KHALEEJI BANK B.S.C

PUBLIC DISCLOSURES
(Based on CBB guidelines)

30 June 2026

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 2025, and the condensed consolidated interim financial information for the six months period ended 30 June 2026.

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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 2026 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 2026, Bank's CET1 and T1 capital and total capital adequacy ratios were 18.56%, 18.56% and 19.57%, 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.

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	37,295	37,295	
OF WHICH ECL (STAGE 1&2)	-	-	a
OF WHICH CASH AND BANK BALANCES TO SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
PLACEMENTS WITH FINANCIAL INSTITUTIONS	66,439	65,846	
OF WHICH ECL (STAGE 1&2)	(15)	-	b
OF WHICH PLACEMENTS WITH FINANCIAL INSTITUTIONS OF SUBSIDIARY (COMMERCIAL ENTITY)	608	-	
FINANCING CONTRACTS	847,211	853,129	
OF WHICH ECL (STAGE 1&2)	(5,918)	-	c
OF WHICH FINANCING TO SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
INVESTMENT IN SUKUK	722,415	722,919	
OF WHICH ECL (STAGE 1&2)	(504)	-	d
INVESTMENT SECURITIES	17,202	36,982	
OF WHICH INVESTMENT SECURITIES TO SUBSIDIARY (COMMERCIAL ENTITY)	(19,780)	-	
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	17,202	36,982	
INVESTMENT IN REAL ESTATE	37,946	37,946	
OF WHICH INVESTMENT IN REAL ESTATE OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
EQUITY ACCOUNTED INVESTEES	6,953	6,953	
OF WHICH EQUITY ACCOUNTED INVESTEES OF SUBSIDIARY (COMMERCIAL ENTITY)	-	-	
OTHER ASSETS	24,128	23,547	
OF WHICH RECEIVABLE FROM SUBSIDIARY (COMMERCIAL ENTITY)	581	-	
PROPERTY AND EQUIPMENT	27,547	2,828	
OF WHICH PROPERTY AND EQUIPMENT OF SUBSIDIARY (COMMERCIAL ENTITY)	24,719	-	
TOTAL ASSETS	**1,787,136**	**1,787,445**	
LIABILITIES			
PLACEMENTS FROM FINANCIAL INSTITUTIONS	183,897	183,897	
PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS	337,951	337,951	
TERM BORROWING	276,671	276,671	
CUSTOMERS’ CURRENT ACCOUNTS	103,607	105,025	
OF WHICH ACCOUNT OF SUBSIDIARY (COMMERCIAL ENTITY)	(1,419)	-	
OTHER LIABILITIES	20,560	20,854	
OF WHICH ECL (STAGE 1&2)	16	-	g
OF WHICH PAYABLES OF SUBSIDIARY (COMMERCIAL ENTITY)	(310)	-	
TOTAL LIABILITIES	**922,686**	**924,399**	
QUASI-EQUITY	**736,567**	**736,567**	
OWNERS’ EQUITY			
SHARE CAPITAL	113,044	113,044	h
STATUTORY RESERVE	14,618	14,618	i
TREASURY SHARES	(4,802)	(4,802)	j
INVESTMENT FAIR VALUE RESERVE	(13,596)	(13,596)	k
RETAINED EARNINGS BEFORE MODIFICATION LOSS	11,005	10,762	l
LESS: MODIFICATION LOSS NET OF GOVERNMENT GRANT AND ECL ADD BACK	-	-	
RETAINED EARNINGS	11,005	10,762	
OF WHICH RETAINED EARNINGS OF SUBSIDIARY (COMMERCIAL ENTITY)	243	-	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**120,269**	**120,026**	
ECL (STAGE 1&2)	-	6,453	a+b+c+d+e-g
NON-CONTROLLING INTEREST	7,614	-	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNERS’ EQUITY	**1,787,136**	**1,787,445**	

2.3 Composition of Capital

Composition of Capital as at 30 June 2026			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	108,242	h+j
2.	Retained earnings	25,380	i+l
3.	Accumulated other comprehensive income (and other reserves)	(13,596)	
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**	120,026	
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)	1,496	
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**	1,496	
29.	**Common Equity Tier 1 capital (CET1)**	118,530	
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			
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	-	

	Composition of Capital as at 30 June 2026		Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
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)**	118,530	
	Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
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)	-	
49.	*of which: instruments issued by subsidiaries subject to phase out*	-	
50.	Provisions	6,453	
51.	**Tier 2 capital before regulatory adjustments**	6,453	
	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)**	6,453	
59.	**Total capital (TC = T1 + T2)**	124,983	
60.	**Total risk weighted assets**	638,699	
	Capital ratios and buffers		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.56%	
62.	Tier 1 (as a percentage of risk weighted assets)	18.56%	
63.	Total capital (as a percentage of risk weighted assets)	19.57%	
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	2.50%	
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)	18.56%	
	National minima including CCB (where different from Basel III)		
69.	CBB Common Equity Tier 1 minimum ratio	9.00%	
70.	CBB Tier 1 minimum ratio	10.50%	
71.	CBB total capital minimum ratio	12.50%	
	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)	6,453	
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	6,453	
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	

Composition of Capital as at 30 June 2026			Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
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 2026 (Amount in BD 000's)	
			Total assets	Total equity
Surooh Limited	Commercial entity	Risk weighted	2,501	2,347
KHCB Tier 1 Sukuk Limited	Trust	Risk weighted	4	0.09
GFH Tower Group Limited	Commercial entity	Risk weighted	17,665	16,170

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
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 2026:

BD 000's

Eligible capital	30 June 2026
Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	113,044
Less: Treasury Shares	(4,802)
Statutory reserve	14,618
Retained earnings	10,394
Current interim cumulative net profit	368
Less: Other reserve	(13,596)
Total CET1 capital prior to the regulatory adjustments	**120,026**
Less: Investment in own shares	-
Less: Intangibles other than mortgage servicing rights	(1,496)
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	**118,530**
Other Capital	
AT1	-
General financing loss provision – (Tier 2)	6,453
Total available AT1 & T2 Capital	**6,453**
Total Capital	**124,983**

	30 June 2026
Credit risk weight exposures	544,100
Market risk weight exposures	3,689
Operational risk weight exposures	90,909
Total risk weighted exposures	**638,699**

Capital adequacy ratio (CET1)	**18.56%**
Capital adequacy ratio (T1)	**18.56%**
Capital adequacy ratio (Total capital)	**19.57%**

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

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 2026 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	3,348	-	3,348	-	-	-	-	-	-
▪ Sovereigns	567,837	25,576	593,413	-	-	-	-	-	-
▪ Claims on PSEs	169,611	-	169,611	3,727	-	3,727	466	-	466
▪ Banks	44,071	-	44,071	22,170	-	22,170	2,771	-	2,771
▪ Corporates	117,520	406,214	523,734	102,781	152,725	255,506	12,848	19,091	31,939
▪ Retail	-	35,841	35,841	-	8,064	8,064	-	1,008	1,008
▪ Mortgage	76,472	33,732	110,204	26,765	3,542	30,307	3,346	443	3,789
▪ Past due facilities	39,811	-	39,811	55,223	-	55,223	6,903	-	6,903
▪ Investments in equities/sukuk/ Funds	2,281	-	2,281	3,422	-	3,422	428	-	428
▪ Holdings of real estate	42,192	37,861	80,053	106,518	41,258	147,776	13,315	5,157	18,472
▪ Other assets	17,905	-	17,905	17,905	-	17,905	2,238	-	2,238
Credit Risk	**1,081,048**	**539,224**	**1,620,272**	**338,511**	**205,589**	**544,100**	**42,315**	**25,699**	**68,014**
Market Risk	**3,689**	**-**	**3,689**	**3,689**	**-**	**3,689**	**461**	**-**	**461**
Operational Risk	**90,909**	**-**	**90,909**	**90,909**	**-**	**90,909**	**11,364**	**-**	**11,364**
Total	**1,175,646**	**539,224**	**1,714,870**	**433,109**	**205,589**	**638,699**	**54,140**	**25,699**	**79,839**

[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 3,811 thousand.
[3] Net of credit risk mitigants of BD 197,342 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 2026 is as follows: BD000's

	Average [1] Exposure	Gross Exposure		
		Self – Financed	Quasi-equity	Total
Cash and bank balances[2]	40,357	11,719	25,576	**37,295**
Placement with financial institutions[2]	95,392	65,846	-	**65,846**
Investment in sukuk[2]	674,594	656,065	66,854	**722,919**
Financing contracts[2]	832,872	246,854	606,275	**853,129**
Investment securities	17,325	7,841	29,141	**36,982**
Investment in real estate	41,620	30,986	6,960	**37,946**
Equity accounted investees	6,951	5,192	1,761	**6,953**
Other assets, including property and equipment	25,313	26,375	-	**26,375**
Total funded Credit Exposure	**1,734,424**	**1,050,878**	**736,567**	**1,787,445**
Financial guarantees	40,335	40,423	-	**40,423**
Undrawn financing facilities	67,887	63,391	-	**63,391**
Total unfunded Credit Exposure	**108,222**	**103,814**	**-**	**103,814**

[1] Represents quarterly average balances for the six-month period ended 30 June 2026.
[2] Gross of ECL Stage 1 and Stage 2 provision of BD 6,437 thousand and net of ECL stage 3.

3.2 Concentration of credit risk

3.2.1 Geographic distribution

The geographical exposure profile as at 30 June 2026 was as follows:

BD 000's

30 June 2026	GCC Countries	Europe	USA	Asia	Australia	Total
Assets						
Cash and bank balances	31,724	451	5,091	29	-	**37,295**
Placement with financial institutions	56,303	10,136	-	-	-	**66,439**
Investment in sukuk	722,415	-	-	-	-	**722,415**
Financing contracts	829,757	-	17,454	-	-	**847,211**
Investment securities	17,202	-	-	-	-	**17,202**
Investment in real estate	37,946	-	-	-	-	**37,946**
Equity accounted investees	6,953	-	-	-	-	**6,953**
Other assets	24,128	-	-	-	-	**24,128**
Property and equipment	27,547	-	-	-	-	**27,547**
Total funded exposures	**1,753,975**	**10,587**	**22,545**	**29**	**-**	**1,787,136**
Guarantees	34,396	-	6,027	-	-	**40,423**
Undrawn financing facilities	51,478	-	11,913	-	-	**63,391**
Total unfunded exposures	**85,874**	**-**	**17,940**	**-**	**-**	**103,814**

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 2026 was as follows:

BD 000's

30 June 2026	Banks and financial institutions	Real estate	Government / Sovereign	Others	Total
Assets					
Cash and bank balances	37,295	-	-	-	**37,295**
Placement with financial institutions	66,439	-	-	-	**66,439**
Investment in sukuk	-	66,277	656,138	-	**722,415**
Financing contracts	51,017	323,685	125,850	346,659	**847,211**
Investment securities	-	14,922	-	2,280	**17,202**
Investment in real estate	-	37,946	-	-	**37,946**
Equity accounted investees	-	6,953	-	-	**6,953**
Other assets	7,283	10,393	62	6,390	**24,128**
Property and equipment	-	-	-	27,547	**27,547**
Total funded exposure	**162,034**	**460,176**	**782,050**	**382,876**	**1,787,136**
Guarantees	-	441	-	39,982	**40,423**
Undrawn financing facilities	-	20,786	-	42,605	**63,391**
Total unfunded exposures	**-**	**21,227**	**-**	**82,587**	**103,814**

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 2026 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 2026. 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 2026:

BD 000's

Counterparty	Exposure type	Exposure	Limit as a percentage	Exposure in excess of the limits
Exposure to Controller	Financing	3,179	2.54%	3,179
Single obligor limits	Financing	49,519	39.62%	12,024
Single obligor limits	Investment	37,970	30.38%	474

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 2026:

Counterparties	Gross BD '000	Provision BD '000	Net BD '000
Counterparty # 1	1,631	1,631	-

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	135,787	10,351	21,295	28,431	129,562	126,501	85,807	12,836	1,591	552,161
Mudaraba	-	-	-	-	-	-	-	-	-	-
Ijarah	7,976	2,560	4,968	10,827	61,785	84,341	58,178	51,778	12,637	295,050
Total	**143,763**	**12,911**	**26,263**	**39,258**	**191,347**	**210,842**	**143,985**	**64,614**	**14,228**	**847,211**
Investment in sukuk– banking book	-	-	-	67,413	148,441	33,408	246,505	157,386	69,262	722,415
Total	-	-	-	67,413	148,441	33,408	246,505	157,386	69,262	722,415
Grand Total	**143,763**	**12,911**	**26,263**	**106,671**	**339,788**	**244,250**	**390,490**	**222,000**	**83,490**	**1,569,626**

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	BD 000's
Privately held	36,982
Unrealised gains recognized during the period through other comprehensive income	-
Total unrealised losses as of the period end.	-
Dividend income, net of amortization	(12)
Gain on sale of equity securities, net	1,218

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

BD 000's

Equity investments in banking book	Gross exposure		Risk weighted exposure		Capital requirement @ 12.5%	
	Self-financed	Quasi-equity	Self-financed	Quasi-equity	Self-financed	Quasi-equity
Unlisted	2,281	-	3,422	-	428	-
Investments in unlisted real estate companies	5,561	29,140	5,561	8,742	695	1,093
Other holding of real estate	-	-	-	-	-	-
Total	**7,842**	**29,140**	**8,983**	**8,742**	**1,123**	**1,093**

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	43,628	-	**43,628**
1 year to 3 years	8,440	-	**8,440**
More than 3 years	6,081	-	**6,081**
	58,149	**-**	**58,149**
Less: Stage 3 impairment allowance:			
At 1 January 2026	10,504	-	**10,504**
Net Transfer	132	-	**132**
Charge during the period	6,332	-	**6,332**
Write off during the period	(2,441)	-	**(2,441)**
Disposals	-	-	-
	14,527	**-**	**14,527**
Carrying amount	**43,622**	**-**	**43,622**
Past due but not credit impaired:			
Up to 3 months	325,730	285	**326,015**
3 months to 1 year	-	-	-
More than 1 year	-	-	-
	325,730	**285**	**326,015**
Stage 1 and Stage 2 impairment allowance	**5,907**	**11**	**5,918**

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	-	6,109	37,519	**43,628**
1 year to 3 years	-	2,005	6,435	**8,440**
More than 3 years	-	3,435	2,646	**6,081**
	-	**11,550**	**46,599**	**58,149**
Less: Stage 3 impairment allowance:				
At 1 January 2026	-	1,953	8,551	**10,504**
Net Transfer	-	45	87	**132**
Charge during the period	-	133	6,199	**6,332**
Write off during the period	-	(715)	(1,726)	**(2,441)**
Disposals	-	-	-	**-**
	-	**1,416**	**13,111**	**14,527**
Carrying amount	**-**	**10,134**	**33,488**	**43,622**
Past due but not credit impaired:				
Up to 3 months	-	107,521	218,494	**326,015**
3 months to 1 year	-	-	-	**-**
More than 1 year	-	-	-	**-**
	-	**107,521**	**218,494**	**326,015**
Stage 1 and Stage 2 impairment allowance	**13**	**1,655**	**4,250**	**5,918**

3.5 Renegotiated facilities

During the period, facilities of BD 35,319 thousand were renegotiated representing 4.1% of the total outstanding facilities, out of which BD 17,250 thousand are classified as neither past due nor impaired as of 30 June 2026. 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 2026, 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 2,441 thousand during the six months period ended 30 June 2026.

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 2026, an amount of BD 35 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 2026 is given in the table below:

Collateral Type	Murabaha	Ijarah	Value of collateral [1]	Gross Exposure [2]	% of cover	% of Total
	BD 000's	BD 000's	BD 000's	BD 000's		
Real Estate	297,912	306,160	604,072	506,702	119%	93%
Cash Collateral	25,401	1,659	27,060	48,029	56%	4%
Unsecured	-	-	-	266,161	0%	0%
Others	17,130	-	17,130	46,764	37%	3%
Total	**340,443**	**307,819**	**648,262**	**867,656**	**212%**	**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 5,918 thousand and Stage 3 ECL BD 14,527 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 valuators. 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 valuators 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.

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	536,476	162,800	393,903	45,325	130,555	5,666	16,319
Ijarah assets	296,397	84,054	212,372	40,482	14,786	5,060	1,848
Total	**832,872**	**246,854**	**606,275**	**85,807**	**145,341**	**10,726**	**18,167**

*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 2026 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	295	831	295
Commodity risk	-	-	-
Total (A)	295	831	295
Risk Weighted Assets (A x 12.5)	3,689	10,390	3,689
Capital requirement @ 12.5%	461	1,299	461

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.

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 2026 is as given below:

	BD 000's
Average gross income for 3 years (A)	48,485
Operational Risk Weighted Assets B = (A x 15% x 12.5)	90,909
Capital requirement (B x 12.5%)	11,364

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 2026 is as follows:

BD 000's

30 June 2026	**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	21,228	6,558	8,844	65	600	-	**37,295**
Placements with financial institutions	66,439	-	-	-	-	-	**66,439**
Investment in sukuk	-	537,812	-	-	184,603	-	**722,415**
Financing contracts	107,850	44,947	74,388	199,615	420,411		**847,211**
Investment securities	-	-	-	-	17,202	-	**17,202**
Investment in real estate	-	-	-	-	37,946	-	**37,946**
Equity accounted investees	-	-	-	-	6,953	-	**6,953**
Other assets	2,839	6,939	179	11,557	2,614	-	**24,128**
Property and equipment	-	-	-	-	27,547	-	**27,547**
Total assets	**198,356**	**596,256**	**83,411**	**211,237**	**697,876**	-	**1,787,136**

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	169,399	7,959	6,539	-	-	-	**183,897**
Placements from non-financial institutions and individuals[1]	171,827	27,755	10,552	14	127,803	-	**337,951**
Term financing from financial institutions[1]	-	-	-	276,671	-	-	**276,671**
Customers' current accounts[1]	11,459	-	-	-	92,148	-	**103,607**
Other liabilities	12,931	958	296	3,349	3,026	-	**20,560**
Total liabilities	**365,616**	**36,672**	**17,387**	**280,034**	**222,977**	**-**	**922,686**
Quasi-equity[1]	**140,868**	**26,146**	**12,275**	**97,068**	**460,210**	**-**	**736,567**
Restricted Investment accounts	-	-	-	1,533	-	-	**1,533**
Commitments	**23,393**	**36,672**	**33,954**	**3,087**	**6,708**	**-**	**103,814**

[1]Allocated 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:

Figures in %

	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
Inter-bank assets to inter-bank liabilities	40.20%	84.40%	113.82%	66.77%	60.86%
Liquid assets to total assets	18.39%	28.23%	24.57%	32.08%	34.32%
Liquid assets to total deposits	24.13%	36.55%	37.43%	58.77%	56.14%
Net liquid assets to total deposits	10.63%	21.77%	23.88%	29.78%	28.59%

6.2 Profit rate risk in the banking book

A summary of the Bank's profit rate gap position at 30 June 2026 is as follows:

BD 000's

30 June 2026	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 3 years	More than 3 years	Total
Assets						
Placements with financial institutions	66,439	-	-	-	-	**66,439**
Financing contracts	103,968	41,848	88,256	205,372	407,767	**847,211**
Investment in sukuk	8,496	-	31,546	187,475	494,898	**722,415**
Total profit rate sensitive assets	**178,903**	**41,848**	**119,802**	**392,847**	**902,665**	**1,636,065**
Liabilities						
Placements from financial institutions	252,237	13,019	6,539	-	-	**271,795**
Placements from non-financial institutions and individuals	118,639	57,296	73,984	134	-	**250,053**
Term financing from financial institutions	-	-	-	276,671	-	**276,671**
Customers' current accounts	103,607	-	-	-	-	**103,607**
Quasi-equity	499,156	104,041	132,197	1,173	-	**736,567**
Total profit rate sensitive liabilities	**973,639**	**174,356**	**212,720**	**277,978**	**-**	**1,638,693**
Profit rate gap	**(794,736)**	**(132,508)**	**(92,918)**	**114,869**	**902,665**	**(2,629)**

6.2 Profit Rate Risk in the Banking Book (continued)

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 2026	± (26)	± (13)
At 31 December 2025	± 1,082	± 541

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) is as follows:

	200bp parallel increase/ decrease
At 30 June 2026	± (53)
At 31 December 2025	± 1,840

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 2026:

	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:	32,721	(53)	32,774
Downward rate shocks:	(31,037)	1,840	29,197

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 2026, 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. 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)

	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
Return on average equity	0.70%	8.91%	8.21%	5.94%*	9.24%*
Return on average assets	0.05%	0.73%	0.70%	0.77%	1.20%
Finance income to finance expense	83.27%	97.63%	95.21%	71.82%	110.39%
Cost-to-Income-Ratio**	58.65%	53.92%	57.06%	58.86%	45.43%

* Equity includes Additional Tier 1 capital.
** Cost has been considered excluding impairment allowances.

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

	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
Allocated income to Quasi-equity	16,355	34,390	24,415	28,364	29,862
Distributed profit *	14,647	25,698	21,019	21,558	14,345
Mudarib fees	1,482	7,655	3,142	6,806	15,517
Wakala fees	226	1,037	254	-	-
As at 30 June					
Quasi-equity [1]	759,257	605,029	474,984	529,243	568,986
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 2026:

Type of Quasi-equity contracts	Ratio of financing
1 Month Mudharaba [1]	30.7%
3 Months Mudharaba	3.2%
6 Months Mudharaba	8.5%
12 Months Mudharaba	23.9%
18 Months Mudharaba	0.0%
24 Months Mudharaba	0.2%
36 Months Mudharaba	0.0%
VIP Mudharaba	20.3%
Wakala	13.2%
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):

BD 000's

Mudaraba Tenor	Profit distribution amount in BD					Ratio of profit paid as a percentage of total				
	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
1 Month [1]	3,427	6,637	4,920	6,693	5,267	23.4	25.8	23.4	31.0	36.7
3 Months	554	977	372	500	597	3.8	3.8	1.8	2.3	4.2
6 Months	1,316	2,081	1,586	1,173	550	9.0	8.1	7.5	5.4	3.8
12 Months	4,311	7,631	5,344	4,020	2,653	29.4	29.7	25.4	18.6	18.5
18 Months	1	-	26	43	13	-	-	0.1	0.2	0.1
24 Months	34	143	404	1,887	1,508	0.2	0.6	1.9	8.8	10.5
36 Months	3	40	48	52	22	-	0.2	0.2	0.2	0.2
VIP Mudaraba	3,281	7,007	6,747	7,171	3,735	22.4	27.3	32.2	33.4	26.0
Wakala	1,720	1,182	1,572	19	-	11.8	4.5	7.5	0.1	-
Total	**14,647**	**25,698**	**21,019**	**21,558**	**14,345**	**100**	**100**	**100**	**100**	**100.0**

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

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
Jun 2026	4.31	-	-	0.39	3.92
Dec 2025	5.69	-	-	1.27	4.42
Dec 2024	5.14	-	-	0.71	4.43
Dec 2023	5.36	-	-	1.29	4.07
Dec 2022	5.25	-	-	2.73	2.52

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

(Annualised rates)

Type of deposit	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
1 month Mudharaba [1]	2.84%	2.95%	2.29%	2.56%	1.80%
3 months Mudharaba	4.30%	4.44%	4.74%	4.69%	2.77%
6 months Mudharaba	4.64%	4.89%	5.54%	5.33%	2.71%
12 months Mudharaba	4.60%	4.92%	5.33%	4.84%	3.02%
18 months Mudharaba	4.15%	-	5.71%	4.70%	3.23%
24 months Mudharaba	3.79%	4.74%	5.24%	5.56%	4.27%
36 Months Mudharaba	3.57%	4.22%	4.51%	4.24%	3.38%
VIP Mudharaba	4.65%	5.00%	5.57%	5.40%	3.15%
Wakala	2.97%	2.39%	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 period ended 30 June 2026:

Particular	Allocation at 1 January 2026	Movement	Allocation at 30 June 2026	Proportion of total assets (%)	% of funding by Quasi-equity as at 30 June 2026
Cash and bank balances	37,166	(11,590)	25,576	3.47%	49.68%
Financing contracts	575,042	49,234	624,276	84.75%	75.20%
Investment in sukuk	67,371	(517)	66,854	9.08%	11.76%
Investment securities	11,169	(28)	11,141	1.51%	29.92%
Investment in real estate	7,103	(144)	6,959	0.94%	15.15%
Equity accounted investees	-	1,761	1,761	0.24%	25.34%
Total	**697,851**	**38,716**	**736,567**	**100%**	**47.82%**

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

	Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
Average mudarib share as a percentage of total income allocated to Quasi-equity	22.23%	27.96%	24.00%	28.13%	45.06%
Average mudarib share contractually agreed with Quasi-equity	64.32%	63.57%	64.44%	66.57%	68.56%
Average mudarib fees sacrificed by the Bank	42.09%	35.61%	40.44%	38.44%	23.50%

For details of assets that the Bank has pledged as collateral as of 30 June 2026, please refer to note 7 of the condensed consolidated interim financial information for the six months period ended 30 June 2026.

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

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
RIA 1 – Safana	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 09 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. KHALEEJI and NS12 (special purpose vehicle incorporated by the Bank on behalf of investors with the principal purpose of holding plots of lands in the Nurana Project) appointed Keypoint to work out an in-kind exit scheme for the RIA investors by offering the 19 plots. Scheme documents have been received from Keypoint and approved by KHALEEJI and NS 12 management to be circulated to investors. Approved Scheme Documents have been circulated by Keypoint to all investors and followed by a workshop conducted at KHALEEJI offices on the 24th of 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 Keypoint and witnessed By KHALEEJI employees; 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. Following the 3 allotment rounds of which RIA 1 investors participated, 6 plots have been allocated. Total revised fund of BD 5,176,246 which included KHALEEJI and total remaining NS 12 BD 6,931,836 as at 31 December 2019. 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. The Group acquired shares in RIA-1 Safana and NS 12 for BD 2.22 million and BD 2.94 million, respectively which formed part of the assets transferred to Infracorp in 2021. As of 30 June 2026, the Group's ownership interests in these entities remained unchanged.	2007	61.78% over product tenor	Bullet payment on maturity	-	-	-	-	-

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 (%)				
					Jun 2026	Dec 2025	Dec 2024	Dec 2023	Dec 2022
RIA 5 - North Gate	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. 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 were 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. Moreover, during December 2018 dividend declared amount of BD 259,500 to all RIA investors and it was paid for by the following quarter. 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. As of 30 June 2026, the Group has acquired shares in RIA-5 amounting to BD 2.938mn, which will be part of the assets to be transferred to Infracorp. 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. The EIK Scheme will be implemented based on the outcome of the approval process on the final master plan with residential classification.	2008	90.66% over product tenor	Bullet return at maturity	-	-	-	-	-