

KHALEEJI BANK B.S.C

PUBLIC DISCLOSURES

(Based on CBB guidelines)

30 June 2025

These disclosures have been prepared in accordance with the Public Disclosure Module (“PD”), Section PD-1.3: Disclosures in Annual Reports and PD-3.1.6 Semi-annual Disclosures, CBB Rule Book, Volume II for Islamic Banks. These disclosures should be read in conjunction with the detailed risk management disclosures made in the annual report for the year ended 31 December 2024, and the condensed consolidated interim financial information for the six months period ended 30 June 2025.

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Executive Summary

The Public Disclosures made under this section have been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module (“PD”), Section PD-1.3: Disclosures in Annual Reports of the CBB Rule Book, Volume II for Islamic Banks and Section PD-3.1.6: Publication of reviewed (Unaudited) quarterly financial statements for locally incorporated Islamic banks.

All figures presented in this section are reported in BD thousands and are as of and for the period ended 30 June 2025 unless otherwise stated.

Khaleeji Bank BSC (the “Bank”) Tier I and total capital adequacy ratios comply with the minimum capital requirements under the CBB’s Basel 3 framework.

At 30 June 2025, Bank’s CET1 and T1 capital and total capital adequacy ratios were 21.52 percent, 21.52 percent and 22.39 percent, respectively.

1 Group Structure

The Bank operates under a retail banking license granted by the CBB on 20 October 2003. The Bank does not have significant operating subsidiaries. The subsidiaries set-up is primarily special purpose entities with nominal capital to execute specific investment transactions. The subsidiaries qualify as commercial entities as per the CBB guidelines and are risk weighted as investments for capital adequacy computation purposes.

2 Capital Management and Capital Adequacy Ratio

2.1 Capital management

The Bank's policy is to maintain a strong capital base to develop and retain investor, creditor and market confidence and to sustain business growth. The Bank recognizes the impact of a high level of capital on shareholders' returns, while not losing sight of the security and market confidence afforded by a sound capital base. The Bank aims to maintain a minimum total capital adequacy ratio significantly in excess of that mandated by the CBB.

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2.2 Statement of Financial position under the regulatory scope of consolidation

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

	Statement of Financial position as in published financial statements	Statement of Financial position as per regulatory reporting	Reference
ASSETS			
CASH AND BANK BALANCES	117,609	117,609	
OF WHICH ECL (STAGE 1&2)	-	-	a
OF WHICH CASH AND BANK BALANCES TO SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
PLACEMENTS WITH FINANCIAL INSTITUTIONS	26,600	26,601	
OF WHICH ECL (STAGE 1&2)	(1)	-	b
FINANCING CONTRACTS	818,267	823,118	
OF WHICH ECL (STAGE 1&2)	(4,851)	-	c
OF WHICH FINANCING TO SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
INVESTMENT IN SUKUK	551,770	552,144	
OF WHICH ECL (STAGE 1&2)	(374)	-	d
INVESTMENT SECURITIES	21,190	23,020	
OF WHICH INVESTMENT SECURITIES TO SUBSIDIARY (COMMERCIAL ENTITY)	(1,830)	-	
OF WHICH ECL (STAGE 1&2)	-	-	e
OF WHICH RELATED TO INSIGNIFICANT INVESTMENTS IN FINANCIAL ENTITIES	-	-	
OF WHICH CAPITAL ADJUSTMENTS RELATED TO INVESTMENT IN FINANCIAL ENTITIES WHERE OWNERSHIP IS < 10% OF ISSUED COMMON SHARE CAPITAL (AMOUNT ABOVE 10% CET1A)	-	-	f
OF WHICH RELATED TO OTHER INVESTMENTS	21,190	23,020	
INVESTMENT IN REAL ESTATE	42,297	42,297	
OF WHICH INVESTMENT IN REAL ESTATE OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
EQUITY ACCOUNTED INVESTEEES	6,516	6,516	
OF WHICH EQUITY ACCOUNTED INVESTEEES OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
OTHER ASSETS	43,778	43,806	
OF WHICH RECEIVABLE FROM SUBSIDIARY (COMMERCIAL ENTITY)	(28)	-	
PROPERTY AND EQUIPMENT	3,207	3,207	
TOTAL ASSETS	1,631,234	1,638,318	
LIABILITIES			
PLACEMENTS FROM FINANCIAL INSTITUTIONS	62,425	62,425	
PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS	287,850	287,850	
TERM BORROWING	387,242	387,242	
CUSTOMERS' CURRENT ACCOUNTS	89,346	90,441	
OF WHICH ACCOUNT OF SUBSIDIARY (COMMERCIAL ENTITY)	(1,095)	-	
OTHER LIABILITIES	21,125	22,663	
OF WHICH ECL (STAGE 1&2)	21	-	g
OF WHICH PAYABLES OF SUBSIDIARY (COMMERCIAL ENTITY)	(1,559)	-	
TOTAL LIABILITIES	847,988	850,622	
QUASI-EQUITY	654,213	654,213	
OWNERS' EQUITY			
SHARE CAPITAL	113,044	113,044	h
STATUTORY RESERVE	13,460	13,460	i
TREASURY SHARES	(5,907)	(5,907)	j
INVESTMENT FAIR VALUE RESERVE	(5,049)	(5,049)	k
RETAINED EARNINGS BEFORE MODIFICATION LOSS	12,898	14,372	l
LESS: MODIFICATION LOSS NET OF GOVERNMENT GRANT AND ECL ADD BACK	-	(1,683)	
RETAINED EARNINGS	12,898	12,689	
OF WHICH RETAINED EARNINGS OF SUBSIDIARY (COMMERCIAL ENTITY)	209	-	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	128,446	128,237	
ECL (STAGE 1&2)	-	5,247	a+b+c+d+e-g
NON-CONTROLLING INTEREST	587	-	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS' EQUITY	1,631,234	1,638,318	

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2.2 Statement of Financial position under the regulatory scope of consolidation (continued)

* As per the CBB circular OG/226/2020 the aggregate of modification loss and ECL provision, amount must be deducted on an annual basis from CET1 in equal proportions over a three-year period from 1 January 2022 to 31 December 2024. Further, as per the CBB circular OG/417 /2021 the benefit of amortization of modification loss was extended until 30 June 2022. Further, CBB in its circular ODG/28/2022, communicated that the amortization of modification loss and 2020 ECL (management overlay) must be amortized starting from 1 January 2023. During the period ended 30 June 2025, out of the modification loss of BD 10,083, an amount BD 1,680 thousand representing modification loss net of government subsidy was deducted from CET1.

2.3 Composition of Capital

Composition of Capital as at 30 June 2025			Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves			
1.	Directly issued qualifying common share capital plus related stock surplus	107,137	h+j
2.	Retained earnings	27,832	i+l
3.	Accumulated other comprehensive income (and other reserves)	(5,049)	
4.	Not applicable		
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6.	Common Equity Tier 1 capital before regulatory adjustments	129,920	
Common Equity Tier 1 capital: regulatory adjustments			
7.	Prudential valuation adjustments	-	
8.	Goodwill (net of related tax liability)	-	
9.	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
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)	-	f
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	-	
29.	Common Equity Tier 1 capital (CET1)	129,920	
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	-	
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)	-	
35.	of which: instruments issued by subsidiaries subject to phase out	-	
36.	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 capital: regulatory adjustments			

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Composition of Capital as at 30 June 2025		Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
37.	Investments in own Additional Tier 1 instruments	-
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)	-
45.	Tier 1 capital (T1 = CET1 + AT1)	129,920
Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47.	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-
48.	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49.	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
50.	Provisions	5,247
51.	Tier 2 capital before regulatory adjustments	5,247
Tier 2 capital: regulatory adjustments		
52.	Investments in own Tier 2 instruments	-
53.	Reciprocal cross-holdings in Tier 2 instruments	-
54.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55.	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56.	National specific regulatory adjustments	-
57.	Total regulatory adjustments to Tier 2 capital	-
58.	Tier 2 capital (T2)	5,247
59.	Total capital (TC = T1 + T2)	135,167
60.	Total risk weighted assets	603,766
Capital ratios and buffers		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	21.52%
62.	Tier 1 (as a percentage of risk weighted assets)	21.52%
63.	Total capital (as a percentage of risk weighted assets)	22.39%
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)	9%
65.	of which: capital conservation buffer requirement	2.5%
66.	of which: bank specific countercyclical buffer requirement	N/A
67.	of which: D-SIB buffer requirement	N/A
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	21.52%
National minima including CCB (where different from Basel III)		
69.	CBB Common Equity Tier 1 minimum ratio	9.0%
70.	CBB Tier 1 minimum ratio	10.5%
71.	CBB total capital minimum ratio	12.5%
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	-
74.	Mortgage servicing rights (net of related tax liability)	-
75.	Deferred tax assets arising from temporary differences (net of related tax liability)	-
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	5,247

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Composition of Capital as at 30 June 2025			Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	5,247	
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	NA	
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82.	Current cap on AT1 instruments subject to phase out arrangements	NA	
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84.	Current cap on T2 instruments subject to phase out arrangements	NA	
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

2.4 Unconsolidated legal entities for regulatory purposes

Legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Legal Entity name	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank for regulatory purposes	Extracts of financial information as at 30 June 2025 (Amount in BD 000's)	
			Total assets	Total equity
Surooh LTD	Commercial entity	Risk weighted	2,511	2,357
KHCB Tier 1 Sukuk Limited	Trust	Risk weighted	3.59	0.09

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2.5 Disclosure template for main feature of regulatory capital instruments

1.	Issuer	Khaleeji Bank B.S.C
2.	Unique identifier	KHALEEJI
3.	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
4.	Transitional CBB rules	Common Equity Tier 1
5.	Post-transitional CBB rules	Common Equity Tier 1
6.	Eligible at solo/group/group & solo	Group and solo
7.	Instrument type (types to be specified by each jurisdiction)	Equity Shares
8.	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 113 million
9.	Par value of instrument	BD 0.100
10.	Accounting classification	Shareholders' Equity
11.	Original date of issuance	Various
12.	Perpetual or dated	Perpetual
13.	Original maturity date	No Maturity
14.	Issuer call subject to prior supervisory approval	No
15.	Optional call date, contingent call dates and redemption amount	Not applicable
16.	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17.	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders
18.	Coupon rate and any related index	Not applicable
19.	Existence of a dividend stopper	Not applicable
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21.	Existence of step up or other incentive to redeem	No
22.	Noncumulative or cumulative	Non-cumulative
23.	Convertible or non-convertible	Non-convertible
24.	If convertible, conversion trigger (s)	Not applicable
25.	If convertible, fully or partially	Not applicable
26.	If convertible, conversion rate	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable
30.	Write-down feature	No
31.	If write-down, write-down trigger(s)	Not applicable
32.	If write-down, full or partial	Not applicable
33.	If write-down, permanent or temporary	Not applicable

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2.5 Disclosure template for main feature of regulatory capital instruments (continued)

34.	If temporary write-down, description of write-up mechanism	Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36.	Non-compliant transitioned features	No
37.	If yes, specify non-compliant features	Not applicable

2.6 Capital structure, minimum capital requirements and capital adequacy

Following is the break-up of capital structure as at 30 June 2025:

Eligible capital	30 June 2025
BD 000's	
Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	113,044
Less: Treasury Shares	5,907
Statutory reserve	13,460
Retained earnings	8,758
Current interim cumulative net profit	5,614
Other reserve	(5,049)
Total CET1 capital prior to the regulatory adjustments	129,920
Less: Investment in own shares	-
Less: Investments in financial entities where ownership is < 10% of the issued common share capital (amount above 10% CET1a)	-
Total Common Equity Tier 1 capital after the regulatory adjustments	129,920
Other Capital	
AT1	-
Total Tier 1 Capital	129,920
Expected credit losses (ECL) Stage 1 & 2 – (Tier 2)	5,247
Total Available T2 Capital	5,247
Total Capital	135,167

	30 June 2025
Credit risk weight exposures	518,282
Market risk weight exposures	8,965
Operational risk weight exposures	76,519
Total risk weighted exposures	603,766

Capital adequacy ratio (CET1)	21.52%
Capital adequacy ratio (T1)	21.52%
Capital adequacy ratio (Total capital)	22.39%

The above capital adequacy ratios are calculated by dividing the respective regulatory capital base by the total Risk Weighted Assets (RWAs).

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2.6 Capital structure, minimum capital requirements and capital adequacy (continued)

Break-up of capital requirement in accordance with the capital adequacy module of the CBB for the period ended 30 June 2025 is as follows (in BD 000's):

Exposure classification	Exposure			Risk weighted assets ^[1]			Capital requirement @ 12.5%		
	Self-Financed ^[2]	Quasi-equity ^[3]	Total	Self – Financed	Quasi-equity	Total	Self – Financed	Quasi-equity	Total
▪ Cash and collection items	3,140	-	3,140	-	-	-	-	-	-
▪ Sovereigns	412,159	32,293	444,452	-	-	-	-	-	-
▪ Claims on PSEs	110,079	-	110,079	943	-	943	118	-	118
▪ Banks	73,828	-	73,828	30,173	-	30,173	3,772	-	3,772
▪ Corporates	132,787	476,705	609,492	103,700	183,558	287,258	12,961	22,945	35,906
▪ Retail	38,517	-	38,517	28,888	-	28,888	3,611	-	3,611
▪ Mortgage	97,820	-	97,820	34,237	-	34,237	4,280	-	4,280
▪ Past due facilities	42,009	-	42,009	60,359	-	60,359	7,545	-	7,545
▪ Investments in equities/sukuk/Funds	5,763	-	5,763	8,645	-	8,645	1,081	-	1,081
▪ Holdings of real estate	47,937	18,597	66,534	47,937	5,579	53,516	5,992	697	6,689
▪ Other assets	14,263	-	14,263	14,263	-	14,263	1,783	-	1,783
Credit Risk	978,302	527,595	1,505,897	329,145	189,137	518,282	41,143	23,642	64,785
Market Risk	8,965	-	8,965	8,965	-	8,965	1,121	-	1,121
Operational Risk	76,519	-	76,519	76,519	-	76,519	9,565	-	9,565
Total	1,063,786	527,595	1,591,381	414,629	189,137	603,766	51,829	23,642	75,471

^[1] For capital adequacy computations, 100% of the RWAs are reckoned for self-financed assets while only 30% is considered for assets funded through Quasi-equity.

^[2] Net of credit risk mitigants of BD 30,892 thousand.

^[3] Net of credit risk mitigants of BD 126,618 thousand.

3 Credit Risk

3.1 Levels of exposure

Gross credit exposure along with average credit exposure broken down under different exposure classes as at 30 June 2025 is as follows: BD000's

	Average ^[1] Exposure	Gross Exposure		
		Self – Financed	Quasi-equity	Total
Cash and bank balances ^[2]	87,252	85,316	32,293	117,609
Placement with financial institutions ^[2]	50,583	26,601	-	26,601
Investment in sukuk ^[2]	504,338	484,823	67,321	552,144
Financing contracts ^[2]	796,301	287,115	536,003	823,118
Investment securities	22,880	11,640	11,380	23,020
Investment in real estate	42,349	35,081	7,216	42,297
Equity accounted investees	6,516	6,516	-	6,516
Other assets, including property and equipment	38,617	47,013	-	47,013
Total funded Credit Exposure	1,548,836	984,105	654,213	1,638,318
Financial guarantees	49,786	41,119	-	41,119
Undrawn financing facilities	52,492	66,729	-	66,729
Total unfunded Credit Exposure	102,278	107,848	-	107,848

^[1] Represents quarterly average balances for the six-month period ended 30 June 2025.

^[2] Gross of ECL Stage 1 and Stage 2 provision of BD 5,266 thousand.

3.2 Concentration of credit risk

3.2.1 Geographic distribution

The geographical exposure profile as at 30 June 2025 was as follows:

BD 000's

30 June 2025	GCC Countries	Europe	USA	Asia	Australia	Total
Assets						
Cash and bank balances	115,696	570	1,334	9	-	117,609
Placement with financial institutions	21,513	5,087	-	-	-	26,600
Investment in sukuk	496,585	55,185	-	-	-	551,770
Financing contracts	796,781	21,486	-	-	-	818,267
Investment securities	17,740	-	-	-	3,450	21,190
Investment in real estate	42,297	-	-	-	-	42,297
Equity accounted investees	6,516	-	-	-	-	6,516
Other assets	43,607	27	-	143	1	43,778
Property and equipment	3,207	-	-	-	-	3,207
Total funded exposures	1,543,942	82,355	1,334	152	3,451	1,631,234
Guarantees	41,119	-	-	-	-	41,119
Undrawn financing facilities	66,729	-	-	-	-	66,729
Total unfunded exposures	107,848	-	-	-	-	107,848

3.2.2 Industry/ sector-wise distribution

The Board of Directors has stipulated maximum exposures to various industry sectors. The industry/ sector wise exposure as at 30 June 2025 was as follows:

BD 000's

30 June 2025	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and bank balances	117,609	-	-	117,609
Placement with financial institutions	26,600	-	-	26,600
Investment in sukuk	-	70,024	481,746	551,770
Financing contracts	62,944	268,058	487,265	818,267
Investment securities	-	15,459	5,731	21,190
Investment in real estate	-	42,297	-	42,297
Equity accounted investees	-	6,516	-	6,516
Other assets	19,084	222	24,472	43,778
Property and equipment	-	-	3,207	3,207
Total funded exposure	226,237	402,576	1,002,421	1,631,234
Guarantees	-	18,873	22,246	41,119
Undrawn financing facilities	-	7,791	58,938	66,729
Total unfunded exposures	-	26,664	81,184	107,848

3.2.3 Transactions with related counterparties

Related counterparties are those entities which are related to the Bank through significant shareholding, control, or both. Wherever the Bank has entered into business transactions with such counterparties, such transactions have been done at an arm's length basis and on commercial terms that bring no disadvantage to the Bank. For the purpose of identification of related counterparties, the Bank strictly follows the guidelines issued by CBB for this purpose. For details of Transactions with related parties during the six months period ended 30 June 2025 and outstanding balances pertaining to related parties, please refer to note 23 of the condensed consolidated interim financial information for the six months period ended 30 June 2025. All transactions are done at commercial terms.

3.2.4 Exposures exceeding materiality thresholds

The Bank is required to carry out capital adjustments (deduction) for its exposure to significant investments in capital of banking and financial entities that are outside the scope of regulatory consolidation subject to certain materiality thresholds as defined in the Capital Adequacy Module (“CA Module”) of the CBB Rule Book.

Further, the exposures in excess of limits prescribed by Credit Risk Management Module (“CM Module”) (single obligor limit of 15% of total capital and aggregate limit for connected counterparty exposure of 25% of total capital) are subject to risk weight of 800%. For investment in a financial entity where ownership is < 10% of the issued common capital, 60% of the amount exceeding 10% of CET1(a) is subject to deduction from CET1(a). The following table summarizes the exposures exceeding regulatory limits as of 30 June 2025:

BD 000's				
Counterparty	Exposure type	Exposure	Limit as a percentage	Exposure in excess of the limits
Exposure to Controller	Financing	6,828	5.05%	6,828
Single obligor limits	Financing	33,295	24.63%	13,020

3.2.5 Exposures in highly leveraged counterparties

The following balances represent the financing facilities to highly leveraged or other high-risk counterparties as of 30 June 2025:

Counterparties	Gross BD '000	Provision BD '000	Net BD '000
Counterparty # 1	4,032	3,511	521

3.2.6 Residual contractual maturity of the credit portfolio and investment in sukuk

The Bank’s policy provides guidelines for the appropriate tenor for corporate clients and retail customers. These guidelines are reviewed on a periodic basis. The Bank constantly monitors the residual maturity profile of its assets to ensure that any mismatch with the maturity of its liabilities is kept within acceptable limits. The contractual residual maturity profile by type of financing contract of the Bank’s credit portfolio and investment in sukuk in banking book is given in the table below (in BD 000’s):

Maturity Scale	< 1 M	1 - 3 M	3 - 6 M	6M - 1Y	1 - 3Y	3 - 5Y	5 - 10Y	10 - 20Y	Over 20Y	Total
Credit portfolio:										
Murabaha	59,175	8,514	14,410	62,867	109,945	148,741	94,127	7,839	470	506,088
Mudaraba	-	-	39	77	2,163	-	-	-	-	2,279
Ijarah	16,557	2,468	3,198	15,869	45,069	93,074	62,670	54,032	16,963	309,900
Total	75,732	10,982	17,647	78,813	157,177	241,815	156,797	61,871	17,433	818,267
Investment in sukuk – banking book	18,536	-	112,597	13,613	112,727	117,367	148,126	-	28,804	551,770
Total	18,536	-	112,597	13,613	112,727	117,367	148,126	-	28,804	551,770
Grand Total	94,268	10,982	130,244	92,426	269,904	359,182	304,923	61,871	46,237	1,370,037

3.3 Equity risk in banking book

The Bank has certain equity investments in the Banking book and they are subject to credit risk weighting under the capital adequacy framework.

Information on equity investments

Privately held
 Dividend income, net of amortization
 Fair value loss through equity

BD 000's

23,020
24
324

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3.3 Equity risk in banking book (continued)

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

Equity investments in banking book	BD 000's					
	Gross exposure		Risk weighted exposure		Capital requirement @ 12.5%	
	Self-financed	Quasi-equity	Self-financed	Quasi-equity	Self-financed	Quasi-equity
Unlisted	5,731	-	8,597	-	1,075	-
Investments in unlisted real estate companies	5,909	11,380	5,909	11,380	739	1,423
Other holding of real estate	-	-	-	-	-	-
Total	11,640	11,380	14,506	11,380	1,813	1,423

3.4 Geographical and sector wise break up of impairment allowances and impaired and past due accounts

	BD 000's		
	GCC Countries	Europe	Total
Credit Impaired:			
3 months to 1 year	32,568	-	32,568
1 year to 3 years	29,196	-	29,196
More than 3 years	4,994	-	4,994
	66,758	-	66,758
Less: Stage 3 impairment allowance:			
At 1 January 2025	15,694	-	15,694
Net Transfer	816	-	816
Charge during the period	1,167	-	1,167
Write off during the period	(3,091)	-	(3,091)
Disposals	-	-	-
	14,586	-	14,586
Carrying amount	52,172	-	52,172
Past due but not credit impaired:			
Up to 3 months	155,763	-	155,763
3 months to 1 year	-	-	-
More than 1 year	-	-	-
	155,763	-	155,763
Stage 1 and Stage 2 impairment allowance	4,815	36	4,851

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3.4 Geographical and sector wise break up of impairment allowances and impaired and past due accounts (continued)

	Banks and financial institutions	Real estate	Others	Total
Credit Impaired:				
3 months to 1 year	-	25,691	6,877	32,568
1 year to 3 years	-	19,564	9,632	29,196
More than 3 years	-	2,029	2,965	4,994
	-	47,284	19,474	66,758
Less: Stage 3 impairment allowance:				
At 1 January 2025	-	2,176	13,518	15,694
Net Transfer	-	812	4	816
Charge during the period	-	2,032	(865)	1,167
Write off during the period	-	-	(3,091)	(3,091)
Disposals	-	-	-	-
	-	5,020	9,566	14,586
Carrying amount	-	42,264	9,908	52,172
Past due but not credit impaired:				
Up to 3 months	-	49,811	105,952	155,763
3 months to 1 year	-	-	-	-
More than 1 year	-	-	-	-
	-	49,811	105,952	155,763
Stage 1 and Stage 2 impairment allowance	35	1,318	3,498	4,851

3.5 Renegotiated facilities

During the period, facilities of BD 5,910 thousand were renegotiated representing 0.7% of the total outstanding facilities, out of which BD 3,392 thousand are classified as neither past due nor impaired as of 30 June 2025. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD. The Bank carried out an assessment of the renegotiated facilities. The renegotiated terms improved or restored the Bank's ability to collect profit and principal.

3.6 Legal action and write off of exposures

The Bank has policy for initiation and prosecution of legal action when all amicable avenues for settlement of dues from a customer have been exhausted. The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means.

As of 30 June 2025, the Bank did not have any material legal contingency from pending legal actions. Based on management estimates there is no potential liability arising from the pending legal actions.

The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means. The Bank has written-off financing facilities amounting to BD 3,091 thousand during the six months period ended 30 June 2025.

3.7 Penalties for delayed payments

In cases where customers delay the payments of dues to the Bank, the Bank has the right to collect penalties, subject to the provisions of the agreement between the customer and the Bank. The Bank recovers such penalties from customers when the amounts are significant. As per policy such penalties are maintained in a separate account and used for charity purposes approved by the Bank's Shari'a Board.

The Bank has a policy of creating a contribution for Charity and Zakah fund for any non-Islamic income earned. During the six months period ended 30 June 2025, an amount of BD 4 thousand was thus transferred to Charity and Zakah fund. As at 30 June, there was no material Shari'a violation that lead to a major impact on Bank's Shari'a governance framework, financial, reputation and invalidation of transactions.

3.8 Credit risk mitigation

The Bank uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposure by suitable collateral. While existence of collateral security is not a policy precondition for financing, in practice a large part of existing exposures are at least partially supported by collateral. The Bank has clear policies on the type of assets that can be accepted as collateral security and the mode of valuation of these assets. In general, all assets accepted as collateral are valued at least once in a year. The legal validity and enforceability of the documents used for creating these collaterals have been established by external legal experts.

The position of collateral cover for all credit exposures categorized on the basis of the type of security as on 30 June 2025 is given in the table below:

Collateral Type	BD 000's						
	Murabaha	Mudaraba	Ijarah	Value of collateral ^[1]	Gross Exposure ^[2]	% of cover	% of Total
Real Estate	522,207	-	197,796	720,003	396,956	181%	94%
Listed Securities	-	-	-	-	-	0%	0%
Unlisted Securities	-	-	-	-	-	0%	0%
Bank Guarantee	-	-	-	-	-	0%	0%
Cash Collateral	34,479	-	520	34,999	38,008	92%	5%
Unsecured	-	-	-	-	392,201	0%	0%
Others	8,764	-	-	8,764	10,539	83%	1%
Total	565,450	-	198,316	763,766	837,704	91%	100%

^[1] Represents collateral values after haircut based on the last valuation carried out based on the Bank's valuation policy including collaterals which exceed the book value of the facility.

^[2] The amounts are gross of Stage 1 and Stage 2 ECL BD 4,851 thousand and Stage 3 ECL BD 14,586 thousand.

The estimated fair values of the Group's credit exposure are not significantly different from their carrying values. The Bank has a policy of disposal of asset held as collateral not readily convertible into cash, after completion of necessary legal formalities.

Real estate properties are reckoned at values certified by qualified valuers. Other physical assets like machinery are valued at book value, invoice value or as certified by an outside expert. Listed securities are valued at market price while un-listed ones are carried at cost less impairment. The Bank has an approved panel of valuers for real estate property. Valuation exercises are supervised by the credit department, independent of the business units.

Financing facilities are also often secured by personal/ corporate guarantees, joint ownership of vehicles, assignment of contract proceeds, assignment of insurance policies, etc. However under the Bank's credit policy these are not treated as tangible securities and the value of such guarantees/ assignments, though significant in many cases, are taken as nil for the purpose of the above analysis.

Assets financed under Ijara Muntahia Bittamleek are considered at par with physical collateral and included under Real Estate or Others in the above calculations.

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The declared value of exposures in all cases is the gross exposure before any provisions. The Bank does not carry out any on or off balance sheet netting for the securities held. The Bank claimed capital relief for Credit Risk Mitigation under Section CA 4.7 of the Capital Adequacy Module of CBB rule book and hence not all exposures are risk weighted at their gross values for the purpose of computation of capital adequacy ratio.

The Bank has a policy of disposal of asset held as collateral not readily convertible into cash, after completion of necessary legal formalities.

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.

3.9 Regulatory capital requirements by type of financing contracts

BD 000's

Financing contracts	Average Exposure	Gross Exposure*		Credit Risk Weighted Assets		Capital Requirement @ 12.5%	
		Self-financed	Quasi-equity	Self-financed	Quasi-equity	Self-financed	Quasi-equity
Murabaha	466,365	142,469	368,470	84,943	140,495	10,618	17,562
Ijarah assets	284,305	142,367	167,533	53,681	42,287	6,710	5,286
Mudharabah	5,712	2,279	-	-	-	-	-
Total	756,382	287,115	536,003	138,624	182,782	17,328	22,848

*The balance constitutes net of ECL stage 3

4 Market Risk

4.1 Regulatory capital allocation against market rate risk

The table below shows the market risk position for each category of the market risk as at period ended 30 June 2025 along with the maximum and minimum values during the period:

	BD 000's		
	As at 30 June	Max	Min
Equity position risk	-	-	-
Market risk on trading positions in sukuk	-	-	-
Foreign exchange risk	717	717	685
Commodity risk	-	-	-
Total (A)	717	717	685
Risk Weighted Assets (A x 12.5)	8,965	8,965	8,563
Capital requirement @ 12.5%	1,121	1,121	1,070

5 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, and/ or from external events which includes but is not limited to, legal risk and Shari'a compliance risk. Operational risk is an inherent part of normal business operations. Whilst operational risk cannot be eliminated entirely, the Bank endeavors to minimise it by ensuring that a strong control infrastructure is in place throughout the organisation. Various procedures and processes used to manage operational risk including effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting.

The Bank implements an operational risk control framework and monitors and responds to potential risks. Controls to limit the impact of operational risk include but are not limited to effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, and the internal audit process. The ultimate responsibility of managing operational risk rest with the Board. This responsibility is further discharged to the BARMC. The Board approves the operational risk policies and procedures. The Bank has implemented Risk Controls and Self-Assessment (RCSA) and departments report the incidents and Key Risk Indicators (KRIs) values to the operational risk unit for monitoring and reporting the key operational risks in the Bank.

RMD monitors the key operational processes, through the RCSA framework and KRI reporting, to ensure that the Board directives are fully implemented and deviations are reported if any to the Senior Management and to the Board. The department has specialised personnel engaged in this process. The Bank has implemented an Operational Risk Management System which monitors Key Risk Indicators and controls across all major areas of operation and generates appropriate triggers as and when pre-defined risk events occur (through breach of triggers set) and also generates periodical update report to the Board and to the Management. In addition, the Bank's policy 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.

The Bank's operational risk management framework includes components such as Key Risk Indicators ("KRI's"), operational loss data and Risk & Control Self-Assessment across the Bank. These are monitored periodically which helps in quickly detecting and correcting deficiencies in processes and procedures. The collected data is maintained to create a loss database which could be the starting point for a more advanced operational risk measurement approach in future.

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5.1 Regulatory capital allocation against operational risk

The Bank uses the Basic Indicator Approach (“BIA”) in calculating its regulatory capital requirement for operational risk.

The risk weighted assets and capital requirement for operational risk as at 30 June 2025 is as given below:

	BD 000's
Average gross income for 3 years (A)	40,810
Operational Risk Weighted Assets B = (A x 15% x 12.5)	76,519
Capital requirement (B x 12.5%)	9,565

6 Other Risks

6.1 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its financial obligations on account of a maturity mismatch between assets and liabilities. The Bank’s approach to managing liquidity is to ensure that it will always have sufficient funds and high quality liquid assets to meet its liabilities when due without incurring unacceptable losses or risking damage to the Bank’s reputation.

Maturity profile of assets and liabilities based on residual contractual maturity or expected maturity as at 30 June 2025 is as follows:

	BD 000's						
30 June 2025	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	No fixed maturity	Total
Assets							
Cash and bank balances	84,783	-	-	-	-	32,826	117,609
Placements with financial institutions	26,600	-	-	-	-	-	26,600
Investment in sukuk	-	381,778	15,459	75,339	50,046	29,148	551,770
Financing contracts	81,487	20,167	108,144	165,264	443,205	-	818,267
Investment securities	-	-	-	-	21,190	-	21,190
Investment in real estate	-	-	-	-	42,297	-	42,297
Equity accounted investees	-	-	-	-	6,516	-	6,516
Other assets	23,315	4,084	57	10,560	5,762	-	43,778
Property and equipment	-	-	-	-	-	3,207	3,207
Total assets	216,185	406,029	123,660	251,163	569,016	65,181	1,631,234

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6.1 Liquidity Risk (continued)

Liabilities	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	No fixed maturity	Total
Placements from financial institutions	26,102	32,550	3,773	-	-	-	62,425
Placements from non-financial institutions and individuals ¹	117,593	16,647	9,119	181	144,310	-	287,850
Term financing from financial institutions ¹	-	-	-	387,242	-	-	387,242
Customers' current accounts ¹	9,882	-	-	-	79,464	-	89,346
Other liabilities	12,396	2,368	363	2,562	3,436	-	21,125
Total liabilities	165,973	51,565	13,255	389,985	227,210	-	847,988
Quasi-equity¹	96,094	29,396	13,300	101,340	414,083	-	654,213
Restricted Investment accounts	-	-	-	1,533	-	-	1,533
Commitments	30,696	21,465	6,830	42,801	6,058	-	107,850

¹Allocated using behavioral approach to compute expected maturity profile.

Following are the key liquidity ratios which reflect the liquidity position of the Bank for the past 5 years:

	2025	2024	2023	2022	2021
Inter-bank assets to inter-bank liabilities	173.40%	56.69%	66.77%	60.86%	59.12%
Liquid assets to total assets	13.95%	27.18%	32.08%	34.32%	27.61%
Liquid assets to total deposits	22.06%	36.92%	58.77%	56.14%	41.20%
Net liquid assets to total deposits	16.01%	24.66%	29.78%	28.59%	24.54%

Net stable funding Ratio (NSFR)

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise 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 as a percentage is calculated as "Available stable funding" divided by "Required stable funding".

NSFR calculated as per the requirements of the CBB rulebook, as of 30 June 2026 is as follows:

	Total weighted value
	30 June 2025
Available stable funding (ASF)	815,554
Required stable funding (RSF)	803,129
NSFR %	101.55%
Minimum required by CBB	100%

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6.1 Liquidity Risk (continued)

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 period. 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 over the next 30 calendar days.

	30 June 2025
Stock of HQLA	496,248
Net cashflows	252,918
LCR %	196.21%
Minimum required by CBB*	100%

6.2 Profit rate risk in the banking book

A summary of the Bank's profit rate gap position at 30 June 2025 is as follows:

						BD 000's
30 June 2025	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 3 years	More than 3 years	Total
Assets						
Placements with financial institutions	100,186	-	-	-	-	100,186
Financing contracts	46,595	1,949	77,764	31,919	660,040	818,267
Investment in sukuk	90,246	88,715	13,613	141,702	217,494	551,770
Investment securities	-	-	-	-	-	-
Total profit rate sensitive assets	237,027	90,664	91,377	173,621	877,534	1,470,223
Liabilities						
Placements from financial institutions	58,673	3,752	-	-	-	62,425
Placements from non-financial institutions and individuals	155,841	50,628	78,458	2,923	-	287,850
Term financing from financial institutions	-	-	-	387,242	-	387,242
Customers' current accounts	89,346	-	-	-	-	89,346
Quasi-equity	425,028	79,606	148,267	1,312	-	654,213
Total profit rate sensitive liabilities	728,888	133,986	226,725	391,477	-	1,481,076
Profit rate gap	(491,861)	(43,322)	(135,348)	(217,856)	877,534	(10,853)

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise across all yield curves and a 50 bp rise or fall of all yield curves.

An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	100bp parallel increase/ decrease	50bp increase/ decrease
At 30 June 2025	± (109)	± (54)
At 31 December 2024	± 637	± 319

6.2 Profit Rate Risk in the Banking Book (continued)

The other principal risk, to which the banking book is exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the RMD in its day-to-day monitoring activities. The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel fall or rise across all yield curves and a 50 bps rise or fall of all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

At 30 June 2025

At 31 December 2024

200bp parallel increase/ decrease	
	± (217)
	± 2,545

The following table summarises the effect on value of assets, liabilities and economic capital for a benchmark change of 200 bp in profit rates as of 30 June 2025:

	Effect on value of Asset BD'000	Effect on value of Liability BD'000	Effect on value of Economic Capital BD'000
Upward rate shocks:	29,404	(217)	29,622
Downward rate shocks:	(29,404)	217	(29,622)

6.3 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. The Bank does not engage in proprietary trading of equity, foreign exchange or its derivatives. However, the Bank manages such risk through natural hedges to hedge its risks arising out of mismatch in its asset liability portfolios. Clear policies for such transactions are in place. For other credit markets transactions (primarily interbank placements), the Bank has established a matrix of counterparty limits based on external credit rating of such counterparties. Such limits are constantly monitored by the Banks Risk Management Department. As at 30 June 2025, the Bank did not have any open position in foreign currency risk management instruments.

6.4 Concentration risk

Concentration risks arises when a number of obligors, counterparties or investees 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. Accordingly, such concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or region. The Bank has established exposure limits to various geographic regions and industry sectors. For break-up of exposure geography and industry/ sector wise, please refer points 3.2.1 and 3.2.2 above.

6.5 Reputational risk

Reputation risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base, lead to costly litigation that could have an adverse impact on liquidity or capital of the Bank. Being an Islamic Bank, reputation is an important asset and among the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments and poor communication to investors. The Bank has a well-developed and coherently implemented communication strategy to cover such contingencies. The Bank also allocates additional capital for such risks under its ICAAP.

6.6 Profit rate risk

The Group faces various profit rate risks which can be classified broadly into the following categories:

- a. Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by Quasi-equity. This can be due to the return on such assets being lower than that of competitors. The Bank has adequate policies and procedures in place to identify, monitor and address all potential risks that may arise from such activities. Please refer to the section on Quasi-equity for further details.
- b. Re-pricing risk which arises from either change in profit rates in the market or timing differences in the maturity (for fixed rate) and re-pricing (for floating rate) of assets, liabilities and off-balance sheet positions. As profit rates vary, these re-pricing mismatches expose the Group's income and underlying economic value to unanticipated fluctuations;
- c. Profit Yield curve risk which arises when unanticipated shifts of the yield curve which may have adverse effects on the Group's income and/or underlying economic value;
- d. Basis risk which arises from imperfect correlation in the adjustment in the rate earned on products priced and the rate paid on different instruments with otherwise similar re-pricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities, and off-balance sheet instruments of similar maturities or re-pricing frequencies

6.7 Other risks

Other risks include strategic risk, fiduciary risks, and regulatory risks etc. which are inherent in all business and are not easily measurable or quantifiable. The Bank's Board has overall responsibility for approving and reviewing the risk strategies and amendments to the risk policies. The Bank senior management is responsible for implementing the risk strategy approved by the Board. The management also ensures that internal systems of corporate governance and regulatory compliance for management of fiduciary and reputational risks are robust and effective. The Bank also allocates additional capital for such risks under its ICAAP.

7 Financial Performance

Following are basic quantitative indicators of the financial performance:

	(Annualized rates)				
	June 2025	2024	2023*	2022*	2021*
Return on average equity	8.71%	8.21%	5.94%	9.24%	7.21%
Return on average assets	0.72%	0.70%	0.77%	1.20%	1.03%
Finance income to finance expense	96.34%	95.21%	71.82%	110.39%	117.49%
Cost-to-Income-Ratio**	58.45%	57.06%	58.86%	45.43%	41.99%

* for the purpose of this ratio calculation, equity includes additional tier 1 capital.

** Cost has been considered excluding impairment allowances.

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8 Product Disclosures

8.1 Quasi-equity

The details of income distribution to Quasi-equity account holders for the last five years are given below:

	BD 000's				
	June 2025	2024	2023	2022	2021
Allocated income to Quasi-equity	14,239	24,415	28,364	29,862	25,939
Distributed profit *	11,513	21,019	21,558	14,345	11,955
Mudarib fees	2,726	3,142	6,806	15,517	13,985
Wakala fees	-	254	-	-	-
As at 30 June					
Quasi-equity ^[1]	562,432	474,984	529,243	568,986	462,999
Profit Equalisation Reserve (PER)	-	-	-	-	-
Investment Risk Reserve (IRR)	-	-	-	-	-
Profit Equalisation Reserve-to-Quasi-equity (%)	-	-	-	-	-
Investment Risk Reserve-to-Quasi-equity (%)	-	-	-	-	-

^[1] Represents monthly average balance

* Includes contribution towards deposit protection scheme

Ratio of financing of the Quasi-equity by type of Quasi-equity contracts as at 30 June 2025:

Type of Quasi-equity contracts	Ratio of financing
1 Month Mudharaba ¹	30.3%
3 Months Mudharaba	6.6%
6 Months Mudharaba	7.3%
12 Months Mudharaba	23.5%
18 Months Mudharaba	0.0%
24 Months Mudharaba	0.6%
36 Months Mudharaba	0.2%
VIP Mudharaba	21.0%
Wakala	10.5%
Total	100.0%

¹ Includes saving account, Al-Wafer account and call mudharaba accounts.

Ratio of profit distributed to PSIA by type of Quasi-equity (based on tenor):

Mudaraba Tenor	Profit distribution amount in BD					Ratio of profit paid as a percentage of total				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
	1 Month ^[1]	2,183	4,920	6,693	5,267	2,712	19.0	23.4	31.0	36.7
3 Months	520	372	500	597	852	4.5	1.8	2.3	4.2	7.1
6 Months	1,004	1,586	1,173	550	601	8.7	7.5	5.4	3.8	5.0
12 Months	3,401	5,344	4,020	2,653	3,024	29.5	25.4	18.6	18.5	25.3
18 Months	-	26	43	13	6	-	0.1	0.2	0.1	0.1
24 Month	90	404	1,887	1,508	1,131	0.8	1.9	8.8	10.5	9.5
36 Month	25	48	52	22	19	0.2	0.2	0.2	0.2	0.2
VIP Mudaraba	3,016	6,747	7,171	3,735	3,610	26.2	32.1	33.4	26.0	30.1
Wakala	1,274	1,572	19	-	2,712	11.1	7.5	0.1	-	-
Total	11,513	21,019	21,558	14,345	14,667	100.0	100.0	100.0	100.0	100.0

^[1] Includes saving account, Al-Wafer account, e-trade account, salary account, and call mudharaba accounts

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8.1 Quasi-equity (continued)

Distribution of profits by type of Quasi-equity products
(Annualised rates)

Year	Avg. profit earned from Quasi-equity assets (%age of asset)	PER set aside as a %age of Quasi-equity assets	IRR set aside as a %age of Quasi-equity assets	Mudharib fees as a %age of Quasi-equity assets	Profit paid as a %age of Quasi-equity assets
2025	5.06	-	-	0.97	4.09
2024	5.14	-	-	0.71	4.43
2023	5.36	-	-	1.29	4.07
2022	5.25	-	-	2.73	2.52
2021	5.60	-	-	3.02	2.58

Following are the average profit rates declared and distributed to the investors by the Bank:

(Annualised rates)

Type of deposit	2025	2024	2023	2022	2021
1 month Mudharaba ^[1]	1.81%	2.29%	2.56%	1.80%	1.42%
3 months Mudharaba	4.28%	4.74%	4.69%	2.77%	2.80%
6 months Mudharaba	4.93%	5.54%	5.33%	2.71%	2.93%
12 months Mudharaba	4.95%	5.33%	4.84%	3.02%	3.27%
18 months Mudharaba	1.48%	5.71%	4.70%	3.23%	3.39%
24 months Mudharaba	4.91%	5.24%	5.56%	4.27%	3.98%
36 Months Mudharaba	4.57%	4.51%	4.24%	3.38%	3.74%
VIP Mudharaba	4.97%	5.57%	5.40%	3.15%	3.40%
Wakala	5.18%	6.13%	3.34%	-	-

^[1] Includes saving account, Al-Wafer account, e-trade account, and call mudharaba accounts.

Market benchmark rates:

The Bank refers to the group of commercial Islamic banks incorporated in the Kingdom of Bahrain so as to benchmark the rate of return on Quasi-equity.

Quasi-equity account by type of assets:

The following table summarizes the movement in type of assets in which the Quasi-equity funds are invested and allocated among various type of assets for the year ended 30 June 2025:

Particular	Allocation at 1 January 2025	Movement	Allocation at 30 June 2025	Proportion of total assets (%)	% of funding by Quasi-equity as at 30 June 2025
Cash and bank balances	31,958	335	32,293	27.46%	4.94%
Placements with financial institutions	-	-	-	0.00%	0.00%
Financing contracts	391,712	144,291	536,003	65.50%	81.93%
Investment in Sukuk	67,438	(117)	67,321	12.20%	10.29%
Investment securities	11,630	(250)	11,380	53.70%	1.74%
Investment in real estate	16,458	(9,242)	7,216	17.06%	1.10%
Other assets	-	-	0	0.00%	0.00%
Total	519,196	135,017	654,213		

Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio

	June 2025	2024	2023	2022	2021
Average mudarib share as a percentage of total income allocated to Quasi-equity	23.35%	24.00%	28.13%	45.06%	53.73%
Average mudarib share contractually agreed with Quasi-equity	66.53%	64.44%	66.57%	68.56%	63.70%
Average mudarib fees sacrificed by the Bank	43.18%	40.44%	38.44%	23.50%	9.97%

For details of assets that the Bank has pledged as collateral as of 30 June 2025, please refer to note 7 of the condensed consolidated interim financial information for the six months period ended 30 June 2025.

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8.2 Off-balance-sheet assets under management (Restricted Investment Accounts (RIA's))

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2025	2024	2023	2022	2021
RIA 1 – Safana	<p>An investment structure designed to participate in the equity interest of Safana Investment WLL. A company established for the purpose of acquiring reclaimed land to subdivide and sell. In 2011, the Bank made an offer to buy back < BD 20,000 of each investors funds in RIA 1 at par. This offer was formalized in a letter to investors dated 25 May 2011. A total of 74 of the 95 RIA 1 investors accepted the offer at a cost of BD 1,220,000 to the Bank and resulting in a total of 39 investors being fully exited from the RIA. As a result, total investors funds have reduced to BD 8.34 million.</p> <p>KHALEEJI and NS12 (special purpose vehicle incorporated by the Bank on behalf of investors with the principle purpose of holding plots of lands in the Nurana Project) recently appointed Key Point to work out an in-kind exit scheme for the RIA investors by offering the 19 plots. Scheme documents has been received from Key Point and approved by KHALEEJI and NS 12 management to be circulated to investors.</p> <p>Approved Scheme Documents have been circulated by Key Point to all investors and followed by a workshop conducted at KHALEEJI offices on the 24th August 2016, to explain and answer any queries or information needed to exercise the Plots Application Forms. Last date of returned Application Forms was 7th September 2016, along with the Opening Date which was held at 24th Floor, KHALEEJI Offices managed and monitored by Key Point and witnessed By KHALEEJI employs; the result was 6 plots were allotted out of 19 plots. The in-kind exit scheme has been completed and an open auction held on 22nd November, 2016 to allow maximum opportunities to the Investors to re-participate once again on the remaining plots. KPMG was engaged by KHALEEJI to audit the whole In-kind exit process.</p> <p>Following the 3 allotment rounds of which RIA 1 investors participated, 6 plots have been allocated.</p> <p>Total revise fund BD 5,176,246 which included KHALEEJI and total remaining NS 12 BD 6,979,665 as at 31 December 2020. The Board of directors of KHALEEJI, in its meeting dated 6 May 2021 approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration therefore RIA investors have received an offer the exit the fund.</p> <p>As of 30 June 2025, the Group has acquired shares in RIA-1 amount BD 2.22mn, which was part of the assets transferred to Infracorp.</p>	2007	61.78% over product tenor	Bullet payment on maturity	-	-	-	-	-

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8.2 Off-balance-sheet assets under management (Restricted Investment Accounts (RIA's)) (continued)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2025	2024	2023	2022	2021
RIA 5 - North Gate	<p>A restricted investment product which owns a 6.0% stake in Shaden Real Estate Investment WLL which in turn (through its subsidiaries), holds a parcel of reclaimed land measuring approximately 3.875 million Sq. Meters (located in Al-Hidd, Muharraq). The mixed-use plot will be sold to end users subsequent to the completion of infrastructure works.</p> <p>During Q1 2015, the Bank effected a buy-back option to all RIA investors for up to an amount of BD 30,000 plus 5% premium for all investors. RIA investors holding BD 30,000 and below was exited in full. A detailed letter was sent to all RIA investors in this regard. The offer was made valid up to 15 June 2015 AND during Q3 2015 the Bank paid 5.62% as partial redemption to the remaining investors.</p> <p>Moreover, during December 2018 dividend declared amount of BD 259,500 to all RIA investors and it was paid by following quarter.</p> <p>The Board of directors of KHALEEJI, in its meeting dated 6 May 2021 approved the consolidation and aggregation of its real estate and infrastructure exposures by offering a structured exit to its asset under management investors through a combination of cash and in-kind consideration therefore RIA investors have received an offer the exit the fund.</p> <p>As of 30 June 2025, the Group has acquired shares in RIA-6 amounting to BD 2.938mn, which will be part of the assets to be transferred to Infracorp.</p> <p>Exit in Kind Scheme ("EIK Scheme") has been explored as an exit option by Amar 1. During H1 2024, an EIK Process Document with high level details of the EIK Scheme was prepared by Amar 1 and was presented to all the stakeholders of the IGB Project for their approval. Subsequently, the respective stakeholders of IGB Project have approved the EIK Process Document.</p> <p>The EIK Scheme will be implemented based on the outcome of the approval process on the final master plan with residential classification. The expected revised timelines on proposed EIK Scheme are given below.</p>	2008	90.66% over product tenor	Bullet return at maturity	-	-	-	-	-