## 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	1,667,393
Collective provision impairment	6,346
Balance sheet as in Regulatory Return	1,673,739

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

Assets  Balance shee as in published financial statements  Cash and balances with banks and Central Bank Placements with banks and similar financial institutions of which Self financed by URIA Held-to-maturity investments of which Corporate Sukuk of which Corporate Sukuk Financing Contracts of which Murabaha financing of which Murabaha financing of which Mudaraba financing of which Mudaraba financing of which Mudaraba financing of which Mudaraba financing of which Musaraba financing of which Musaraba financing of which Musaraba financing of which Musaraba financing of which financing of which Musaraba financing of which Propertise of which financing of which Propertise of which Investments in real estate of which Investments in real estate of which Investments in real estate of which Propertise of which Propertise of which Property, plant, and equipment (PPE)  Quiter Assets Other Assets Non Trading investment 110,11 Other Assets  Differ Assets 177,55  Goodwill 259,57  Total Assets 184,43  Liabilities  Current accounts for non-banks Balances of banks and similar institutions 145,43  Funding Liabilities (e.g. reverse commodity murabaha, etc.) of which Wakala payables to non-banks of which Wakala payables to non-banks of which Liabilities relating to assets classified as held-for-sale Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs) of which Liabilities relating to assets classified as held-for-sale Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)  Owners' Equity Total share capital  Dividends payable  Unrestricted Investment Accounts Share permium 12,24  Statutory reserve 15,33  Retained earnings (loss) to our cert period Fx translation adjustment 12,26  Changes in fair value - amount eligible for CET1  Statutory		
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International Properties   10		
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of which Sovereign Sukuk         363.14           of which Corporate Sukuk         10.35           Financing Contracts         744.18           of which Murabaha financing         221.66           of which Jigrah Muntahia Bittamleek         213.22           of which Jigrah Muntahia Bittamleek         213.22           of which Jigrah Muntahia Bittamleek         17.03           Assets under conversion - Loans and Advances         3.00           Available-for-sale investments         4.93           Investment properties         62.55           of which Investments in real estate         51.86           of which Development properties         10.66           of which Property, plant, and equipment (PPE)         2.00           Other Assets         203.8           Non Trading investment         110.17           Other Assets         203.8           Non Trading investment         110.17           Other Assets         203.8           Non Trading investment         110.17           Total Assets         1,667.33           Liabilities         2.15           Current accounts for non-banks         25.9           Current accounts for non-banks         1,667.33           Invinity Wakala payables to non-banks		
of which Corporate Sukuk         10.33           Financing Contracts         724,16           of which Mudabaha financing         229,00           of which Mudabaha financing         289,00           of which Musharaka         17,00           Assets under conversion - Loans and Advances         3,00           Available-for-sale investments         4,91           Investment properties         62,55           of which Development properties         51,86           of which Sesets held-for-sale         -           Investment in unconsolidated subsidiaries and associates         1,55           of which Property, plant, and equipment (PPE)         2,00           Other Assets         203,8           Non Trading investment         110,18           Other Assets         177,51           Goodwill         25,93           Total Assets         1,667,33           Liabilities         291,44           Current accounts for non-banks         291,44           Balances of banks and similar institutions         145,45           Funding Liabilities (eg. reverse commodity murabaha, etc.)         755,66           of which Wakala payables to non-banks         658,57           Balances of banks and similar institutions         145,44		
Financing Contracts		
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of which Wakala payables to non-banks       658,55         of whichTerm financing       97,12         of which Liabilities relating to assets classified as held-for-sale       -         Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)       54,46         of which Other liabilities under conversion       2,15         Dividends payable       4,86         Unrestricted Investment Accounts       89,94         Total Liabilities       1,341,76         Owners' Equity       212,36         Total share capital       214,08         Share capital       214,08         Treasury stock       (1,77         of which amount eligible for CET1       -         Reserves and retained earnings       112,63         of which amount eligible for CET1       2,22         Statutory reserves       15,33         Retained earnings/(losses) brought forward       50,77         Net profit / (loss) for the current period       12,86         Fx translation adjustment       (2,84         Changes in fair value - amount eligible for CET1       82		
of whichTerm financing of which Liabilities relating to assets classified as held-for-sale  Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs) of which Other liabilities of which Liabilities (DTLs) of which Liabilit		
of which Liabilities relating to assets classified as held-for-sale  Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)  54,44 of which Other liabilities  52,26 of which Liabilities under conversion  2,15 Dividends payable  4,86 Unrestricted Investment Accounts  89,94  Total Liabilities  1,341,76  Owners' Equity  Total share capital  214,96 Share capital  214,96 Share capital  214,96 of which amount eligible for CET1  Reserves and retained earnings  of which amount eligible for CET1  Share premium  12,26 Statutory reserve  51,53 Retained earnings/(losses) brought forward  Net profit / (loss) for the current period  Fx translation adjustment  (2,86 Changes in fair value - amount eligible for CET1		
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)   54,44	4 -	
of which Other liabilities         52,20           of which Liabilities under conversion         2,15           Dividends payable         4,84           Unrestricted Investment Accounts         89,94           Total Liabilities         1,341,70           Owners' Equity         212,36           Total share capital         212,36           Share capital         214,05           Treasury stock         (1,73           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         112,63           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,73           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82	-	
of which Liabilities under conversion         2,19           Dividends payable         4,84           Unrestricted Investment Accounts         89,94           Total Liabilities         1,341,70           Owners' Equity         212,36           Total share capital         214,00           Share capital         214,00           Treasury stock         (1,73           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         25           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,80           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82		
Dividends payable   4,84		
Unrestricted Investment Accounts   89,94		
Total Liabilities         1,341,70           Owners' Equity         1,341,70           Total share capital         212,36           Share capital         214,06           Treasury stock         (1,73           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         -           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,80           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82		
Owners' Equity         212,38           Share capital         214,08           Treasury stock         (1,7%           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         -           Share premium         12,23           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82		
Total share capital         212,36           Share capital         214,09           Treasury stock         (1,7%           of which amount eligible for CET1         -           Reserves and retained earnings         112,66           of which amount eligible for CET1         -           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82	1,341,704	
Total share capital         212,36           Share capital         214,09           Treasury stock         (1,73           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         -           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82		
Share capital         214,05           Treasury stock         (1,73           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         -           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82	240.000	1
Treasury stock         (1,73           of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         -           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82		
of which amount eligible for CET1         -           Reserves and retained earnings         112,63           of which amount eligible for CET1         -           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,80           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82		
Reserves and retained earnings         112,63           of which amount eligible for CET1         12,20           Share premium         12,20           Statutory reserve         15,33           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,80           Fx translation adjustment         (2,80           Changes in fair value - amount eligible for CET1         82	( )	
of which amount eligible for CET1           Share premium         12,20           Statutory reserve         15,37           Retained earnings/(losses) brought forward         50,77           Net profit / (loss) for the current period         12,83           Fx translation adjustment         (2,84           Changes in fair value - amount eligible for CET1         82	212,360	
Share premium 12,20 Statutory reserve 15,33 Retained earnings/(losses) brought forward 50,77 Net profit / (loss) for the current period 12,83 Fx translation adjustment (2,84 Changes in fair value - amount eligible for CET1	7 110,918	1
Statutory reserve 15,33 Retained earnings/(losses) brought forward 50,77 Net profit / (loss) for the current period 12,83 Ex translation adjustment (2,84 Changes in fair value - amount eligible for CET1 82	12 200	6.4
Retained earnings/(losses) brought forward 55,77  Net profit / (loss) for the current period 12,83  Fx translation adjustment (2,84  Changes in fair value - amount eligible for CET1 82		
Net profit / (loss) for the current period       12,83         Fx translation adjustment       (2,84         Changes in fair value - amount eligible for CET1       82	,	
Fx translation adjustment (2,84 Changes in fair value - amount eligible for CET1 82		
Changes in fair value - amount eligible for CET1 82		
of which amount eligible for T2	022	U-4
Real estate fair value reserve - amount eligible for T2 23,50	7 23,507	D
Minority interest in subsidiaries' share capital 69		
of which amount not eligible for regulatory capital	423	
of which amount eligible for CET1 -	249	
of which amount eligible for AT1	9	
of which amount eligible for T2	11	E-2 E-3
General loan loss provision which qualify as T2 capital	6,346	
Total Owners' Equity 325,68		
Total Liabilities + Owners' Equity 1,667,39		

<sup>\*</sup> Appendix PD 1 to be used post 1 January 2019

	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			
0	companies) plus related stock surplus	212,360 63,607	A D4 · D2	
	Retained earnings Accumulated other comprehensive income (and other reserves)	· ·	C1+C2+C3+C4	
	Not Applicable			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in			
6	group CET1) Common Equity Tier 1 capital before regulatory adjustments	249 301,739	E1	183
Ü	Common Equity Tier 1 capital: regulatory adjustments	301,733		
7	Prudential valuation adjustments	-		
		25,971	G	
	Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary	-		
10	differences (net of related tax liability)	_		
11	Cash-flow hedge reserve	-		
	Shortfall of provisions to expected losses	-		
	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-		
	Not applicable. Defined-benefit pension fund net assets	-		
	Investments in own shares (if not already netted off paid-in capital on reported balance			
	sheet)	-		
	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)	-		
	Deferred tax assets arising from temporary differences (amount above 10% threshold, net			
	of related tax liability)	-		
	Amount exceeding the 15% threshold	-		
23 24	of which: significant investments in the common stock of financials of which: mortgage servicing rights	-		
25	of which: deferred tax assets arising from temporary differences	-		
	National specific regulatory adjustments	-		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT			
27	OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT 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		
	Common Equity Tier 1 capital (CET1)	275,768		
	Additional Tier 1 capital: instruments			
30 31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	-		
32	of which: classified as liabilities under applicable accounting standards	_		
	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			(=)
25	subsidiaries and held by third parties (amount allowed in group AT1)	9	E-2	(5)
35 36	of which: instruments issued by subsidiaries subject to phase out Additional Tier 1 capital before regulatory adjustments	9		
50	Additional Tier 1 capital: regulatory adjustments			
	Investments in own Additional Tier 1 instruments	-		
	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			
11	outside the scope of regulatory consolidation (net of eligible short positions)  National specific regulatory adjustments	-		
41	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			
42	deductions Total regulatory adjustments to Additional Tier 1 capital	-		
	Total regulatory adjustments to Additional Tier 1 capital  Additional Tier 1 capital (AT1)	9		
	Tier 1 capital (T1 = CET1 + AT1)	275,777		
	Tier 2 capital: instruments and provisions			
	Directly issued qualifying Tier 2 instruments plus related stock surplus	23,507	D	
	Directly issued capital instruments subject to phase out from Tier 2 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by	-		
40	subsidiaries and held by third parties (amount allowed in group Tier 2)	11	E-3	(8)
49	of which: instruments issued by subsidiaries subject to phase out	-		(3)
	Provisions	6,346	F	
51	Tier 2 capital before regulatory adjustments	29,864		1

	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			
	Investments in own Tier 2 instruments			
		_		
	Reciprocal cross-holdings in Tier 2 instruments	-		
	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)	29,864		
59	Total capital (TC = T1 + T2)	305,641		
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015			
	TREATMENT			
60	Total risk weighted assets	1,379,016		
	Capital ratios	, , , , , ,		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	20.00%		
62	Tier 1 (as a percentage of risk weighted assets)	20.00%		
	Total capital (as a percentage of risk weighted assets)	22.16%		
	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)	20.00%		
	National minima including CCB (if different from Basel 3)			
	CBB Common Equity Tier 1 minimum ratio	9.00%		
70	CBB Tier 1 minimum ratio	10.50%		
	CBB total capital minimum ratio	12.50%		
	Amounts below the thresholds for deduction (before risk weighting)			
	Non-significant investments in the capital of other financials	-		
	Significant investments in the common stock of financials	-		
	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	-		
	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised	0.040		
	approach (prior to application of cap)  Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of risk	6,346		
//	• • • • • • • • • • • • • • • • • • • •	45 000		
70	weighted assets) N/A	15,898		
	N/A			
79	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan			
	2020 and 1 Jan 2024)	_		
	Current cap on CET1 instruments subject to phase out arrangements			
81	Sansin Sap Sil OE 11 monamonto subject to phase out arrangements			
	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	_		
	Current cap on AT1 instruments subject to phase out arrangements	_		
83	Sansin Sap Silvin i motiumonio Subject to phase out analysments			
0.5	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)	-		

For the period ended 30 September 2017

For the p	eriod ended 30 September 2017	
1	Issuer	Al Salam Bank, Bahrain
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM
		All applicable laws and regulations of the
3	Governing law(s) of the instrument	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
10	Coupons / dividends	Not applicable
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
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to	11οι αρριιοαδίο
35	instrument)	Not applicable
36	Non-compliant transitioned features	No No
37	If yes, specify non-compliant features	Not applicable
31	ni yes, specity non-compilant leatures	INUL applicable