

بنك السلام  
Al Salam Bank



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

**BASEL III - PILLAR III  
Composition of Capital Disclosure**

**30 September 2021**

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         |
|---|------------------|
| <b>Balance sheet as per published financial statements</b>        | <b>2,588,012</b> |
| Collective provision impairment                                   | 27,232           |
| Less: Provision related to Contingent Liabilities and Commitments | (468)            |
| <b>Balance sheet as in Regulatory Return</b>                      | <b>2,614,776</b> |

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 September 2021

BHD '000

|   | Balance sheet as in<br>published financial<br>statements | Consolidated<br>PIRI data | Reference |
|---|--|---------------------------|-----------|
| <b>Assets</b>   |  |                           |           |
| Cash and balances with banks and Central Bank   | 308,472  | 308,690                   |           |
| of which Self financed  |  | 159,167                   |           |
| of which financed by URIA   |  | 149,523                   |           |
| Placements with banks and similar financial institutions                                  | 150,967  | 150,976                   |           |
| of which financed by URIA   | -  | 150,976                   |           |
| Financing assets  | 752,897  | 1,328,546                 |           |
| Finance lease assets  | 549,958  | -                         |           |
| of which Self financed  | -  | 96,840                    |           |
| of which financed by URIA   | -  | 1,231,706                 |           |
| Available-for-sale investments  | 582,036  | 582,802                   |           |
| of which Non-trading investments  | 542  |                           |           |
| of which Sovereign Sukuk  | 557,658  |                           |           |
| of which Corporate Sukuk  | 23,835   |                           |           |
| Investment properties   | 61,950   | 61,950                    |           |
| of which Investments in real estate   | 59,007   | -                         |           |
| of which Development properties   | 2,943  | -                         |           |
| Investment in associates  | 16,515   | 16,515                    |           |
| Property, plant, and equipment (PPE)  | 3,441  | 3,441                     |           |
| Other Assets  | 161,777  | 161,856                   |           |
| Non-Trading investment  | 95,366   | -                         |           |
| Other receivables and prepayments   | 40,440   | -                         |           |
| Goodwill  | 25,971   | -                         | G         |
| <b>Total Assets</b>   | <b>2,588,012</b>   | <b>2,614,776</b>          |           |
| <b>Liabilities</b>  |  |                           |           |
| Customers' current accounts   | 422,357  | 422,357                   |           |
| Placements from financial institutions  | 153,632  | 153,632                   |           |
| Funding Liabilities (e.g. reverse commodity murabaha, etc.)                               | 128,573  | 128,573                   |           |
| of which Murabaha term financing  | 128,573  | -                         |           |
| Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs) | 52,074   | 51,606                    |           |
| Unrestricted Investment Accounts  | 1,532,205  | 1,532,205                 |           |
| <b>Total Liabilities</b>  | <b>2,288,841</b>   | <b>2,288,373</b>          |           |
| <b>Owners' Equity</b>   |  |                           |           |
| Total share capital   | 232,229  | 232,229                   | A         |
| Share capital   | 241,972  | 241,972                   |           |
| Treasury stock  | (9,743)  | (9,743)                   |           |
| <b>Reserves and retained earnings</b>   | <b>66,357</b>  | <b>66,356</b>             |           |
| Share premium   | 209  | 209                       | C-1       |
| Statutory reserve   | 16,706   | 16,706                    | C-2       |
| Retained earnings (excluding profit for the year)   | (2,085)  | (2,085)                   |           |
| of which amount eligible for CET1   | (3,777)  | (3,777)                   | B-1       |
| of which amount not eligible for CET1   | 1,692  | 1,692                     |           |
| Subsidy from government   | 2,143  | 2,143                     |           |
| Modification Loss   | (24,768)   | (24,768)                  |           |
| Modification loss amortization  | 24,768   | 24,768                    | B-2       |
| Net profit for the year   | 16,224   | 16,224                    |           |
| of which amount eligible for CET1   | 17,070   | 17,070                    | B-3       |
| of which amount not eligible for CET1   | (846)  | (846)                     |           |
| Fx translation adjustment   | (1,594)  | (1,594)                   | C-3       |
| Changes in fair value - amount eligible for CET1  | 11,889   | 11,889                    | C-4       |
| Real estate fair value reserve - amount eligible for T2                                   | 22,865   | 22,865                    | D         |
| <b>Minority interest in subsidiaries' share capital</b>                                   | <b>585</b>   | <b>585</b>                |           |
| of which amount eligible for CET1   | -  | 185                       | E-1       |
| of which amount eligible for AT1  | -  | 40                        | E-2       |
| of which amount eligible for T2   | -  | 53                        | E-3       |
| of which amount not eligible for regulatory capital                                       | -  | 308                       |           |
| <b>Expected credit losses (Stages 1 &amp; 2)</b>  | <b>-</b>   | <b>27,232</b>             |           |
| of which amount eligible for T2   | -  | 12,119                    | F         |
| of which amount not eligible for regulatory capital                                       | -  | 15,113                    |           |
| <b>Total Owners' Equity</b>   | <b>299,171</b>   | <b>326,402</b>            |           |
| <b>Total Liabilities + Owners' Equity</b>   | <b>2,588,012</b>   | <b>2,614,776</b>          |           |

BHD '000

| Composition of Capital and mapping to regulatory reports      |  | Component of regulatory capital | Reference numbers of balance sheet under the regulatory scope of consolidation from step 2 |
|---|--|---------------------------------|--|
| <b>Common Equity Tier 1 capital: instruments and reserves</b> |  |                                 |  |
| 1   | Directly issued qualifying common share capital plus related stock surplus   | 232,229                         | A  |
| 2   | Retained earnings  | 38,060                          | B1+B2+B3   |
| 3   | Accumulated other comprehensive income (and other reserves)  | 27,210                          | C1+C2+C3+C4  |
| 4   | <i>Not Applicable</i>  |                                 |  |
| 5   | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)   | 185                             | E1   |
| 6   | <b>Common Equity Tier 1 capital before regulatory adjustments</b>  | <b>297,683</b>                  |  |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |  |                                 |  |
| 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  | <i>Not applicable</i>  |                                 |  |
| 15  | Defined-benefit pension fund net assets  | -                               |  |
| 16  | Investments in own shares  | -                               |  |
| 17  | Reciprocal cross-holdings in common equity   | -                               |  |
| 18  | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)                      | -                               |  |
| 19  | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)  | -                               |  |
| 20  | Mortgage servicing rights (amount above 10% threshold)   | -                               |  |
| 21  | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)  | -                               |  |
| 22  | Amount exceeding the 15% threshold   | -                               |  |
| 23  | of which: significant investments in the common stock of financials  | -                               |  |
| 24  | of which: mortgage servicing rights  | -                               |  |
| 25  | of which: deferred tax assets arising from temporary differences   | -                               |  |
| 26  | CBB specific regulatory adjustments  | -                               |  |
| 27  | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions  | -                               |  |
| 28  | <b>Total regulatory adjustments to Common equity Tier 1</b>  | <b>25,971</b>                   |  |
| 29  | <b>Common Equity Tier 1 capital (CET1)</b>   | <b>271,712</b>                  |  |
| <b>Additional Tier 1 capital: instruments</b>                 |  |                                 |  |
| 30  | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus  | -                               |  |
| 31  | of which: classified as equity under applicable accounting standards   | -                               |  |
| 32  | of which: classified as liabilities under applicable accounting standards  | -                               |  |
| 33  | <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>   | -                               |  |
| 34  | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)  | 40                              | E-2  |
| 35  | <i>of which: instruments issued by subsidiaries subject to phase out</i>   | -                               |  |
| 36  | <b>Additional Tier 1 capital before regulatory adjustments</b>   | <b>40</b>                       |  |
| <b>Additional Tier 1 capital: regulatory adjustments</b>      |  |                                 |  |
| 37  | Investments in own Additional Tier 1 instruments plus related stock surplus  | -                               |  |
| 38  | Reciprocal cross-holdings in Additional Tier 1 instruments   | -                               |  |
| 39  | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | -                               |  |
| 40  | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)   | -                               |  |
| 41  | CBB specific regulatory adjustments  | -                               |  |
| 42  | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions   | -                               |  |
| 43  | <b>Total regulatory adjustments to Additional Tier 1 capital</b>   | <b>-</b>                        |  |
| 44  | <b>Additional Tier 1 capital (AT1)</b>   | <b>40</b>                       |  |
| 45  | <b>Tier 1 capital (T1 = CET1 + AT1)</b>  | <b>271,752</b>                  |  |
| <b>Tier 2 capital: instruments and provisions</b>             |  |                                 |  |
| 46  | Directly issued qualifying Tier 2 instruments plus related stock surplus   | 22,865                          | D  |
| 47  | <i>Directly issued capital instruments subject to phase out from Tier 2</i>  | -                               |  |
| 48  | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)   | 53                              | E-3  |
| 49  | <i>of which: instruments issued by subsidiaries subject to phase out</i>   | -                               |  |
| 50  | Provisions   | 12,119                          | F  |
| 51  | <b>Tier 2 capital before regulatory adjustments</b>  | <b>35,037</b>                   |  |

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| 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  | <b>Total regulatory adjustments to Tier 2 capital</b>  | -                |
| 58  | <b>Tier 2 capital (T2)</b>   | <b>35,037</b>    |
| 59  | <b>Total capital (TC = T1 + T2)</b>  | <b>306,788</b>   |
| 60  | <b>Total risk weighted assets</b>  | <b>1,100,660</b> |
| Capital ratios and buffers  |  |                  |
| 61  | Common Equity Tier 1 (as a percentage of risk weighted assets)   | 24.69%           |
| 62  | Tier 1 (as a percentage of risk weighted assets)   | 24.69%           |
| 63  | Total capital (as a percentage of risk weighted assets)  | 27.87%           |
| 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   | 0.00%            |
| 67  | of which: D-SIB buffer requirement   | 0.00%            |
| 68  | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)   | 24.69%           |
| 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)   | 27,232           |
| 77  | Cap on inclusion of provisions in Tier 2 under standardised approach   | 12,119           |
| 78  | N/A  |                  |
| 79  | N/A  |                  |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023) |  |                  |
| 80  | Current cap on CET1 instruments subject to phase out arrangements  | -                |
| 81  | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)  | -                |
| 82  | Current cap on AT1 instruments subject to phase out arrangements   | -                |
| 83  | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)   | -                |
| 84  | Current cap on T2 instruments subject to phase out arrangements  | -                |
| 85  | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)  | -                |

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Appendix PD-3: Features of regulatory capital  
 For the period ended 30 September 2021

|    |   |   |
|----|---|---|
| 1  | Issuer  | Al Salam Bank B.S.C.  |
| 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 |
|    | <b>Regulatory treatment</b>   |   |
| 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)                   | BD 241.972 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  |
|    | <b>Coupons / dividends</b>  |   |
| 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  |