# AL SALAM BANK-BAHRAIN B.S.C.

## BASEL III - PILLAR III

## DISCLOSURES

**30 June 2017**

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## 1 Introduction

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

The Basel III accord is built on three pillars:

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

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

## 2 Financial Performance and Position

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

On 30 March 2014, the Bank acquired 100% stake in BMI Bank B.S.C.(c) ("BMI"), a closed shareholding company in the Kingdom of Bahrain, through exchange of shares. During January 2015, the Shari'a Supervisory Board approved BMI Bank to be an Islamic bank effective 1 January 2015. BMI Bank's operations are in compliance with Shari'a principles effective 1 January 2015.

On 29 November 2016, the shareholders of BMI resolved to approve the transfer of business of BMI to the Bank. The transfer of all business notice period ended on 11 April 2017 and CBB approved the transfer of business of BMI to the Bank on 19 April 2017. The Bank has initiated the process to takeover all the rights and assume all the obligations of BMI at their carrying values.

During 2016, the Bank acquired 70% stake in Al Salam Bank Seychelles Limited ("ASBS"), (previously "BMIO") an offshore bank in Seychelles. ASBS operates under an offshore banking license issued by the Central Bank of Seychelles. BMIO used to operate under an offshore banking license issued by the Central Bank of Seychelles. From 20 May 2016, ASBS was granted a Banking Business License which permits onshore as well as offshore banking activities. All legal formalities in relation to the share allotment have been completed and the process of converting ASBS into fully compliant Islamic operations is in progress. In accordance with CA-B.1.4 of the CBB Rulebook, for the purpose of disclosure of risk weighted exposures and for capital adequacy calculation, the Bank has obtained an approval from the CBB to aggregate the risk weighted exposures of ASBS and hence, the risk weighted exposures of ASBS do not form part of all disclosures in this Basel III - Pillar III Disclosure Document.

As of December 2016, the Group was in the process of selling the underling investment properties of Auslog Holding Trust (a subsidiary with 90% shareholding) to a third party and accordingly, it was classified as held-for-sale in the financial statements for the year ended December 2016. The sale was concluded this year and a gain of BD 323 thousand was recognized in the financial statements in 2017.

The Bank and its subsidiaries operate through 10 branches in the Kingdom of Bahrain and Seychelles and offer a full range of Shari'a-compliant banking services and products. The Bank together with its subsidiaries are referred to as the "Group".

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

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

**(BD '000s)**

| | Jun-2017 | Dec-2016 | Dec-2015 | Dec-2014 | Dec-2013 | Dec-2012 |
|---|---|---|---|---|---|---|
| Total operating income | 30,254 | 63,000 | 58,898 | 46,068 | 26,087 | 23,062 |
| Net profit | 8,395 | 16,096 | 10,548 | 15,821 | 12,372 | 10,308 |
| Total assets | 1,627,187 | 1,681,293 | 1,656,643 | 1,955,297 | 1,088,252 | 942,218 |
| Total equity | 322,184 | 324,899 | 320,002 | 328,803 | 246,097 | 208,065 |
| **Key Ratios** | **Jun-2017** | **Dec-2016** | **Dec-2015** | **Dec-2014** | **Dec-2013** | **Dec-2012** |
| Earnings per share (fils) | 4.0 | 7.6 | 5.8 | 8.0 | 8.3 | 6.9 |
| Return on average assets (%) * | 1.0 | 1.0 | 0.6 | 1.0 | 1.2 | 1.1 |
| Return on average equity (%) * | 5.2 | 5.0 | 3.3 | 5.5 | 5.4 | 5.1 |
| Cost to operating income (%) | 38.5 | 41.4 | 44.7 | 57.3 | 43.7 | 49.7 |
| Dividend payout ratio (%) | NA | 66.5 | 86.2 | 67.7 | 60.5 | 72.6 |
| Dividend yield ratio (%) | NA | 4.2 | 5.4 | 3.8 | 3.6 | 9.4 |
| Net profit margin on Islamic assets (%) * | 3.1% | 2.7% | 2.6% | 2.8% | 2.6% | 1.4% |

* Annualised

**2 Financial Performance and Position (continued)**

**Table 2.2** Financial Summary

(BD '000s)

| Consolidated Financial Position | Jun-2017 | Dec-2016 | Dec-2015 | Dec-2014 | Dec-2013 | Dec-2012 |
|---|---|---|---|---|---|---|
| Cash and balances with banks and Central Bank | 97,036 | 131,990 | 152,572 | 277,751 | 86,097 | 66,843 |
| Sovereign Sukuk | 364,167 | 358,269 | 350,474 | 145,789 | 102,937 | 117,612 |
| Murabaha and Wakala receivables from banks | 146,046 | 182,452 | 103,345 | 182,110 | 118,227 | 103,290 |
| Corporate Sukuk | 11,853 | 28,934 | 50,472 | 88,193 | 91,106 | 74,993 |
| Murabaha financing | 221,726 | 213,687 | 245,168 | 270,428 | 156,142 | 127,537 |
| Mudaraba financing | 278,603 | 252,807 | 239,031 | 189,601 | 114,084 | 99,572 |
| Ijarah Muntahia Bittamleek | 194,079 | 188,485 | 155,217 | 141,052 | 110,631 | 82,954 |
| Musharaka | 15,780 | 12,304 | 7,154 | 10,851 | 19,145 | 17,467 |
| Assets under conversion | 21,377 | 37,016 | 32,032 | 308,659 | - | - |
| Non-trading investments | 120,703 | 122,073 | 123,514 | 147,096 | 125,923 | 204,202 |
| Investments in real estate | 51,863 | 51,863 | 68,786 | 65,149 | 66,718 | 2,500 |
| Development properties | 20,256 | 17,781 | 49,021 | 59,262 | 65,891 | - |
| Investment in associates | 11,489 | 10,561 | 9,994 | 10,492 | 8,537 | 7,573 |
| Other assets | 46,238 | 27,260 | 43,892 | 32,893 | 22,814 | 36,908 |
| Goodwill | 25,971 | 25,971 | 25,971 | 25,971 | - | - |
| Assets classified as held-for-sale | - | 19,840 | - | - | - | - |
| Murabaha and Wakala payables to banks | 120,097 | 132,032 | 120,795 | 121,266 | 106,796 | 90,852 |
| Murabaha and Wakala payables to non-banks | 637,138 | 723,439 | 842,570 | 1,034,052 | 584,365 | 521,929 |
| Current accounts | 319,730 | 279,609 | 224,366 | 226,648 | 70,532 | 83,921 |
| Murabaha Term financing | 98,045 | 91,837 | 35,986 | 21,337 | 23,637 | - |
| Liabilities under conversion | 1,451 | 217 | 2,327 | 149,621 | - | - |
| Other liabilities | 52,275 | 49,043 | 48,246 | 45,418 | 30,979 | 19,175 |
| Liabilities relating to assets classified as held-for-sale | - | 11,421 | - | - | - | - |
| Equity of Investment Accountholders (EOIA) | 76,267 | 68,796 | 62,351 | 28,152 | 25,846 | 18,276 |
| **Capital** | **Jun-2017** | **Dec-2016** | **Dec-2015** | **Dec-2014** | **Dec-2013** | **Dec-2012** |
| Capital adequacy (%) | 21.22% | 21.6 | 20.1 | 18.7 | 21.4 | 20.9 |
| Equity/total assets (%) | 19.8 | 19.3 | 19.3 | 16.8 | 22.6 | 22.1 |
| Total customer deposits/equity (times) | 3.2x | 3.3x | 3.5x | 4.3x | 2.8x | 3.0x |
| **Liquidity and Other Ratios** | **Jun-2017** | **Dec-2016** | **Dec-2015** | **Dec-2014** | **Dec-2013** | **Dec-2012** |
| Islamic financing contracts/total assets (%) | 43.6 | 39.7 | 39.0 | 31.3 | 36.0 | 34.8 |
| Investments/total assets (%) | 35.7 | 36.2 | 39.4 | 26.4 | 42.4 | 43.2 |
| Liquid assets/total assets (%) | 37.3 | 40.0 | 36.6 | 31.7 | 28.2 | 30.5 |
| Islamic financing contracts/customer deposits (%) | 68.7 | 62.3 | 57.3 | 47.5 | 57.5 | 52.5 |
| Number of employees | 330 | 333 | 368 | 457 | 191 | 202 |

### 3 Capital Structure

The Group's total capital of BD 302,040 thousands comprises of CET 1, AT1 and Tier 2 capital which is detailed in the following table: **(PD 1.3.11)**

The issued and paid up share capital of the Group was BD 214,093 thousands at 30 June 2017, comprising of 2,140,931 thousand shares of BD 0.100 each. **(PD 1.3.11)**

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

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

**(BD '000s)**

| | CET1 | AT1 | T2 |
|---|---|---|---|
| Issued and fully paid up ordinary shares | 214,093 | | |
| Treasury shares | (1,733) | | |
| Legal/statutory reserves | 15,338 | | |
| Share premium | 12,209 | | |
| Retained earnings | 19,403 | | |
| Current interim cumulative net income / losses | 8,477 | | |
| Unrealized gains and losses on available for sale financial instruments | 1,392 | | |
| Gains and loss resulting from converting foreign currency subsidiaries to the parent currency | (2,623) | | |
| Unrealized gains and losses arising from fair valuing equities | 31,371 | | |
| Total Minority Interest in banking subsidiaries given recognition in CET1 capital | 255 | | |
| **Total CET1 capital prior to regulatory adjustments** | **298,182** | | |
| **Less:** | | | |
| Goodwill | (25,971) | | |
| **Total Common Equity Tier 1 capital after the regulatory adjustments above** | **272,211** | | |
| Instruments issued by banking subsidiaries to third parties | | 9 | 12 |
| Asset revaluation reserve - Property, plant, and equipment | | | 23,507 |
| General financing loss provisions | | | 6,302 |
| **Total Available AT1 & T2 Capital** | | **9** | **29,821** |
| **Total Tier 1** | | **272,219** | |
| **Total Capital (PD 1.3.20 a)** | | | **302,040** |

**Table 3.2**

**(BD '000s)**

| | Risk Weighted Exposures | | |
|---|---|---|---|
| | **Credit** | **Operational** | **Market** |
| Risk Weighted Exposures (self-financed) | 1,303,588 | 103,560 | 7,620 |
| Risk Weighted Exposures (URIA) | 5,427 | | |
| Aggregation of Risk Weighted Exposures | 2,592 | 650 | |
| **Risk Weighted Exposures after Aggregation** | **1,311,607** | **104,210** | **7,620** |
| **Total Risk Weighted Exposures** | | | **1,423,438** |

| | CET 1 | T1 | Total Capital |
|---|---|---|---|
| **% of Total Risk Weighted Exposures (CAR) (PD 1.3.20 a)** | **19.12%** | **19.12%** | **21.22%** |
| **Minimum Required by CBB Regulations under Basel III (after CCB)** | **9.00%** | **10.50%** | **12.50%** |

* Calculated in accordance with Capital Adequacy Module of Volume 2 issued by CBB. ASBS has not been considered as a significant subsidiary as the regulatory capital is less than 5% of the Group's consolidated capital base.

### 4 Capital Adequacy Ratios (CAR)

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

#### 4.1 Capital Management

Internal Capital Adequacy Assessment Process (ICAAP)

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

The key principles driving capital management include:

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

The adequacy of the Group's capital is monitored using, primarily, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the CBB. The primary objective of the Group's capital management is to ensure that it complies with externally imposed capital requirements. The Group complied in full with all externally imposed capital requirements during the period ended 30 June 2017.

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

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

### 5.1 Credit Risk

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

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

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

**a. Claims on sovereigns**

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

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

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

**c. Claims on banks**

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

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

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

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

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

**e. Claims on regulatory retail portfolio**

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

**f. Mortgages**

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

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

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

(a) 150% risk weight when specific provisions are less than 20% of the outstanding amount of the facility.
(b) 100% risk weight when specific provisions are 20% or more of the outstanding amount of the facility.

**h. Investment in securities and sukuk**

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150%.

**i. Holding of real estate**

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

**j. Other assets**

These are risk weighted at 100%.

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

### 5.1 Credit Risk (continued)

**Table 5.1** Funded and Unfunded Exposures

(BD '000s)

| | Gross Credit Exposure | Average Gross Credit Exposure * | Funded Exposure | Unfunded Exposure (after CCF) | Cash Collateral | Eligible Guarantees | Eligible CRM | Risk-Weighted Assets (RWA) | Minimum Capital Charge |
|---|---|---|---|---|---|---|---|---|---|
| Cash | 7,021 | 7,370 | 7,021 | - | - | - | - | - | - |
| Claims on sovereigns | 489,774 | 497,660 | 480,859 | 8,915 | - | - | - | 5,730 | 716 |
| Claims on banks | 238,800 | 245,397 | 206,943 | 31,857 | 7,853 | - | 11,057 | 73,670 | 9,209 |
| Claims on corporate portfolio | 228,789 | 236,814 | 182,102 | 46,687 | 18,072 | - | 25,394 | 178,038 | 22,255 |
| Claims on regulatory retail portfolio | 35,279 | 36,380 | 35,279 | - | 761 | - | 350 | 26,197 | 3,275 |
| Mortgages | 325,227 | 299,775 | 321,495 | 3,732 | - | - | 54,547 | 239,801 | 29,975 |
| Past due receivables over 90 days | 87,886 | 103,481 | 87,334 | 552 | - | - | 3,492 | 105,047 | 13,131 |
| Investments in Securities and Sukuk | 18,096 | 17,752 | 18,096 | - | - | - | - | 37,537 | 4,692 |
| Holding of Real Estate | 198,375 | 204,306 | 198,190 | 185 | - | - | - | 608,783 | 76,098 |
| Other assets and Specialized financing | 54,200 | 47,918 | 52,837 | 1,363 | 2,328 | - | 19,988 | 34,212 | 4,277 |
| **Total** | **1,683,447** | **1,696,853** | **1,590,156** | **93,291** | **29,014** | **-** | **114,828** | **1,309,015** | **163,628** |

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

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

Note b: The gross credit exposure is arrived at after considering the following:
- inclusion of unfunded exposure (after CCF); and
- deduction of excess amount over maximum permitted large exposure limit.

Note c: The unfunded exposure before (CCF) as of 30 June 2017 is BD 207,771 thousands.

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

**Table 5.2** Portfolio by Islamic financing contracts (excluding equity contracts and assets under conversion)

(BD '000s)

| | Gross Credit Exposure | Average Gross Credit Exposure * | Funded Exposure | Unfunded Exposure (after CCF) | Eligible Guarantees | Eligible CRM | Risk-Weighted Assets (RWA) | Minimum Capital Charge |
|---|---|---|---|---|---|---|---|---|
| Sovereign Sukuk | 369,849 | 356,065 | 369,849 | - | - | - | 4,957 | 620 |
| Murabaha and Wakala receivables from banks | 142,309 | 142,478 | 142,309 | - | - | - | 26,583 | 3,323 |
| Corporate sukuk | 11,950 | 24,889 | 11,950 | - | - | - | 11,343 | 1,418 |
| Murabaha financing | 262,929 | 247,741 | 228,800 | 34,129 | - | 42,722 | 179,471 | 22,434 |
| Mudaraba financing | 289,317 | 264,195 | 278,671 | 10,646 | - | 13,828 | 219,477 | 27,435 |
| Ijarah Muntahia Bittamleek | 194,717 | 185,770 | 194,687 | 30 | - | 58,278 | 120,088 | 15,011 |
| Musharaka | 43,379 | 28,401 | 15,906 | 27,473 | - | - | 41,927 | 5,241 |
| **Total** | **1,314,450** | **1,249,539** | **1,242,172** | **72,278** | **-** | **114,828** | **603,846** | **75,482** |

* The Group has calculated the average gross credit exposures based on average quarterly balances.
** Includes URIA

Note: The above amounts include profit accrued on these contracts.

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

**5.1 Credit Risk (continued)**

**Table 5.3 Gross Credit Exposures (PD 1.3.23 a)**

| | Gross Credit Exposure | Average Gross Credit Exposure |
|---|---|---|
| Cash and balances with banks and Central Bank of Bahrain | 97,036 | 122,122 |
| Sovereign Sukuk | 364,167 | 353,313 |
| Murabaha and Wakala receivables from banks | 146,046 | 142,307 |
| Corporate Sukuk | 11,853 | 24,785 |
| Murabaha financing | 221,726 | 231,090 |
| Mudaraba financing | 278,603 | 256,011 |
| Ijarah Muntahia Bittamleek | 194,079 | 185,815 |
| Musharaka | 15,780 | 13,092 |
| Assets under conversion | 21,377 | 27,920 |
| Non-trading investments | 120,703 | 122,864 |
| Investments in real estate | 51,863 | 57,000 |
| Development properties | 20,256 | 24,722 |
| Investment in associates | 11,489 | 11,049 |
| Other assets | 46,238 | 32,808 |
| Goodwill | 25,971 | 25,971 |
| Assets held-for-sale | - | 4,960 |
| **Total funded exposures** | **1,627,187** | **1,635,829** |
| Contingent Liabilities & Commitments | 211,105 | 204,599 |
| **Total unfunded exposures** | **211,105** | **204,599** |
| **Total** | **1,838,292** | **1,840,428** |

**Risk mitigation, collateral and other credit enhancements**

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash, lien on property and guarantees from banks. As at 30 June 2017, the collaterals eligible for CRM (after applying regulatory haircuts) amounted to BD 114,828 thousands.

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

**5.1 Credit Risk (continued)**

**5.1.1 Geographical Distribution of Exposures**

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

**Table 5.4 (PD 1.3.23 b)** **(BD '000s)**

| Contribution by Equity and Current Accounts | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Exposure type** | **GCC Countries** | **Arab World** | **Europe** | **Asia Pacific** | **North America** | **Others** | **Total** |
| Cash and balances with banks and Central Bank of Bahrain | 65,859 | 31 | 12,720 | 64 | 18,121 | 241 | **97,036** |
| Sovereign Sukuk | 359,232 | - | - | 2,627 | - | 2,308 | **364,167** |
| Murabaha and Wakala receivables from banks | 69,779 | - | - | - | - | - | **69,779** |
| Corporate Sukuk | 9,098 | - | 2,755 | - | - | - | **11,853** |
| Murabaha financing | 120,241 | 43,039 | 22,520 | 34,984 | - | 942 | **221,726** |
| Mudaraba financing | 264,567 | - | - | 12,079 | - | 1,957 | **278,603** |
| Ijarah Muntahia Bittamleek | 187,905 | - | 6,174 | - | - | - | **194,079** |
| Musharaka | 15,780 | - | - | - | - | - | **15,780** |
| Assets under conversion | 16,041 | - | 4 | - | - | 5,332 | **21,377** |
| Non-trading investments | 110,592 | - | - | 4,349 | 5,762 | - | **120,703** |
| Investments in real estate | 51,863 | - | - | - | - | - | **51,863** |
| Development properties | 17,313 | - | 2,943 | - | - | - | **20,256** |
| Investment in associates | - | 8,181 | - | - | - | 3,308 | **11,489** |
| Other assets | 42,047 | 1,211 | 2,907 | 37 | 6 | 30 | **46,238** |
| Goodwill | 25,971 | - | - | - | - | - | **25,971** |
| **Total funded exposures** | **1,356,288** | **52,462** | **50,023** | **54,140** | **23,889** | **14,118** | **1,550,920** |
| Contingent Liabilities & Commitments | 198,848 | 10,589 | 17 | - | - | 1,651 | **211,105** |
| **Total unfunded exposures** | **198,848** | **10,589** | **17** | **-** | **-** | **1,651** | **211,105** |
| **Total exposures** | **1,555,136** | **63,051** | **50,040** | **54,140** | **23,889** | **15,769** | **1,762,025** |

**Table 5.5 (PD 1.3.23 b)** **(BD '000s)**

| Contribution by Equity of investment account holders | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Exposure type** | **GCC Countries** | **Arab World** | **Europe** | **Asia Pacific** | **North America** | **Others** | **Total** |
| Murabaha and Wakala receivables from banks | 76,267 | - | - | - | - | - | **76,267** |
| **Total funded exposures** | **76,267** | **-** | **-** | **-** | **-** | **-** | **76,267** |
| Contingent Liabilities & Commitments | - | - | - | - | - | - | - |
| **Total unfunded exposures** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total exposures** | **76,267** | **-** | **-** | **-** | **-** | **-** | **76,267** |

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

**5.1 Credit Risk (continued)**

**5.1.1 Geographical Distribution of Exposures (continued)**

The Group has a certain few past due financing contracts that have not been settled as of 30 June 2017. As at 30 June 2017, a specific provision of BD 47,048 thousands (31 December 2016: BD 41,102 thousands) has been taken against past due financing contracts. During the period, additional specific provisions were made amounting to BD 10,189 thousands and recoveries were made amounting to BD 1,454 thousands. Also as of 30 June 2017, a collective impairment provision of BD 6,302 thousands (31 December 2016: BD 5,632 thousands) has been maintained against financing contracts. During the period, additional collective impairment provision was created amounting to BD 670 thousands. **(PD 1.3.23 h, i)**

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

**(BD '000s)**

| Contribution by Equity and Current Account | | | | | |
|---|---|---|---|---|---|
| | Gross Credit Exposure | Past Due Financing Contracts including Impaired Financing Contracts (Net of Provision) | Specific Provision against Financing Contracts | Collective Impairment Provision Financing Contracts | Impaired Financing Contracts (Net of Provision) |
| GCC Countries | 1,555,136 | 149,513 | 13,496 | 6,302 | 58,201 |
| Arab World | 63,051 | | - | - | - |
| Europe | 50,040 | 4,723 | 11,377 | - | 4,723 |
| Asia Pacific | 54,140 | 24,935 | 22,122 | - | 24,935 |
| North America | 23,889 | | - | - | - |
| Others | 15,769 | | 53 | - | - |
| **Total** | **1,762,025** | **179,171** | **47,048** | **6,302** | **87,859** |

**Table 5.7** **(BD '000s)**

| Contribution by Equity of Investment Accountholders | | | | | |
|---|---|---|---|---|---|
| | Gross Credit Exposure | Past Due Financing Contracts including Impaired Financing Contracts | Specific Provision Financing Contracts | Collective Impairment Provision Financing Contracts | Impaired Financing Contracts |
| GCC Countries | 76,267 | - | - | - | - |
| **Total** | **76,267** | **-** | **-** | **-** | **-** |

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

**5.1 Credit Risk (continued)**

**5.1.2 Exposure by Industry**

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

**(BD '000s)**

| Contribution by Equity and Current Account | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Exposure Type** | **Trading and Manufacturing** | **Banks and Financial Institutions** | **Real Estate** | **Aviation** | **Individuals** | **Government** | **Others** | **Total** |
| Cash and balances with banks and Central Bank of Bahrain | - | 64,360 | - | 875 | - | 27,029 | 4,772 | **97,036** |
| Sovereign Sukuk | - | 2,627 | - | - | - | 361,540 | - | **364,167** |
| Murabaha and Wakala receivables from banks | - | 38,779 | - | - | - | 31,000 | - | **69,779** |
| Corporate Sukuk | - | 3,598 | 321 | - | - | 6,891 | 1,043 | **11,853** |
| Murabaha financing | 45,673 | 49,026 | 34,085 | - | 61,874 | 21,921 | 9,147 | **221,726** |
| Mudaraba financing | 39,063 | 17,496 | 76,687 | - | 33,662 | 66,919 | 44,776 | **278,603** |
| Ijarah Muntahia Bittamleek | 21,167 | - | 99,063 | 6,681 | 52,169 | 1,600 | 13,399 | **194,079** |
| Musharaka | - | - | 10,109 | - | 5,671 | - | - | **15,780** |
| Assets under conversion | 1,524 | 3,700 | 13,619 | - | 233 | - | 2,301 | **21,377** |
| Non-trading investments | | - | 92,020 | 2,025 | - | 2,190 | 24,468 | **120,703** |
| Investments in real estate | - | - | 51,863 | - | - | - | - | **51,863** |
| Development properties | - | - | 20,256 | - | - | - | - | **20,256** |
| Investment in associates | - | 11,489 | - | - | - | - | - | **11,489** |
| Other assets | 4,482 | 4,014 | 13,297 | 509 | 770 | 6,320 | 16,846 | **46,238** |
| Goodwill | - | 25,971 | - | - | - | - | - | **25,971** |
| Invetments held-for-sale | - | - | - | - | - | - | - | **-** |
| **Total funded exposures** | **111,909** | **221,060** | **411,320** | **10,090** | **154,379** | **525,410** | **116,752** | **1,550,920** |
| Contingent Liabilities & Commitments | 18,163 | 35,599 | 78,682 | - | 13,463 | 43,798 | 21,400 | **211,105** |
| **Total unfunded exposures** | **18,163** | **35,599** | **78,682** | **-** | **13,463** | **43,798** | **21,400** | **211,105** |
| **Total exposures** | **130,072** | **256,659** | **490,002** | **10,090** | **167,842** | **569,208** | **138,152** | **1,762,025** |

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

**5.1 Credit Risk (continued)**

**5.1.2 Exposure by Industry (continued)**

**Table 5.9** Exposure by type of credit exposure **(PD 1.3.23 c)**

(BD '000s)

| Contribution by Equity of Investment Accountholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Exposure Type** | **Trading and Manufacturing** | **Banks and Financial Institutions** | **Real Estate** | **Aviation** | **Individuals** | **Government** | **Others** | **Total** |
| Murabaha and Wakala receivables from banks | - | 76,267 | - | - | - | - | - | **76,267** |
| **Total funded exposures** | **-** | **76,267** | **-** | **-** | **-** | **-** | **-** | **76,267** |
| Contingent Liabilities & Commitments | - | - | - | - | - | - | - | **-** |
| **Total unfunded exposures** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total exposures** | **-** | **76,267** | **-** | **-** | **-** | **-** | **-** | **76,267** |

**Table 5.10** The exposure by industry including impaired assets and the related impairment is as follows: **(PD 1.3.23 h)**

(BD '000s)

| | **Contribution by Equity and Current Account** | | **Contribution by Equity of Investment Accountholders** | |
|---|---|---|---|---|
| **Industry Type** | **Past Due Financing Contracts including Impaired Financing Contracts (Net of provision)** | **Specific Provision against Financing Contracts** | **Past Due Financing Contracts including Impaired Financing Contracts** | **Specific Provision against Financing Contracts** |
| Trading and manufacturing | 63,107 | 26,162 | - | - |
| Banks and financial institutions | 9,150 | 3,766 | - | - |
| Real estate | 50,677 | 5,020 | - | - |
| Individuals | 23,841 | 1,813 | - | - |
| Others | 32,396 | 10,287 | - | - |
| **Total** | **179,171** | **47,048** | **-** | **-** |

**Table 5.11** Ageing Analysis - **(PD 1.3.24 b (i))** (BD '000s)

| | **Impaired loans (Net of** |
|---|---|
| Up to 1 year | 15,299 |
| Over 1 year up to 3 years | 47,106 |
| Over 3 years | 25,454 |
| **Total** | **87,859** |

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

**5.1 Credit Risk (continued)**

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

**Table 5.12** **(BD '000s)**

| | Gross Credit Exposure* | Rated Exposure | Unrated Exposure |
|---|---|---|---|
| Cash | 7,021 | - | 7,021 |
| Claims on sovereigns | 489,774 | - | 489,774 |
| Claims on banks | 238,800 | 140,043 | 98,757 |
| Claims on corporate portfolio | 228,789 | - | 228,789 |
| Regulatory retail portfolio | 35,279 | - | 35,279 |
| Mortgages | 325,227 | - | 325,227 |
| Past due receivables over 90 days | 87,886 | - | 87,886 |
| Investments in Securities and Sukuk | 18,096 | - | 18,096 |
| Holding of Real Estate | 198,375 | - | 198,375 |
| Other assets and Specialized financing | 54,200 | - | 54,200 |
| **Total** | **1,683,447** | **140,043** | **1,543,404** |

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

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

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

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

- inclusion of unfunded exposure (after CCF);
- risk weighting of excess amount over maximum permitted large exposure limit at 800%.

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

### 5.1 Credit Risk (continued)

#### 5.1.4 Maturity Analysis of Exposures

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

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

| | Notional Principal | Credit Exposure * |
|---|---|---|
| Contingent liabilities on behalf of customers | 57,232 | 27,888 |
| Irrevocable unutilised commitments | 129,711 | 44,575 |
| Forward foreign exchange contracts | 20,828 | 20,828 |
| Operating lease commitments | 3,334 | - |
| **Total** | **211,105** | **93,291** |

* Credit exposure is after applying CCF.

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

(BD '000s)

| | Up to 3 months | 3 months to 1 year | Total within 12 months | 1 – 5 years | 5 - 10 years | 10 - 20 years | Over 20 years | Total Over 12 months | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cash and balances with banks and Central Bank of Bahrain | 97,036 | - | **97,036** | - | - | - | - | **-** | **97,036** |
| Sovereign Sukuk | 14,985 | 13,226 | **28,211** | 124,725 | 196,374 | - | 14,857 | **335,956** | **364,167** |
| Murabaha and Wakala receivables from banks | 146,046 | - | **146,046** | - | - | - | - | **-** | **146,046** |
| Corporate Sukuk | - | 2,708 | **2,708** | 9,145 | - | - | - | **9,145** | **11,853** |
| Murabaha & Mudaraba financing | 56,615 | 140,138 | **196,753** | 166,251 | 130,588 | 6,063 | 674 | **303,576** | **500,329** |
| Ijarah Muntahia Bittamleek | 3,728 | 467 | **4,195** | 82,055 | 54,482 | 36,761 | 16,586 | **189,884** | **194,079** |
| Mushakara | 51 | 56 | **107** | 12,128 | 2,451 | 917 | 177 | **15,673** | **15,780** |
| Assets under conversion | 5,935 | 2,382 | **8,317** | 7,008 | 3,119 | 2,397 | 536 | **13,060** | **21,377** |
| Non-trading investments | - | 1,947 | **1,947** | 118,406 | - | - | 350 | **118,756** | **120,703** |
| Investment in real estate | - | - | **-** | 51,863 | - | - | - | **51,863** | **51,863** |
| Development properties | - | - | **-** | 20,256 | - | - | - | **20,256** | **20,256** |
| Investment in associates | - | - | **-** | 8,181 | - | - | 3,308 | **11,489** | **11,489** |
| Other assets | 34,561 | 2,476 | **37,037** | 3,123 | 4,601 | - | 1,477 | **9,201** | **46,238** |
| Goodwill | - | - | **-** | - | 25,971 | - | - | **25,971** | **25,971** |
| Assets held-for-sale | - | - | **-** | - | - | - | - | **-** | **-** |
| **Total** | **358,957** | **163,400** | **522,357** | **603,141** | **417,586** | **46,138** | **37,965** | **1,104,830** | **1,627,187** |

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

(BD '000s)

| | Up to 3 months | 3 months to 1 year | Total within 12 months | 1 – 5 years | 5 - 10 years | 10 - 20 years | Over 20 years | Total Over 12 months | Total |
|---|---|---|---|---|---|---|---|---|---|
| Unutilised commitments | 58,703 | 14,715 | **73,418** | 35,181 | 18,696 | 429 | 1,060 | **55,366** | **128,784** |
| Capital expenditure towards commitments | 912 | 15 | **927** | - | - | - | - | **-** | **927** |
| Contingent liabilities | 29,739 | 11,811 | **41,550** | 15,682 | - | - | - | **15,682** | **57,232** |
| Operating lease commitments | - | 1,171 | **1,171** | 2,163 | - | - | - | **2,163** | **3,334** |
| Forward foreign exchange contracts | 20,828 | - | **20,828** | - | - | - | - | **-** | **20,828** |
| **Total** | **110,182** | **27,712** | **137,894** | **53,026** | **18,696** | **429** | **1,060** | **73,211** | **211,105** |

The above expected maturity analysis is based on interim condensed consolidated statement of financial position classification.

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

**5.1 Credit Risk (continued)**

**5.1.5 (a) Maturity analysis of funding**

**Table 5.15** Contractual maturity analysis by major type of funding

(BD '000s)

| | Up to 3 months | 3 months to 1 year | Total within 12 months | 1 – 5 years | 5 - 10 years | 10 - 20 years | Over 20 years | Total Over 12 months | Total |
|---|---|---|---|---|---|---|---|---|---|
| Murabaha and Wakala payables to banks | 113,041 | 7,056 | **120,097** | - | - | - | - | **-** | **120,097** |
| Wakala payables to non-banks | 274,817 | 276,648 | **551,465** | 85,673 | - | - | - | **85,673** | **637,138** |
| Current accounts | 319,730 | - | **319,730** | - | - | - | - | **-** | **319,730** |
| Liabilities under conversion | - | - | **-** | 1,451 | - | - | - | **1,451** | **1,451** |
| Term Financing | 55,419 | - | **55,419** | 40,415 | 2,211 | - | - | **42,626** | **98,045** |
| Other liabilities | 47,391 | 2,287 | **49,678** | 2,514 | 10 | 43 | 30 | **2,597** | **52,275** |
| Liabilities relating to assets classified as held-for-sale | - | - | **-** | - | - | - | - | **-** | **-** |
| Equity of Investment Accountholders | 76,267 | - | **76,267** | - | - | - | - | **-** | **76,267** |
| **Total** | **886,665** | **285,991** | **1,172,656** | **130,053** | **2,221** | **43** | **30** | **132,347** | **1,305,003** |

**5.2 Market Risk**

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

(BD '000s)

| | Risk Weighted Asset | Capital Requirement | Period End Capital Charge | Capital Charge –Minimum* | Capital Charge –Maximum* |
|---|---|---|---|---|---|
| Price risk | 5,118 | 640 | 409 | 409 | 607 |
| Foreign exchange risk | 2,502 | 313 | 200 | 200 | 294 |
| **Total market risk** | **7,620** | **953** | **609** | **609** | **901** |

* The information in these columns shows the minimum and maximum capital charge of each of the market risk categories on a quarterly basis during the period ended 30 June 2017.

**5.3 Operational Risk**

In accordance with the basic indicator approach methodology of Basel III, the total minimum capital charge in respect of operational risk was BD 12,945 thousands. This capital charge was computed by categorizing the Group's activities into its specific business lines (as defined by the Basel III framework) and multiplying the business line's average gross income for the last three financial years by a predefined beta factor. **(PD 1.3.19)**

**Table 5.17** (BD '000s)

| | June 2017 |
|---|---|
| Average gross income | 55,232 |
| Risk weighted exposures | 103,560 |
| Minimum capital charge | 12,945 |

The Group uses the Temenos T24 core system developed by Globus, for obtaining the data needed for analysis of events and data related to credit, market and operational risk assessment. Following the data consolidation, the Bank uses the RiskAuthority integrated risk solution package from Moody's, at a solo level, that would allow for automated capital adequacy calculations, and exposure analysis for credit, market and operational risks. Together, the Temenos T24 and Fermat systems are considered an integral part of the Group's Risk Management Framework. This is currently being rolled out at the Group level.

Non-Shari'a compliant income for the period ended 30 June 2017 amounted to BD 185 thousands. This has arisen primarily from conventional financing and investments, penalty charges from customers and income on current accounts balances held with correspondent banks. **(PD 1.3.30 a, b)**

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

**5.4 Rate of Return Risk**

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

This risk is minimized as the Group's rate sensitive assets and liabilities are mostly for short tenures. In addition, the Group's cautious asset liability strategy avoids funding short term lending facilities from long term borrowings. The Group has set limits for profit return risk and these are monitored on an ongoing basis by the Group's Asset and Liability Committee (ALCO).

The Group has implemented a system to automate the process of monitoring, measuring and reporting profit rate risk on a daily basis through the use of gap analysis based on repricing buckets. Any fixed rate assets and liabilities will be repriced at their maturity date. In addition, the system generates stress tests to analyse the effect of shock changes in profit rates on the Group's assets and liabilities. This monitoring process is independently run on a daily basis from within the Risk Management & Compliance. Material rate of return risks are identified and mitigated through the coordination of the Market Risk Department and ALCO.

The below tables provides the asset and liability re-pricing profile on the contractual repricing or maturity dates, whichever is earlier for the period ended 30 June 2017. **(PD 1.3.27 c)**

**Table 5.18**

| **ASSETS** | **Total** | **Upto 1 month** | **>1 to 3 months** | **>3 to 6 months** | **>6 to 12 months** | **>1 to 2 years** | **>2 years** | **Profit insensitive** |
|---|---|---|---|---|---|---|---|---|
| Cash and balances with banks and the CBB | 97,036 | - | - | - | - | - | - | 97,036 |
| CBB Sukuk | 364,167 | 14,985 | - | 5,071 | 8,155 | 46,821 | 289,135 | - |
| Murabaha & Wakala receivables from banks | 146,046 | 145,159 | 887 | - | - | - | - | - |
| Corporate Sukuk | 11,853 | - | - | - | 2,708 | 4,763 | 4,382 | - |
| Murabaha financing | 221,726 | 29,197 | 5,888 | 18,441 | 44,273 | 9,776 | 114,151 | - |
| Mudaraba financing | 278,603 | 10,888 | 10,642 | 25,513 | 51,910 | 34,170 | 145,480 | - |
| Ijarah Muntahia Bittamleek | 194,079 | 2,823 | 904 | 79 | 389 | 4,698 | 185,186 | - |
| Musharaka financing | 15,780 | 51 | - | - | 56 | 10,051 | 5,622 | - |
| Assets under conversion | 21,377 | - | 5,935 | - | 2,382 | - | 11,346 | 1,714 |
| Non-trading investments | 120,703 | - | - | - | - | - | - | 120,703 |
| Investments in real estate | 51,863 | - | - | - | - | - | - | 51,863 |
| Development properties | 20,256 | - | - | - | - | - | - | 20,256 |
| Investment in associates | 11,489 | - | - | - | - | - | - | 11,489 |
| Other assets | 46,238 | 22,603 | 3,496 | 1,374 | 1,102 | 530 | 797 | 16,336 |
| Goodwill | 25,971 | - | - | - | - | - | - | 25,971 |
| **Total Assets (A)** | **1,627,187** | **225,706** | **27,752** | **50,478** | **110,975** | **110,809** | **756,099** | **345,368** |

| **LIABILITIES** | **Total** | **Upto 1 month** | **>1 to 3 months** | **>3 to 6 months** | **>6 to 12 months** | **>1 to 2 years** | **>2 years** | **Profit insensitive** |
|---|---|---|---|---|---|---|---|---|
| Murabaha and Wakala payables to banks | 120,097 | 75,785 | 37,256 | 7,056 | - | - | - | - |
| Wakala payables to non-banks | 637,138 | 87,339 | 187,478 | 147,188 | 129,460 | 65,750 | 19,923 | - |
| Customers' current accounts | 319,730 | - | - | - | - | - | - | 319,730 |
| Liabilities under conversion | 1,451 | - | - | - | - | 1,451 | - | - |
| Term financing | 98,045 | - | 55,419 | - | - | 16,965 | 25,661 | - |
| Other liabilities | 52,275 | 45,703 | 1,689 | 1,013 | 1,274 | 513 | 2,083 | - |
| Equity of investment accountholders | 76,267 | - | - | - | - | - | - | 76,267 |
| **Total Liabilities** | 1,305,003 | 208,827 | 281,842 | 155,257 | 130,734 | 84,679 | 47,667 | 395,997 |
| **Shareholders funds** | 322,184 | - | - | - | - | - | - | 322,184 |
| **Total Liabilities & Shareholders Funds** | **1,627,187** | **208,827** | **281,842** | **155,257** | **130,734** | **84,679** | **47,667** | **718,181** |
| **Off-Balance Sheet Liabilities** | 211,105 | 42,433 | 26,114 | 46,746 | 29,406 | 49,434 | 16,972 | |
| **Total liabilities with Off-Balance Sheet Items (B)** | **1,838,292** | **251,260** | **307,956** | **202,003** | **160,140** | **134,113** | **64,639** | **718,181** |
| Gap (A - B) | | (25,554) | (280,204) | (151,525) | (49,165) | (23,304) | 691,460 | (372,813) |
| **Cumulative Gap** | | **(25,554)** | **(305,758)** | **(457,283)** | **(506,448)** | **(529,752)** | **161,708** | **(211,105)** |

The below table provides a summary of the Group's profit rate of return sensitivity position based on the contractual repricing or maturity dates, whichever is earlier for the period ended 30 June 2017.

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

**5.4 Rate of Return Risk (continued)**

**Table 5.18 (a)** **(BD '000s)**

| Profit rate risk in the Banking Book<br>200bp Profit Rate Shocks | | |
|---|---|---|
| **Rate shock** | **Currency** | **Effect on net profit at 30 June 2017** |
| Upward rate shocks: | USD | 418 |
| | BHD | 614 |
| Downward rate shocks: | USD | (418) |
| | BHD | (614) |

**5.5 Equity Position Risk**

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

| | (BD '000s) |
|---|---|
| Quoted Equities | 11,634 |
| Unquoted Equities | 109,069 |
| | |
| Profit earned for EOIA before smoothing | 91 |
| Net realized gain during the period | 423 |
| Net unrealized gain during the period | (275) |

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

**5.6 Displaced Commercial Risk**

**(PD 1.3.41) (PD 1.3.21 f) (PD 1.3.32 a, i)**
The Group is exposed to displaced commercial risk in the event of having Equity of investment accounts (EOIA) profit rates that are lower than market rates, thus putting the Group in risk of paying EOIA account holders from shareholders funds to cover the profit volatility risk. ASBB has mitigated this risk through regular monitoring of liquidity gaps, deposit rates and concentrations in terms of the funding requirements by the Asset Liability Committee (ALCO). The ALCO reviews and monitors peer review analysis which includes average deposit rates paid by its peers in order to realign the deposit rates with the current market.

**5.7 Liquidity Risk**

**(PD 1.3.36) (PD 1.3.37)**
The Group monitors in an active manner its liquidity profile through analysis of the liquidity gap across specific timeframes in order to maintain the net asset liability position that is within the Board's risk appetite. The maintenance of the net asset liability position is done through the monitoring of the Group's liquidity indicators through which the Group's liquidity profile can be assessed. In addition, the Group further mitigates its liquidity risk by establishing multiple funding sources to decrease it's correlation to an individual funding counterparty. The multiple funding lines can be used to offset any shortage resulting from the Group's obligations and/or to settle any shortage from each of the current accounts and Equity of investment accounts.

**6 Equity of Investment Accountholders**

Equity of investment accounts ("EOIA") [previously known as Unrestricted Investment Accounts] are investors' funds held by the Group to be invested as appropriate without restriction as to where, how and for what purpose the funds are invested. EOIA funds are invested in short term Murabaha with banks and CBB sukuks using specific limits assigned for each institution. Savings accounts and call accounts comprise the EOIA, payable on demand and the account holder has the right to withdraw or transfer funds without penalty.

This allocation of assets has not changed since the last financial year. The funds are invested and managed in accordance with Shari'a principles. **(PD 1.3.32 b)**

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

Profit paid to the EOIA holders is based on the rate of return earned by the pool of profit bearing assets in which the EOIA have participated. The account holder participates in 45% of the profits earned in full after netting off the Mudarib fee as above. As a result, the share of profits earned by the EOIA holders for their Mudaraba accounts is equal to the share of profits paid to them. All equity of investment accounts are carried at cost plus accrued profits less amounts repaid. Income to Equity of investment account holders is allocated on the basis of their average daily balances in proportion to shareholders' balances. The profits paid to EOIA and the rate of return earned over the previous years are disclosed in the below table. **(PD 1.3.32 d, l)**

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

The EOIA holders and other customers can use the Group's relationship managers for any advice, mediation services, grievances and complaints. **(PD 1.3.10 j)**

**6 Equity of Investment Accountholders (continued)**

There is no variation between Mudarib agreed sharing and contractual agreed ratio. Profit earned and paid and rate of return comparatives for the Equity of investment account holders for the period end 30 June 2017 and years ended 31 December 2016, 2015,2014, 2013 and 2012 are as follows: **(PD 1.3.33 e, l, m, n)**

**Table 6.1** **(BD '000s)**

| | June 2017 | Dec 2016 | Dec 2015 | Dec 2014 | Dec 2013 | Dec 2012 |
|---|---|---|---|---|---|---|
| Shareholders | 50 | 119 | 155 | 215 | 148 | 166 |
| EOIA (before smoothing) | 91 | 216 | 282 | 391 | 279 | 302 |
| | | | | | | |
| Profit earned for EOIA before smoothing | 91 | 216 | 282 | 391 | 279 | 302 |
| Profit paid for EOIA after smoothing | 50 | 119 | 155 | 215 | 148 | 166 |
| | | | | | | |
| **Balance of:** | | | | | | |
| PER | N/A | N/A | N/A | N/A | N/A | N/A |
| IRR | - | 7 | 7 | 7 | 7 | 7 |
| | | | | | | |
| Annual Rate of Return Benchmark | 3% | 3% | 3% | 3% | 3% | 3% |
| Annual Rate of Return (EOIA) | 0.13% | 0.17% | 0.25% | 0.76% | 0.60% | 0.70% |
| PER Amount | - | - | - | - | - | - |
| PER % | - | - | - | - | - | - |
| IRR Amount | - | 7 | 7 | 7 | 7 | 7 |
| IRR % | - | - | - | - | - | - |
| | | | | | | |
| **Reconciliation** | | | | | | |
| Mudaraba Profit Earned | 91 | 216 | 282 | 391 | 279 | 302 |
| Mudarib fees | (41) | (97) | (127) | (176) | (131) | (135) |
| **Profit credited to EOIA accounts** | **50** | **119** | **155** | **215** | **148** | **167** |
| IRR movements | - | - | - | - | - | - |
| **Profit on EOIA** | **50** | **119** | **155** | **215** | **148** | **167** |
| | | | | | | |
| Mudarib fee as a percentage of total investment profit | 45% | 45% | 45% | 45% | 47% | 45% |
| | | | | | | |
| EOIA Balance | 76,267 | 68,796 | 62,351 | 28,152 | 25,846 | 18,276 |
| RWA as per PIRI Report | 18,090 | 13,759 | 6,506 | 4,387 | 4,394 | 3,655 |

**Table 6.2**

| Date of statement of financial position | Profit Earned and Paid to EOIA | Rate of Return |
|---|---|---|
| 30 June 2017 | **91 profit earned and 50 profit paid** | **0.13%** |
| 31 December 2016 | **216 profit earned and 119 profit paid** | **0.17%** |
| 31 December 2015 | **282 profit earned and155 profit paid** | **0.25%** |
| 31 December 2014 | **391 profit earned and 215 profit paid** | **0.76%** |
| 31 December 2013 | **279 profit earned and 148 profit paid** | **0.60%** |
| 31 December 2012 | **302 profit earned and 166 profit paid** | **0.70%** |
| Return on average EOIA assets (ROAA) | **June 2017: 0.26%** | |
| | **December 2016: 0.32%** | |
| | **December 2015:0.42%** | |
| | **December 2014: 1.28%** | |
| | **December 2013: 1.11%** | |
| | **December 2012: 1.18%** | |
| Return on average equity (Total Owner's Equity) (ROAE) | **June 2017: 0.06%** | |
| | **December 2016: 0.07%** | |
| | **December 2015: 0.09%** | |
| | **December 2014: 0.13%** | |
| | **December 2013: 0.13%** | |
| | **December 2012: 0.15%** | |

## 6 Equity of Investment Accountholders (continued)

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

**Murabaha and Wakala receivables from banks** **(BD '000s)**

| Counterparty | Total Exposures | Funded by EOIA | Funded by Self & Call Accounts | % of EOIA to Total |
|---|---|---|---|---|
| Financial Institutions | 76,267 | 76,267 | - | 100% |
| **Total** | **76,267** | **76,267** | **-** | |

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

**(BD '000s)**

| | Murabaha and Wakala receivables from banks | | Corporate Sukuk | | Murabaha and Mudaraba financing | |
|---|---|---|---|---|---|---|
| | EOIA | Self & Call Accounts | EOIA | Self & Call Accounts | EOIA | Self & Call Accounts |
| Asset Allocation as on 30 June 2017 | 76,267 | 69,779 | - | - | - | - |
| Asset Allocation as on 31 December 2016 | 68,796 | 113,656 | - | - | - | - |
| Asset Allocation as on 31 December 2015 | 62,351 | 40,994 | - | - | - | - |
| Asset Allocation as on 31 December 2014 | 24,281 | 157,829 | 3,871 | 135,433 | | 460,029 |
| Asset Allocation as on 31 December 2013 | 21,969 | 96,258 | 3,877 | 87,229 | - | 261,700 |
| Asset Allocation as on 31 December 2012 | 18,276 | 85,014 | - | - | - | 227,109 |

There are no off-balance sheet exposures arising from investment decisions attributable to the EOIA holders because EOIA are used for short term Islamic financing contracts.

## 7 Other Disclosures

### 7.1 Currency Risk
The Group is exposed to foreign exchange rate risk through both its foreign exchange structural positions. Foreign exchange rate risk is managed by appropriate limits and parameters determined by ALCO and approved by its Board of Directors. The Group's consolidated structural financial positions are reviewed regularly by ALCO in accordance with the Group's strategic plans and managed on a daily basis by the Treasury as appropriate.

### 7.2 Related Party Transactions
Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Senior Management. For further details refer Note10 titled related party transactions in the interim condensed consolidated financial statements for the period ended 30 June 2017. **(PD 1.3.10 e) (PD 1.3.23 d)**

### 7.3 Restructured Facilities
As at 30 June 2017, the balance of most of the renegotiated financing facilities to individuals and corporate was BD 1,335 thousands. Most of the renegotiated facilities are performing and are fully secured. In general, facilities are renegotiated to optimize a facility's credit profile with respect to its recoverability. This can involve changing any of the profit rate, tenure or security package. There were no impact of restructured facilities on provisions and present and future earnings. **(PD 1.3.23 j)**

### 7.4 Assets Sold Under Recourse Agreements
The Group has not entered into any recourse agreement during the period ended 30 June 2017. **(PD 1.3.23 k)**

### 7.5 Legal Risk and Claims
As at 30 June 2017, legal suits amounting to BD 542 thousands were pending against the Group. Based on the opinion of the Group's legal counsel, the total liability arising from these cases is not considered to be material to the Group's consolidated financial statements as the Group has also filed counter cases against these parties. **(PD 1.3.30 c)**

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

**APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE**

**Appendix PD-2: Reconciliation requirements**

**Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation**

There are no differences between the regulatory and accounting consolidation, with both following line by line consolidation approach using consistent account policies without excluding any entities. As mandated by the Central Bank of Bahrain ("CBB"), financing facilities and investments have been grossed up with collective impairment provision, as presented below:

| | BHD '000 |
|---|---|
| **Balance sheet as per published financial statements** | **1,627,187** |
| Collective provision impairment | 6,302 |
| **Balance sheet as in Regulatory Return** | **1,633,489** |

**Step 2: Reconcilation of published financial balance sheet to regulatory reporting As at 30 June 2017**

| **Assets** | **Balance sheet as in published financial statements** | **Consolidated PIRI data** | **Reference** |
|---|---|---|---|
| Cash and balances with banks and Central Bank | **97,036** | **97,036** | |
| Placements with banks and similar financial institutions | **146,046** | **146,046** | |
| of which Self financed | - | 69,779 | |
| of which financed by URIA | - | 76,267 | |
| Held-to-maturity investments | **376,020** | **376,020** | |
| of which Sovereign Sukuk | 364,167 | - | |
| of which Corporate Sukuk | 11,853 | - | |
| Financing Contracts | **731,549** | **737,851** | |
| of which  Murabaha financing | 221,726 | - | |
| of which Mudaraba financing | 278,603 | - | |
| of which Ijarah Muntahia Bittamleek | 194,579 | - | |
| of which Musharaka | 15,780 | - | |
| Assets under conversion - Loans and Advances | 21,361 | - | |
| Available-for-sale investments | **6,522** | **6,522** | |
| Investment properties | **72,119** | **72,119** | |
| of which Investments in real estate | 51,863 | - | |
| of which Development properties | 20,256 | - | |
| of which Assets held-for-sale | - | - | |
| Investment in unconsolidated subsidiaries and associates | **11,489** | **11,489** | |
| of which Property, plant, and equipment (PPE) | **1,985** | **1,985** | |
| Other Assets | **184,421** | **184,421** | |
| Assets under conversion - Non-trading investments | 16 | - | |
| Non Trading investment | 114,181 | - | |
| Other Assets | 184,421 | 184,421 | |
| Goodwill | 25,971 | - | **G** |
| **Total Assets** | **1,627,187** | **1,633,489** | |
| | | | |
| **Liabilities** | | | |
| Current accounts for non-banks | **319,730** | **319,730** | |
| Balances of banks and similar institutions | **120,097** | **120,097** | |
| Funding Liabilities (eg. reverse commodity murabaha, etc.) | **735,183** | **735,183** | |
| of which Wakala payables to non-banks | 637,138 | - | |
| of whichTerm financing | 98,045 | - | |
| of which Liabilities relating to assets classified as held-for-sale | - | - | |
| Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs) | **48,815** | **48,815** | |
| of which Other liabilities | 3,988 | - | |
| of which Liabilities under conversion | 1,451 | - | |
| Dividends payable | **4,911** | **4,911** | |
| Unrestricted Investment Accounts | **76,267** | **76,267** | |
| **Total Liabilities** | **1,305,003** | **1,305,003** | |
| | | | |
| **Owners' Equity** | | | |
| Total share capital | **212,360** | **212,360** | |
| Share capital | 214,093 | 214,093 | |
| Treasury stock | (1,733) | (1,733) | |
| of which amount eligible for CET1 | - | **212,360** | **A** |
| **Reserves and retained earnings** | **109,074** | **110,918** | |
| *of which amount eligible for CET1* | | | |
| Share premium | 12,209 | 12,209 | **C-1** |
| Statutory reserve | 15,338 | 15,338 | **C-2** |
| Retained earnings/(losses) brought forward | 50,774 | 50,774 | **B-1** |
| Net profit / (loss) for the current period | 8,477 | 8,477 | **B-2** |
| Fx translation adjustment | (2,623) | (2,623) | **C-3** |
| Changes in fair value - amount eligible for CET1 | 1,392 | 1,392 | **C-4** |
| *of which amount eligible for T2* | | | |
| Real estate fair value reserve - amount eligible for T2 | 23,507 | 23,507 | **D** |
| Minority interest in subsidiaries' share capital | **750** | **750** | |
| of which amount not eligible for regulatory capital | - | 474 | |
| of which amount eligible for CET1 | - | 255 | **E-1** |
| of which amount eligible for AT1 | - | 9 | **E-2** |
| of which amount eligible for T2 | - | 12 | **E-3** |
| General loan loss provision which qualify as T2 capital | - | **6,302** | **F** |
| **Total Owners' Equity** | **322,184** | **328,486** | |
| **Total Liabilities + Owners' Equity** | **1,627,187** | **1,633,489** | |

* Appendix PD 1 to be used post 1 January 2019

**Appendix PD-2 & PD-4: Reconciliation requirements & Template during the transitional period**
**Step 3: Composition of Capital Common Template (transition) as at 30 June 2017**

| | Composition of Capital and mapping to regulatory reports | Component of regulatory capital | Reference numbers of balance sheet under the regulatory scope of consolidation from step 2 | Amount subject to pre-2015 treatment |
|---|---|---|---|---|
| 1 | Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus | 212,360 | A | |
| 2 | Retained earnings | 59,251 | B1+B2 | |
| 3 | Accumulated other comprehensive income (and other reserves) | 26,316 | C1+C2+C3+C4 | |
| 4 | Not Applicable | - | | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | 255 | E1 | 187 |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 298,182 | | |
| | **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| 7 | Prudential valuation adjustments | - | | |
| 8 | Goodwill (net of related tax liability) | 25,971 | G | |
| 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 (if not already netted off paid-in capital on reported balance sheet) | - | | |
| 17 | Reciprocal cross-holdings in common equity | - | | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | | |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | - | | |
| 20 | Mortgage servicing rights (amount above 10% threshold) | - | | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | | |
| 22 | Amount exceeding the 15% threshold | - | | |
| 23 | of which: significant investments in the common stock of financials | - | | |
| 24 | of which: mortgage servicing rights | - | | |
| 25 | of which: deferred tax assets arising from temporary differences | - | | |
| 26 | National specific regulatory adjustments | - | | |
| | **REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT** | - | | |
| 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 | 25,971 | | |
| 29 | **Common Equity Tier 1 capital (CET1)** | **272,211** | | |
| | **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) | 9 | E-2 | (6) |
| 35 | of which: instruments issued by subsidiaries subject to phase out | **-** | | |
| 36 | Additional Tier 1 capital before regulatory adjustments | **9** | | |
| | **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 | National specific regulatory adjustments | | | |
| | **REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT** | - | | |
| 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)** | **9** | | |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | **272,220** | | |
| | **Tier 2 capital: instruments and provisions** | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 23,507 | D | |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | **-** | | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | 12 | E-3 | (7) |
| 49 | of which: instruments issued by subsidiaries subject to phase out | **-** | | |
| 50 | Provisions | 6,302 | F | |
| 51 | **Tier 2 capital before regulatory adjustments** | **29,821** | | |

| | Composition of Capital and mapping to regulatory reports | Component of regulatory capital | Reference numbers of balance sheet under the regulatory scope of consolidation from step 2 | Amount subject to pre-2015 treatment |
|---|---|---|---|---|
| | **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 | | | |
| | **REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT** | **-** | | |
| 57 | Total regulatory adjustments to Tier 2 capital | - | | |
| 58 | **Tier 2 capital (T2)** | **29,821** | | |
| 59 | **Total capital (TC = T1 + T2)** | **302,041** | | |
| | RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT | | | |
| 60 | **Total risk weighted assets** | **1,423,438** | | |
| | **Capital ratios** | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | **19.12%** | | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | **19.12%** | | |
| 63 | Total capital (as a percentage of risk weighted assets) | **21.22%** | | |
| 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) | **9.00%** | | |
| 65 | of which: capital conservation buffer requirement | **2.50%** | | |
| 66 | of which: bank specific countercyclical buffer requirement (N/A) | **0.00%** | | |
| 67 | of which: D-SIB buffer requirement (N/A) | **0.00%** | | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | **19.12%** | | |
| | **National minima including CCB (if different from Basel 3)** | | | |
| 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) | **-** | | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | **-** | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 6,302 | | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of risk weighted assets) | 16,395 | | |
| 78 | N/A | | | |
| 79 | N/A | | | |
| | Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024) | - | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | - | | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - | | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | - | | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | | |

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For the period ended 30 June 2017

| | | |
|---|---|---|
| 1 | Issuer | Al Salam Bank, Bahrain |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | SALAM |
| 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 |
| 7 | Instrument type (types to be specified by each jurisdiction) | Common Equity shares |
| 8 | Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) | 2,141 Million |
| 9 | Par value of instrument | BD 0.100 |
| 10 | Accounting classification | Shareholders' Equity |
| 11 | Original date of issuance | 13-Apr-06 |
| 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 |