed to the Chairperson of the Audit and Risk Committee, ensuring that escalation pathways remain uninterrupted regardless of individual availability.
- Confidentiality is a foundational principle of the policy. The identity of the whistleblower is not disclosed unless strictly required for the purposes of investigation, and all matters are handled with appropriate sensitivity. Whistleblowers are expressly protected from retaliation, victimization, or harassment, and any adverse treatment experienced by a whistleblower as a consequence of a report is itself subject to escalation to the Audit and Risk Committee.
- During the reporting period, nil incidents of whistleblowing were reported.

Sustainability Report 2025 (continued)

05 Governance – Detailed Disclosures

G.4. Data Privacy

- The Bank maintains a comprehensive data privacy and protection framework aligned with the Personal Data Protection Law (PDPL) of Bahrain and consistent with internationally recognized data governance standards. This framework governs the collection, processing, storage, and disposal of personal data pertaining to customers, employees, and all other stakeholders, and is underpinned by the principles of confidentiality, security, transparency, and regulatory compliance.
- Personal data is collected through direct interactions, automated systems, and third-party sources on lawful bases defined under the PDPL, including explicit consent, contractual necessity, legal obligation, protection of vital interests, and legitimate business purposes. The Bank applies heightened standards to the processing of sensitive data categories , including health information, criminal records, and biometric identifiers. Biometric data used for authentication purposes is not retained following verification, and all sensitive data processing is subject to additional controls commensurate with its nature and risk profile.
- International data transfers, where applicable, are conducted in accordance with the requirements of the PDPL and applicable legal frameworks, with appropriate safeguards in place to ensure that data privacy protections are maintained irrespective of the jurisdiction to which data is transferred.
- The Bank is committed to upholding the rights of data subjects under the PDPL, including the rights to access, rectify, erase, or block personal data, and to withdraw consent where processing is consent-based. Internal processes are designed to ensure that such requests are handled efficiently and within legally mandated timeframes, reflecting the Bank's commitment to responsive and transparent data governance.
- Data security is maintained through ongoing investment in appropriate technical and organisational controls, including encryption, firewall protections, and secure access protocols. Employee awareness and training programs reinforce adherence to confidentiality standards across the organisation. Third-party service providers are subject to equivalent data protection obligations, ensuring that the Bank's privacy standards are consistently applied across its broader operational ecosystem.
- Personal data is retained only for as long as necessary to fulfil its intended purpose, in accordance with regulatory, legal, and accounting obligations. Upon expiry of the applicable retention period, data is securely anonymized or destroyed. The Bank monitors developments in applicable data protection law and industry practice on an ongoing basis, updating its framework as required to ensure continued compliance and the responsible stewardship of stakeholder data.
- During the reporting period, nil incidents of data privacy breaches were reported.

G.5. Sustainability Disclosures

- The Bank's current ESG report has been prepared with reference to the Central Bank of Bahrain's ESG Reporting Requirements. The framework has been applied as a guiding reference for the identification of material topics, the organisation of disclosures across the environmental, social, and governance pillars, and the presentation of performance data in a manner that is consistent, comparable, and meaningful to stakeholders.
- In addition, the Bank's sustainability commitments are aligned with the United Nations Sustainable Development Goals, with disclosures mapped to the SDGs most directly relevant to the Bank's operational context and strategic priorities. This alignment provides an internationally recognized reference framework through which the Bank's ESG performance can be contextualized within the broader global sustainability agenda. The Bank views this reporting exercise as a foundational step in the progressive development of its ESG disclosure capability, with the intention of deepening the rigour, scope, and external assurance of its sustainability reporting in subsequent periods.

Sustainability Report 2025 (continued)

G.6. Conflict of Interest Management

- The Bank maintains a Conflict-of-Interest Management Policy that governs the identification, disclosure, and management of actual or potential conflicts of interest across all levels of the organisation, including Board Directors, Shari'a Supervisory Board members, and Senior Management. All relevant individuals are required to submit an annual independence and conflict of interest declaration to the Corporate Secretary, providing a structured and documented basis for ongoing conflict identification. Where a conflict of interest arises or may be perceived to arise in relation to a specific matter, the relevant individual is required to recuse themselves from any associated discussion or decision-making process. In circumstances where a conflict cannot be adequately mitigated through recusal or other management measures, the Bank is committed to withdrawing from the relevant engagement or relationship entirely reflecting its prioritization of governance integrity over commercial considerations.
- Complementing this, the Bank's Employment of Relatives Policy establishes a defined framework for managing the employment of relatives of current employees, Board Directors, and Shari'a Supervisory Board members. The policy sets out the scope of familial relationships captured within its remit and the procedures applicable to recruitment and appointment decisions involving such individuals, ensuring that all relative-based employment decisions are made transparently, consistently, vand in a manner that safeguards against conflicts of interest. Together, these policies reinforce the Bank's commitment to ethical conduct, impartial decision-making, and the highest standards of corporate governance across its operations and governance structures.

G.7. Supplier Code of Conduct

- While the Bank does not maintain a standalone Supplier Code of Conduct, procurement activities are governed by comprehensive internal policies and procedures that ensure integrity, transparency, and ethical conduct throughout the procurement process. Purchases below a defined threshold are treated as petty cash acquisitions, while procurement above that level is processed and expensed in accordance with established internal controls and approval frameworks.
- The Bank conducts thorough due diligence when onboarding vendors and suppliers, assessing compliance with applicable laws, regulations, and ethical standards. This process ensures that the Bank's supply chain relationships are managed in a manner consistent with its broader commitment to responsible and well-governed business practices.

G.8. Sustainability-Linked Remuneration

- The Bank recognises the strategic importance of aligning financial incentives with long-term sustainability objectives and is committed to the progressive integration of ESG considerations into its operational and governance frameworks. A formalized structure for sustainability-linked remuneration or bonuses directly tied to ESG performance targets has not yet been established. The Bank intends to evaluate the development of such a framework as its ESG program matures and as market and regulatory expectations in this area continue to evolve.

Sustainability Report 2025 (continued)

05 Governance – Detailed Disclosures

G.9. Ethics and Anti-Corruption

- Ethical conduct and the prevention of corruption are foundational to the Bank's governance framework and its identity as a trusted Islamic financial institution. The Bank's approach to anti-corruption is operationalized through a dedicated Anti-Bribery and Corruption Policy, which establishes a clear and unambiguous zero-tolerance position on bribery and corrupt conduct across all aspects of the Bank's operations and business relationships.
- The policy prohibits bribery in all its forms, including but not limited to cash payments, kickbacks, gifts and entertainment provided with corrupt intent, promises of employment, and charitable donations made for the purpose of obtaining or retaining a business advantage. These prohibitions apply to all employees, directors, and any third parties acting on behalf of the Bank, ensuring that the Bank's ethical standards extend across its broader operational ecosystem.
- At the management level, the Compliance Officer holds primary responsibility for receiving, investigating, and resolving complaints or concerns raised under the policy. Where matters are of a material nature or carry significant institutional implications, they are escalated to the Audit and Risk Committee at the Board level, ensuring that anti-corruption oversight is subject to appropriate senior governance scrutiny. This two-tier accountability structure, combining management-level investigation with Board-level oversight, provides a robust and comprehensive framework for managing corruption-related risk.
- The Bank's anti-corruption framework is complemented by its Anti-Money Laundering Policy, which establishes structured controls and procedures for the prevention, detection, and remediation of money laundering activity and suspicious transactions. Together, these policies form an integrated financial crime prevention framework that reflects the Bank's commitment to operating with integrity, in full compliance with applicable regulatory obligations, and in a manner that protects the interests of its customers, shareholders, and the broader financial system.
- Employee awareness and adherence to these policies is actively monitored. During the reporting period, 100% of the Bank's employees were compliant with the Anti-Bribery and Corruption Policy, an outcome that reflects the effectiveness of the Bank's communication, training, and compliance monitoring efforts in embedding a culture of ethical conduct across the organisation.

G.10. External Assurance

- The Bank recognises that external assurance plays an increasingly important role in strengthening the credibility, accuracy, and comparability of ESG disclosures providing stakeholders with independent validation that reported information is a fair and reliable representation of the Bank's sustainability performance.
- External assurance of ESG data is not currently mandated under applicable regulatory requirements in the Kingdom of Bahrain, and the Bank does not at this stage obtain independent third-party assurance over its ESG reporting. The integrity of reported information is currently maintained through robust internal data collection, review, and validation processes, overseen by the relevant management functions and subject to Board-level governance.


You Inspired.
We Reflected.
20
YEARS عاماً
Written by You.

Fatwa & Shari'a Supervisory Board Report to the Shareholders

In the name of Allah, the Beneficent and the Merciful

Praise be to Allah; Prayers and peace be upon the most ennoble messenger, our Prophet Muhammad and his companion.

The Report of Shari'a Supervisory Board of Al Salam Bank B.S.C, ("the Board") submitted to the General Assembly on the Bank's activities during the financial year ending 31 December 2025.

First: Memorandum and Articles of Association

Al Salam Bank, B.S.C. operates as an Islamic Bank authorized by the Central Bank of Bahrain. We therefore confirm that the Memorandum and Articles of Association of the Bank are in conformity with the rules and principles of Shari'a.

Second: Activities of the Bank and Board's Guidance

The Board has supervised the activities and transactions of the Bank during the reporting year either directly or through the Sharia Board executive Committee and/or the Sharia Compliance department, it has, therefore, instructed and guided various departments to comply with the rules and principles of Shari'a and fatwas of the Board in relation to such activities and transactions. During the year, the SSB has held four meetings with the senior staff of the Bank, all of which are conducted physically. Also, SSB Executive Committee conducted three meetings.

Third: Contracts and Transactions

The Board studied the operational structures that have been presented to it during the year, approved their contracts and documents, and responded to the questions and inquiries that were raised in respect thereof and issued decisions and fatwas in this regard. These fatwas and decisions have been circulated to the concerned departments of the Bank for execution and implementation. It has also reviewed and studied drafts of the contracts and agreements that were presented to it in respect to sukuks (investment certificates), syndicated financing transactions and investment funds and approved them after its comments were considered.

Fourth: Access to Records

The Management of the Bank has positively cooperated with the Board and based on its request, allowed it to access the records, information and data of the Bank that are necessary for it to perform its tasks or are relevant to Sharia audit and Sharia supervision.

Fifth: Shari'a Audit

The Board has reviewed Internal Shari'a Audit reports and pointed out its observations on the reports. The Board further reviewed and discussed the external Shari'a Auditor observations and took note of these observations.

Sixth: Training

The Board has taken note of the efforts of the Bank's Management in training its employees and recommended that the Management continues to conduct regular training programmes for its employees in order to raise the level of Shari'a performance and compliance.

Seventh: Balance Sheet

The Board has reviewed the balance sheet, profit and loss accounts, accounting policies for the preparation of the financial statement and the basis of distributing dividends and profits to the shareholders and depositors.

The Board believes that the financial information presented in the balance sheet, to the extent of correct presentation and information provided by the Bank's Management and the Bank's compliance with some observations, did not result in non-compliance of the underlying transactions with the rules and principles of Shari'a. The Bank have set-aside and purified non-Sharia compliant earnings by channelling them to relevant accounts established for disbursement of charity amounts. The Board, therefore, approved the balance sheet.

Eighth: Zakah

Since the Articles of Association of the Bank do not oblige the Bank to pay Zakah on behalf of shareholders, and on the invested Shareholder's equity, the Board has reviewed the calculation of the Zakah payable by the shareholders in order to be disclosed in the balance sheet. The Zakah calculation was prepared in line with Shari'a Standards no.35 on Zakah and Financial Accounting Standards no.39 on Financial Reporting for Zakah issued by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"). Resultantly, the Board approved the calculation of Zakah and instructed the bank to notify Shareholders of the Zakah for this year as a disclosure in the balance sheet.

Ninth: Charity Fund

The Board has ensured, through its representative in the Social Committee, that all non-Sharia compliant income and dividends are channelled to the Bank's Charity Fund, The amount had been paid to the licensed Charitable organization upon approved of SSB from either the previous transactions due to merger and conversion of conventional banks into Al Salam Bank or any other arising reasons.

Decision of the Board

The Board emphasizes that compliance to the rules and principles of the Shari'a in respect of all the businesses and transactions of the Bank is the responsibility of the Bank's Management. The Board confirms that the transactions executed by the Bank during the year, to the extent of the information and the data made available to it by the Bank's Management, do not conflict, in general, with the rules and principles of Shari'a and standards issued by Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI". The Board also confirms that the accuracy of information, data, numbers, and correctness of the profit distribution are the responsibility of the management.

Allah is the guider to the right path.

The Board wishes for the Bank a continuous success and rectitude in doing things that pleases Allah.

Fatwa and Shari'a Supervisory Board

Shaikh Adnan Abdulla AlQattan
Chairman

Dr. Fareed Yaqoob AlMeftah
Vice Chairman

Dr. Nedham Mohamed Yaqoobi
Member

Dr. Osama Mohamed Bahar
Member

Dr. Mohammed Arbouna
Head – Shari'a Compliance Department

Financial Statements

Table of Contents

Independent Auditors' Report to the Shareholders

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain
31 December 2025

Opinion

We have audited the accompanying consolidated financial statements of Al Salam Bank B.S.C. (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of income, comprehensive income, income and attribution related to quasi-equity, changes in owners' equity, cash flows and changes in off-balance sheet assets under management for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated results of operations, consolidated income and attribution related to quasi-equity, consolidated changes in owners' equity, consolidated cash flows, and consolidated changes in off-balance sheet assets under management for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Shariah Principles and Rules as determined by the Group's Shariah Supervisory Board during the year ended 31 December 2025.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (together "the Code"), as applicable to audits of the consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in the Kingdom of Bahrain. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Shareholders

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain
31 December 2025

Impairment allowance on financing contracts

Refer to accounting policy in Note 3 (e), disclosure on use of estimates and judgment in Note (2.2) and management of credit risk in Note (33.2) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We focused on this area because: • of the significance of financing contracts representing 50% of total assets; • impairment of financing contracts involves: ➤ complex estimates and judgement over both timing and recognition of impairment including susceptibility to management bias; ➤ use of statistical models and methodologies for determination of expected credit losses. The Group exercises significant judgments and makes a number of assumptions in developing its expected credit loss ('ECL) models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") associated with the underlying financial assets; and ➤ complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses; • the need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them; and • adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks.	Our procedures included, but not limited to: • Evaluating the appropriateness of the accounting policies adopted based on the requirements of applicable accounting standards, regulatory guidance, our business understanding and industry practice. • Confirming our understanding of management's processes, systems and controls over the ECL calculation process **Control testing** We performed process walkthroughs to identify key systems, applications and controls associated with the ECL calculation process. Key aspects of our control testing involved the following: • Testing controls over the transfer of data between underlying source systems and the ECL models that the Group operates. • Performing a detailed credit risk assessment for a sample of performing corporate contracts to test controls over the credit rating and monitoring process. • Testing controls over the review and approval of post model adjustments and management overlays and the governance process over such overlays. • Testing controls over the modelling process, including governance over model monitoring, validation and approval. **Tests of details** Key aspects of our testing involved: • Reviewing a sample of credit files for performing accounts and evaluating the financial performance of the borrower, source of repayment and eligible collateral and on this basis assess the appropriateness of credit rating and staging. • Sample testing over key data inputs used in estimating the ECL and assessing the completeness, accuracy and relevance of data used. • Re-performing key elements of the Group's model calculations and assessing performance results for accuracy. • Sample testing over factors used to determine whether significant increase in credit risk has been appropriately identified. • Selecting a sample of post model adjustments and management overlays to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data. • Assessing the adequacy of provisions against individually impaired financing assets (stage 3) in accordance with the applicable FAS. **Use of specialists** For the relevant portfolios examined, we have involved our specialists to assist us in assessing IT system controls and challenging key management assumptions used in estimating expected credit losses. Key aspects of their involvement included the following: • We involved our Information Technology Audit specialists to test the relevant General IT and Application Controls over key systems used for data extraction as part of the ECL calculation process. • We involved our credit risk specialists in: ➤ Evaluating the appropriateness of the Group's ECL methodologies (including the staging criteria used); ➤ On a test check basis, re-performing the calculation of certain components of the ECL model (including the staging criteria); ➤ Evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weights applied to them; and ➤ Evaluating the overall reasonableness of the management forward-looking estimates by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends. **Disclosures** We assessed the adequacy of the Group's disclosure in relation to use of significant estimates and judgement and credit quality of financing assets by reference to the requirements of relevant accounting standards.

Independent Auditors' Report to the Shareholders

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain
31 December 2025

Other Information

The Board of Directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Shariah Supervisory Board.

The Board of Directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditors' Report to the Shareholders

Al Salam Bank B.S.C., Manama, Kingdom of Bahrain
31 December 2025

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) and Volume 2 of the Rulebook issued by the Central Bank of Bahrain, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the Board of Directors' report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Jalil Al Aali.

KPMG Fakhro
Partner Registration Number 100
9 February 2026

Consolidated Statement of Financial Position

As at 31 December 2025

	Note	2025 BD '000	2024 BD '000
ASSETS			
Balances with banks and central banks	5	**775,733**	633,611
Placements with financial institutions	6	**456,634**	476,450
Investments in sukuk	7	**1,934,154**	1,447,803
Financing contracts	8	**4,066,788**	3,661,670
Non-trading investments	10	**96,004**	97,944
Takaful and related assets	11	**29,748**	26,353
Investments in real estate	12	**84,129**	129,295
Investments in associates	13	**279,000**	255,008
Other assets	14	**100,767**	129,894
Goodwill and intangible assets	15	**230,939**	204,750
TOTAL ASSETS		**8,053,896**	7,062,778
LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY			
LIABILITIES			
Placements from financial institutions and individuals	16	**117,586**	171,016
Murabaha term financings	17	**1,076,354**	751,062
Customers' current accounts		**1,486,337**	1,279,886
Takaful and related liabilities	11	**93,460**	75,550
Other liabilities	18	**142,366**	127,822
TOTAL LIABILITIES		**2,916,103**	2,405,336
QUASI-EQUITY			
Wakala from financial institutions		**556,945**	420,231
Wakala and mudaraba from customers		**3,831,128**	3,643,830
TOTAL QUASI-EQUITY	19	**4,388,073**	4,064,061
OWNERS' EQUITY			
Share capital	20	**296,760**	274,778
Treasury shares		**(8,684)**	(28,010)
Employees incentive scheme shares		**(2,986)**	(6,617)
Share premium		**209**	209
Retained earnings		**82,111**	60,563
Reserves		**95,037**	59,554
Equity attributable to owners' of the Bank		**462,447**	360,477
Other equity participations	22	**209,124**	159,026
Non-controlling interests		**78,149**	73,878
TOTAL OWNERS' EQUITY		**749,720**	593,381
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY		**8,053,896**	7,062,778

H.E. Shaikh Khalid bin Mustahil Al Mashani	Matar Mohamed Al Blooshi	Rafik Nayed
Chairman	Deputy Chairman	Group Chief Executive Officer

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Consolidated Income Statement

Year ended 31 December 2025

	Note	**2025 BD '000**	2024 BD '000
INCOME			
Income from financing contracts	24	**247,786**	236,373
Income from placements with financial institutions		**29,478**	24,888
Income from investments in sukuk		**103,119**	71,568
Finance expense on placements from financial institutions and individuals		**(8,116)**	(11,287)
Finance expense on murabaha term financing		**(46,333)**	(30,851)
Other finance expense		**(4,571)**	(3,470)
Net finance income		**321,363**	287,221
Fees and commissions, net	25	**27,927**	26,267
Share of profit of associates	13	**21,423**	18,169
Income from takaful operations, net	26	**3,424**	5,357
Other income	27	**11,088**	9,437
Total income		**385,225**	346,451
EXPENSES			
Staff cost	28	**46,693**	44,346
Other operating expenses	29	**65,052**	50,019
Total expenses		**111,745**	94,365
Profit before allowances for impairment, income attribution to quasi-equity and tax		**273,480**	252,086
Allowance for impairment on financial instruments	9	**(35,912)**	(21,173)
Profit before income attribution to quasi-equity and tax		**237,568**	230,913
Income attributable to quasi-equity		**(145,046)**	(154,516)
Profit before tax		**92,522**	76,397
Tax expense		**(7,063)**	(6,896)
PROFIT FOR THE YEAR		**85,459**	69,501
ATTRIBUTABLE TO:			
- Owners' of the Bank		**76,834**	59,012
- Non-controlling interest		**8,625**	10,489
		85,459	69,501
Basic and diluted earnings per share (fils)	23	**22.7**	19.2

H.E. Shaikh Khalid bin Mustahil Al Mashani
Chairman

Matar Mohamed Al Blooshi
Deputy Chairman

Rafik Nayed
Group Chief Executive Officer

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	2025 BD '000	2024 BD '000
Profit for the year	**85,459**	69,501
Other comprehensive income		
Items that are or may be reclassified subsequently to the income statement		
Fair value changes on investments carried at fair value through other comprehensive income	**23,262**	7,905
Share of movements in fair value reserve of associates	**3,557**	4,276
Movement in foreign currency translation reserve	**4,528**	1,381
Share in fair value reserve attributable to quasi-equity	**(3,403)**	(5,376)
Total other comprehensive income	**27,944**	8,186
Total comprehensive income for the year	**113,403**	77,687
ATTRIBUTABLE TO:		
- Owners' of the Bank	**103,427**	67,124
- Non-controlling interests	**9,976**	10,563
	113,403	77,687

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Income and Attribution Related to Quasi-Equity

Year ended 31 December 2025

	Note	2025 BD '000	2024 BD '000
Profit before allowances for impairment, income attribution to quasi-equity and tax		**273,480**	252,086
Adjusted for:			
Income not attributable to quasi-equity		**(51,318)**	(42,086)
Expenses not attributable to quasi-equity		**111,745**	94,365
Share of income for Bank's investments, net		**(80,021)**	(61,054)
Allowance for impairment attributable to quasi-equity		**(11,956)**	(5,635)
Other finance expense		**4,571**	3,470
Total income available for quasi-equity holders		**246,501**	241,146
Mudarib's share		**(9,098)**	(5,995)
Wakala incentive		**(92,357)**	(80,635)
Profit distributable to quasi-equity	**A**	**145,046**	154,516
Other comprehensive income – attributable to quasi-equity - before recycling to statement of income			
Items that will not be classified to income statement		**3,403**	5,376
Other comprehensive income not subject to immediate distribution		**(3,403)**	(5,376)
Other comprehensive income subject to immediate distribution	**B**	**-**	-
Total income attributable to quasi-equity	**C=A+B**	**145,046**	154,516

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Owners Equity

Year ended 31 December 2025

Amounts in BD '000s

	Attributable to owners of the bank														
						Reserves									
	Share capital	Treasury shares	Employee incentive scheme shares	Share premium	Retained earnings	Statutory reserve	Share grant scheme	Investment fair value reserve	Real estate fair value reserve	Foreign exchange translation reserve	Total reserves	Equity Attributable to Bank's owners	Other equity participations	Non-controlling interest	Total owners' equity
Balance at 1 January 2025	**274,778**	**(28,010)**	**(6,617)**	**209**	**60,563**	**31,883**	**947**	**4,198**	**22,683**	**(157)**	**59,554**	**360,477**	**159,026**	**73,878**	**593,381**
Profit for the year	**-**	**-**	**-**	**-**	**76,834**	**-**	**-**	**-**	**-**	**-**	**-**	**76,834**	**-**	**8,625**	**85,459**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,416**	**-**	**3,177**	**26,593**	**26,593**	**-**	**1,351**	**27,944**
Issuance of other equity participations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,021**	**-**	**51,021**
Issuance cost on other equity participations	**-**	**-**	**-**	**-**	**388**	**-**	**-**	**-**	**-**	**-**	**-**	**388**	**(923)**	**(388)**	**(923)**
Profit distribution on other equity participations	**-**	**-**	**-**	**-**	**(11,006)**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,006)**	**-**	**(1,221)**	**(12,227)**
Bonus shares issued	**21,982**	**-**	**-**	**-**	**(21,982)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash dividend for the year 2024	**-**	**-**	**-**	**-**	**(16,211)**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,211)**	**-**	**-**	**(16,211)**
Movement of treasury shares, net	**-**	**19,326**	**-**	**-**	**2,208**	**-**	**-**	**-**	**-**	**-**	**-**	**21,534**	**-**	**-**	**21,534**
Shares vested	**-**	**-**	**3,631**	**-**	**-**	**-**	**1,207**	**-**	**-**	**-**	**1,207**	**4,838**	**-**	**-**	**4,838**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**(7,683)**	**7,683**	**-**	**-**	**-**	**-**	**7,683**	**-**	**-**	**-**	**-**
Appropriation towards charity fund	**-**	**-**	**-**	**-**	**(1,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,000)**	**-**	**-**	**(1,000)**
Movements in non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,096)**	**(4,096)**
Balance at 31 December 2025	**296,760**	**(8,684)**	**(2,986)**	**209**	**82,111**	**39,566**	**2,154**	**27,614**	**22,683**	**3,020**	**95,037**	**462,447**	**209,124**	**78,149**	**749,720**
Balance at 1 January 2024	261,693	(6,799)	(8,770)	209	44,348	25,982	2,120	(2,607)	22,691	(1,464)	46,722	337,403	-	71,247	408,650
Impact of adoption of FAS 42 and 43	-	-	-	-	(1,332)	-	-	-		-	-	(1,332)	-	(1,290)	(2,622)
Restated balance as at 1 January 2024	261,693	(6,799)	(8,770)	209	43,016	25,982	2,120	(2,607)	22,691	(1,464)	46,722	336,071	-	69,957	406,028
Profit for the year	-	-	-	-	59,012	-	-	-	-	-	-	59,012	-	10,489	69,501
Other comprehensive income	-	-	-	-	-	-	-	6,805	-	1,307	8,112	8,112	-	74	8,186
Sale of investment in real estate	-	-	-	-	-	-	-	-	(8)	-	(8)	(8)	-	-	(8)
Issuance of other equity participations	-	-	-	-	-	-	-	-	-	-	-	-	162,464	-	162,464
Issuance cost on other equity participations	-	-	-	-	-	-	-	-	-	-	-	-	(3,438)	-	(3,438)
Profit distribution on other equity participations	-	-	-	-	(4,009)	-	-	-	-	-	-	(4,009)	-	-	(4,009)
Bonus shares issued	13,085	-	-	-	(13,085)	-	-	-	-	-	-	-	-	-	-
Cash dividend for the year 2023	-	-	-	-	(17,947)	-	-	-	-	-	-	(17,947)	-	-	(17,947)
Movement of treasury shares, net	-	(21,211)	-	-	-	-	-	-	-	-	-	(21,211)	-	-	(21,211)
Shares vested	-	-	2,153	-	(23)	-	(1,173)	-	-	-	(1,173)	957	-	-	957
Transfer to statutory reserve	-	-	-	-	(5,901)	5,901	-	-	-	-	5,901	-	-	-	-
Appropriation towards charity fund	-	-	-	-	(500)	-	-	-	-	-	-	(500)	-	-	(500)
Movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,642)	(6,642)
Balance at 31 December 2024	274,778	(28,010)	(6,617)	209	60,563	31,883	947	4,198	22,683	(157)	59,554	360,477	159,026	73,878	593,381

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2025

	2025 BD '000	2024 BD '000
OPERATING ACTIVITIES		
Profit for the year	**85,459**	69,501
Adjustments:		
Tax expense	**7,063**	6,896
Depreciation and amortisation	**12,876**	8,056
Amortisation of sukuk, net	**(913)**	(1,324)
Allowance for impairment on financial instruments	**35,912**	21,173
Share of profits from associates	**(21,423)**	(18,169)
Operating income before changes in operating assets and liabilities	**118,974**	86,133
Changes in operating assets and liabilities:		
Mandatory reserve with central banks	**13,990**	(65,703)
Murabaha and Wakala receivables from banks	**(13,594)**	(692)
Financing contracts	**(437,936)**	32,509
Takaful and related assets	**20,028**	41,017
Other assets	**13,589**	(5,033)
Placements from financial institutions and individuals	**(53,430)**	(81,447)
Customers' current accounts	**206,451**	94,096
Takaful and related liabilities	**(28,654)**	(38,943)
Other liabilities	**4,241**	(10,127)
Quasi-equity	**320,609**	110,236
Net cash from operating activities	**164,268**	162,046
INVESTING ACTIVITIES		
Purchase of sukuk, net	**(441,190)**	(199,761)
Cash acquired as part of business combination	**12,254**	77,967
Cash paid for business acquisition	**(69,146)**	(214,488)
Disposal of securities and real estate	**64,781**	14,700
Dividends received from associates	**17,576**	15,052
Purchase of premises and equipment	**(2,207)**	(2,721)
Net cash used in investing activities	**(417,932)**	(309,251)
FINANCING ACTIVITIES		
Drawdown of murabaha term financing	**325,292**	240,214
Dividends paid	**(16,211)**	(17,947)
Issuance of other equity participations, net.	**39,092**	155,017
Movement on treasury shares, net	**21,534**	(21,211)
Net cash from financing activities	**369,707**	356,073
NET INCREASE IN CASH AND CASH EQUIVALENTS	**116,043**	208,868
Cash and cash equivalents at 1 January	**920,511**	711,643
CASH AND CASH EQUIVALENTS AT 31 December	**1,036,554**	920,511
Cash and unrestricted balances with central banks*	**179,021**	267,314
Balances with commercial banks **	**400,891**	176,741
Placements with financial institutions with original maturities of less than 90 days*	**456,642**	476,456
	1,036,554	920,511
Profit received	**359,199**	341,951
Dividends received	**18,926**	15,052
Profit paid	**201,229**	187,091

* Cash and cash equivalents is gross of the expected credit loss of BD 195 thousand (2024: BD 135 thousand).

** Balances with commercial banks is net of restricted cash of BD 28,191 thousand (2024: BD 8,194 thousand) which is not available for day to day operations.

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Off-Balance-Sheet Assets Under Management

Year ended 31 December 2025

Amounts in BD '000s

31 December 2025	**Balance at 1 January 2025**	**Movement during the year: Investment / (withdrawals)**	**Revaluation**	**Gross income**	**Bank's fees as an agent**	**Balance at 31 December 2025 Total**
Fixed income portfolio	**471,448**	**36,324**	**5,889**	**23,622**	**(1,165)**	**536,118**
Equity and funds portfolio	**33,425**	**100,091**	**-**	**1,909**	**(1,429)**	**133,996**
Real estate portfolio	**140,846**	**(4,965)**	**(2,891)**	**603**	**(143)**	**133,450**
Other portfolio	**5,955**	**-**	**(1,117)**	**-**	**-**	**4,838**
	651,674	**131,450**	**1,881**	**26,134**	**(2,737)**	**808,402**

Amounts in BD '000s

31 December 2024	Balance at 1 January 2024	Movement during the year: Investment / (withdrawals)	Revaluation	Gross income	Bank's fees as an agent	Balance at 31 December 2024 Total
Fixed income portfolio	157,647	305,496	-	9,102	(797)	471,448
Equity and funds portfolio	50,396	(16,960)	-	12	(23)	33,425
Real estate portfolio	128,195	4,880	156	8,969	(1,354)	140,846
Other portfolio	5,963	-	-	-	(8)	5,955
	342,201	293,416	156	18,083	(2,182)	651,674

The attached notes 1 to 43 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

As at 31 December 2025

1 REPORTING ENTITY

Al Salam Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 (as amended) and registered with Ministry of Industry and Commerce ("MOIC") under Commercial Registration number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and operates under Islamic principles in accordance with all relevant regulatory guidelines for Islamic banks issued by the CBB.

The Bank's registered office is at Building 935, Road 1015, Block 410, Sanabis, Kingdom of Bahrain. The Bank's ordinary shares are listed on Bahrain Bourse and Dubai Financial Market.

The principal subsidiaries as follows:

			% holding	
Name of entity	**Country of incorporation**	**Principal activities**	**2025**	2024
Al Salam Bank- Seychelles limited.	Seychelles	Banking services	**70.0%**	70.0%
Solidarity Group Holding B.S.C. (c).*	Kingdom of Bahrain	Holding Company for insurance business	**55.9%**	55.9%
Al Salam Bank Algeria (S.P.A).	Algeria	Banking services	**68.0%**	68.0%
ASB Capital limited.	United Arab Emirates	Assets management	**100.0%**	100.0%
ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c)).	Kingdom of Bahrain	Banking services	**100.0%**	100.0%

The Bank and its principal banking subsidiaries operates through 20 branches (2024: 24 branches) in the Kingdom of Bahrain, 26 branches in Algeria (2024: 25 branches) and 1 branch (2024: 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.

* Its main subsidiary is Solidarity investment company BSC, a takaful insurance company listed on Bahrain Bourse.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries together (the "Group") as at 31 December 2025.

The consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 9 February 2026.

2 BASIS OF PREPARATION

2.1 BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), and in conformity with the Bahrain Commercial Companies Law 2001 (as amended) and the guidelines of CBB and Financial Institutions Law.

In line with the requirements of AAOIFI and the CBB rule book, for matters not covered under AAOIFI accounting standards the group takes guidance from the relevant International Financial Reporting Standards ("IFRS accounting standards") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Group are prepared on a historical cost basis, except for certain investment in sovereign and corporate sukuk, non-trading investments, investments properties, which are carried at fair value.

These consolidated financial statements are presented in Bahraini Dinars, being the functional and presentation currency of the Bank, rounded to the nearest thousand [BD '000], except where otherwise indicated.

Notes to the Consolidated Financial Statements

As at 31 December 2025

2 BASIS OF PREPARATION (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amount of financial assets, financial liabilities and income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to estimates are recognised prospectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the date of the consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment assessment of financial contracts subject to credit risk

In determining expected credit losses ('ECL') on financial contracts subject to credit risk, significant estimates are made in determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. Refer to notes 3(e) and 33.2 for further details.

Impairment of goodwill

Impairment exists when carrying value of asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount of the cash-generating unit's goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by the Board of Directors, extrapolated for three years projection using nominal projected growth rate. The determination of projected growth rate and discount rate involves judgment whereas, preparation of cash flow projections requires various management assumptions.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates based on the actual loss experience. Refer to note 3(p) and note 15.

Impairment of investments at fair value through other comprehensive income

The Group determines that investments carried at fair value through other comprehensive income (FVTOCI) are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. The Group generally considers a decline in value below cost of 30%, or a decline that persists for more than 9 months as an indicator of impairment.

Fair value of unquoted equity securities

The Group determines fair value of equity investments that are not quoted in active markets by using well-recognized valuation techniques such as discounted cash flows, net assets value, income approaches and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of investee companies and based on the latest available audited and un-audited financial statements. The basis of valuation has been reviewed by the Management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

Notes to the Consolidated Financial Statements

As at 31 December 2025

2 BASIS OF PREPARATION (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Valuation of investments in real estate

Valuation of investments in real estate measured at fair value involve judgment and is normally based on one of the following recognised valuation models:

- valuation by independent external valuers of underlying properties / projects;
- recent arm's length market transactions;
- current fair value of another contract that is substantially similar;
- present value of expected cash flows at current rates applicable for items with similar terms and risk characteristics; or
- application of other valuation models.

Estimating fair value of investment property and net realizable value of development property

Investment properties are carried at their fair values. Development property is stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The Group appoints experienced external valuers under A category approved by Real Estate Regulatory Authority to determine the market value of the investment and development properties at the statement of financial position date. For large development projects, a residual value approach is adopted which forecasts future cost to completion and use of the expected development. The management has forecasted the cost of completion of development property and has engaged independent valuers to estimate the residual value of the development property based on estimated / forecasted market selling prices for similar properties. Net realizable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property.

Judgments

Going concern

The management has made an assessment of the Group's ability to continue on a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Control over special purpose entities

The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments.

The financial statements of special purpose entities are not included in these consolidated financial statements except when the Group controls the entity. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment.

Investment classification

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through income statement or investments carried at fair value through equity or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Significant judgement is involved in assessment of the business model within which the investments are managed and assessment of whether the contractual terms of the investment represents either a debt-type instrument or other investment instrument having reasonably determinable effective yield.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method when the acquired set of activities meets the definition of a business. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

In a business combination in which the Bank and the acquiree exchange only equity interests, the acquisition-date fair value of the acquiree's equity interests is used to determine the amount of goodwill.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3(p)). Any gain on a bargain purchase is recognized in consolidated income statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated income statement.

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its equity of investment accountholders.

The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment.

Investments acquired that do not meet the definition of business combination are recorded as assets acquisitions e.g. financial assets or investment in properties as appropriate. When such investments are acquired, the Group allocates the cost of acquisition between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Cost of such assets is the sum of all consideration given and any non-controlling interest recognized. If the non-controlling interest has a present ownership interest and is entitled to a proportionate share of net assets upon liquidation, the Group recognizes the non-controlling interest at its proportionate share of net assets.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

(ii) Subsidiaries

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. The financial statements of the subsidiaries are prepared for the same reporting year. All subsidiaries are using consistent accounting policies of the Bank.

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its Quasi-equity.

The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment.

The financial statements of special purpose entities are not included in these consolidated financial statements except when the Group controls the entity.

(iii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group.

(iv) Loss of control

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other equity are reclassified to the consolidated income statement.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's profit in the investees. Unrealized losses are also eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

(vi) Foreign currency

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahraini Dinars, which is the Bank's functional and presentation currency.

(b) Foreign currencies

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognized in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Translation gains or losses on non-monetary items classified as "fair value through equity" are included in consolidated statement of changes in equity until the related assets are sold or derecognized at which time they are recognized in the consolidated income statement. Translation gains on non-monetary assets classified as "fair value through consolidated income statement" are directly recognized in the consolidated income statement as part of fair value changes.

(c) Translation of foreign operations

Assets and liabilities of foreign subsidiaries and associates whose functional currency is not Bahraini Dinars are translated into Bahraini Dinars at the rates of exchange prevailing at the reporting date. Income and expense items are translated at average exchange rates prevailing for the reporting year. Any exchange differences arising on translation are included in foreign exchange translation reserve forming part of equity except to the extent that the translation difference is allocated to the non-controlling interest. On disposal of foreign operations, exchange differences relating thereto and previously recognized in foreign exchange translation reserve are recognized in the consolidated statement of changes in equity.

b) Financial instruments

Financial assets consist of balances with banks and the Central Bank, Sovereign Sukuk, Corporate Sukuk, placements with financial institutions, Murabaha financing (net of deferred profits), Mudaraba financing, Musharaka financing, Salam financing, Istisna'a financing, receivable under finance lease assets contracts, asset under conversion, non-trading investments in equity securities, tahawwut used for risk management and other receivables.

Financial liabilities consist of placement from financial institutions and individuals, customers' current accounts, murabaha term financings and other payables.

Except for sukuks, non-trading investments and tahawwut used for risk management instruments, carried at fair value all financial assets and financial liabilities are carried at amortised cost.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value Through income statement (FVTIS), transaction costs that are directly attributable to its acquisition or issue. In the case of items of FVTIS, transaction costs are expensed. The fair value of a financial instrument at initial recognition is generally its transaction price.

Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus the capital repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognized and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability. The calculation of the effective profit rate includes all fees paid or received that are an integral part of the effective profit rate.

The Group segregates its investment into following categories:

i) Equity-type instruments:

Instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

ii) Debt-type instruments:

Monetary debt-type instruments - instruments whereby the transaction structure results in creation of a financial liability / debt such as Murabaha payable.

Non-monetary debt-type instruments - instruments whereby the transaction structure results in creation of a non-financial liability, such as goods (Salam or Istisna'a) or usufruct (Ijarah Mawsufah fi al-Dhimmah) or services (service Ijarah) to be delivered in future.

iii) Other investment instruments:

The Group classifies its investments on initial recognition as measured at: (a) amortised cost, (b) fair value through other comprehensive income ("FVTOCI") or (c) fair value through income statement ("FVTIS").

c) Trade and settlement date accounting

The Group recognizes financing, investments, deposits and quasi-equity on the date on which they are originated. Purchases and sale of all other financial assets and liabilities are recognized on the trade date, i.e. the date that the Group contracts to purchase or sell the asset or liability.

d) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial liabilities are derecognized when the obligation specified in the contract is legally discharged, cancelled, or expired.

e) Impairment of exposures subject to credit risk

Impairment of financial assets and commitments

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost which include assets migrated through the following three stages based on the change in credit quality since initial recognition.

Stage 1: Twelve months ECL

For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL associated with the probability of default events occurring within next twelve months is recognized.

Twelve-month ECL (Stage 1) is the portion of ECL that results from probable default events on a financial contract within twelve months after the reporting date.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired

Financing contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financing contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of exposures subject to credit risk (continued)

Credit-impaired financing contracts

At each reporting date, the Group assesses whether financing contracts are credit impaired.

Evidence that a financing contract is credit-impaired includes the following observable data:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Write-offs

Financial assets are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the consolidated statement of financial position

Allowance for credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision under other liabilities; and
- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, the Group presents allowance for credit losses for drawn components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Allowance for credit losses for the undrawn component is presented as a provision in other liabilities.

f) Cash and cash equivalents

For the purpose of the consolidated cash flows statement, "cash and cash equivalents" consist of cash on hand, balances with the Central Bank of Bahrain excluding mandatory reserve deposits, balances with banks and other financial institutions (excluding restricted balances) and placements with financial institutions with original maturities of 90 days or less when acquired.

g) Financing contracts

Financing contracts comprise of Sharia'a complaint financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Mudaraba, Istisna, Salam, Ijarah contracts and credit card-based receivables. Financing contracts are recognized on the date they are originated and are carried at their amortised cost less allowance for expected credit losses, if any.

Modification of financing contracts

If the terms of the financing contracts are modified, then the Group evaluates whether the cashflows of the modified contracts are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows from the original financing asset are deemed to have expired. In this case, the original financing contracts is derecognized and a new financing asset is recognized at fair value plus any eligible transaction cost.

If the modification of a financing contracts measured at amortized cost does not result in the derecognition of the financing contracts, then the Group first recalculates the gross carrying amount of the financing contracts using the original effective profit rate of the asset and recognizes the resulting adjustment as a modification gain or loss in consolidated income statement.

All Sharia compliant contracts are interpreted for accounting purposes in its entirety and all linked -contracts or promissory note arrangements are considered together with the main financing contract to reflect the single economic outcome and purpose of the contracts.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financing contracts (continued)

(i) Murabaha financing

Murabaha is a contract whereby one party ("Seller") sells an asset to the other party ("Purchaser") at cost plus profit and on a deferred payment basis, after the Seller has purchased the asset based on the Purchaser's promise to purchase the same on such Murabaha basis. The sale price comprises the cost of the asset and an agreed profit margin. The sale price (cost plus the profit amount) is paid by the Purchaser to the Seller on installment basis over the agreed finance tenure. Under the Murabaha contract, the Group may act either as a Seller or a Purchaser, as the case may be.

The Group considers the promise to purchase made by the Purchaser in a Murabaha transaction in favor of the Seller to be binding.

(ii) Mudaraba financing

Mudaraba is a contract between two parties whereby one party is a fund provider (Rab Al Mal) who would provide certain amount of funds (Mudaraba Capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit. The Rab Al Mal is not involved in the management of the Mudaraba activity. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal. Under the Mudaraba contract, the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

(iii) Musharaka

Musharaka is used to provide venture or project finance. The Group and customer contribute towards the capital of the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio, but losses are borne by the partners according to the capital contributions of each partner. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka.

(iv) Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

(v) POCI financial assets

Purchased or Originated Credit Impaired (POCI) financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

h) Ijara Muntahia Bitamleek (IMB also called as finance lease assets)

Ijarah Mutahia Bitamleek contracts is an agreement with the customers whereby, based on the customer's request and promise to lease, the Group purchases or acquires a specified tangible asset, either from a third-party seller or from the customer. The Group ("Lessor") leases an asset to the customer ("Lessee") against certain rental payments for a specific lease term / year, payable on fixed and / or variable rental basis.

The IMB agreement specifies the leased asset, duration of the lease term, as well as the basis for rental calculation, the timing of rental payment and responsibilities of both parties during the lease term. The Lessee provides the Lessor with an undertaking to renew the lease years and pay the relevant rental payment amounts as per the agreed schedule throughout the lease term.

The Lessor retains the ownership of the assets throughout the lease term. At the end of the lease term, the lessor transfers the leased asset to the lessee in line with the promise to purchase provided by the Lessee. upon fulfillment of all the obligations by the Lessee under the IMB agreement, based on sale undertaking given by the Lessor.

Depreciation is provided on a systematic basis on all IMB assets other than land (which is deemed to have an indefinite useful life), at rates calculated to write off the cost of each asset over the shorter of either the lease term or economic life of the asset.

The Group measures at each reporting date whether there is objective evidence that IMB assets are impaired. Impairment loss is recognized when the carrying amount of assets exceeds its recoverable amount. The estimates of future cashflows, when dependent on a single customer, takes into consideration the credit evaluation of the customer in addition to other factors. Impairment losses, if any, are recognized in the income statement.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Ijara Muntahia Bitamleek (IMB also called as finance lease assets) (continued)

Modification of IMB assets

If the terms of the IMB assets are modified, then the Group evaluates whether the cashflows of the modified asset are substantially different. If the cashflows are substantially different, then the contractual rights to cashflows from the original IMB assets are deemed to have expired. In this case, the original IMB assets is derecognized and a new IMB assets is recognized at fair value plus any eligible transaction cost.

If the modification of a IMB assets measured at amortized cost does not result in the derecognition of the IMB assets then the Group first recalculates the gross carrying amount of the IMB assets using the original effective profit rate of the asset and recognizes the resulting adjustment as a modification gain or loss in consolidated income statement.

i) Placements with financial institutions

Placements with financial institutions comprise short-term treasury contracts with financial institutions in the form of Commodity Murabaha receivables, Mudaraba contracts and Wakala investments. These placements are stated at amortised cost net of deferred profits and allowance for credit losses, if any.

j) Sukuk

These investments are in the nature of debt-type instruments that provide fixed or determinable payments of profits and also includes equity type sukuk. Sukuk that are assessed under two distinct business models:

- Held-to-collect business model – This portfolio includes short-term and long-term Sukuk and treasury instruments that are held to meet core liquidity requirements and consist of high-quality liquid assets that are typically held to their contractual maturity. Assets under this model are classified and measured at amortised cost. Although management considers fair value information, it does so from a liquidity perspective, and the main focus of its review of financial information under this business model is on the credit quality and contractual returns.
- Both held-to-collect and for sale business model: The remaining treasury portfolio will be held under active treasury management to collect both contract cash flows and for sale. The key management personnel consider both of these activities as integral in achieving the objectives set for the Treasury business unit. This portfolio, while generating returns primarily through yield, is also held to meet expected or unexpected commitments, or to fund anticipated acquisitions or growth in other business units. Assets under this model are classified and measured at fair value through equity.

k) Assets under conversion

Loans and advances

At amortised cost less any amounts written off and allowance for credit losses, if any.

Non-trading investments

These are classified as fair value through equity and are fair valued based on criteria set out in note 2.2.

l) Non-trading investments

Equity-type investments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual profit in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories: 1) at fair value through income statement ('FVTIS') or 2) at fair value through other comprehensive income ('FVTOCI'), consistent with its investment strategy.

Recognition and de-recognition

Investment securities are recognized at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Non-trading investments (continued)

Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For FVTIS investments, transaction costs are expensed in the consolidated income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, equity-type investments carried at FVTIS and FVTOCI are re-measured to fair value. Gains and losses arising from a change in the fair value of instruments carried at FVTIS are recognized in the income statement in the year which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTOCI are recognized in the consolidated statement of other comprehensive income. When the investments carried at FVTOCI are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the in the comsolidated statement of other comprehensve income is transferred to the consolidated income statement.

m) Investments in associates and joint ventures

The Group's investments in associates and joint ventures, that are acquired for strategic purposes, are accounted for under the equity method of accounting. Other equity investments in associates and joint ventures (note 2.2) are accounted for at fair value through consolidated income statement by availing the scope exemption under FAS 24, Investments in Associates. An associate is an entity over which the Group has significant influence, but not control or joint control. An entity is considered as an associate if the Group has more than 20% ownership of the entity or the Group has significant influence through any other manner. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and its liabilities.

Under the equity method, investments in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Losses in excess of the cost of the investments in associates are recognized when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement.

Profit and losses resulting from transactions between the Group and the associates are eliminated to the extent of the profit in associates.

Foreign exchange translation gains / losses arising out of the translation of net assets of investments in associates are included in the consolidated statement of changes in equity.

n) Investments in real estate

This includes properties held for rental, or for capital appreciation purposes, or both and development properties. The investment in real estate excluding development properties is initially recognized at fair value and subsequently measured based on intention whether the investments in real estate is held-for-use or held-for-sale. The Group has adopted the fair value model for its investments in real estate. Under the fair value model, any unrealized gains are recognized directly in owners' equity under the Real Estate Fair Value Reserve. Any unrealized losses are adjusted in equity to the extent of the available credit balance. Where unrealized losses exceed the available balance in owners' equity, these are recognized in the consolidated income statement. In case there are unrealized losses relating to investments in real estate that have been recognized in the consolidated income statement in a previous financial year, the unrealized gains relating to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated income statement. Development properties are measured lower of cost and net realisable value.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is changed on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land and capital work-in-progress.

- Computer hardware	3 to 5 years
- Computer software	3 to 5 years
- Furniture and office equipment	3 to 5 years
- Motor vehicle	4 to 5 years
- Leasehold improvements	Over the lease year

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

p) Goodwill and other intangible assets

(i) Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually. Any impairment is recognized immediately in the consolidated income statement. Goodwill is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Impairment of goodwill is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized immediately in the consolidated income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is / are not larger than a segment based on either the Group's primary or the Group's geographic segment reporting format.

(ii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of the intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in consolidated income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. All acquired intangible assets carried on the reporting date have a finite useful life such as the Core Deposits ("CD") and the Purchased Customer Relationships ("PCR") and are amortized over a period of 7 to 15 years.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Goodwill and other intangible assets (continued)

(ii) Intangible assets (continued)

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

q) Offsetting

Financial assets and financial liabilities can only be offset with the net amount being reported in the consolidated statement of financial position when there is a religious or legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis or intends to realise the asset and settle the liability simultaneously.

r) Customers' current accounts

Customers' current accounts balances are in non-investment accounts and are recognized when received by the Bank. The transaction is measured at the cash equivalent amount received by the Bank at the time of contracting. At the end of the accounting year, the accounts are measured at their book value, which represents the settlement value to the customers.

s) Quasi-equity

Quasi-equity are funds held by the Group in one common pool of unrestricted investment account, which is invested by the Group's ('Mudarib') in its own discretion. These include funds raised under Mudaraba contracts and Wakala contracts under multi-level investment arrangements. The funds received under the Wakala arrangement is invested in the Mudaraba investment pool and is considered as investment made by an investment account holder ("IAH"). Under both the Mudaraba and a comingled Wakala arrangement, the investment accountholder authorizes the Group to invest the accountholder's funds in a manner which the Group deems appropriate without laying down any restrictions as to the purpose the funds should be invested. The Group charges management fee (Mudarib fees) to investment accountholders. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms agreed with IAH. Administrative expenses incurred in connection with the management of the fund are borne directly by the Group and are not charged to investment accounts. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. All equity of investment accountholders are carried at cost plus profit and related reserves less amounts settled.

The basis applied by the Group in arriving at the quasi-equity share of income is total investment income less shareholders' income. In case of Wakala contracts, the Bank does not act as both an investment agent and Mudarib of the same fund at one time. Therefore, in case of comingling of Wakala investment funds with the Mudaraba pool, the investment agent will only charge Wakala Fee and will not share in the profits from the Mudaraba investment pool in the capacity of Mudarib.

Under FAS 30, ECL is allocated to the assets invested using funds from unrestricted investment accounts.

t) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

u) Employees' end-of-service benefits

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Employees' end-of-service benefits (continued)

Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organization scheme, which is a "defined contribution scheme" in nature, and to which employees and employers contribute monthly on a fixed-percentage of salaries basis. Contributions by the Bank are recognized as an expense in income statement when they are due.

Eligible employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

Share based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Deferred share-based annual incentives

In line with its variable remuneration policy, the Group awards a component of its annual bonuses for certain covered employees (material risk-takers and approved persons) in the form of deferred incentives that are released proportionately over a period of five years. The deferred incentives include a cash component and a share component. The share component is converted to phantom shares of the Bank based on the book value per share at the award date. The deferred incentives are cash-settled on each release date based on the most recent book value per share of the Bank. The deferred incentive liability is carried at their settlement amounts at each reporting date and any changes in the carrying value of the liability is recognized as an expense or release in the income statement of the reporting period. All deferred incentives are subject to malus and claw back provisions.

v) Revenue recognition

Financing contracts

As the income is quantifiable and contractually determined at the commencement of the contract, income is recognized on effective yield basis over the contract term. Recognition of income is suspended when the Group believes that the recovery of these amounts may be doubtful or when the payments of installments are overdue by 90 days, whichever is earlier.

Istisna'a

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognizes Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group recognizes anticipated losses on Istisna'a contract as soon as they are anticipated.

Sukuk

Income on debt-type sukuk is recognized on a time-proportionate basis based on underlying rate of return of the respective type of Sukuk.

Income on equity-type sukuk is recognized when the group's right to receive dividends is established.

Dividend

Dividend income is recognized when the Group's right to receive the dividend is established.

Ijara Muntahia Bitamleek

Ijara income is recognized on a time-proportionate basis over the lease term. Income related to non-performing Ijara deals is suspended. Accrual of income is suspended when the Group believes that the recovery of these amounts may be doubtful or normally when the rental payments are overdue by 90 days, whichever is earlier.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Revenue recognition (continued)

Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following main categories:

- Fee income on financing transactions: Fee earned on financing transactions including up-front fees and early settlement fees are recognized when earned. To the extent the fees are deemed yield enhancement they are recognized over the year of the financing contracts.
- Fee income from transaction services: Fee arising from corporate finance, corporate advisory, arranging the sale of assets and wealth management are recognized when earned or on a time proportionate basis when the fee is linked to delivery of services over the term of the contract.
- Other fee income: This is recognized when services are rendered.

w) Fair value of financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction on the measurement date.

For investments that are actively traded in organized financial markets, fair value is determined by reference to the prevailing market bid price on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by using well-recognized valuation technique such as DCF and recent arm's length market transactions. Alternatively, the estimate would also be based on current market value of another contract, which is substantially the same, or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by calculating the present value of future cash flows at current profit rates for contracts with similar terms and risk characteristics.

For assets having fixed or determinable payments, fair value is based on available active broker quotes or the net present value of estimated future cash flows determined by the Group using current market profit rates for contracts with similar terms and risk characteristics.

x) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group and are accordingly not included in the consolidated statement of financial position. These include assets under management and custodial assets.

y) Dividend on ordinary shares

Dividend payable on ordinary issued and fully paid shares of the Bank is recognized as a liability and deducted from equity when it is approved by the Group's shareholders.

z) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized from the date of its issue. The liability arising from a financial guarantee contract is recognized at the present value of any expected payment, when a payment under the guarantee has become probable.

aa) Treasury shares

Own equity contracts that are re-acquired, are recognized at cost and deducted from equity. No gain or loss is recognized in consolidated income statement on the purchase, sale, issue or cancellation of the Bank's own equity contracts. Any difference between the carrying amount and the consideration, if re-issued, is recognized in share premium in consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ab) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 Zakah using the net assets method. Zakah is calculated based on the eligible reserve and retained earnings balances at the end of the year . The Bank calculates and notifies the shareholders of their pro-rata share of the Zakah payable annually. The calculation of Zakah is approved by the Sharia'a Supervisory Board. Payment of Zakah on the unrestricted investment and other accounts is the responsibility of the investment accountholders.

ac) Repossessed assets

In certain circumstances, properties are repossessed following the foreclosure of financial facilities that are in default. Repossessed properties that are held for immediate sale, are measured at the lower of the carrying value on closure and fair value less cost to sell. Other repossessed properties are classified as investment property.

ad) Earnings prohibited by Shari'a

The Group is committed to contributing to charity any income generated from non-Shari'a sources. Accordingly, any earning prohibited by Shari'a is credited to charity funds to be used for charity purposes.

ae) Takaful and retakaful contracts

Takaful contracts

As an Islamic insurance provider, the Group issues contracts that are based on cooperative activity by risk sharing. The Group classifies all its contracts individually as takaful contracts.

Takaful contracts are those contracts where the takaful operator accepts significant takaful risk from the participant by agreeing to compensate the participant if a specified uncertain future event adversely affects the participant. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant takaful risk as the possibility of having to pay benefits on the occurrence of a takaful event. Takaful risk is risk other than financial risk that is transferred from the holder of a contract to the issuer.

Financial risk is the risk of a possible future change in one or more of a security price, index of prices or rates or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is significant if, and only if, a takaful event could cause the Group to pay significant additional benefits. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

Retakaful contracts

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due.

Retakaful contracts are contracts entered into by the Group with retakaful operators for the purpose of limiting its net loss potential through the diversification of its risks, under which the Group is compensated for losses on takaful contracts issued.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ae) Takaful and retakaful contracts (continued)

Retakaful contracts (continued)

Assets, liabilities, income and expense arising under ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its participants.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of balances due from retakaful operators on settlement of claims and other receivables such as profit commissions and retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the takaful contracts covered under retakaful contracts. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due.

The participants' takaful funds comprises of general takaful and family takaful fund which represent the accumulated undistributed surplus or deficit in respect of contracts in force at the reporting date. It also includes fair value reserves of investments at fair value through equity.

Gross contributions

Gross contributions comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written. The unexpired portion of such contributions is included under "Unearned contributions" in the statement of financial position. The earned proportion of contributions is recognized as revenue in the participants' statement of revenues and expenses.

Retakaful contributions

Retakaful contributions are amounts paid to retakaful operators in accordance with the retakaful contracts of the Group. In respect of proportional and non-proportional retakaful contracts, the amounts are recognized in the participants' statement of revenues and expenses as per the terms of these contracts.

Unearned contributions

Unearned contributions represent contributions under takaful contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of takaful content as at the reporting date.

Gross claims

Gross claims are recognized in the participants' statement of revenues and expenses when the claim amount payable to participants and third parties is determined as per the terms of the takaful contracts. Gross claims include all claims occurring during the year, whether reported or not, related claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims recovered

Claims recovered include amounts recovered from retakaful operators and other insurance companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group and also includes salvage and other claims recoveries. Claims recovered from retakaful and other parties are recognized when the related gross claims settled are recognized according to the terms of the relevant contracts.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ae) Takaful and retakaful contracts (continued)

Outstanding claims

Outstanding claims are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with the related claims handling costs and reduction for salvage and other recoveries. Provisions for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management based on currently available information and past experience modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claims are not discounted for time value of money. The methods used, and the estimates made, are reviewed regularly.

The provision for claims incurred but not reported ('IBNR') is made per the actuarial valuation which is updated on the basis of the latest valuation reports.

Any difference between the provisions for outstanding claims at the statement of financial position date and settlements and provisions for the following year is included in the participants' statement of revenues and expenses for that year.

Takaful and insurance receivables

Takaful and insurance receivables are recognized when due and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of takaful and insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

af) AT1 Mudaraba

The AT1 Mudaraba which meet the criteria for equity under FAS 1 (no contractual obligation to deliver cash or other financial assets) is classified as component of Owners equity. The AT1 Mudaraba is initially recognized at its subscribed amount, net of any directly attributable transaction cost and the related distribution is accounted for as a debit to retained earnings.

ag) New standards, amendments, and interpretations issued but not yet effective.

i) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI had issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including unrestricted investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on its consolidated financial statements from the adoption of this standard.

Notes to the Consolidated Financial Statements

As at 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ag) New standards, amendments, and interpretations issued but not yet effective (continued)

ii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI had issued Financial Accounting Standard ("FAS") 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Shari'a and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants' Takaful fund and / or participants' investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 "Quasi-Equity (Including Investment Accounts)".

The Group does not expect any significant impact on its consolidated financial statements from the adoption of this standard.

iii) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI had issued Financial Accounting Standard ("FAS") 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on its consolidated financial statements from the adoption of this standard.

iv) FAS 48: Promotional Gifts and Prizes

This standard prescribes accounting and financial reporting requirements applicable to promotional gifts and prizes awarded by the Islamic financial institutions. The standard categorizes them into a) Promotional Gifts, where entitlement to gifts is declared instantly; b) Promotional Prizes, that are announced in advance to be awarded at a future date and c) Loyalty Programs, where the obligation is accumulated over the period.

This standard is effective for the financial periods beginning on or after 1 January 2026, with an option to early adopt.

The Group does not expect any significant impact on its consolidated financial statements from the adoption of this standard.

v) Withdrawal of FAS 26 – Investment in Real Estate

In December 2025, AAOIFI issued guidance on the withdrawal of FAS 26 – Investment in Real Estate, together with related transitional provisions (the "Guidance"). Following the withdrawal, investment in real estate shall be accounted for in accordance with IAS 40-Investment Property.

The Guidance is effective for annual periods beginning on or after 1 January 2027, with early adoption permitted.

The Group does not expect a significant impact on its consolidated financial statements from adopting this standard.

Notes to the Consolidated Financial Statements

As at 31 December 2025

4 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2025			
	At fair value through income statement BD '000	**At fair value through OCI BD '000**	**At amortised cost BD '000**	**Total BD '000**
ASSETS				
Cash and balances with banks and central banks	**-**	**-**	**775,733**	**775,733**
Placements with financial institutions	**-**	**-**	**456,634**	**456,634**
Investments in sukuk	**-**	**1,234,979**	**699,175**	**1,934,154**
Financing contracts	**-**	**-**	**4,066,788**	**4,066,788**
Non-trading investments	**83,529**	**12,475**	**-**	**96,004**
Takaful and related assets	**-**	**-**	**29,748**	**29,748**
Other assets	**-**	**-**	**47,181**	**47,181**
	83,529	**1,247,454**	**6,075,259**	**7,406,242**
LIABILITIES				
Placements from financial institutions and individuals	**-**	**-**	**117,586**	**117,586**
Murabaha term financings	**-**	**-**	**1,076,354**	**1,076,354**
Customers' current accounts	**-**	**-**	**1,486,337**	**1,486,337**
Takaful and related liabilities	**-**	**-**	**93,460**	**93,460**
Other liabilities	**-**	**-**	**142,366**	**142,366**
	-	**-**	**2,916,103**	**2,916,103**

	2024			
	At fair value through income statement BD '000	At fair value through OCI BD '000	At amortised cost BD '000	Total BD '000
ASSETS				
Cash and balances with banks and central banks	-	-	633,611	633,611
Placements with financial institutions	-	-	476,450	476,450
Investments in sukuk	-	800,387	647,416	1,447,803
Financing contracts	-	-	3,661,670	3,661,670
Non-trading investments	79,354	18,590	-	97,944
Takaful and related assets	-	-	26,353	26,353
Other assets	-	-	74,443	74,443
	79,354	818,977	5,519,943	6,418,274
LIABILITIES				
Placements from financial institutions and individuals	-	-	171,016	171,016
Murabaha term financings	-	-	751,062	751,062
Customers' current accounts	-	-	1,279,886	1,279,886
Takaful and related liabilities	-	-	75,550	75,550
Other liabilities	847	-	126,975	127,822
	847	-	2,404,489	2,405,336

Notes to the Consolidated Financial Statements

As at 31 December 2025

5 BALANCES WITH BANKS AND CENTRAL BANKS

	2025 BD '000	2024 BD '000
Mandatory reserves with Central Banks*	**167,630**	181,620
Other balances with Central Banks	**179,208**	267,185
Balances with commercial banks	**429,082**	184,935
Allowance for credit losses	**(187)**	(129)
	775,733	633,611

* This balance is not available for use in the day-to-day operations of the Group.

6 PLACEMENTS WITH FINANCIAL INSTITUTIONS

These represent short-term interbank placements with financial institutions

	2025 BD '000	2024 BD '000
Wakala	**34,273**	34,624
Mudaraba	**2,119**	5,590
Commodity murabaha	**420,250**	436,242
Allowance for credit losses	**(8)**	(6)
	456,634	476,450

7 INVESTMENTS IN SUKUK

	2025 BD '000	2024 BD '000
Sovereign sukuk	**1,823,041**	1,401,378
Corporate sukuk	**111,113**	46,425
	1,934,154	1,447,803

The rating of corporate sukuk are as follows:

	2025 BD '000	2024 BD '000
Investment grade (AAA - BBB+)	**84,144**	24,842
High Yielding (Below BBB-)	**13,827**	10,923
Un-rated sukuk	**13,180**	10,782
Allowance for credit losses	**(38)**	(122)
	111,113	46,425

Notes to the Consolidated Financial Statements

As at 31 December 2025

7 INVESTMENTS IN SUKUK (continued)

i) Sukuk Carried at FVTOCI

	2025			2024
	Sovereign Sukuk BD '000	Corporate Sukuk BD '000	Total BD '000	Total BD '000
At 1 January	774,079	26,308	800,387	364,518
Purchases	436,891	70,317	507,208	391,333
Acquired through business combination	744	646	1,390	124,365
Sale / redemption	(99,927)	(7,159)	(107,086)	(96,094)
Fair value movement	22,397	865	23,262	7,905
Movement in allowance for credit losses	93	82	175	(106)
Profit accrual	9,023	620	9,643	8,466
At 31 December	1,143,300	91,679	1,234,979	800,387

Corporate Sukuk with carrying value of BD 50,595 thousand (2024: BD 13,916 thousand) are equity-type sukuk and balance is debt-type sukuk.

This includes sukuk with carrying value of BD 699,030 thousand (2024: BD 293,525 thousand) which are pledged against murabaha term financing (note 17).

ii) Sukuk Carried at Amortised cost

	2025			2024
	Sovereign Sukuk BD '000	Corporate Sukuk BD '000	Total BD '000	Total BD '000
At 1 January	627,299	20,117	647,416	638,321
Purchases	244,115	5,765	249,880	178,116
Reclassified	(187)	187	-	-
Acquired through business combination	12,529	6,604	19,133	102,904
Redemption	(207,678)	(13,378)	(221,056)	(273,594)
Movement in allowance for credit losses	286	2	288	(46)
Amortisation of premium / discount	776	137	913	1,324
Profit accrual	2,601	-	2,601	391
At 31 December	679,741	19,434	699,175	647,416
	1,823,041	111,113	1,934,154	1,447,803

This includes sukuk with carrying value of BD 314,745 thousand (2024: BD 360,813 thousand) which are pledged against murabaha term financing (note 17).

Notes to the Consolidated Financial Statements

As at 31 December 2025

8 FINANCING CONTRACTS

	2025				
	Stage 1: 12 month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**POCI BD '000**	**Total BD '000**
Leased-based:					
Ijarah	**1,443,624**	**99,964**	**53,166**	**28,485**	**1,625,239**
Trade-based:					
Murabaha*	**1,268,834**	**23,650**	**20,776**	**9,925**	**1,323,185**
Salam	**234,801**	**3,732**	**27,905**	**146**	**266,584**
Istisnaa	**137,663**	**2,588**	**2,611**	**157**	**143,019**
Participatory-based:					
Mudaraba	**669,268**	**19,080**	**24,773**	**150**	**713,271**
Musharaka	**29,481**	**15**	**2,342**	**-**	**31,838**
Credit cards	**24,936**	**157**	**188**	**-**	**25,281**
Total gross financing contracts	**3,808,607**	**149,186**	**131,761**	**38,863**	**4,128,417**
Allowance for credit losses	**(35,879)**	**(12,748)**	**(48,541)**	**-**	**(97,168)**
Foreign currency translation	**33,003**	**529**	**1,983**	**24**	**35,539**
	3,805,731	**136,967**	**85,203**	**38,887**	**4,066,788**

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Leased-based:					
Ijarah	1,333,453	105,440	45,999	23,900	1,508,792
Trade-based:					
Murabaha*	1,079,838	41,763	19,435	13,118	1,154,154
Salam	265,419	5,590	25,809	499	297,317
Istisnaa	73,534	1,587	4,722	154	79,997
Participatory-based:					
Mudaraba	581,757	21,613	31,394	55	634,819
Musharaka	30,020	22	2,353	-	32,395
Credit cards	26,251	239	1,421	-	27,911
Total gross financing contracts	3,390,272	176,254	131,133	37,726	3,735,385
Allowance for credit losses	(22,590)	(14,947)	(30,574)	-	(68,111)
Foreign currency translation	(5,202)	(86)	(307)	(9)	(5,604)
	3,362,480	161,221	100,252	37,717	3,661,670

* Murabaha financing is reported net of deferred profits of BD 154,900 thousand (2024: BD 133,184 thousand).

Notes to the Consolidated Financial Statements

As at 31 December 2025

8 FINANCING CONTRACTS (continued)

Movement on allowance for credit losses

	2025				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Purchased credit-impaired POCI BD '000	Total BD '000
Balance at 1 January	22,590	14,947	30,574	-	68,111
Movement between stages, net	1,549	(5,196)	3,647	-	-
Movement in allowance for credit loss	11,740	2,997	29,151	(7,893)	35,995
Exchange adjustments and other transfers on settlement	-	-	-	7,893	7,893
Exposures charged off during the year *	-	-	(14,831)	-	(14,831)
Balance at 31 December	35,879	12,748	48,541	-	97,168

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Purchased credit-impaired POCI BD '000	Total BD '000
Balance at 1 January	16,334	8,332	23,922	435	49,023
Movement between stages, net	590	2,351	(2,941)	-	-
Movement in allowance for credit loss	5,666	4,264	15,734	(5,319)	20,345
Exchange adjustments and other transfers on settlement	-	-	-	4,884	4,884
Exposures charged off during the year *	-	-	(6,141)	-	(6,141)
Balance at 31 December	22,590	14,947	30,574	-	68,111

* Represent exposures charged off during the year for which recovery efforts will continue.

The non-performing financing ratio at 31 December 2025 exclusive and inclusive of non-performing POCI is 3.2% and 4.2% respectively (31 December 2024: 3.5% and 4.5%).

The POCI assets are currently carried at 37.1% (2024: 33.4%) compared to the original contractual amounts. On a cumulative basis, the impaired assets (Stage 3 and POCI) have a provision coverage of 48.0% (2024: 43.4%) compared to their original contractual amounts. Provision coverage including collateral amounts to 133.2% (2024: 126.6%).

Ijarah Muntahia Bitamleek (IMB)

This represents assets leased (land and buildings) under a IMB arrangement with customers of the Bank. Under this arrangement the Bank (lessor) undertakes to transfer the leased assets to the customer (lessee) at the end of the lease term upon the lessee fulfilling all the obligations under the IMB agreement.

	2025 BD '000	2024 BD '000
Ijarah Muntahia Bitamleek	1,973,213	1,752,445
Depreciation	(347,974)	(243,653)
Ijarah Muntahia Bitamleek net of depreciation	1,625,239	1,508,792
Allowance for credit losses	(22,786)	(15,866)
Foreign currency translation	6,778	(835)
At 31 December	1,609,231	1,492,091

Notes to the Consolidated Financial Statements

As at 31 December 2025

8 FINANCING CONTRACTS (continued)

Ijarah Muntahia Bitamleek (IMB) (continued)

The future minimum lease receivable (excluding future profits) in aggregate are as follows:

	2025 BD '000	2024 BD '000
Due within one year	235,382	249,689
Due in one to five years	532,715	152,223
Due after five years	841,134	1,090,179
	1,609,231	1,492,091

9 ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS

	2025				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Balance at 1 January	26,133	15,088	34,300	-	75,521
- transfer to Stage 1: 12 month ECL	2,456	(1,084)	(1,372)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(613)	2,198	(1,585)	-	-
- transfer 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
Allowance for credit losses	12,054	(1,977)	33,474	(7,893)	35,658
Exchange adjustments and other transfers	-	-	(1,947)	7,893	5,946
Exposures charged off during the year*	-	-	(14,831)	-	(14,831)
Balance at 31 December	38,187	13,111	50,996	-	102,294

* Represent exposures charged off during the year for which recovery efforts will continue.

	2025				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Balances with banks and central banks	168	19	-	-	187
Placements with financial institutions	8	-	-	-	8
Investments in sukuk	199	-	-	-	199
Financing contracts	35,879	12,748	48,541	-	97,168
Financing other assets	4	32	1,370	-	1,406
Other receivables	-	-	236	-	236
Financing commitments and financial guarantee contracts	1,929	312	849	-	3,090
	38,187	13,111	50,996	-	102,294

Notes to the Consolidated Financial Statements

As at 31 December 2025

9 ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS (continued)

Net impairment charge on financial instruments

	2025 BD '000	2024 BD '000
Balances with banks and central banks	**58**	(198)
Placements with financial institutions	**2**	(12)
Investments in sukuk	**(463)**	152
Financing contracts (note 8)	**35,995**	20,345
Financing other assets	**513**	(946)
Financing commitments and financial guarantee contracts	**(447)**	1,872
Investments	**254**	(40)
	35,912	21,173

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Balance at 1 January	19,222	8,487	27,421	435	55,565
- transfer to Stage 1: 12 month ECL	1,434	(757)	(677)	-	-
- transfer to Stage 2: Lifetime ECL not credit-impaired	(569)	5,947	(5,378)	-	-
- transfer to Stage 3: Lifetime ECL credit-impaired	(284)	(2,831)	3,115	-	-
Net remeasurement of loss allowance	6,330	4,242	15,960	(5,319)	21,213
Allowance for credit losses	6,911	6,601	13,020	(5,319)	21,213
Exchange adjustments and other transfers on settlement	-	-	-	4,884	4,884
Exposures charged off during the year*	-	-	(6,141)	-	(6,141)
Balance at 31 December	26,133	15,088	34,300	-	75,521

* Represent exposures charged off during the year for which recovery efforts will continue.

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI BD '000	Total BD '000
Cash and balances with banks and central banks	129	-	-	-	129
Placements with financial institutions	6	-	-	-	6
Investments in sukuk	660	-	-	-	660
Financing contracts	22,590	14,947	30,574	-	68,111
Financing other assets	17	1	971	-	989
Other receivables	8	-	2,079	-	2,087
Financing commitments and financial guarantee contracts	2,723	140	676	-	3,539
	26,133	15,088	34,300	-	75,521

Notes to the Consolidated Financial Statements

As at 31 December 2025

10 NON-TRADING INVESTMENTS

	2025 BD '000	2024 BD '000
At fair value through income statement:		
Equity securities	**83,206**	78,716
Funds	**323**	638
At fair value through other comprehensive income		
Equity securities	**9,771**	18,577
Funds	**2,704**	13
	96,004	97,944

The Group holds 40% stake (2024: 40%) in Manara Developments Company B.S.C.(c) ("Manara") & Bareeq Al Retaj Real Estate Services WLL ("Bareeq") each, incorporated in the Kingdom of Bahrain and engaged in the business of property development. The investments measured at fair value through income statement using the fair value scope exemption of FAS 24. As part of restructuring, net assets of Manara will be novated to Bareeq, pending legal formalities.

During the year, non-trading investments of BD 17,675 thousand (2024: BD 12,887 thousand) were acquired as part of a business combination.

11 TAKAFUL ASSETS AND LIABILITIES

	2025 BD '000	2024 BD '000
Takaful assets	**19,708**	17,140
Investments of participants in units	**10,040**	9,213
Takaful and related assets	**29,748**	26,353
Takaful liabilities	**83,791**	66,273
Other liabilities	**9,669**	9,277
Takaful and related liabilities	**93,460**	75,550

12 INVESTMENTS IN REAL ESTATE

	2025 BD '000	2024 BD '000
Land	**73,174**	103,654
Buildings	**10,955**	25,641
	84,129	129,295

13 INVESTMENTS IN ASSOCIATES

The Group has a 20.9% (2024: 20.9%) stake in Gulf African Bank ("GAB"), an Islamic commercial bank incorporated as the first Islamic bank in Kenya in August 2006, licensed by the Central Bank of Kenya.

During 2022, as part of its acquisition of the retail business of Ithmaar Holding, the Group acquired economic interests in a sharia compliant financing arrangement provided to FINCORP W.L.L (formerly Al Salam International W.L.L. ("ASI")), the holder of 26.2% stake in Bank of Bahrain and Kuwait B.S.C. ("BBK"), a retail bank incorporated in Bahrain and licensed by the Central Bank of Bahrain. FINCORP W.L.L's investment in BBK forms part of a security package assigned to the Bank under a shariah compliant financing structure. The Bank or its quasi-equity do not directly participate in the underlying business activities of FINCORP W.L.L and are not legal owners of its underlying assets. The returns generated by the Bank are to the extent of the profit and the respective repayment, if any, generated from the sharia compliant financing arrangement only. As per the requirements of the financial accounting standards, the effective economic interest of this arrangement is recognized in these financial statements.

Notes to the Consolidated Financial Statements

As at 31 December 2025

13 INVESTMENTS IN ASSOCIATES (continued)

During 2024, Solidarity Bahrain B.S.C., an insurance subsidiary of the Group acquired 28.9% stake in Alliance Insurance P.J.S.C., an insurance company incorporated in UAE and listed on the Dubai Financial Market resulting in the Groups share of bargain purchase of BD 2,681 thousand.

During the year, Solidarity Bahrain B.S.C., acquired additional stake of 10.0% stake in United Insurance B.S.C.(C), an insurance company incorporated in Bahrain, resulting in total stake of 20.0%.

	2025 **BD '000**	2024 BD '000
Balance at 1 January	**255,008**	231,484
Acquisitions during the year	**3,700**	16,131
Additional stake acquired during the year	**3,544**	-
Recognition of associate due to step down acquisition	**9,344**	-
Share of profits	**21,423**	18,169
Share of other changes in equity	**3,557**	4,276
Dividends received from associates	**(17,576)**	(15,052)
Balance at 31 December	**279,000**	255,008

The summary of financial information of the Group's material investments in associates, which is adjusted for changes in accounting policies and fair value adjustments on acquisition.

Reconciliation of financial information to carrying value of Group's interest in BBK.

	2025 **BD '000**	2024 BD '000
Group's holding	**26.2%**	26.2%
Total assets	**4,635,342**	4,215,423
Total liabilities	**3,962,300**	3,567,500
Net assets (100%)	**673,042**	647,923
Group's share of recognised net assets	**176,270**	169,691
Acquisition accounting related adjustments	**65,202**	65,202
Carrying amount of interest in associate	**241,472**	234,893
Revenue	**159,200**	166,700
Profit (100%)	**75,700**	71,700
Other change in equity (comprehensive income)	**13,000**	16,823
Total comprehensive income (100%)	**88,700**	88,523
Group's share of profits	**19,825**	17,859
Groups share of other changes in equity	**3,403**	5,376

The market value of BBK stood at BD 245.0 million as at 31 December 2025 (2024: BD 229.3 million). This fair value was determined using market value per share not adjusted for the size of the holding.

For other associates based on the summarized financial statements, the revenue, profit and Group's share of profit were BD 45,625 thousand (2024: BD 2,797 thousand), BD 6,413 thousand (2024: BD 1,304 thousand) and BD 1,598 thousand (2024: BD 310 thousand), respectively.

Notes to the Consolidated Financial Statements

As at 31 December 2025

14 OTHER ASSETS

	2025 BD '000	2024 BD '000
Assets under conversion		
Loans and advances to customers	-	10
Non-trading investments - fair value through OCI	-	163
Total assets under conversion *	-	173
Other receivables and advances	56,431	75,933
Prepayments	18,607	14,852
Premises and equipment including right of use assets	25,729	38,936
	100,767	129,894

*These represent non-Shari'a compliant assets resulting from the acquisition of ASBS, BMI B.S.C. (c) and Bahraini Saudi Bank B.S.C. including assets which are carried at nil carrying value (2024: BD 173 thousand). Income derived from these assets are transferred to charity (on collection basis) and as such are not recognised as revenue in the consolidated income statement. During the year, income from this portfolio amounting to BD 40 thousand (2024: BD 217 thousand) has been transferred to charity, recognised under "Accounts payable"

15 GOODWILL AND INTANGIBLE ASSETS

During the year, Solidarity Bahrain, a subsidiary of the Group that engages in Takaful business and listed on Bahrain Bourse entered into 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, that resulted in a goodwill of BD 23,990 thousand (refer note 42).

The Bank assesses, on annual basis, whether there are indicators, based on internal and external source of information, that the intangible assets may be impaired in accordance with IAS 36 ('impairment of non-financial assets'). As of 31 December 2025, there was no indicators of impairment of the CGU.

An impairment test is carried out on an annual basis for each CGU to which goodwill has been allocated. The Group's goodwill and acquisition related intangibles primarily relate to the Banking and Insurance business segments. The impairment assessment exercise for the year ended 31 December 2025 indicated that the recoverable amount of the assessed CGU's were above its carrying values with a sizeable headroom.

The recoverable amount of each CGU has been determined based on higher of fair value less cost to sell and value in use. The fair value less cost to sell is calculated using market approaches, which considers trading multiples such as price-to-book and price-to-earnings for comparable entities in the region, adjusted for control premium and illiquidity adjustments. The value in use for the CGU is calculated by estimating the present value of the future cashflow projections from continuing use and disposal of the CGU, discounted at an appropriate rate representative of the risk associated with the CGU. During the period, the valuation of CGUs based on the market approach was higher than the value in use and hence determined to be the recoverable amount for each CGU. A steady growth rate of 2% and discount rate of 13.5% is applied to the estimated cash flows. A sensitivity analysis for reasonable change in market-based inputs by +/ - 5% does not indicate any risk of impairment.

	2025					2024
	Goodwill BD '000	License BD '000	Core deposits BD '000	Customer Relationship BD '000	Total BD '000	Total BD '000
Balance at 1 January	151,919	12,000	27,468	13,363	204,750	78,145
Acquired during the year	23,990	-	-	7,525	31,515	130,038
Adjustment to acquired goodwill	-	-	-	-	-	(371)
Amortised during the year	-	-	(2,024)	(3,302)	(5,326)	(3,062)
Balance as at 31 December	175,909	12,000	25,444	17,586	230,939	204,750

Notes to the Consolidated Financial Statements

As at 31 December 2025

16 PLACEMENTS FROM FINANCIAL INSTITUTIONS AND INDIVIDUALS

These represent short-term placements from banks, financial institutions and individuals in the form of Murabaha contracts.

	2025 BD '000	2024 BD '000
Placement from financial institutions	**117,586**	142,481
Placements from individuals	**-**	28,535
	117,586	171,016

17 MURABAHA TERM FINANCINGS

These represent short-term and long-term financings obtained from various financial institutions and are collateralised by corporate and sovereign sukuk with total carrying value BD 1,013,775 thousand (2024: BD 654,335 thousand) (note 7).

18 OTHER LIABILITIES

	2025 BD '000	2024 BD '000
Accounts payable	**77,163**	83,128
Accrued expenses	**28,030**	25,626
Manager cheques	**15,097**	5,534
LC margin deposit	**12,657**	6,604
Project payables	**69**	60
End of service benefits and other employee related accruals	**6,260**	3,331
Allowance for credit losses relating to financing commitments and financial guarantee contracts	**3,090**	3,539
	142,366	127,822

Notes to the Consolidated Financial Statements

As at 31 December 2025

19 QUASI-EQUITY

	2025 BD '000	2024 BD '000
Wakala from financial institutions	556,945	420,231
Wakala, Mudaraba from customers	3,831,128	3,643,830
	4,388,073	4,064,061

Including in Quasi-equity is an amount of BD 8,779 thousand (2024: BD 5,376 thousand) representing the Quasi-equity holders share of movement in fair value reserve.

The Group does not allocate stage 3 assets to quasi-equity pool. All the impairment allowances relating to non performing assets are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to quasi-equity. Only the profits earned on pool of assets funded from quasi-equity are allocated between the owners' equity and quasi-equity. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to quasi-equity and up to 85% is retained by the Group as mudarib share. The Group did not charge any administration expenses to quasi-equity. The average profit rate earned on assets attributed to quasi-equity based on the above ratio for the year ended 31 December 2025 was 5.8% (2024: 6.2%) and the average profit rate distributed to quasi-equity for the year ended 31 December 2025 was 3.4% (2024: 4.0%).

	2025			2024		
Distribution of assets by ownership	**Self-financed BD '000**	**Quasi equity BD '000**	**Total BD '000**	Self-financed BD '000	Quasi equity BD '000	Total BD '000
Balances with banks and central banks	524,223	251,510	775,733	489,993	143,618	633,611
Placements with financial institutions	8,018	448,616	456,634	8,094	468,356	476,450
Investments in sukuk	1,934,154	-	1,934,154	1,447,803	-	1,447,803
Financing contracts	634,759	3,432,029	4,066,788	469,986	3,191,684	3,661,670
Non-trading investments	96,004	-	96,004	89,676	8,268	97,944
Takaful and related assets	29,748	-	29,748	26,353	-	26,353
Investments in real estate*	76,283	7,846	84,129	112,053	17,242	129,295
Investments in associates	37,528	241,472	279,000	20,115	234,893	255,008
Other assets	94,167	6,600	100,767	129,894	-	129,894
Goodwill and other intangible assets	230,939	-	230,939	204,750	-	204,750
Total Assets	3,665,823	4,388,073	8,053,896	2,998,717	4,064,061	7,062,778

*Real estate investments allocated to quasi-equity are yielding.

Notes to the Consolidated Financial Statements

As at 31 December 2025

19 QUASI-EQUITY (continued)

Distribution of income by ownership	2025 Self-financed BD '000	2025 Quasi equity BD '000	2025 Total BD '000	2024 Self-financed BD '000	2024 Quasi equity BD '000	2024 Total BD '000
INCOME						
Income from financing contracts	**38,568**	**209,218**	**247,786**	33,394	202,979	236,373
Income from placements with financial institutions	**1,015**	**28,463**	**29,478**	67	24,821	24,888
Income from Investments in sukuk	**103,119**	**-**	**103,119**	71,568	-	71,568
Finance expense on placements from financial institutions and individuals	**(8,116)**	**-**	**(8,116)**	(11,287)	-	(11,287)
Finance expense on murabaha term financing	**(46,333)**	**-**	**(46,333)**	(30,851)	-	(30,851)
Other finance expense	**(4,571)**	**-**	**(4,571)**	(3,470)	-	(3,470)
Net finance income	**83,682**	**237,681**	**321,363**	59,421	227,800	287,221
Fees and commission, net	**27,927**	**-**	**27,927**	26,267	-	26,267
Share of profit from associates	**1,598**	**19,825**	**21,423**	310	17,859	18,169
Income from Takaful operations, net	**3,424**	**-**	**3,424**	5,357	-	5,357
Other income	**10,137**	**951**	**11,088**	8,315	1,122	9,437
Total income	**126,768**	**258,457**	**385,225**	99,670	246,781	346,451
EXPENSES						
Staff costs	**46,693**	**-**	**46,693**	44,346	-	44,346
Other operating expenses	**65,052**	**-**	**65,052**	50,019	-	50,019
Total expenses	**111,745**	**-**	**111,745**	94,365	-	94,365
Profit before impairment allowances, tax and income attribution to quasi-equity	**15,023**	**258,457**	**273,480**	5,305	246,781	252,086
Allowance for impairment on financial instruments	**(23,956)**	**(11,956)**	**(35,912)**	(15,538)	(5,635)	(21,173)
Group's share as a mudarib and wakil	**101,455**	**(101,455)**	**-**	86,630	(86,630)	-
Allocated profits	**92,522**	**145,046**	**237,568**	76,397	154,516	230,913

Quasi Equity - by type and maturity	2025 BD 000	2024 BD 000
Saving accounts (including call accounts)	**1,307,887**	1,048,020
One month up to six months investment accounts	**967,278**	724,209
Six months up to one year investment accounts	**1,319,255**	492,321
One year up to three years investment accounts	**466,621**	965,622
Three years and above	**318,253**	828,513
	4,379,294	4,058,685
Quasi-equity holders share of fair value reserve	**8,779**	5,376
	4,388,073	4,064,061

In case of investment accounts on contractual basis, these can be withdrawn subject to deduction of profit upon management discretion.

Notes to the Consolidated Financial Statements

As at 31 December 2025

20 SHARE CAPITAL

	2025 BD '000	2024 BD '000
Authorised:		
5,000,000,000 ordinary shares (2024: 5,000,000,000 shares) of BD 0.100 each	**500,000**	500,000
Issued and fully paid: (BD 0.100 per share)		
Number of shares 2,967,598,791 (2024: 2,747,776,658)	**296,760**	274,778

Names and nationalities of the major shareholders and the number of equity shares in which they own 5% or more of outstanding share as of 31 December 2025 is as follows:

Investor Name	Nationality	No. of Shares	% of the outstanding shares
Bank Muscat (S.A.O.G.)	**Omani**	**437,315,389**	**14.7%**
Muscat Overseas Company L.L.C.	**Omani**	**250,246,941**	**8.4%**
Sayacorp B.S.C Closed	**Bahraini**	**186,273,227**	**6.3%**

A distribution schedule of equity shares, setting out the number of holders and the percentages as of 31 December 2025 is presented below:

Categories	No. of Shares	No. of the shareholders	% of the outstanding shares
Less than 1%	**983,153,010**	**22,996**	**33.2**
1% up to less than 5%	**1,110,610,224**	**13**	**37.4**
5% up to less than 10%	**436,520,168**	**2**	**14.7**
10% up to less than 20%	**437,315,389**	**1**	**14.7**
Total	**2,967,598,791**	**23,012**	**100.0**

21 RESERVES AND OTHER CAPITAL INSTRUMENTS

The Board of Directors is proposing a cash dividend of 8 fils per share or 8% (2024: 6%) of the par value of BD 0.100 per share excluding treasury shares and 7% of the paid up capital to be paid by issue of bonus shares (1 share for every 14.3 shares held). This amounts to BD 44,117 thousand (2024: BD 38,193 thousand) for the year ended 31 December 2025.

21.1. Treasury shares

Total number of treasury shares outstanding as of 31 December 2025 was 49,606,561 shares (2024: 155,932,001 shares).

21.2. Employee incentive scheme

The Bank operates a long term share based incentive scheme under which share awards were issued to employees with future performance conditions. As of 31 December 2025, 34,465,669 (2024: 84,523,957 shares) share awards remain unvested.

21.3. Statutory reserve

As required by Bahrain Commercial Companies Law 21/2001 (as amended) and the Bank's articles of association, 10% of the net profit for the year is transferred to the statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve reaches 50% of the paid up share capital of the Bank. The reserve is not distributable except in such circumstances as stipulated in the Commercial Companies Law and approval of the CBB.

Notes to the Consolidated Financial Statements

As at 31 December 2025

22 OTHER EQUITY PARTICIPATIONS

i) Subordinated Mudaraba issued by the Bank

The Bank issued bilateral subordinated mudaraba, classified as additional Tier 1 mudaraba (AT1) of BD 169,675 thousand (2024: BD 162,464 thousand). The subscription was fully paid in cash, total issuance cost is BD 3,733 thousand (2024: BD 3,438 thousand).

Summary of key terms and conditions of this issue are as follows:

a) Profits on this contract are distributed monthly starting from date of subscription at an expected rate of 6% p.a. Profit payments under the contract are discretionary and non-cumulative and non-payment will not be considered as an event of default.

b) The contract does not have a stated maturity and is perpetual in nature and the Bank has an option to settle the AT1 Mudaraba at its discretion after 5 years from the date of its initial subscription.

c) The AT1 mudaraba has a write-down feature in the event of non-viability as per the terms of the contract.

Accordingly, AT1 mudaraba meets the criteria for classification as equity as per FAS 1 and is recognized under the owners' equity in the consolidated statement of financial position and the profits paid under the contract are accounted for as appropriation of profits. During the year, BD 10,108 thousand (2024 BD 4,009 thousand) was paid as profit on AT1 Mudaraba.

ii) Subordinated Mudaraba issued by a Subsidiary of the Bank

During the year, Solidarity Bahrain BSC, a subsidiary of Solidarity Group Holding issued bilateral subordinated mudaraba of BD 43,000 thousand, classified as upper Tier 2 as per volume 3 of the rule book issued by the CBB. The subscription was fully paid in cash, total issuance cost BD 440 thousand (2024: BD Nil).

Summary of key terms and conditions of the issue are as follows:

a. Profits on this contract are distributed quarterly starting from the date of subscription at an expected rate of 7% p.a. Profit payments under the contract are discretionary and non-cumulative and non-payment will not be considered as an event of default.

b. The contract does not have a stated maturity and is perpetual in nature and the issuer has an option to settle the Mudaraba at its discretion after 5 years from the date of its initial subscription.

c. The mudaraba has a write-down feature in the event of non-viability as per the terms of the contract.

Accordingly, Subordinated mudaraba meets the criteria for classification as equity as per FAS 1 and is recognized under the owners' equity in the consolidated statement of financial position and the profits paid under the contract are accounted for as appropriation of profits. During the year, BD 2,119 thousand was paid as profit on this subordinated Mudaraba.

iii) Musharaka-based participatory shares

During the year, Solidarity Bahrain BSC issued a Musharaka-based, non-voting, non-cumulative perpetual shares of BD 810 thousand, classified as Tier 1 as per volume 3 of the rule book issued by the CBB. Total issue was for BD 12,000 thousand and the subscription was fully paid in cash, total issuance cost BD 188 thousand (2024: BD Nil).

Summary of key terms and conditions of this issue are as follows:

a) The shares are non-cumulative, and the dividend distribution is at the discretion of the issuer.

b) The shares do not have any stated maturity and are perpetual in nature and the issuer has a call option at its discretion after 5 years from the date of its initial subscription.

c) The shares rank pari-passu with the ordinary shares in terms of return to them upon liquidation, however the shares do not carry any voting rights.

Accordingly, these shares meet the criteria for classification as equity as per FAS 1 and is recognized under Owners' equity in the consolidated statement of financial position and the dividends paid to these shares are accounted as appropriation of profits.

Notes to the Consolidated Financial Statements

As at 31 December 2025

23 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no dilutive instruments issued by the Bank.

	2025	2024
Net profit attributable to Shareholders of the Bank (BD '000)	**76,834**	59,012
Less: Profit on other equity participations (BD '000)	**(11,006)**	(4,009)
Weighted average number of shares (thousand)	**2,899,458**	2,870,399
Basic and diluted earnings per share (fils)	**22.7**	19.2

24 INCOME FROM FINANCING CONTRACTS

	2025 BD '000	2024 BD '000
Leased-based:		
Ijarah, net*	**100,158**	88,420
Trade-based:		
Murabaha	**80,851**	77,897
Salam	**18,090**	21,129
Istisna	**8,145**	3,780
Participatory-based:		
Mudaraba	**38,503**	42,933
Musharaka	**2,039**	2,214
	247,786	236,373

* Ijarah income is net of depreciation of BD 202,219 thousand (2024: BD 110,306 thousand).

25 FEES AND COMMISSION, NET

	2025 BD '000	2024 BD '000
Transaction related fees and income	**16,244**	13,277
Arrangement fees	**2,906**	3,854
LC and LG commission	**4,947**	5,124
Card income and others, net	**3,830**	4,012
	27,927	26,267

26 INCOME FROM TAKAFUL OPERATIONS, NET

	2025 BD '000	2024 BD '000
Takaful revenue	**131,901**	94,502
Takaful service expenses	**(79,015)**	(48,426)
Net from retakaful contracts	**(35,757)**	(29,751)
Net finance expense from takaful contracts	**(1,379)**	(1,283)
Net finance expense from retakaful contracts	**346**	319
Takaful corporate expenses	**(12,672)**	(10,004)
	3,424	5,357

Notes to the Consolidated Financial Statements

As at 31 December 2025

27 OTHER INCOME

	2025 BD '000	2024 BD '000
Income from non-trading investments, net	**(1,658)**	2,433
Foreign exchange gains	**5,621**	4,007
Recoveries of previously charged-off financing exposures	**4,833**	1,262
Others	**2,292**	1,735
	11,088	9,437

28 STAFF COST

	2025 BD '000	2024 BD '000
Salaries and short term benefits	**39,427**	35,146
Employees' social insurance expenses	**3,790**	4,666
Other staff expenses	**3,476**	4,534
	46,693	44,346

In 2022, a long tern incentive plan (LTIP) was introduced where employees are compensated in the form of shares as a percentage on achievement of certain pre-determined performance conditions. The LTIP sets performance and service conditions and has a rateable vesting schedule over a period of five years. Accelerated vesting may occur on exceeding performance conditions leading to true up of share- based payment charges. The issue price is determined based on a defined adjustment to market price on the date of the award. The LTIP shares include financing features and are entitled to dividends, if any, released along with the vested shares.

29 OTHER OPERATING EXPENSES

	2025 BD '000	2024 BD '000
Business related expenses	**20,943**	14,024
Information technology expenses	**9,042**	9,619
Professional expenses	**6,042**	3,945
Board of directors related expenses	**4,107**	2,877
Premises cost	**4,738**	4,494
Depreciation and amortisation	**12,876**	8,056
Other expenses	**7,304**	7,004
	65,052	50,019

Notes to the Consolidated Financial Statements

As at 31 December 2025

30 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership with that of the Bank. The transactions with these parties were approved by the board of directors.

The balances with related parties at 31 December 2025 and 31 December 2024 were as follows:

	2025				
	Associates and joint ventures BD '000	**Major shareholders BD '000**	**Directors and related entities BD '000**	**Senior management BD '000**	**Total BD '000**
Assets:					
Balances with banks and central bank	**-**	**244**	**-**	**-**	**244**
Placements with financial institutions	**1,480**	**-**	**-**	**-**	**1,480**
Financing contracts	**22,905**	**-**	**2,002**	**1,014**	**25,921**
Non-trading investments	**68,538**	**-**	**-**	**-**	**68,538**
Takaful and related assets	**-**	**-**	**2,149**	**-**	**2,149**
Investments in associates	**279,000**	**-**	**-**	**-**	**279,000**
Other assets	**-**	**-**	**31**	**6,262**	**6,293**
Liabilities and Quasi-equity:					
Placements from financial institutions and individuals	**8,400**	**-**	**-**	**-**	**8,400**
Customers' current accounts	**1,807**	**360**	**7,134**	**1,034**	**10,335**
Other liabilities	**146**	**-**	**55**	**47**	**248**
Takaful Liabilities	**729**	**-**	**-**	**-**	**729**
Quasi-equity	**17,166**	**39,080**	**7,776**	**4,856**	**68,878**
Contingent liabilities and commitments	**-**	**-**	**351**	**-**	**351**

	2024				
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Assets:					
Balances with banksand central bank	-	244	-	-	244
Financing contracts	24,958	-	2,557	2,036	29,551
Non-trading investments	68,854	-	-	-	68,854
Takaful and related assets	-	-	620	-	620
Investments in associates	255,008	-	-	-	255,008
Other assets	-	-	-	2,468	2,468
Liabilities and Quasi-equity:					
Customers' current accounts	1,234	358	3,944	1,795	7,331
Other liabilities	16	-	106	85	207
Takaful Liabilities	372	-	-	-	372
Quasi-equity	12,271	3,407	7,718	7,655	31,051
Contingent liabilities and commitments	8	-	502	191	701

Notes to the Consolidated Financial Statements

As at 31 December 2025

30 RELATED PARTY TRANSACTIONS (continued)

The income and expenses in respect of related parties included in the consolidated income statement are as follows:

	2025				
	Associates and joint ventures BD '000	**Major shareholders BD '000**	**Directors and related entities BD '000**	**Senior management BD '000**	**Total BD '000**
Income:					
Placements with financial institutions	**38**	**84**	**-**	**-**	**122**
Income from financing contracts	**1,521**	**-**	**137**	**26**	**1,684**
Share of profit from associates, net	**21,423**	**-**	**-**	**-**	**21,423**
Income from takaful operations, net	**-**	**-**	**2,961**	**-**	**2,961**
Expenses:					
Finance expense on placements from financial institutions and individuals	**2,532**	**-**	**-**	**-**	**2,532**
Other operating expenses	**-**	**-**	**3,314**	**166**	**3,480**
Expense from takaful operations	**412**	**-**	**571**	**-**	**983**
Income attributable to quasi-equity	**559**	**1,089**	**345**	**176**	**2,169**

	2024				
	Associates and joint ventures BD '000	Major shareholders BD '000	Directors and related entities BD '000	Senior management BD '000	Total BD '000
Income:					
Income from financing contracts	1,656	1	162	69	1,888
Share of profit from associates, net	18,169	-	-	-	18,169
Income from takaful operations, net	-	-	1,053	4	1,057
Expenses:					
Other operating expenses	-	-	2,701	2,525	5,226
Expense from takaful operations	382	-	196	-	578
Income attributable to quasi-equity	470	142	432	165	1,209
Allowance for impairment	17	-	-	-	17

Key management personnel compensation

Board of Directors' remuneration for the year 2025 amounted to BD 1,300 thousand (2024: BD 1,110 thousand) and sitting fees for the year 2025 amounted to BD 543 thousand (2024: BD 587 thousand).

Sharia Supervisory Boards' remuneration for the year 2025 amounted to BD 113 thousand (2024: BD 113 thousand).

Key management personnel of the Bank comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Bank. Compensation of key management personnel for the year 2025 includes salaries and other benefits of BD 7,550 thousand (2024: BD 7,838 thousand).

Notes to the Consolidated Financial Statements

As at 31 December 2025

31 CONTINGENT LIABILITIES AND COMMITMENTS

	2025 BD '000	2024 BD '000
Contingent liabilities on behalf of customers		
Guarantees	**201,996**	155,363
Letters of credit	**135,827**	212,977
Acceptances	**1,573**	1,558
	339,396	369,898
Unutilised commitments		
Unutilised financing commitments	**285,672**	384,562
Unutilised non-funded commitments	**28,501**	46,089
	314,173	430,651

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being utilized, the total contract amounts do not necessarily represent future cash outflows.

32 WA'AD BASED FX TRANSACTIONS FOR RISK MANAGEMENT

The Group enter into Wa'ad based FX transactions to manage its exposures to foreign currency risk. The fair values of FX Wa'ad instruments is as follows;

	2025		2024	
	Notional Amount BD '000	Fair Value BD '000	Notional Amount BD '000	Fair Value BD '000
FX Wa'ad instruments				
Assets position	**56,351**	**261**	49,024	321
Liabilities position	**236,279**	**617**	82,281	847

The above contracts have tenor not more than two years as at the end of the reporting period.

33 FINANCIAL RISK MANAGEMENT

33.1 Introduction - Risk management of Banking operations

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk appetite limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, operational risk, information security risk and market risk. It is also subject to early settlement risk.

The Group's risk function is independent of lines of business and the Chief Risk Officer reports to the Audit and Risk Committee with access to the Group Chief Executive Officer.

The independent risk control process does not include business risks such as changes in the environment, technology and industry as they are monitored through the Group's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 Introduction - Risk management of Banking operations (continued)

Board of Directors

The Board of Directors is responsible for setting the overall risk management framework and appetite encompassing the risk strategies and policies.

Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board of Directors who are non-executive directors of the Group. The Audit and Risk Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, the soundness of the internal controls of the Group, reviewing and monitoring the overall risk framework and profile of the Group as well as its adherence to stipulated policies and limits, and the methods for monitoring compliance with laws, regulations and supervisory and internal policies.

The Audit and Risk Committee reviews Group's accounting and financial practices, risk management reports, integrity of the Group's financial and internal controls and consolidated financial statements. It also reviews the Group's compliance with legal requirements, recommends the appointment, compensation and oversight of the Group's external and internal auditors. The Committee has the responsibility to review and recommend to the Board for approval the overall risk process and policies within the Bank.

Shari'a Supervisory Board

The Group's Shari'a Supervisory Board is entrusted with the responsibility to ensure the Group's adherence to Shari'a rules and principles in its transactions and activities.

Credit Investment Committee

Credit and Investment Committee (CIC) reviews the Credit Risk Policies and Investment Policies to ensure they are consistent with the corporate values and strategy of the Bank. The Committee will discuss, review and approve all investments and financing transactions.

The Committee establishes the framework for setting country, product and sector limits, consider proposals for changes in such limits, review periodic reports to monitor compliance and agree actions to be taken to address exceptions.

It assesses and approves credit risk parameters (including pricing) relating to new products and changes in credit risk for existing products.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) establishes policy and objectives for the asset and liability management of the Group's financial position in terms of ICAAP, Stress Testing, Step-in Risk, Recovery and Resolution Plan, Risk and Return and its impact on profitability. It also monitors the cash flow, tenor and cost / yield profiles of assets and liabilities and evaluates the Group's financial position both from profit rate sensitivity and liquidity points of view, making corrective adjustments based upon perceived trends and market conditions, monitoring liquidity, monitoring foreign exchange exposures and positions.

Operational, Market Risk and Compliance Committee (OMAC)

The Operational, Market Risk and Compliance Committee (OMAC) is responsible for the design, implementation and supervision of the compliance risk framework (excluding credit risk) of the Bank. It reviews risk management policies (excluding Credit Risk policies). It ensures Bank's compliance with applicable regulations with the assistance of relevant stakeholders. It ensures that the Business Continuity Framework is robust and maintained. It reviews the ICAAP, Stress Testing, Resolution and Recovery Plan and Step-in Risk prior to submission to the Board.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.1 Introduction - Risk management of Banking operations (continued)

Information Security Committee

Information Security Committee is an advisory committee appointed by the Management Executive Committee of the Bank to develop, review and execute a comprehensive Information Security Management System for the Bank. The Committee will regularly review the information security risk exposure of the Bank.

Internal Audit

Risk management processes throughout the Group are audited by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit and Risk Committee.

Risk measurement and reporting systems

The Group's risk management policies aim to identify, measure, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The Group's risk management department is also responsible for identifying risk characteristics inherent in new and existing products, activities and setting exposure limits to mitigate these risks.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across respective risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Audit and Risk Committee, Credit and Investment Committee, The Operational, Market Risk and Compliance Committee (OMAC), Information Security Committee and ALCO, whenever required. The reports include aggregate credit quality and exposures, market risk exposures, operational risk metrics, Information Security updates, limit exceptions, liquidity ratios, stress testing, and risk profile changes. A detailed report is produced on a quarterly basis. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Audit and Risk Committee of the Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess the risks of the Group.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. Briefing is given to all relevant members of the Group on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

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 maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

33.2 Credit risk

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, setting limits for transactions with counterparties, and continually assessing the creditworthiness of counterparties.

In addition to monitoring credit limits, the Group manages the credit exposures by entering into collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of the exposure.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of customer. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross of provision, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure 2025 BD '000	Gross maximum exposure 2024 BD '000
ASSETS		
Balances with commercial banks	**429,082**	184,935
Placements with financial institutions	**456,642**	476,456
Investment in sukuk	**1,934,353**	1,448,463
Financing contracts	**4,163,956**	3,729,781
Financing contracts under other assets	**2,057**	20,244
Total	**6,986,090**	5,859,879
Contingent liabilities and commitments	**653,569**	800,549
Total credit risk exposure	**7,639,659**	6,660,428

Where financial contracts are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Type of credit risk

Various contracts entered into by the Group comprise Murabaha financing, Mudaraba financing, Musharaka, Credit card receivables, Sukuk and IMB contracts. Murabaha contracts cover financing of land, buildings, commodities, motor vehicles and others non-financial assets. Mudaraba financing consist of financing transactions entered through other Islamic banks and financial institutions. Mudaraba is a partnership agreement in which the Islamic bank acts as the provider of funds (the Rabalmal) while the recipient of the funds (the Mudarib or the manager) provides the professional, managerial and technical know-how towards carrying out the venture, trade or service with an aim of earning profit.

The Group follows an internal rating mechanism for grading relationships for financial assets. All financial assets are assigned a rating in accordance with the defined criteria. The Group utilises a scale ranging from 1 to 10 for credit relationships, with 1 to 7 denoting performing grades and 8 to 10 denoting non-performing grades. Ratings 1 to 4 represent good credit grade, 5 to 7 represents a satisfactory credit grade and 8 to 10 represents default grade.

For externally rated exposures, credit risk ratings of an authorised Credit Rating Agency are converted into internal ratings which are calibrated with the risk appetite of the Bank. Conversion of an external credit risk rating to an internal risk rating is done to ensure consistency across publicly rated and unrated entities.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

The Group endeavors continuously to improve upon the internal credit risk rating methodologies and credit risk management policies and practices to reflect the true underlying credit risk of the portfolio and the credit culture in the Group.

Considering the pre-prevailing market situation, the Group has taken preemptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective profit rate of the financial asset.

The key parameters into the measurement of ECL are the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models, historical and projected data. These are further adjusted to reflect forward-looking scenarios as described below.

Definition of default

The Group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the customer is genuinely past due more than 90 days on any credit obligation to the Group. In assessing whether a customer is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default

PDs estimates are estimated at a certain date, which are calculated based on the Bank's default experience, and assessed using rating tools tailored to the segment of counterparties and exposures. These estimations are based on internally compiled data comprising both quantitative and qualitative factors. In case of lack of default history, market data may also be used to derive the PD for selected segment of counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

Generating the term structure PD

Credit risk grades are a primary parameters into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs credit risk estimation models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time.

Incorporation of forward - looking information

The Group uses industry recognized models to estimate impact of macro-economic factors on historical observed default rates. In case the results of forecasted PDs are significantly different from the expected default rates that may be observed for the forecasted economic conditions, conservative and discretionary overlays shall be used by the management after analyzing the portfolio and impact. The key macro-economic indicators include gross domestic product (GDP) growth, inflation, domestic credit growth and oil prices.

Incorporating forward-looking information requires continuous assessment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed yearly.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. The LGD is estimated using below factors:

Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing accounts.

Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

In case of non-availability of recovery data, the Bank uses LGD estimate based on market practice.

Discounting Rate: Defined as the opportunity cost of the recovery value not being realized on the day of default adjusted for time value. Where the Group does not have stable or adequate internal loss or recovery experience, an expert judgement measure using market benchmarks as inputs is considered.

Exposure At Default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Significant Increase in Credit Risk

A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument. In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2'.

When determining whether the risk of default on financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary on a portfolio level and include quantitative and qualitative factors, including days past due, restructured status and relative migration in risk rating. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 4 and 5.

The Group continues to assess customer for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of prevailing economic condtions or longer term.

Management overlays are applied to the model outputs consistent with the objective of identifying a significant increase in credit risk.

Renegotiated financial assets

The contractual terms of a financing may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in a derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financing to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. This may involve extending the payment arrangements and documenting the agreement of new conditions for providing finance. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

Backward transition

In accordance with FAS 30 and CBB credit-risk guidelines, backward migration from lifetime ECL (Stage 2/Stage 3) to 12-month ECL (Stage 1) is not automatic when SICR indicators cease. Any stage improvement must follow a controlled, documented assessment demonstrating sustained credit-risk improvement. Factors such as an appropriate cooling-off period, consistent payment performance, and the absence of qualitative or quantitative SICR triggers must be satisfied before reclassification. All backward transitions must be supported by objective evidence and applied in line with the Bank's credit-risk governance and approval framework.

FAS 30 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2 and Stage 3) to 12 month ECL measurement (Stage 1). However, movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1.

Credit Conversion Factor

The estimation of EAD takes into account any unexpected changes in the exposure after the assessment date, including expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). The EAD is estimated using the outstanding exposure adjusted by CCF times for undrawn portion of the facilities.

The outstanding exposure is calculated as principal plus profit less expected prepayments. The undrawn portion refers to the portion of the unutilized credit limit. CCF applied to the facilities would be the higher of average behavioral utilization over the last five years or the CCF considered for capital charge.

The Bank applies regulatory CCF as defined by the Central Bank of Bahrain.

Expected credit Losses

ECLs were estimated based on a range of forecast economic conditions as at that date the Group has considered the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

The following table summarizes the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs during the current year.

Key model inputs	**Model assumptions**
Probability of default (PD's)	Point-in-time PD's updated using latest available macro-economic forecasts by using historical correlation to Oil (Brent) price; General government total expenditure; Domestic credit growth (%); Total investment; Volume of imports of goods and services and General government gross debt as percentage of GDP
Probability weighted outcomes	Probability weights - Base 65, Worst 25, Best 10
Loss Given Default (LGD)	Unsecured LGD is 65% and it is consistent with those used in 2024.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Judgement is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

a) The credit quality of balances with commercial banks and placements with financial institutions subject to credit risk is as follows:

	2025			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	**784,174**	**-**	**-**	**784,174**
Satisfactory (R5-R7)	**101,438**	**112**	**-**	**101,550**
Allowance for credit losses	**(176)**	**(19)**	**-**	**(195)**
	885,436	**93**	**-**	**885,529**

	2024			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	578,618	-	-	578,618
Satisfactory (R5-R7)	82,773	-	-	82,773
Allowance for credit losses	(135)	-	-	(135)
	661,256	-	-	661,256

b) The following tables sets out information about the credit quality of other financial assets. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

i) Investment in sukuk

	2025			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	**1,848,463**	**-**	-	**1,848,463**
Past Due				
Satisfactory (R5-R7)	**85,890**	**-**	-	**85,890**
Allowance for credit losses	**(199)**	**-**	-	**(199)**
	1,934,154	**-**	-	**1,934,154**

	2024			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	1,442,128	-	-	1,442,128
Past Due				
Satisfactory (R5-R7)	6,335	-	-	6,335
Allowance for credit losses	(660)	-	-	(660)
	1,447,803	-	-	1,447,803

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

ii) Financing contracts

	2025				
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**POCI**	**Total BD '000**
Good (R1-R4)	**3,585,344**	**23,387**	**172**	**-**	**3,608,903**
Satisfactory (R5-R7)	**256,266**	**126,328**	**451**	**1,444**	**384,489**
Default (D8-D10)	**-**	**-**	**133,121**	**37,443**	**170,564**
Allowance for credit losses and impairment	**(35,879)**	**(12,748)**	**(48,541)**	**-**	**(97,168)**
	3,805,731	**136,967**	**85,203**	**38,887**	**4,066,788**

	2024				
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	POCI	Total BD '000
Good (R1-R4)	2,734,529	34,781	1,375	53	2,770,738
Satisfactory (R5-R7)	650,541	141,387	50,843	22,231	865,002
Default (D8-D10)	-	-	78,608	15,433	94,041
Allowance for credit losses and impairment	(22,590)	(14,947)	(30,574)	-	(68,111)
	3,362,480	161,221	100,252	37,717	3,661,670

As 31 December 2025, profit in suspense amounted to BD 24,465 thousand (2024: BD 19,709 thousand).

iii) Other financing

	2025			
	Stage 1: 12-month ECL BD '000	**Stage 2: Lifetime ECL not credit-impaired BD '000**	**Stage 3: Lifetime ECL credit-impaired BD '000**	**Total BD '000**
Good (R1-R4)	**249**	**2**	**-**	**251**
Satisfactory (R5-R7)	**18**	**146**	**-**	**164**
Default (D8-D10)	**-**	**-**	**1,642**	**1,642**
Allowance for credit losses	**(4)**	**(32)**	**(1,370)**	**(1,406)**
	263	**116**	**272**	**651**

	2024			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	331	-	-	331
Satisfactory (R5-R7)	18,928	14	-	18,942
Default (D8-D10)	-	-	971	971
Allowance for credit losses	(17)	(1)	(971)	(989)
	19,242	13	-	19,255

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

iv) Financing commitments and financial guarantee contracts

	2025			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	**619,443**	**1,328**	**1**	**620,772**
Satisfactory (R5-R7)	**13,633**	**15,393**	**1,000**	**30,026**
Default (D8-D10)	**-**	**-**	**2,771**	**2,771**
Allowance for credit losses	**(1,929)**	**(312)**	**(849)**	**(3,090)**
	631,147	**16,409**	**2,923**	**650,479**

	2024			
	Stage 1: 12-month ECL BD '000	Stage 2: Lifetime ECL not credit-impaired BD '000	Stage 3: Lifetime ECL credit-impaired BD '000	Total BD '000
Good (R1-R4)	764,088	59	1	764,148
Satisfactory (R5-R7)	18,849	11,800	1,540	32,189
Default (D8-D10)	-	-	4,212	4,212
Allowance for credit losses	(2,723)	(140)	(676)	(3,539)
	780,214	11,719	5,077	797,010

The aging analysis of financing contracts:

	2025			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 / POCI BD '000	Total BD '000
Current	**3,700,635**	**88,016**	**40,299**	**3,828,950**
< 30 days	**140,975**	**14,333**	**5,302**	**160,610**
30 to 90 Days	**-**	**47,366**	**9,194**	**56,560**
> 90 days	**-**	**-**	**117,836**	**117,836**
	3,841,610	**149,715**	**172,631**	**4,163,956**

	2024			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 / POCI BD '000	Total BD '000
Current	3,285,362	109,354	29,426	3,424,142
< 30 days	99,708	23,892	10,723	134,323
30 to 90 Days	-	42,922	34,171	77,093
> 90 days	-	-	94,223	94,223
	3,385,070	176,168	168,543	3,729,781

The maximum credit risk, without taking into account the fair value of any collateral and Shari'a-compliant netting agreements, is limited to the amounts on the consolidated statement of financial position plus commitments to customers disclosed in note 31 except capital commitments.

During the year BD 59,563 thousand (2024: BD 86,456 thousand) of financing facilities were restructured. Most of the restructured facilities are performing and are secured.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

Write-off policy

The Group writes off an asset/security balance (net of any related allowances for impairment losses) when it determines that the asset/security are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the counterparty's financial position such that they can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral held and other credit enhancements

The Group accepts the following type of collateral, as defined in CBB rule book. The collateral can be in Bahraini Dinars or other Foreign Currencies-in such cases, haircut as appropriate as per the credit risk policy is applied.

- Cash Margin and deposits
- Sukuk-Long Term – rated & unrated
- Equities listed and not listed in main index
- Units in collective investment schemes
- Other physical assets including real estate

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Principal type of collateral held	2025 BD '000	2024 BD '000
Financing contracts to corporates	Cash, Property, or listed Shares and Sukuk	**2,614,515**	2,620,860
Financing contracts to retail customers	Cash, Property, or listed Shares and Sukuk	**2,021,448**	1,941,496

FTV ratio

Financing to value (FTV) is calculated as the ratio of the gross amount of the financing or the amount committed for financing commitments to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

	2025 BD '000	2024 BD '000
Less than 50%	**690,345**	1,411,372
51-70%	**448,981**	107,649
71-90%	**475,077**	156,291
91-100%	**314,804**	177,343
More than 100%	**2,234,749**	1,877,126
	4,163,956	3,729,781

Key drivers of credit risk and credit losses

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or client (which is referred to collectively as "counterparties"). This is the most frequent and substantial risk faced by any financing Bank.

Credit risk may have the following consequences leading to credit losses:

- Delayed fulfilment of a payment obligation
- Partial loss of the credit exposure
- Complete loss of the credit exposure

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

The various types of credit risk are defined as follows:

- Default Risk
- Country Risk
- Settlement Risk
- Replacement cost-risk
- Concentration risk
- Residual risk (e.g. legal risk, documentation risk, or liquidity risk)

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used included the key indicators for Kingdom of Bahrain such as the gross domestic product (GDP) growth, inflation, domestic credit growth and oil prices.

33.3 Legal risk and claims

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the Group. The Group has developed controls and procedures to identify legal risks and believes that losses will be minimised.

As at 31 December 2025, legal suits amounting to BD 293 thousand (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 as the Group has also filed counter cases against these parties.

33.4 Operational risk management

The BCP was thoroughly tested during the year, including the implemented measures like working from the BCP site and from home. The measures continued to work satisfactorily.

As of 31 December 2025, the Group did not have any significant issues relating to operational risks.

33.5 Risk Management for Takaful operations of the Group

The activity of Solidarity Group Holding BSC (c), one of the principal subsidiaries of the Group is to issue takaful contracts for personal and corporate clients. The risk under Takaful contract is the possibility that an event occurs and the uncertainty of the amount payable under the Takaful contract resulting from such occurrence referred to as the claim. By the very nature of takaful contract, this risk is fortuitous, random and therefore unpredictable. The principal risks that the Group faces in writing a portfolio of takaful contracts are the frequency of occurrence of the events and the severity of resulting claims. The Group's risk profile is improved by having sufficient large numbers, diversification by nature of risk and geographical spread of these risks. This reduces the vulnerability of the Group's financial position and profits to large losses or a high frequency as there will be a larger income to sustain such impacts. The exposure of high frequency and severe large losses are also protected contract provides by a comprehensive retakaful program placed with highly reputable international retakaful contract provider.

(i) Underwriting Policy

The Group principally issues takaful contracts marine (cargo and hull), motor (own damage and third-party liability), property (material damage and business interruption), liability and general accident. These policies usually cover twelve months duration. For the above general takaful contracts, the most significant risks arise from accidents including motor or other incidents causing fire and accidental damage, negligence resulting in accidents or liabilities against third parties, natural disasters and other activities causing damage by riots, civil commotion and terrorist acts. The level of risks vary in relation to the location of the risk covered and type of risk covered and by industry.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.5 Risk Management for Takaful operations of the Group (continued)

(ii) Retakaful Policy

As part of the underwriting process the next risk control measure in respect of the takaful risk is the transfer of the risks to third parties through a retakaful contract or facility. The Group has in place proportional facilities, referred to as treaties, which are used to transfer a proportion of the risks automatically subject to pre-agreed conditions with the retakaful contracts provider. The portion of the risk retained by the Group is also guided by a strict retention policy adopted by the Group. Any claim will be recovered in the same proportion. Furthermore, the Group also has in place non-proportional treaties which pay a proportion of losses above a pre-agreed priority level for each loss or an aggregation of losses arising out of one event. The placements of retakaful contracts are diversified with a panel of internationally reputed reinsurers so that the Group is not dependent on a single retakaful contracts provider or a retakaful contract. The Group also transfers risk on a case-by-case basis referred to as facultative retakaful. This is used in cases when the risk under consideration is either too large for the treaty capacities or else has risks which are excluded from the treaties. In this case the Group seeks internationally rated retakaful contracts providers but also places some small shares in the local markets as exchange of business.

33.6 Concentrations

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 geographic location. The Group manages its exposure through diversification of financing activities to avoid undue concentrations of risks with customers in specific locations or businesses.

The distribution of assets, liabilities and quasi-equity by geographic region and industry sector was as follows:

	2025			2024		
	Assets BD '000	**Liabilities and quasi-equity BD '000**	**Contingent liabilities and Commitments BD '000**	Assets BD '000	Liabilities and quasi-equity BD '000	Contingent liabilities and Commitments BD '000
Geographic region						
GCC	**6,507,212**	**5,554,219**	**318,250**	5,841,013	4,957,448	278,730
Middle East and North Africa	**1,159,836**	**1,379,285**	**334,555**	1,062,514	1,233,654	311,973
Europe	**114,468**	**241,255**	**-**	30,646	162,213	79,947
Asia	**37,644**	**96,266**	**-**	13,548	60,140	-
America	**220,325**	**-**	**764**	98,950	194	129,899
Others	**14,411**	**33,151**	**-**	16,107	55,748	-
	8,053,896	**7,304,176**	**653,569**	7,062,778	6,469,397	800,549

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.6 Concentrations (continued)

	2025			2024		
	Assets BD '000	Liabilities and quasi-equity BD '000	Contingent liabilities and Commitments BD '000	Assets BD '000	Liabilities and quasi-equity BD '000	Contingent liabilities and Commitments BD '000
Industry sector						
Government and public sector	**3,158,071**	**139,449**	**-**	2,078,086	240,595	45,794
Banks and financial institutions	**844,018**	**1,989,917**	**42,088**	778,280	1,655,255	15,851
Real estate	**367,585**	**150,723**	**99,415**	301,316	214,166	146,646
Trading and manufacturing	**769,111**	**539,664**	**236,414**	771,663	553,056	494,851
Individuals	**2,010,178**	**3,844,651**	**158,904**	2,271,388	3,170,714	59,026
Others	**904,933**	**639,772**	**116,748**	862,045	635,611	38,381
	8,053,896	**7,304,176**	**653,569**	7,062,778	6,469,397	800,549

33.7 Market risk

Market risk arises from fluctuations in global yields on financial contracts and foreign exchange rates that could have an indirect effect on the Group's assets value and equity prices. The Board has set limits on the risk that may be accepted. This is monitored on a regular basis by the Audit and Risk Committee as well as ALCO of the Group.

a) Equity price risk

Equity price risk arises from fluctuations in equity prices. The Board has set limits on the overall investment exposure of the Bank. This is monitored on an ongoing basis by the Group's Credit and Investment Committee and Risk Management.

The effect on income (as a result of changes in the fair values of non-trading investments held at fair value through profit or loss and fair value through equity investments) solely due to reasonably possible changes in equity indexes, is as follows:

	2025			
	10% increase		10% decrease	
	Effect on net profit BD '000	Effect on equity BD '000	Effect on net profit BD '000	Effect on equity BD '000
Quoted investment	**220**	**542**	**(220)**	**(542)**

	2024			
	10% increase		10% decrease	
	Effect on net profit BD '000	Effect on equity BD '000	Effect on net profit BD '000	Effect on equity BD '000
Quoted investment	293	1,156	(293)	(1,156)

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.7 Market risk (continued)

b) Profit return risk

Profit rate risk arises from the possibility that changes in profit rates will affect the future profitability or the fair values of financial assets. The Board has set limits on the risk that may be accepted. This is monitored on a regular basis by the Audit and Risk Committee as well as ALCO of the Group.

The Group manages exposures to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The sensitivity on income solely due to reasonably possible immediate and sustained changes in profit return rates, affecting both floating rate assets and liabilities and fixed rate assets and liabilities with maturities up to one year (re-pricing maturity on cumulative basis) are as follows:

	2025			
	Change in rate %	**Effect on net profit net profit BD '000**	**Change in rate rate %**	**Effect on net profit net profit BD '000**
Bahraini dinars	**0.10**	**23,308**	**(0.10)**	**(23,308)**

	2024			
	Change in rate %	Effect on net profit net profit BD '000	Change in rate rate %	Effect on net profit net profit BD '000
Bahraini dinars	0.10	13,894	(0.10)	(13,894)

c) 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 regularly 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 and 31 December 2024.

The Group's net exposure for denominated in foreign currencies as at 31 December for its financial instruments are as follows:

	Long (short) 2025 BD '000	Long (short) 2024 BD '000
Sterling Pounds	**251**	92
Japanese Yen	**203**	96
Euro	**696**	726
Kuwaiti Dinar	**249**	243
Others	**1,844**	231

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.7 Market risk (continued)

Standard scenarios that are considered include a 10% increase or decrease in exchange rates other than GCC pegged currencies. An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables primarily profit rates, remain constant) is as follows:

	Change in currency rate %	**Effect on profit 2025 BD '000**	**Effect on equity 2025 BD '000**	Change in currency rate %	Effect on profit 2024 BD '000	Effect on equity 2024 BD '000
Sterling Pounds	**10**	**25.1**	**-**	10	9.2	-
Japanese Yen	**10**	**20.3**	**-**	10	9.6	-
Euro	**10**	**69.6**	**-**	10	72.6	-
Kuwaiti Dinar	**10**	**24.9**	**-**	10	24.3	-
Others	**10**	**184.4**	**-**	10	23.1	-
Total		**324.3**	-		138.8	-

33.8 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may impact certain sources of funding. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an adequate balance of cash, cash equivalents and readily convertible marketable securities. Liquidity position is monitored on an ongoing basis by the Risk and Audit Committee as well as ALCO of the Group.

The Bank has computed the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) as per the requirements of the CBB rulebook. The LCR at the Group level as at 31 December 2025 is 377.8% and the simple average of the daily consolidated LCRs of the last three months is 323.0%. The NSFR as at 31 December 2025 is 125.8%.

The maturity profile of sukuk, placements with or from financial institutions, financing contracts and murabaha term financings has been presented using the contractual maturity year. For other balances, maturity profile is based on expected cash flows / settlement profile of the respective assets and liabilities.

The management of the Group has enhanced its monitoring of the liquidity and funding requirements. ALCO meetings are convened more frequently in order to carryout granular assessment of funding requirements with the objective to explore available sources of funding and to drawdown the existing funding sources as and when necessary to maintain enough liquidity at a reasonable cost of funding.

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.8 Liquidity risk (continued)

As at the reporting date the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of any disruption. Further information on the regulatory liquidity and capital ratios are disclosed in (note 40) to the consolidated financial statements.

	2025				
	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
ASSETS					
Balances with banks and central banks	775,733	-	-	-	775,733
Placements with financial institutions	448,853	6,307	1,474	-	456,634
Investments in sukuk	45,616	142,358	321,704	1,424,476	1,934,154
Financing contracts	869,775	1,077,354	1,112,382	1,007,277	4,066,788
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	6,284	11,519	24,166	58,798	100,767
Goodwill and other intangible assets	-	-	-	230,939	230,939
	2,146,261	1,267,286	1,459,726	3,180,623	8,053,896
LIABILITIES AND QUASI-EQUITY					
Placements from financial institutions & individuals	62,602	54,984	-	-	117,586
Murabaha term financings	603,765	443,092	-	29,497	1,076,354
Customers' current accounts	1,486,337	-	-	-	1,486,337
Takaful and related liabilities	-	93,460	-	-	93,460
Other liabilities	88,466	19,825	3,835	30,240	142,366
Quasi-Equity	2,279,734	1,241,744	295,795	570,800	4,388,073
	4,520,904	1,853,105	299,630	630,537	7,304,176

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.8 Liquidity risk (continued)

	2024				
	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
ASSETS					
Balances with banks and central banks	633,611	-	-	-	633,611
Placements with financial institutions	459,484	16,966	-	-	476,450
Investments in sukuk	142,514	186,004	513,408	605,877	1,447,803
Financing contracts	844,719	730,360	565,234	1,521,357	3,661,670
Non-trading investments	-	-	-	97,944	97,944
Takaful and related assets	-	-	26,353	-	26,353
Investments in real estate	-	-	-	129,295	129,295
Investments in associates	-	-	-	255,008	255,008
Other assets	27,869	652	33,271	68,102	129,894
Goodwill and other intangible assets	-	-	-	204,750	204,750
	2,108,197	933,982	1,138,266	2,882,333	7,062,778
LIABILITIES AND QUASI_EQUITY					
Placements from financial institutions and individuals	105,082	59,901	6,033	-	171,016
Murabaha term financings	404,817	143,275	20,452	182,518	751,062
Customers' current accounts	1,279,886	-	-	-	1,279,886
Takaful and related liabilities	-	75,550	-	-	75,550
Other liabilities	37,728	28,155	22,415	39,524	127,822
Quasi-equity	2,630,242	708,875	127,601	597,343	4,064,061
	4,457,755	1,015,756	176,501	819,385	6,469,397

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2025 and 2024 based on contractual undiscounted payment obligation:

	2025					
	On demand BD '000	**Up to 3 months BD '000**	**3 months to 1 year BD '000**	**1 to 5 years BD '000**	**Over 5 years BD '000**	**Total BD '000**
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions	**-**	**62,748**	**56,328**	**-**	**-**	**119,076**
Customers' current accounts	**1,486,337**	**-**	**-**	**-**	**-**	**1,486,337**
Murabaha term financings	**-**	**607,187**	**451,360**	**-**	**31,806**	**1,090,353**
Other financial liabilities	**33,944**	**-**	**-**	**-**	**-**	**33,944**
Quasi-Equity	**1,316,259**	**969,868**	**1,273,654**	**309,879**	**570,898**	**4,440,558**
	2,836,540	**1,639,803**	**1,781,342**	**309,879**	**602,704**	**7,170,268**
COMMITMENTS AND CONTINGENT LIABILITIES						
Contingent liabilities and commitments	**-**	**202,519**	**225,662**	**132,467**	**92,921**	**653,569**
	-	**202,519**	**225,662**	**132,467**	**92,921**	**653,569**

Notes to the Consolidated Financial Statements

As at 31 December 2025

33 FINANCIAL RISK MANAGEMENT (continued)

33.8 Liquidity risk (continued)

	2024					
	On demand BD '000	Up to 3 months BD '000	3 months to 1 year BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
LIABILITIES AND QUASI-EQUITY						
Placements from financial institutions	-	105,653	60,377	6,303	-	172,333
Customers' current accounts	1,279,886	-	-	-	-	1,279,886
Murabaha term financings	-	407,629	148,845	21,646	183,795	761,915
Other financial liabilities	28,460	-	-	-	-	28,460
Quasi-Equity	1,251,094	1,711,649	742,182	147,152	597,433	4,449,510
	2,559,440	2,224,931	951,404	175,101	781,228	6,692,104
COMMITMENTS AND CONTINGENT LIABILITIES						
Contingent liabilities and commitments	-	298,855	366,822	113,423	21,449	800,549
	-	298,855	366,822	113,423	21,449	800,549

34 SEGMENT INFORMATION

Primary segment information

For management purposes, the Group is organised into the following primary business segments:

Banking

Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking, private banking and wealth management in Kingdom of Bahrain and through the Bank's subsidiaries in Seychelles and Algeria. Banking segment also includes the Group's investments in banking associates which are allocated as assets attributable to the jointly financed pool of investment accountholders. Other overseas associate investments form part of the investment segment.

Treasury

Principally handling Shari'a compliant money market, trading, fixed income products and treasury services including short-term commodity murabaha.

Investments

Principally the Group's proprietary portfolio and asset management services to clients with a range of investment products, funds and alternative investments. These also include the Group's investmet in certain associates and joint ventures.

Takaful

Represents the Group's investment in Solidarity Group Holding BSC (c) which is primarily involved in the business of offering Shari'a compliant takaful contracts. These comprise motor, non-motor, medical, group life and family takaful products. All activities of this business including its investment activities are reported under this segment as they are managed together along with the Takaful business.

Transactions between banking and other segments are conducted at estimated allocated internal rates. Transfer charges are based on a pool rate which approximates the cost of funds.

Notes to the Consolidated Financial Statements

As at 31 December 2025

34 SEGMENT INFORMATION (continued)

Segment information is disclosed as follows:

	2025					
	Banking BD '000	Treasury BD '000	Investments BD '000	Takaful BD '000	Unallocated BD '000	Total BD '000
Income						
Income from financing contracts	246,856	930	-	-	-	247,786
Income from placements with financial institutions	-	27,087	-	2,391	-	29,478
Income from Investments in sukuk	-	100,564	-	2,555	-	103,119
Finance expense on placements from financial institutions and individuals	(977)	(4,218)	-	(2,921)	-	(8,116)
Finance expense on murabaha term financing	-	(46,333)	-	-	-	(46,333)
Other finance expense	(4,571)	-	-	-	-	(4,571)
Net finance income	241,308	78,030	-	2,025	-	321,363
Fees and commission, net	21,629	6,298	-	-	-	27,927
Share of profit from associates	19,826	-	-	1,597	-	21,423
Income from Takaful operations, net	-	-	-	3,424	-	3,424
Other income	7,333	3,621	(5,166)	5,300	-	11,088
Total income	290,096	87,949	(5,166)	12,346	-	385,225
Expenses						
Staff costs	38,580	7,665	448	-	-	46,693
Other operating expenses	48,789	9,092	1,007	6,164	-	65,052
Total Expenses	87,369	16,757	1,455	6,164	-	111,745
Profit before allowances for impairment, income attribution to quasi-equity and tax	202,727	71,192	(6,621)	6,182	-	273,480
Allowance for impairment on financial instruments	(36,008)	350	(377)	123	-	(35,912)
Profit before income attribution to quasi-equity and tax	166,719	71,542	(6,998)	6,305	-	237,568
Income attributable to quasi-equity	(121,918)	(23,128)	-	-	-	(145,046)
Profit before tax	44,801	48,414	(6,998)	6,305	-	92,522
Tax	(7,136)	-	-	73	-	(7,063)
Profit for the year	37,665	48,414	(6,998)	6,378	-	85,459
Segment assets	4,685,478	2,920,508	171,654	224,141	52,115	8,053,896
Segment liabilities, and quasi-equity	5,116,514	2,006,901	545	101,860	78,356	7,304,176

Notes to the Consolidated Financial Statements

As at 31 December 2025

34 SEGMENT INFORMATION (continued)

	2024					
	Banking BD '000	Treasury BD '000	Investments BD '000	Takaful BD '000	Unallocated BD '000	Total BD '000
Income						
Income from financing contracts	236,088	285	-		-	236,373
Income from placements with financial institutions	-	24,208	-	680	-	24,888
Income from Investments in sukuk	-	69,508	-	2,060	-	71,568
Finance expense on placements from financial institutions and individuals	(2,920)	(8,367)	-	-	-	(11,287)
Finance expense on murabaha term financing	-	(30,851)	-	-	-	(30,851)
Other finance expense	(3,470)	-	-	-	-	(3,470)
Net finance income	229,698	54,783	-	2,740	-	287,221
Fees and commission, net	20,328	5,939	-	-	-	26,267
Share of profit from associates	17,858	-	273	38	-	18,169
Income from Takaful operations, net	-	-	-	5,357	-	5,357
Other income	3,969	2,118	(892)	4,242	-	9,437
Total income	271,853	62,840	(619)	12,377	-	346,451
Expenses						
Staff costs	35,078	8,164	1,104	-	-	44,346
Other operating expenses	33,829	9,047	1,670	5,473	-	50,019
Total Expenses	68,907	17,211	2,774	5,473	-	94,365
Profit before allowances for impairment, income attribution to quasi-equity and tax	202,946	45,629	(3,393)	6,904	-	252,086
Allowance for impairment on financial instruments	(21,244)	31	(17)	57	-	(21,173)
Profit before income attribution to quasi-equity and tax	181,702	45,660	(3,410)	6,961	-	230,913
Income attributable to quasi-equity	(123,245)	(31,271)	-	-	-	(154,516)
Profit before tax	58,457	14,389	(3,410)	6,961	-	76,397
Tax	(6,896)	-	-	-	-	(6,896)
Profit for the year	51,561	14,389	(3,410)	6,961	-	69,501
Segment information for the year ended 31 December 2024 (audited) was as follows:						
Segment assets	4,381,587	2,234,185	199,354	156,631	91,021	7,062,778
Segment liabilities, and quasi-equity	4,838,936	1,464,323	679	78,932	86,527	6,469,397

Total assets in the Banking segment includes goodwill and intangibles of BD 190,529 thousand (2024: BD 193,841 thousand) and total assets in the Takaful segment includes goodwill and intangibles of BD 40,410 thousand (2024: 10,909 thousand).

Notes to the Consolidated Financial Statements

As at 31 December 2025

34 SEGMENT INFORMATION (continued)

The distribution of assets, liabilities and quasi-equity by geographic segment was as follows:

	2025			2024		
	Assets BD '000	**Liabilities and Quasi-equity BD '000**	**Contingent liabilities and Commitments BD '000**	Assets BD '000	Liabilities and Quasi-equity BD '000	Contingent liabilities and Commitments BD '000
GCC	**6,507,212**	**5,554,219**	**318,250**	5,841,013	4,957,448	278,730
International	**1,546,684**	**1,749,957**	**335,319**	1,221,765	1,511,949	521,819
Total	**8,053,896**	**7,304,176**	**653,569**	7,062,778	6,469,397	800,549

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

35 SHARI'A SUPERVISORY BOARD

The Bank's Shari'a Supervisory Board ("SSB") consists of four Islamic scholars who review the Bank's compliance with general Shari'a rules and principles, specific fatwas and rulings issued by SSB and the guidelines of the Central Bank of Bahrain ("CBB") in relation to Shari'a governance and compliance. Their review includes examination and approval of products, documentation, procedure manuals and policies, services and related charges and fees that are presented to it to ensure that the Bank's adopted activities are conducted in accordance with Shari'a rules and principles, and consequently, issue report on the bank's compliance following the review and approval of the financial statements.

36 EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

During the year, the Group earned Shari'a prohibited income totaling BD 237 thousand (2024: BD 337 thousand). These include income earned from the conventional financing and investments due to acquiring BMI, ASBS and BSB, penalty charges from customers and interest on balances held with correspondent banks. These funds were allocated to charitable account for disbursement.

37 SOCIAL RESPONSIBILITY

The Group discharges its social responsibility through charity fund expenditures and donations to individuals and organisations which are used for charitable purposes.

Sources and application of Charity fund

	2025 BD '000	2024 BD '000
Opening balance	**642**	500
Sources of Charity fund		
Non-Shariah compliant income / late payment charges	**237**	300
Contributions by the Bank for charity	**1,000**	500
Total Sources of Charity	**1,879**	1,300
Uses of charity funds		
Payment to charitable societies	**348**	121
payments to needy families	**41**	27
Others	**1,211**	510
Total uses of funds during the year	**1,600**	658
Closing balance	**279**	642

Notes to the Consolidated Financial Statements

As at 31 December 2025

38 ZAKAH

According to the Bank's articles of association the bank is not obliged to pay Zakah on behalf of shareholders. The bank calculates Zakah per share and informs the shareholders. Zahak payable for 2025 approved by the Group's Shari'a supervisory board as 1.7 fils (2024: 3.5 fils) per share. calculated at 2.577% of the Zakah base of BD 195,210 thousand (2024: BD 368,580 thousand) which was determined on the Net assets method.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received upon the sale an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or

ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

(i) Financial instruments measured at fair value

The following table shows an analysis of the non-trading investments (equity securities), sukuk and FX waad portfolio carried at fair value in the consolidated statement of financial position:

31 December 2025	**Level 1 BD '000**	**Level 2 BD '000**	**Level 3 BD '000**	**Total BD '000**
Sovereign sukuk at fair value through OCI	**850,216**	**293,084**	**-**	**1,143,300**
Corporate sukuk at fair value through OCI	**91,679**	**-**	**-**	**91,679**
Equity securities at fair value through income statement	**2,196**	**-**	**81,010**	**83,206**
Equity securities at fair value through OCI	**5,419**	**298**	**4,054**	**9,771**
	949,510	**293,382**	**85,064**	**1,327,956**
FX Wa'ad assets position	**-**	**261**	**-**	**261**
FX Wa'ad liabilities position	**-**	**617**	**-**	**617**
	-	**(356)**	**-**	**(356)**

31 December 2024	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Sovereign sukuk at fair value through OCI	679,521	94,559	-	774,080
Corporate sukuk at fair value through OCI	25,001	1,306	-	26,307
Equity securities at fair value through income statement	2,927	-	75,789	78,716
Equity securities at fair value through OCI	11,564	-	7,013	18,577
	719,013	95,865	82,802	897,680
FX Wa'ad assets position	-	321	-	321
FX Wa'ad liabilities position	-	847	-	847
	-	(526)	-	(526)

Notes to the Consolidated Financial Statements

As at 31 December 2025

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(ii) Financial instruments measured at amortised cost

31 December 2025	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Sovereign sukuk	467,463	212,278	-	679,741
Corporate sukuk	19,434	-	-	19,434
	486,897	212,278	-	699,175
Fair value	494,169	212,717	-	706,886

31 December 2024	Level 1 BD '000	Level 2 BD '000	Level 3 BD '000	Total BD '000
Sovereign sukuk	553,718	73,581	-	627,299
Corporate sukuk	15,865	-	4,252	20,117
	569,583	73,581	4,252	647,416
Fair value	410,145	276,767	4,252	691,164

The movements in fair value of investments in equity securities classified in Level 3 of the fair value hierarchy are as follows:

	2025 BD '000	2024 BD '000
At beginning of the year	82,802	78,694
Acquired as part of business combination	1,242	3,055
Purchases	5,656	-
Disposals	(247)	-
Transfers	(3,609)	-
Fair value changes	(780)	1,053
At end of the year	85,064	82,802

(iii) Other Financial instruments not measured at fair value

The estimated fair value of yielding financing liabilities approximates their carrying value as their pricing is not materially different to expected market return on such contracts.

The estimated fair values of other financial assets are not expected to be materially different from their carrying values as of 31 December 2025 and 31 December 2024 due to their short term nature.

Notes to the Consolidated Financial Statements

As at 31 December 2025

40 REGULATORY RATIOS

(i) Capital Adequacy Ratio

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The regulatory capital and risk-weighted assets have been calculated in accordance with Basel III as adopted by the CBB.

	As at	
BD'000	**2025**	2024
CET 1 Capital before regulatory adjustments	**452,872**	352,201
Less: regulatory adjustments	**52,620**	48,628
CET 1 Capital after regulatory adjustments	**400,252**	303,573
AT 1 Capital	**171,008**	163,719
T 2 Capital adjustments	**88,400**	63,425
Regulatory Capital	**659,660**	530,717
Risk weighted exposure:		
Credit Risk Weighted Assets	**2,180,268**	1,962,782
Market Risk Weighted Assets	**2,164**	1,357
Operational Risk Weighted Assets	**244,159**	174,544
Total Regulatory Risk Weighted Assets	**2,426,591**	2,138,683
Total Adjusted Risk Weighted Exposures	**2,426,591**	2,138,683
Capital Adequacy Ratio	**27.2%**	24.8%
Common Equity Tier 1 Capital Ratio	**16.5%**	14.2%
Tier 1 Capital Adequacy Ratio	**23.5%**	21.8%
Tier 2 Capital Ratio	**3.6%**	3.0%
Minimum required by CBB	**14.0%**	14.0%

As of 31 December 2025, aggregate of modification loss of BD nil thousand (2024: BD 8,256 thousand) has been added back to Tier 1 capital.

(ii) Liquidity Coverage Ratio (LCR)

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity year. The stock of unencumbered HQLA should enable the bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the net cash outflows. The average consolidated LCR for three months calculated as per the requirements of the CBB rulebook, as of 31 December 2025 and 31 December 2024, is as follows:

	Total weighted value BD'000	
	2025	2024
Stock of HQLA	**1,197,284**	1,121,664
Net cashflows	**382,615**	316,329
LCR %	**323.0%**	363.5%
Minimum required by CBB	**100.0%**	100.0%

Notes to the Consolidated Financial Statements

As at 31 December 2025

40 REGULATORY RATIOS (continued)

(iii) Net Stable funding Ratio

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

NSFR is calculated in accordance with the Liquidity Risk Management Module guidelines, issued by CBB and its affective from 2019. The minimum NSFR ratio as per CBB is 100%.

The NSFR (as a percentage) as at 31 December 2025 is calculated as follows:

BD'000	Unweighted Values (before applying relevant factors)				
Item	**No specified maturity**	**Less than 6 months**	**More than 6 months and less than one year**	**Over one year**	**Total weighted value**
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	626,974	-	-	72,338	699,312
Retail deposits and deposits from small business customers:					
Stable deposits	-	604,193	35,160	7,923	615,308
Less stable deposits	-	2,363,270	560,114	230,891	2,861,936
Wholesale funding:					
Other wholesale funding	-	2,712,653	275,795	202,332	874,636
Other liabilities:					
All other liabilities not included in the above categories	-	186,784	-	-	-
Total ASF	626,974	5,866,900	871,069	513,484	5,051,192
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	65,768
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	910,433	1,084	8,706	145,812
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,347,296	572,625	1,499,295	2,206,405
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	139,784	90,860
Performing residential mortgages, of which:	-	-	-	511,181	332,268
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	511,181	332,268
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,435	-	-	3,717
Other assets:					
All other assets not included in the above categories	1,116,671	68,742	5,607	212,846	1,227,956
OBS items	-	652,720	-	-	32,636
Total RSF	1,116,671	2,986,626	579,316	2,232,028	4,014,562
NSFR (%)	-	-	-	-	125.8%

Notes to the Consolidated Financial Statements

As at 31 December 2025

40 REGULATORY RATIOS (continued)

(iii) Net Stable funding Ratio (continued)

The NSFR (as a percentage) as at 31 December 2024 is calculated as follows:

BD'000	Unweighted Values (before applying relevant factors)				
Item	No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	508,378	-	-	63,425	571,803
Retail deposits and deposits from small business customers:					
Stable deposits	-	571,095	33,455	11,305	585,628
Less stable deposits	-	2,058,395	540,615	219,778	2,558,887
Wholesale funding:					
Other wholesale funding	-	2,421,460	253,136	105,069	756,018
Other liabilities:					
All other liabilities not included in the above categories	-	172,320	-	-	-
Total ASF	508,378	5,223,270	827,206	399,577	4,472,336
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	54,201
Performing financing and sukuk/ securities:					
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	648,620	210	3,783	101,181
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,341,203	444,796	1,249,265	1,934,973
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines	-	-	-	99,508	64,680
Performing residential mortgages, of which:	-	-	-	497,045	323,079
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	497,045	323,079
Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	19,557	867	-	10,212
Other assets:					
All other assets not included in the above categories	1,108,102	26,366	3,970	101,667	1,131,103
OBS items	-	799,874	-	-	39,994
Total RSF	1,108,102	2,835,620	449,843	1,851,760	3,648,944
NSFR (%)	-	-	-	-	122.6%

Notes to the Consolidated Financial Statements

As at 31 December 2025

41 GLOBAL MINIMUM TAX

The Global Anti-Base Erosion ("Pillar Two") Model Rules issued by the Organisation for Economic Co-operation and Development ("OECD") (the "GloBE Rules") apply to multinational enterprise ("MNE") groups with consolidated annual revenue exceeding EUR 750 million in at least two of the four preceding fiscal years.

The Kingdom of Bahrain enacted Decree Law No. (11) of 2024 (the "Bahrain DMTT Law") on 1 September 2024, introducing a domestic minimum top-up tax ("DMTT") of up to 15% on the taxable income of Bahrain-resident entities within in-scope groups, applicable for fiscal years beginning on or after 1 January 2025.

Based on management's assessment, the Group falls within the scope of the Bahrain DMTT Law. However, no DMTT liability arises for the year ended 31 December 2025 in respect of the Group's Bahrain-resident entities, as the Group qualifies for the Initial Phase of International Activity exclusion under the Bahrain DMTT Law.

42 BUSINESS COMBINATION

i) Acquisition of Bahrain National Insurance Company BSC Closed ("BNI") and Bahrain National Life Assurance Company BSC Closed ("BNL")

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 fair value of assets, liabilities, equity interests are reported in these disclosures on a provisional basis and will be finalized within a period of 12 months from the date of acquisition. In line with the provisions of IFRS 3 "Business Combinations", if new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting will be reflected on a retrospective basis.

a) Total consideration

Total cash consideration paid is BD 69,146 thousand.

b) Fair value of identifiable net assets acquired

ASSETS ACQUIRED

	BD '000
Balances with banks and central banks	12,254
Placements with financial institutions	6,719
Investments in sukuk	20,523
Non-trading investments	17,675
Takaful contract assets	2,915
Retakaful contract assets	20,508
Investments in associates	3,700
Identified Intangible assets	7,525
Other assets	3,460
Total assets acquired (A)	**95,279**

LIABILITIES ASSUMED	**BD '000**
Takaful contract liabilities	32,346
Retakaful contract liabilities	14,218
Investment contract liabilities	1,834
Other provisions and liabilities	1,725
Total liabilities (B)	**50,123**
Total fair value of identifiable net assets acquired (C = A-B)	**45,156**

Notes to the Consolidated Financial Statements

As at 31 December 2025

42 BUSINESS COMBINATION (continued)

i) Acquisition of Bahrain National Insurance Company BSC Closed ("BNI") and Bahrain National Life Assurance Company BSC Closed ("BNL") (continued)

c) Goodwill

	BD '000
Consideration paid	69,146
Fair value of identifiable net assets acquired	(45,156)
Goodwill	**23,990**

ii) Acquisition of Kuwait Finance House (Bahrain) BSC closed

On 1 April 2024, the Bank acquired 100% shareholding in ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. (c)), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was fully owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH Group") a Kuwait incorporated islamic retail bank listed on Kuwait stock exchange, after obtaining the requisite regulatory approvals. The Group consolidated the results and financial position of KFH Bahrain from 1 April 2024.

a) Total consideration

Total cash consideration paid is BD 214,488 thousand.

b) Fair value of identifiable assets acquired and liabilities assumed

ASSETS ACQUIRED

	BD '000
Balances with banks and central banks	77,967
Placements with financial institutions	48,583
Investments in sukuk	227,269
Financing contracts	977,930
Non-trading investments	12,887
Investments in real estate	47,090
Identified Intangible assets	15,000
Other assets	15,190
Total assets acquired (A)	**1,421,916**
LIABILITIES ASSUMED	
Placements from financial institutions and individuals	23,019
Customers' current accounts	119,759
Other liabilities	31,348
Total liabilities	174,126
Quasi-equity	1,148,340
Total liabilities and Quasi-equity (B)	1,322,466
Total fair value of identifiable net assets acquired (C = A-B)	99,450

c) Goodwill

	BD '000
Consideration paid	214,488
Fair value of identifiable net assets acquired	(99,450)
Goodwill	**115,038**

43 COMPARATIVE FIGURES

Certain of the prior period figures have been regrouped to conform to the current year presentation. Such re-grouping did not affect previously reported profit for the year or total owners' equity of the Group.

Basel III - Pillar III Disclosures

Content Table

Basel III - Pillar III - Disclosures

As at 31 December 2025

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 RWAs.
- **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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

2 FINANCIAL PERFORMANCE AND POSITION (continued)

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
Key Ratios						
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

Table 2.2 Financial Summary

(BD '000s)

Consolidated Financial Position	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	1,986,465	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
Capital						
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

Basel III - Pillar III - Disclosures

As at 31 December 2025

2 FINANCIAL PERFORMANCE AND POSITION (continued)

Table 2.2 Financial Summary (continued)

Liquidity and Other Ratios	Dec-2025	Dec-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020
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
Subsidiaries		
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
Associates		
Gulf African Bank	Financial entity	Risk weighting of investment exposure
Bank of Bahrain and Kuwait B.S.C.*		
Bareeq Al Retaj 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 consolidated financial statements.

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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

3 GROUP AND CAPITAL STRUCTURE (continued)

3.2 Capital Structure (continued)

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		
Total CET1 capital prior to regulatory adjustments	**452,875**		
Less:			
Goodwill & Intangibles	(52,620)		
Total Common Equity Tier 1 capital after regulatory adjustments above	**400,255**		
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
Total Available AT1 & T2 Capital		**171,008**	**88,394**
Total Tier 1		**571,263**	
Total Capital (PD 1.3.20 a)			**659,657**

Basel III - Pillar III - Disclosures

As at 31 December 2025

3 GROUP AND CAPITAL STRUCTURE (continued)

3.2 Capital Structure (continued)

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	-
Risk Weighted Exposures after Aggregation	**2,175,789**	**244,159**	**2,164**
Total Risk Weighted Exposures			**2,422,112**

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

(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.

Basel III - Pillar III - Disclosures

As at 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%.

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

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%.

Table 5.1 Funded and Unfunded Exposures (PD-1.3.17)

					(BD '000s)
	Self Financed				
Exposure type	**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
Total funded exposures	**3,491,123**	**79,630**	**3,411,493**	**1,417,719**	**198,481**
Contingent Liabilities & Commitments	259,503	23,331	236,172	181,000	25,340
Total unfunded exposures	**259,503**	**23,331**	**236,172**	**181,000**	**25,340**
Aggregation of Risk Weighted Exposures for AlSalam Bank Seychelles Limited	-	-	-	1,415	198
Total exposures	**3,750,626**	**102,961**	**3,647,665**	**1,600,134**	**224,019**

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

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

					(BD '000s)
	Funded by EAIH				
Exposure Type	**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
Total funded exposures	**4,359,423**	**488,648**	**3,870,775**	**575,655**	**80,592**
Contingent Liabilities & Commitments	-	-	-	-	-
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**
Total exposures	**4,359,423**	**488,648**	**3,870,775**	**575,655**	**80,592**

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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

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)

					(BD '000s)
		Eligible Collaterals Held (after appropriate haircuts) *			
Current Credit Exposure by Type of Islamic Financing Contracts	**Gross Positive Fair Value (Net of specific provision)**	**Cash**	**Sovereign Sukuk**	**Real Estate**	**Total**
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	-	-	-	**-**
Total	**4,105,520**	**336,960**	**16,308**	**753,776**	**1,107,044**

* The value of collateral eligible for credit risk mitigant 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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

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)

		(BD '000s)
	Self Financed	
Exposure Type	**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
Total funded exposures	**3,665,823**	**3,550,260**
Contingent Liabilities & Commitments	653,569	786,870
Total unfunded exposures	**653,569**	**786,870**
Total exposures	**4,319,392**	**4,337,130**

		(BD '000s)
	Funded by EAIH	
Exposure Type	**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
Total funded exposures	**4,388,073**	**4,290,286**
Contingent Liabilities & Commitments	-	-
Total unfunded exposures	**-**	**-**
Total exposures	**4,388,073**	**4,290,286**

* Exposures are net of ECL

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

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

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 valuators.

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.

5.1.1 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)
	Self Financed						
Exposure type	**GCC Countries**	**Middle East and North Africa**	**Europe**	**Asia**	**America**	**Others**	**Total**
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**
Total funded exposures	**2,646,677**	**705,652**	**49,289**	**37,644**	**220,325**	**6,236**	**3,665,823**
Contingent Liabilities & Commitments	318,250	334,555	-	-	764	-	**653,569**
Total unfunded exposures	**318,250**	**334,555**	**-**	**-**	**764**	**-**	**653,569**
Total exposures	**2,964,927**	**1,040,207**	**49,289**	**37,644**	**221,089**	**6,236**	**4,319,392**

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.1 Geographical Distribution of Exposures (continued)

Table 5.5 (PD 1.3.23 b)

							(BD '000s)
	Funded by EIAH						
Exposure type	GCC Countries	Middle East and North Africa	Europe	Asia	America	Others	Total
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**
Total funded exposures	**3,860,536**	**454,183**	**65,179**	**-**	**-**	**8,175**	**4,388,073**
Contingent Liabilities & Commitments	-	-	-	-	-	-	-
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposures	**3,860,536**	**454,183**	**65,179**	**-**	**-**	**8,175**	**4,388,073**

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)
Total	**195,161**	**(7,128)**	**172,631**	**(48,541)**

Basel III - Pillar III - Disclosures

As at 31 December 2025

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)

							(BD '000s)
	Self Financed						
Exposure Type	**Trading and Manufacturing**	**Banks and Financial Institutions**	**Real Estate**	**Individuals**	**Government and Public Sector Entities**	**Others**	**Total**
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	22,452	1,359	3,383	12,996	254	53,723	**94,167**
Goodwill and other intangible assets	-	230,939	-	-	-	-	**230,939**
Total funded exposures	**422,534**	**418,702**	**215,554**	**72,737**	**2,347,863**	**188,433**	**3,665,823**
Contingent Liabilities & Commitments	236,414	42,088	99,415	158,904	-	116,748	**653,569**
Total unfunded exposures	**236,414**	**42,088**	**99,415**	**158,904**	**-**	**116,748**	**653,569**
Total exposures	**658,948**	**460,790**	**314,969**	**231,641**	**2,347,863**	**305,181**	**4,319,392**

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry (continued)

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

(BD '000s)

	Funded by EIAH						
Exposure Type	**Trading and Manufacturing**	**Banks and Financial Institutions**	**Real Estate**	**Individuals**	**Government and Public Sector Entities**	**Others**	**Total**
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**
Total funded exposures	**346,577**	**425,316**	**152,031**	**1,937,441**	**810,208**	**716,500**	**4,388,073**
Contingent Liabilities & Commitments	-	-	-	-	-	-	**-**
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposures	**346,577**	**425,316**	**152,031**	**1,937,441**	**810,208**	**716,500**	**4,388,073**

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)
Total	**195,161**	**(7,128)**	**172,631**	**(48,541)**

Basel III - Pillar III - Disclosures

As at 31 December 2025

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					(BD '000s)
	up to 1 Year	Over 1 year up to 3 years	Over 3 years	Expected Credit Losses (ECL) / Specific Provisions	Net Outstanding	Market Value of Collateral
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
Total	**293,957**	**66,804**	**7,031**	**(55,669)**	**312,124**	**347,829**

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:

					(BD '000s)
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	POCI	Total ECL
Balance at the beginning of the year	**26,133**	**15,088**	**34,300**	**-**	**75,521**
- 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
Allowance for credit losses	**12,054**	**(1,977)**	**33,474**	**(7,893)**	**35,658**
Exchange adjustments and other movements	-	-	(1,947)	7,893	**5,946**
Exposures written off during the period	-	-	(14,831)	-	**(14,831)**
Balance at the end of the year	**38,187**	**13,111**	**50,996**	**-**	**102,294**

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)**

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.4 Exposure by External Credit Rating (continued)

Table 5.12

Exposure Type	Gross Credit Exposure*	Rated Exposure	(BD '000s) 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
Total	**8,110,049**	**532,896**	**7,577,153**

* 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

5.1.5 Maturity Analysis of Exposures

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

Table 5.13

	Notional Principal	(BD '000s) Credit Exposure *
Contingent liabilities on behalf of customers	339,396	172,481
Irrevocable unutilised commitments	314,173	87,022
Total	**653,569**	**259,503**

* Credit exposure is after applying CCF.

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.1 Credit Risk (continued)

5.1.5 Maturity Analysis of Exposures (continued)

Table 5.14 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**
Total	**2,146,261**	**1,267,286**	**3,413,547**	**1,459,726**	**1,240,276**	**743,796**	**1,196,551**	**4,640,349**	**8,053,896**

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**
Total	**202,520**	**225,662**	**428,181**	**132,467**	**85,377**	**7,531**	**12**	**225,387**	**653,569**

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

Basel III - Pillar III - Disclosures

As at 31 December 2025

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)

(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
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**
Total	**4,520,904**	**1,853,105**	**6,374,009**	**299,630**	**630,524**	**13**	**-**	**930,167**	**7,304,176**

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
Total market risk	**2,164**	**303**	**173**	**303**	**1,389**

* 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)**

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.3 Operational Risk (continued)

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. **(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)

5.4 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)

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.4 Rate of Return Risk (PD 1.3.39) (continued)

Table 5.18

(BD '000s)

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
TOTAL ASSETS (A)	**8,053,896**	**661,284**	**719,346**	**495,961**	**702,000**	**554,857**	**388,752**	**2,910,974**	**1,620,722**
Liabilities									
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	-
TOTAL LIABILITIES	**7,304,176**	**2,240,349**	**1,289,518**	**978,855**	**807,610**	**182,003**	**21,956**	**61,722**	**1,722,163**
TOTAL OWNERS' EQUITY	749,720	-	-	-	-	-	-	-	749,720
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY	**8,053,896**	**2,240,349**	**1,289,518**	**978,855**	**807,610**	**182,003**	**21,956**	**61,722**	**2,471,883**
Off-Balance Sheet Liabilities	653,569	-	-	-	-	-	-	-	653,569
Total liabilities, Quasi-equity and owners' equity with Off-Balance Sheet Items (B)	**8,707,465**	**2,240,349**	**1,289,518**	**978,855**	**807,610**	**182,003**	**21,956**	**61,722**	**3,125,452**
Gap (A - B)		(1,579,065)	(570,172)	(482,894)	(105,610)	372,854	366,796	2,849,252	
Cumulative Gap		**(1,579,065)**	**(2,149,237)**	**(2,632,131)**	**(2,737,741)**	**(2,364,887)**	**(1,998,091)**	**851,161**	

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

5.4 Rate of Return Risk (PD 1.3.39) (continued)

Table 5.18 (a)

Profit rate risk in the Banking Book	(BD '000s)
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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

5 PROFILE OF RISK-WEIGHTED ASSETS AND CAPITAL CHARGE (continued)

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

Table 5.19 Equity positions in the Banking Book

	(BD '000s) Gross Credit Exposure
Quoted Equities	9,148
Unquoted Equities	86,856
Investment in associates - equity accounted	279,000
Net realized gain/ (loss) during the year	549
Net unrealized gain/ (loss) during the year	759

Asset Categories for Credit Risk	Gross Credit Exposure	Risk-Weighted Assets (RWA)	(BD '000s) Minimum Capital Charge
Equity Investments - Unlisted	1,662	2,493	349
Investments in unrated funds - Unlisted	302	453	63
Significant investment in the common shares of financial entities >10%	282,390	51,103	7,154
Investment in listed real estate companies	2,101	6,303	882
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 it's 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)**

Basel III - Pillar III - Disclosures

As at 31 December 2025

6 QUASI-EQUITY (EQUITY OF INVESTMENT ACCOUNTHOLDERS "EIAH") (PD 1.3.32) (continued)

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)**

Table 6.1

						(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
Balance of:						
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 %	-	-	-	-	-	-
Reconciliation						
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)
Profit credited to EIAH accounts	**145,046**	**154,516**	**100,087**	**47,991**	**35,977**	**29,335**
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%

Basel III - Pillar III - Disclosures

As at 31 December 2025

6 QUASI-EQUITY (EQUITY OF INVESTMENT ACCOUNTHOLDERS "EIAH") (PD 1.3.32) (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

	Total Exposures	Funded by EIAH	Self Financed	(BD '000s) % of EIAH to Total
Sovereign	3,158,071	810,208	2,347,863	26%
Financial Institutions	844,018	425,316	418,702	50%
Corporate	2,041,629	1,215,108	826,521	60%
Retail	2,010,178	1,937,441	72,737	96%
Total	**8,053,896**	**4,388,073**	**3,665,823**	**54%**

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	143,618	489,993	468,356	8,094	234,893	20,115	17,242	112,053	8,268	89,676	3,191,684	469,986	-	-
Asset Allocation as on 31 December 2023	-	537,874	238,609	54,971	227,790	3,694	-	-	-	-	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	-	-
Asset Allocation as on 31 December 2021	189,403	119,746	133,860	-	-	-	-	-	-	-	1,285,880	78,572	-	-
Asset Allocation as on 31 December 2020	107,134	181,132	37,965	-	-	-	-	-	-	-	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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

7 RESTRICTED INVESTMENT ACCOUNTS ("RIA") (continued)

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.

Table 7.1

		(BD '000s)
	Dec-2025	**Dec-2024**
(PD-1.3.35 (a) & (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
Average declared rate of return ((PD-1.3.33 (q))		
12-Month	7.8%	6.7%
24-Month	-	7.0%
(PD-1.3.33 (l) (m) (n) & (o))		
RIA Return Before Mudarib share	603	8,969
Mudarib's share	(143)	(1,354)
RIA Return after Mudarib share	**460**	**7,615**
Mudarib share as a percentage of total RIA investment profit (PD-1.3.33 (f))	23.7%	15.1%
Share of Islamic Financing Contracts in Total RIA Financing (PD-1.3.33 (h) and (PD-1.3.33 (v)))		
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	-	-

(PD-1.3.33 (w), (d) and 1.3.35(a),(b))	**Dec-2025**	**Dec-2024**
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

Basel III - Pillar III - Disclosures

As at 31 December 2025

7 RESTRICTED INVESTMENT ACCOUNTS ("RIA") (continued)

Counterparty Type Contracts Financed by RIA to Total RIA (PD-1.3.33 (i)), (PD-1.3.38)

	(BD '000s)
RIA claims on corporate	7,990
Percentage of Counterparty type contracts to Total Financing	100%

Maturity analysis	Amount
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 resrtuctured 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)

Basel III - Pillar III - Disclosures

As at 31 December 2025

8 OTHER DISCLOSURES (continued)

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 conside red 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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

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

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-2: Reconciliation requirements (continued)

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

			BHD '000
	Balance sheet as in published financial statements	**Consolidated\ PIRI data**	**Reference**
Assets			
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	
Total Assets	**8,053,896**	**8,102,953**	

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-2: Reconciliation requirements (continued)

Step 2: Reconcilation of published financial balance sheet to regulatory reporting as at 31 December 2025 (continued)

BHD '000

	Balance sheet as in published financial statements	Consolidated\ PIRI data	Reference
Liabilities			
Placements from financial institutions and customers	**117,586**	**117,586**	
Customers' current accounts	**1,486,337**	**1,486,337**	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	**1,076,354**	**1,076,354**	
of which Murabaha Term Financing	1,076,354	1,076,354	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	**235,826**	**233,585**	
of which Takaful Liabilities	93,460	93,460	
of which Other liabilities	142,366	140,125	
Unrestricted Investment Accounts	**4,388,073**	**4,388,073**	
of which amount eligible for T2		15,646	**E-1**
of which amount not eligible for regulatory capital		4,372,427	
Total Liabilities	**7,304,176**	**7,301,935**	
Owners' Equity			
Total share capital	**285,090**	**285,090**	**A**
Share capital	296,760	296,760	
Treasury stock	(8,684)	(8,684)	
Employee incentive scheme shares	(2,986)	(2,986)	
Reserves and retained earnings	**177,357**	**177,357**	
Share premium	209	209	**C-1**
Statutory reserve	39,566	39,566	
of which amount eligible for CET1		38,760	**C-2**
of which amount not eligible for CET1		806	
Retained earnings (excluding profit for the year), of which:	5,277	5,277	
Amount eligible for CET1		750	**B-2**
Amount not eligible for CET1		4,527	
Net profit for the year	76,834	76,834	
of which amount eligible for CET1		74,897	**B-3**
of which amount not eligible for CET1		1,937	
Fx translation adjustment	3,020	3,020	**C-3**
of which amount eligible for CET1		3,020	
Changes in fair value - amount eligible for CET1	27,614	27,614	
of which amount eligible for CET1		27,443	
of which amount not eligible for CET1		171	**C-4**
Share grant scheme	2,154	2,154	**C-5**
Real estate fair value reserve - amount eligible for T2	22,683	22,683	**D**
Subordinated Mudaraba	**209,124**	**209,124**	
of which amount eligible for AT1		165,942	**E-2**
of which amount not eligible for regulatory capital		43,182	
Minority interest in subsidiaries' share capital	**78,149**	**78,149**	
of which amount eligible for CET1		23,642	**E-3**
of which amount eligible for AT1		5,066	**E-4**
of which amount eligible for T2		6,755	**E-5**
of which amount not eligible for regulatory capital		42,687	
Expected credit losses (Stages 1 & 2)		**51,298**	**F**
of which amount eligible for T2		43,312	
of which amount not eligible for regulatory capital		7,986	
Total Owners' Equity	**749,720**	**801,018**	
Total Liabilities + Owners' Equity	**8,053,896**	**8,102,953**	

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-1: Reconciliation requirements & Template

Step 3: Composition of Capital Common Template as at 31 December 2025

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	BHD '000 Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	281,997	A-B1
2	Retained earnings	75,647	B2+B3
3	Accumulated other comprehensive income (and other reserves)	71,586	C1+C2+C3+C4+C5
4	Not Applicable		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	23,642	E3
6	**Common Equity Tier 1 capital before regulatory adjustments**	452,872	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	25,971	G1+G2
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	26,649	G1+G2
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable		
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common equity Tier 1**	52,620	
29	**Common Equity Tier 1 capital (CET1)**	**400,252**	

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-1: Reconciliation requirements & Template (continued)

Step 3: Composition of Capital Common Template as at 31 December 2025 (continued)

	Composition of Capital and mapping to regulatory reports	**Component of regulatory capital**	**BHD '000 Reference numbers of balance sheet under the regulatory scope of consolidation from step 2**
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	165,942	E2
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
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	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**171,008**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments plus related stock surplus	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	**171,008**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**571,260**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,683	D
47	Directly issued capital instruments subject to phase out from Tier 2	-	
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	of which: instruments issued by subsidiaries subject to phase out	15,646	
50	Provisions	43,312	F
51	**Tier 2 capital before regulatory adjustments**	**88,397**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-1: Reconciliation requirements & Template (continued)

Step 3: Composition of Capital Common Template as at 31 December 2025 (continued)

			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**
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**88,397**	
59	**Total capital (TC = T1 + T2)**	**659,657**	
60	**Total risk weighted assets**	**2,422,112**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	**16.5%**	
62	Tier 1 (as a percentage of risk weighted assets)	**23.6%**	
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%**	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	**10.5%**	
70	CBB Tier 1 minimum ratio	**12.0%**	
71	CBB total capital minimum ratio	**14.0%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	**-**	
73	Significant investments in the common stock of financials	**3,721**	
74	Mortgage servicing rights (net of related tax liability)	**-**	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**710**	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	51,298	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	43,312	
78	N/A		
79	N/A		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-3: Features of regulatory capital

For the period ended 31 December 2025

		Common Equity Tier 1	Subordinated Mudaraba (AT1)	Tier 2
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.	Al Salam Bank Algeria (S.P.A)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	Not applicable	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	All applicable laws and regulations of the Kingdom of Bahrain	Algeria
	Regulatory treatment			
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba	Subordinated Debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 296.76 Million	BD 165.94 million	BD 15.65 million
9	Par value of instrument	BD 0.100	Not applicable	Not applicable
10	Accounting classification	Shareholders' Equity	Subordinated Mudaraba	Quasi Equity
11	Original date of issuance	13-Apr-06	Various	13-Jan-25
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No Maturity	Non-callable for 5 years
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date	First optional liquidation date 12 Jan 2030
16	Subsequent call dates, if applicable	Not applicable	Post First Call date	Not applicable
	Coupons / dividends			Quarterly distribution
17	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed	Floating
18	Coupon rate and any related index	Not applicable	6% (reset midswap + 1.50%)	5.14% (Subject to attribution of profits to quasi-equity)
19	Existence of a dividend stopper	Not applicable	Yes	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable	Not applicable

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE (continued)

Appendix PD-3: Features of regulatory capital (continued)

		Common Equity Tier 1	Subordinated Mudaraba (AT1)	Tier 2
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	No	Yes	No
31	If write-down, write-down trigger(s)	Not applicable	Writedown at the point of non-viability	Not applicable
32	If write-down, full or partial	Not applicable	Both	Not applicable
33	If write-down, permanent or temporary	Not applicable	Pemanent	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Constitue direct, unsecured, conditional, and subordinated obligations of the bank. Rank subordinate to all Senior Obligations and rank pari passue with all other pari passue obligations (if any). In priority only to Junior Obligations.	Subject to subordination based general loss absorbency feature applicable to participation based shariah compliant products
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

Basel III - Pillar III - Disclosures

As at 31 December 2025

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 Labilities 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.

Basel III - Pillar III - Disclosures

As at 31 December 2025

APPENDIX II - NET STABLE FUNDING RATIO (NSFR) DISCLOSURE (continued)

BHD '000

No.	Item	Unweighted Values (before applying relevant factors) No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	626,974	-	-	72,281	**699,255**
3	Other Capital Instruments	-	-	-	-	**-**
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	604,193	35,160	7,923	**615,308**
6	Less stable deposits	-	2,363,270	560,114	230,891	**2,861,936**
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	**-**
9	Other wholesale funding	-	2,712,653	275,795	202,332	**874,636**
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	186,784	-	-	**-**
13	**Total ASF**					**5,051,135**
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					**65,768**
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	**-**
16	Performing financing and sukuk/ securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	**-**
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	910,433	1,084	8,706	**145,812**
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,347,296	572,625	1,499,295	**2,206,405**
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	139,784	**90,860**
21	Performing residential mortgages, of which:	-	-	-	511,181	**332,268**
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	511,181	**332,268**
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	7,435	-	-	**3,717**
24	Other assets:					
25	Physical traded commodities, including gold	-				**-**
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	**-**
27	NSFR Shari'a-compliant hedging assets		-	-	-	**-**
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	**-**
29	All other assets not included in the above categories	1,116,671	68,742	5,607	212,846	**1,227,956**
30	OBS items		652,720	-	-	**32,636**
31	**Total RSF**					**4,014,562**
32	**NSFR (%)**					**125.8%**

Basel III - Pillar III - Disclosures

As at 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:

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

*Represents simple average of daily LCR

Basel III - Pillar III - Disclosures

As at 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:

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

Al Salam Bank B.S.C.
P.O. Box 18282, Manama, Kingdom of Bahrain

Shareholder Affairs
Tel: +973 1713 3399
E-mail: investors@alsalambank.com

www.alsalambank.com