بنك السلام

Al Salam Bank

AL SALAM BANK B.S.C.

BASEL III - PILLAR III
Disclosures

30 June 2024

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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 condensed consolidated interim financial information 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.

During 2016, the Bank acquired 70% stake in Al Salam Bank Seychelles Limited ("ASBS"), (previously "BMIO") an offshore bank in Seychelles. 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.

In the first quarter of 2022, the Bank had acquired a group of assets from Ithmaar Holding's group of companies consisting of the consumer banking business of Ithmaar Bank, the entire 26.19% underlying shareholdings of Ithmaar Holding in Bank of Bahrain and Kuwait B.S.C. (BBK) and 55.91% holdings in Solidarity Group Holding.

Furthermore, during the year 2023, the Bank had increased its stake in Al Salam Bank Algeria (S.P.A) (ASBA) to 68.0%, thereby establishing increased control.

During the second quarter of 2024, the Bank acquired 100% shareholding in ASB Finance B.S.C. © (formerly Kuwait Finance House - Bahrain B.S.C. ©), a Retail Islamic Bank incorporated in the Kingdom of Bahrain, which was a fully owned subsidiary of Kuwait Finance House K.S.C.P. ("KFH Group"), after obtaining the requisite regulatory approvals. The Group has consolidated the results and financial position of KFHB from 1 April 2024. For further details refer note 18 of the condensed consolidated interim financial information for the period ended 30 June 2024.

The Bank and its principal banking subsidiaries operates through 24 branches and 1 auto finance office in the Kingdom of Bahrain, 1 branch in Seychelles and 25 branches in Algeria and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offers Islamic financing contracts, dealing in Shari'a-compliant financial contracts as principal / agent, managing Shari'a-compliant financial contracts and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework. The Bank together with its subsidiaries are referred to as the "Group."

The condensed consolidated interim financial information 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-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	Dec-2019
Net operating income	90,899	145,209	96,396	66,737	57,420	53,527
Net profit	32,559	48,178	33,070	21,224	9,118	21,130
Total assets	6,903,405	5,147,110	3,899,361	2,684,571	2,261,353	2,042,803
Total equity	490,519	408,650	337,355	296,759	281,167	320,074
Key Ratios	**Jun-2024**	**Dec-2023**	**Dec-2022**	**Dec-2021**	**Dec-2020**	**Dec-2019**
Earnings per share (fils)	10.0	17.2	12.8	8.8	3.9	9.7
Return on average assets (%)*	1.1	1.1	1.0	0.9	0.4	1.1
Return on average equity (%)*	15.6	13.2	10.5	7.4	3.0	6.8
Cost to Net operating income (%)	51.2	47.9	52.5	49.4	52.3	55.6
Dividend payout ratio (%)	N/A	42.5	39.1	42.6	-	42.0
Dividend yield ratio (%)	N/A	5.9	9.9	7.1	6.8	8.0
Net profit margin on average Islamic assets (%)*	2.6	2.6	2.8	2.9	3.4	2.7

* Annualized

2 Financial Performance and Position (continued)

Table 2.2 Financial Summary

(BD '000s)

Consolidated Financial Position	Jun-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	Dec-2019
Cash and balances with banks and Central Bank	668,513	537,874	367,747	309,149	288,266	219,456
Placements with financial institutions	436,007	293,580	113,096	133,860	37,965	114,803
Investment in sukuk	1,277,140	1,002,839	837,381	639,688	409,503	367,467
Financing assets	3,690,623	2,676,460	1,986,465	1,364,452	1,283,812	1,075,498
Non-trading investments	106,263	100,060	106,796	91,591	98,034	108,991
Takaful and related assets	26,379	67,370	51,690	-	-	-
Investment in real estate	128,408	78,070	62,462	60,904	70,529	75,717
Investment in associates	237,863	231,484	254,006	14,533	12,036	10,640
Other assets	125,692	81,228	67,720	44,423	35,237	44,260
Goodwill and other intangible assets	206,517	78,145	51,998	25,971	25,971	25,971
Placements from financial institutions and individuals	207,148	136,511	187,724	126,891	116,883	211,459
Customers' current accounts	1,326,570	1,066,031	550,281	482,739	363,970	289,456
Murabaha term financing	466,810	510,848	320,989	100,216	221,671	145,590
Takaful and related liabilities	75,458	114,493	91,741	-	-	-
Other liabilities	129,566	106,192	78,798	53,789	52,282	41,481
Quasi-Equity	4,207,334	2,804,385	2,332,473	1,624,177	1,225,380	1,034,743
of which: Wakala from financial institutions	742,403	379,768	319,339	299,607	264,784	210,887
of which: Wakala and mudaraba from customers	3,464,931	2,424,617	2,013,134	1,324,570	960,596	823,856
Capital	**Jun-2024**	**Dec-2023**	**Dec-2022**	**Dec-2021**	**Dec-2020**	**Dec-2019**
Capital adequacy (%)	20.3	20.4	21.9	28.5	26.5	21.2
Equity / Total assets (%)	7.1	7.9	8.7	11.1	12.4	15.7
Total customer deposits / Equity (times)	9.9x	8.5x	7.6x	6.1x	4.7x	4.1x
Liquidity and Other Ratios	**Jun-2024**	**Dec-2023**	**Dec-2022**	**Dec-2021**	**Dec-2020**	**Dec-2019**
Islamic financing contracts / Total assets (%)	53.5	52.0	50.9	50.8	56.8	52.6
Investments / Total assets (%)	25.3	27.4	32.3	30.1	26.1	27.6
Liquid assets / Total assets (%)	23.6	21.2	20.1	32.7	18.3	22.7
Liquid assets / Current and URIA deposits (%)	29.5	28.2	27.2	41.7	26.0	35.0
Customer Deposits / Total assets (%)	70.4	67.8	66.0	67.3	58.6	54.5
Due from banks and financial institutions/ Total Assets (%)	6.3	5.7	2.9	5.0	1.7	5.6
Interbank Assets / Interbank Liabilities (%)	317.2	215.1	63.9	105.5	32.5	54.3
Islamic financing contracts / Customer deposits (%)	77.0	76.7	77.2	75.5	96.9	96.6
Number of employees	768	518	577	376	363	355

3 Group and Capital Structure

3.1 Group Structure

The condensed consolidated interim financial information for the period comprise of the financial statements of the Bank and its subsidiaries (together referred to as “the Group”)

The principal subsidiaries and associates as at 30 June 2024 and their treatment for capital adequacy purposes are as follows:

	Entity classification as per CA Module	Treatment by the Bank
Subsidiaries		
Al Salam Bank Seychelles	Banking subsidiary	Aggregation of risk weighted assets
ASB Finance B.S.C. (c) (formerly Kuwait Finance House (Bahrain) B.S.C. ©)		Consolidation of risk weighted assets
Al Salam Bank Algeria (S.P.A)		
Kenaz Al Kadam Real Estate Investment W.L.L.	Commercial entity	Risk weighting using look- through approach
Wahat Al Muharraq Real Estate Investment W.L.L.		
Al-Enma'a House for Real Estate Company		Risk weighting of investment exposure
Baytik Industrial Oasis W.L.L.		
Middle Region Development Company W.L.L.		
Delmon 1 Co. W.L.L.		
Baytik Investment One S.P.C.		
Baytik Investment Two S.P.C.		
Durrat Marina Asset 1 W.L.L.		
Solidarity Group Holding BSC (c)	Insurance Subsidiary	
Associates		
Gulf African Bank	Financial entity	Risk weighting of investment exposure
Bank of Bahrain and Kuwait B.S.C.		
Bareeq Al Retaj Real Estate Services W.L.L	Commercial entity	Risk weighting using look-through approach
Manara Development Company BSC (c)		
NS Real Estate Company W.L.L.		
Darari Investment Company W.L.L.		
Burj Al Safwa Property Investment Company W.L.L.		

3.2 Capital Structure

The Group's regulatory total capital of BD 433,238 thousand 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 274,778 thousand at 30 June 2024, comprising of 2,747,776 thousand shares of BD 0.100 each. (PD 1.3.11)

During the period, the Bank has issued a Subordinated Mudaraba (Additional Tier1 capital instrument) of BD 62,175 thousand, net of issuance cost. The issue was at par and paid in cash.

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, 20)**

(BD '000s)

	CET1	AT1	T2
Issued and fully paid up ordinary shares	274,778		
Treasury shares	(6,617)		
Employee stock incentive program funded by the bank (outstanding)	(10,168)		
General Reserves	1,597		
Legal/statutory reserves	25,982		
Share premium	209		
Retained earnings	21,051		
Current interim cumulative net income / losses	29,290		
Unrealized gains and losses on available for sale financial instruments	6,415		
Gains and loss resulting from converting foreign currency subsidiaries to the parent currency	1,061		
Total Minority Interest in banking subsidiaries given recognition in CET1 capital	12,052		
Total CET1 capital prior to regulatory adjustments	**355,650**		
Less:			
Goodwill & Intangibles	(49,147)		
Total Common Equity Tier 1 capital after regulatory adjustments above	**306,503**		
Instruments issued by parent company		62,175	**-**
Instruments issued by banking subsidiaries to third parties		4,017	5,357
Asset revaluation reserve - Property, plant, and equipment		-	22,691
General financing loss provisions		-	32,495
Total Available AT1 & T2 Capital		**66,192**	**60,543**
Total Tier 1		**372,695**	
Total Capital (PD 1.3.20 a)			**433,238**

Table 3.2 **(BD '000s)**

	Risk Weighted Exposures		
	Credit	Operational	Market
Risk Weighted Exposures (self-financed)	1,358,273	173,730	3,542
Risk Weighted Exposures (URIA)	587,648	-	-
Aggregation of Risk Weighted Exposures*	7,902	814	-
Risk Weighted Exposures after Aggregation	**1,953,823**	**174,544**	**3,542**
Total Risk Weighted Exposures			**2,131,909**

	CET 1	T1	Total Capital
% of Total Risk Weighted Exposures (CAR) (PD 1.3.20 a)	**14.4%**	**17.5%**	**20.3%**
Minimum Required by CBB Regulations under Basel III (before CCB)	**6.5%**	**8.0%**	**10.0%**
Capital Conservation Buffer (CCB)	**2.5%**	**2.5%**	**2.5%**
Higher Loss Absorbency (HLA)	**1.5%**	**1.5%**	**1.5%**
Minimum Required by CBB Regulations under Basel III (after CCB and HLA)	**10.5%**	**12.0%**	**14.0%**

(PD 1.3.20 b)

Capital Adequacy Ratio of the group's significant subsidiaries**	CET 1	T1	Total Capital
Al Salam Bank Algeria (S.P.A)*	11.2%	11.2%	12.2%

* Calculated in accordance with the Capital Adequacy requirements issued by the foreign subsidiary's respective Central bank.

**ASBS has not been considered as a significant subsidiary as the regulatory capital is less than 5% of the Group's consolidated capital base.
ASB Finance B.S.C. © (formerly Kuwait Finance House - Bahrain B.S.C. ©) is part Al Salam Bank B.S.C. (the Banks) bahrain banking operations and is currently being integrated. Hence, no separate capital disclosures are provided.

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 and for Pillar II risks.

The key principles driving capital management include:

- Adequate capital is maintained as buffer for unexpected losses to protect stakeholders i.e. shareholders and depositors.
- Optimize risk adjusted 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 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 2024.

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.
Residential mortgage exposures granted under the Social Housing Scheme of the Kingdom of Bahrain is assigned a risk weight of 25%.

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%. Investments in sukuk are risk weighted based on respective counterparty's credit ratings.

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

5.1 Credit Risk (continued)

Table 5.1 Funded and Unfunded Exposures **(PD-1.3.17)**

(BD '000s)

	Self Financed				
Exposure type	**Gross Credit Exposure**	**CRM**	**Net Credit Exposure**	**Risk-Weighted Assets (RWA)**	**Minimum Capital Charge**
Cash and balances with banks and Central Bank	354,684	-	354,684	2	0
Sovereign Sukuk	1,183,740	-	1,183,740	7,463	1,045
Corporate Sukuk	48,148	-	48,148	38,314	5,364
Murabaha financing	96,658	7,179	89,479	87,931	12,310
Mudaraba financing	47,737	3,576	44,161	53,401	7,476
Ijarah Financing	194,613	106,584	88,029	85,036	11,905
Salam financing	146,174	7,463	138,711	139,521	19,533
Istisna financing	41,102	933	40,169	40,721	5,701
Musharaka	4,706	125	4,581	4,603	644
Credit Cards	87	-	87	65	9
Non-trading investments	83,054	-	83,054	324,872	45,482
Investment in real estate	106,692	-	106,692	212,678	29,775
Investment in associates	4,248	-	4,248	10,621	1,487
Investment in Subsidiary	1,761	-	1,761	2,651	371
Other assets	97,995	-	97,995	101,266	14,177
Goodwill and other intangible assets*	146,349	-	146,349	73,175	10,245
Total funded exposures	**2,557,748**	**125,860**	**2,431,888**	**1,182,320**	**165,525**
Contingent Liabilities & Commitments	239,105	29,258	209,847	175,953	24,633
Total unfunded exposures	**239,105**	**29,258**	**209,847**	**175,953**	**24,633**
Aggregation of Risk Weighted Exposures for AlSalam Bank Seychelles Limited	**-**	**-**	**-**	7,902	1,106
Total exposures	**2,796,853**	**155,118**	**2,641,735**	**1,366,175**	**191,265**

* Gross exposure excludes goodwill and other intangibles amounting to BD 49,147 thousand which is subject to dedcuction from regulatory capital.

	Funded by EAIH				
Exposure Type	**Gross Credit Exposure**	**CRM**	**Net Credit Exposure**	**Risk-Weighted Assets (RWA)*30%**	**Minimum Capital Charge**
Cash and balances with banks and Central Bank	296,558	-	296,558	18,061	2,529
Placements with financial institutions	433,938	-	433,938	34,106	4,775
Murabaha financing	915,637	62,783	852,854	199,513	27,932
Mudaraba financing	710,141	135,772	574,369	81,916	11,468
Ijarah Financing	1,280,851	340,656	940,195	118,716	16,620
Salam financing	191,450	19,438	172,012	51,604	7,225
Istisna financing	42,843	2,241	40,602	12,181	1,705
Musharaka	27,840	2,251	25,589	7,636	1,069
Credit Cards	19,082	-	19,082	4,364	611
Non-trading investments	9,563	-	9,563	8,606	1,205
Investment in an associate	233,390	-	233,390	35,008	4,901
Investment in Subsidiary	54,461	-	54,461	15,937	2,231
Total funded exposures	**4,215,754**	**563,141**	**3,652,613**	**587,648**	**82,271**
Contingent Liabilities & Commitments	-	-	-	-	-
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**
Total exposures	**4,215,754**	**563,141**	**3,652,613**	**587,648**	**82,271**

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

- Gross credit exposure is reflected as gross of stage 1 and 2 expected credit loss (ECL) and net of specific provision

Note c: The unfunded exposure before (CCF) as of 30 June 2024 is BD 737,242 thousand.

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

5.1 Credit Risk (continued)

Excessive risk concentration (PD 1.3.26 a)
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on country and counterparty limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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 Gross Credit Exposures (PD 1.3.26 b)

(BD '000s)

Current Credit Exposure by Type of Islamic Financing Contracts	Gross Positive Fair Value (Net of specific provision)	Eligible Collaterals Held (after appropriate haircuts) *			
		Cash	Govt. Securities	Real Estate	Total
Murabaha financing	1,012,295	72,943	23,970	-	**96,913**
Mudaraba financing	757,878	159,800	-	-	**159,800**
Ijarah Financing	1,475,464	20,961	-	920,361	**941,322**
Salam financing	337,624	26,901	-	-	**26,901**
Istisna financing	83,945	3,174	-	-	**3,174**
Musharaka	32,546	2,376	-	-	**2,376**
Credit Cards	19,169	-	-	-	**-**
Total	**3,718,921**	**286,155**	**23,970**	**920,361**	**1,230,486**

* Over and above the collateral, considered as eligible under the CA Module, the Bank maintains additional collateral in the form of mortgage of residential properties, corporate guarantees and other tangible assets, which could be invoked to claim the amount owed in the event of default.

Credit risk concentrations and thresholds
The first level of protection against undue credit risk is through country, industry and threshold limits, together with customer and customer bank credit limits, set by the Board. Credit exposure to individual customers or customer banks is then controlled through a tiered hierarchy of delegated approval authorities.

Single name concentrations are monitored on an individual basis. Under the CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's approval for any planned exposure to a single counterparty, or group of closely related counterparties exceeding regulatory thresholds prescribed in CBB rulebook.

The CBB has set a single exposure limit of 15% of the bank's total capital base on exposures to individuals and a combined exposure limit of 25% of the total capital base of closely-connected counterparties. The excess amount of any exposure above the mentioned thresholds must be risk-weighted at 800% unless it is an exempt exposure in accordance with the requirements in the CBB rulebook.

Exposures in excess of regulatory limits (PD 1.3.23 f)
As at 30 June 2024, the Group's exposures in excess of 15% of the obligor limits to individual counterparties, excluding Central Bank and exempt exposures by CBB were BHD 10,537 thousand.

(BD '000s)

Single exposure in excess of 15% of Capital Base	% of Capital	Exposure as at 30 June 2024
Counterparty A	17.4%	75,523

Table 5.3 Gross Credit Exposures (PD 1.3.23 a)

(BD '000s)

Self Financed		
Exposure Type	**Gross Credit Exposure***	**Average Gross Credit Exposure****
Cash and balances with banks and Central Bank	338,360	396,718
Placements with financial institutions	-	9,129
Investment in sukuk	1,277,140	1,156,220
Financing assets	540,479	497,793
Non-trading investments	96,700	98,830
Takaful and related assets	26,379	26,776
Investment in real estate	111,147	93,445
Investment in associates	3,906	4,233
Other assets	125,692	121,040
Goodwill and other intangible assets	206,517	141,890
Total funded exposures	**2,726,320**	**2,546,073**
Contingent Liabilities & Commitments	737,242	692,038
Total unfunded exposures	**737,242**	**692,038**
Total exposures	**3,463,562**	**3,238,111**

Funded by EAIH		
Exposure Type	**Gross Credit Exposure***	**Average Gross Credit Exposure ****
Cash and balances with banks and Central Bank	330,153	221,638
Placements with financial institutions	436,007	385,691
Financing assets	3,150,144	2,711,867
Non-trading investments	9,563	9,563
Investment in real estate	17,261	17,261
Investment in associates	233,957	230,470
Total funded exposures	**4,177,085**	**3,576,490**
Contingent Liabilities & Commitments	-	-
Total unfunded exposures	**-**	**-**
Total exposures	**4,177,085**	**3,576,490**

* Exposures are net of ECL
** The Group has calculated the average gross credit exposures based on average quarterly balances

Risk mitigation, collateral and other credit enhancements (PD 1.3.26 a)
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 directors, corporates and high net worth individuals and banks. As at 30 June 2024, the collaterals eligible for CRM (after applying regulatory haircuts) amounted to BD 1,230,486 thousand.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses with respect to financing facilities. The Bank also makes use of master netting agreements with counterparties where relevant. **(PD 1.3.25 a)**

The main types of guarantors include rated banks and other financial institutions, Corporates and Sovereigns some of which are rated by ECAI's along with personal guarantees of the Board of Directors of the borrower and other high net worth individuals.

The Group obtains additional collateral as and when the value of the collateral originally obtained is assessed at lower than the minimum acceptable Loan to Value (LTV) ratio of collateral. Also, where the customer is not in a position to provide additional collateral, the Group reviews the situation and a suitable decision is made on the exposure to the said customer.

The Group ensures that at the inception of the facility, third parties valuation of the tangible collaterals is obtained and performs an annual review of the facility whereby the revised collateral valuation is obtained from the Bank's approved valuators.

In case of default, the Group will work with the counterparty to discuss how the outstanding facility can be settled. As a last resort, the counterparty's assets will be used to settle the outstanding obligation.

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)

Self Financed							
Exposure type	GCC Countries	Middle East and North Africa	Europe	Asia	America	Others	Total
Cash and balances with banks and Central Bank	79,111	259,238	-	-	11	-	**338,360**
Investment in sukuk	1,224,519	4,569	45,378	2,674	-	-	**1,277,140**
Murabaha financing	48,863	73,371	-	-	-	-	**122,234**
Mudaraba financing	26,517	22,768	-	-	-	-	**49,285**
Ijarah Financing	107,506	73,384	-	-	-	-	**180,890**
Salam financing	-	143,053	-	-	-	-	**143,053**
Istisna financing	-	40,305	-	-	-	-	**40,305**
Musharaka	-	4,625	-	-	-	-	**4,625**
Credit Cards	87	-	-	-	-	-	**87**
Non-trading investments	96,700	-	-	-	-	-	**96,700**
Takaful and related assets	26,379	-	-	-	-	-	**26,379**
Investment in real estate	97,034	14,113	-	-	-	-	**111,147**
Investment in associates	225	3,681	-	-	-	-	**3,906**
Other assets	91,132	32,631	-	1,907	22	-	**125,692**
Goodwill and other intangible assets	206,517	-	-	-	-	-	**206,517**
Total funded exposures	**2,004,590**	**671,738**	**45,378**	**4,581**	**33**	**-**	**2,726,320**
Contingent Liabilities & Commitments	251,878	484,323	-	-	1,041	-	**737,242**
Total unfunded exposures	**251,878**	**484,323**	**-**	**-**	**1,041**	**-**	**737,242**
Total exposures	**2,256,468**	**1,156,061**	**45,378**	**4,581**	**1,074**	**-**	**3,463,562**

Table 5.5 (PD 1.3.23 b)

(BD '000s)

Funded by EIAH							
Exposure type	GCC Countries	Middle East and North Africa	Europe	Asia	America	Others	Total
Cash and balances with banks and Central Bank	171,019	192	6,517	48,903	101,996	1,526	**330,153**
Placements with financial institutions	414,955	5,320	15,732	-	-	-	**436,007**
Murabaha financing	846,532	48,353	3,198	-	-	-	**898,083**
Mudaraba financing	573,134	9,066	-	-	-	-	**582,200**
Ijarah Financing	1,355,231	36,619	-	-	-	-	**1,391,850**
Salam financing	-	189,333	-	-	-	-	**189,333**
Istisna financing	-	42,844	-	-	-	-	**42,844**
Musharaka	23,996	3,940	-	-	-	-	**27,936**
Credit Cards	17,883	15	-	-	-	-	**17,898**
Non-trading investments	9,563	-	-	-	-	-	**9,563**
Investment in real estate	17,261	-	-	-	-	-	**17,261**
Investment in associates	233,957	-	-	-	-	-	**233,957**
Total funded exposures	**3,663,531**	**335,682**	**25,447**	**48,903**	**101,996**	**1,526**	**4,177,085**
Contingent Liabilities & Commitments	-	-	-	-	-	-	-
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposures	**3,663,531**	**335,682**	**25,447**	**48,903**	**101,996**	**1,526**	**4,177,085**

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

(BD '000s)

	Gross Financing Contracts - Past Due not impaired	12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)	Gross Impaired Financing Contracts	Life time ECL credit impaired (Stage 3)
GCC Countries	147,197	(4,744)	144,535	(20,644)
Middle East and North Africa	74,159	(1,774)	20,308	(4,481)
Total	**221,356**	**(6,518)**	**164,843**	**(25,125)**

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

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry

Table 5.7 Exposure by type of credit exposure **(PD 1.3.23 c)**

(BD '000s)

Exposure Type	Self Financed						
	Trading and Manufacturing	Banks and Financial Institutions	Real Estate	Individuals	Government and Public Sector Entities	Others	Total
Cash and balances with banks and Central Bank	-	325,647	-	-	12,713	-	**338,360**
Investment in sukuk	-	4,569	-	-	1,272,571	-	**1,277,140**
Murabaha financing	43,456	-	8,826	21,787	-	48,165	**122,234**
Mudaraba financing	15,631	-	1,400	24	-	32,230	**49,285**
Ijarah Financing	33,362	1,119	55,878	31,855	-	58,676	**180,890**
Salam financing	129,207	-	-	-	-	13,846	**143,053**
Istisna financing	31,977	-	-	-	-	8,328	**40,305**
Musharaka	2,984	359	-	-	-	1,282	**4,625**
Credit Cards	-	-	-	87	-	-	**87**
Non-trading investments	-	-	69,883	-	-	26,817	**96,700**
Takaful and related assets	-	-	-	-	-	26,379	**26,379**
Investment in real estate	-	-	111,147	-	-	-	**111,147**
Investment in associates	-	3,681	-	-	-	225	**3,906**
Other assets	28	861	-	25,241	6,112	93,450	**125,692**
Goodwill and other intangible assets	-	-	-	-	-	206,517	**206,517**
Total funded exposures	**256,645**	**336,236**	**247,134**	**78,994**	**1,291,396**	**515,915**	**2,726,320**
Contingent Liabilities & Commitments	406,403	13,068	99,663	23,162	-	194,946	**737,242**
Total unfunded exposures	**406,403**	**13,068**	**99,663**	**23,162**	**-**	**194,946**	**737,242**
Total exposures	**663,048**	**349,304**	**346,797**	**102,156**	**1,291,396**	**710,861**	**3,463,562**

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

(BD '000s)

Exposure Type	Funded by EIAH						
	Trading and Manufacturing	Banks and Financial Institutions	Real Estate	Individuals	Government and Public Sector Entities	Others	Total
Cash and balances with banks and Central Bank	-	330,153	-	-	-	-	**330,153**
Placements with financial institutions	-	436,007	-	-	-	-	**436,007**
Murabaha financing	43,602	10,776	15,224	535,884	90,034	202,563	**898,083**
Mudaraba financing	31,073	72,246	56,733	164,523	139,149	118,476	**582,200**
Ijarah Financing	41,702	7,239	410,203	597,478	64,709	270,519	**1,391,850**
Salam financing	177,286	-	-	-	-	12,047	**189,333**
Istisna financing	42,372	-	-	-	-	472	**42,844**
Musharaka	3,844	-	19,091	4,906	-	95	**27,936**
Credit Cards	-	-	-	17,898	-	-	**17,898**
Non-trading investments	-	-	9,563	-	-	-	**9,563**
Investment properties	-	-	17,261	-	-	-	**17,261**
Investment in associates	-	233,957	-	-	-	-	**233,957**
Total funded exposures	**339,879**	**1,090,378**	**528,075**	**1,320,689**	**293,892**	**604,172**	**4,177,085**
Contingent Liabilities & Commitments	-	-	-	-	-	-	**-**
Total unfunded exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposures	**339,879**	**1,090,378**	**528,075**	**1,320,689**	**293,892**	**604,172**	**4,177,085**

Table 5.9 The exposure by industry including impaired assets and the related impairment is as follows: **(PD 1.3.23 h)**

(BD '000s)

	Gross Financing Contracts - Past Due not impaired	12 month ECL and Lifetime ECL not impaired (Stage 1 & 2)	Gross Impaired Financing Contracts	Life time ECL credit impaired (Stage 3)
Trading and Manufacturing	35,667	(2,796)	26,727	(6,268)
Banks and Financial Institutions	1,340	(33)	-	-
Real Estate	80,465	(880)	57,555	(3,095)
Individuals	47,160	(1,752)	28,885	(9,000)
Government and public sector entities	7,794	(3)	-	-
Others	48,930	(1,054)	51,676	(6,762)
Total	**221,356**	**(6,518)**	**164,843**	**(25,125)**

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

5.1 Credit Risk (continued)

5.1.2 Exposure by Industry (continued)

Table 5.10 Ageing Analysis **(PD 1.3.24 b)**

(BD '000s)

	Gross Impaired and Past Due Contracts			Expected Credit Losses (ECL) / Specific Provisions	Net Outstanding	Market Value of Collateral
	up to 1 Year	Over 1 year up to 3 years	Over 3 years			
Trading and Manufacturing	65,785	1,394	251	(8,914)	58,516	94,455
Real Estate	77,076	18,141	4,109	(6,236)	93,090	240,428
Individuals	30,797	7,132	1,293	(7,124)	32,098	26,522
Government and public sector entities	7,794	-	-	(3)	7,791	-
Others	163,108	8,980	339	(9,366)	163,061	201,976
Total	**344,560**	**35,647**	**5,992**	**(31,643)**	**354,556**	**563,381**

5.1.3 Movement In Net Allowance For Credit Losses / Impairment (PD 1.3.24 d)

Table 5.11 The balance of allowance for credit loss in the below table includes all financial assets and off-balance sheet exposures in addition to financing assets:

(BD '000s)

	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	POCI	Total ECL
Balance at the beginning of the year	**19,222**	**8,487**	**26,450**	**435**	**54,594**
- transferred to Stage 1: 12 month ECL	671	501	(1,172)	-	-
- transferred to Stage 2: Lifetime ECL not credit-impaired	520	5,380	(5,900)	-	-
- transferred to Stage 3: Lifetime ECL credit-impaired	(1,369)	(2,266)	3,635	-	-
Net remeasurement of loss allowance	3,635	2,295	4,695	(1,522)	9,103
Allowance for credit losses	**3,457**	**5,910**	**1,258**	**(1,522)**	**9,103**
Exchange adjustments and other movements	(20)	**-**	-	1,087	**1,067**
Balance at the end of the period	**22,659**	**14,397**	**27,708**	**-**	**64,764**

5.1.4 Exposure by External Credit Rating

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

Table 5.12 (BD '000s)

Exposure Type	Gross Credit Exposure*	Rated Exposure	Unrated Exposure
Cash	49,747		49,747
Claims on sovereigns	1,735,603	12,630	1,722,973
Claims on banks	485,864	377,298	108,566
Claims on corporate portfolio	1,710,817		1,710,817
Regulatory retail portfolio	465,442		465,442
Mortgages	1,390,693		1,390,693
Past due receivables over 90 days	139,718		139,718
Investments in Securities and Sukuk	278,178		278,178
Holding of Real Estate	226,087		226,087
Other assets and Specialized financing	530,458		530,458
Total	**7,012,607**	**389,928**	**6,622,679**

* 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);
- Gross credit exposure is reflected as gross of stage 1 and 2 expected credit loss (ECL) and net of specific provision

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

5.1 Credit Risk (continued)

5.1.5 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	350,574	143,380
Irrevocable unutilised commitments	386,668	95,725
Total	**737,242**	**239,105**

* 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) (PD 1.3.38)**

(BD '000s)

Exposure Type	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	668,513	-	**668,513**	-	-	-	-	**-**	**668,513**
Investment in sukuk	63,562	183,823	**247,385**	708,555	217,494	67,807	35,899	**1,029,755**	**1,277,140**
Placements with financial institutions	417,577	11,705	**429,282**	-	6,725	-	-	**6,725**	**436,007**
Financing assets and Ijarah Financing	676,902	1,059,817	**1,736,719**	558,791	839,137	274,572	281,404	**1,953,904**	**3,690,623**
Non-trading investments	-	5,825	**5,825**	-	100,438	-	-	**100,438**	**106,263**
Takaful and related assets	-	26,379	**26,379**	-	-	-	-	**-**	**26,379**
Investment in real estate	-	-	**-**	-	128,408	-	-	**128,408**	**128,408**
Investment in associates	-	-	**-**	-	237,863	-	-	**237,863**	**237,863**
Other assets	13,537	15,821	**29,358**	-	96,334	-	-	**96,334**	**125,692**
Goodwill and other intangible assets	-	-	**-**	-	206,517	-	-	**206,517**	**206,517**
Total	**1,840,091**	**1,303,370**	**3,143,461**	**1,267,346**	**1,832,916**	**342,379**	**317,303**	**3,759,944**	**6,903,405**

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

(BD '000s)

Exposure Type	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	146,869	173,659	**320,528**	46,074	17,090	1,214	1,762	**66,140**	**386,668**
Contingent liabilities	47,123	200,966	**248,089**	72,959	28,834	180	512	**102,485**	**350,574**
Total	**193,992**	**374,625**	**568,617**	**119,033**	**45,924**	**1,394**	**2,274**	**168,625**	**737,242**

The above contractual maturity analysis is based on consolidated statement of financial position classification.

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

5.1 Credit Risk (continued)

5.1.5 Maturity Analysis of Exposures (continued)

Table 5.15 Contractual maturity analysis by major type of funding **(PD 1.3.38)**

(BD '000s)

Exposure Type	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
Placements from financial institutions and individuals	83,690	121,107	**204,797**	2,351	-	-	-	**2,351**	**207,148**
Customers' current accounts	1,326,570	-	**1,326,570**	-	-	-	-	**-**	**1,326,570**
Murabaha term financing	280,101	159,662	**439,763**	27,047	-	-	-	**27,047**	**466,810**
Takaful and related liabilities	-	75,458	**75,458**	-	-	-	-	**-**	**75,458**
Other liabilities	34,823	64,874	**99,697**	-	29,869	-	-	**29,869**	**129,566**
Quasi-Equity	2,429,663	1,514,952	**3,944,615**	262,719	-	-	-	**262,719**	**4,207,334**
Total	**4,154,847**	**1,936,053**	**6,090,900**	**292,117**	**29,869**	**-**	**-**	**321,986**	**6,412,886**

5.2 Market Risk

Market risk arises from fluctuations in market prices on financial instruments and foreign exchange rates that could have an indirect effect on the Group's assets value and equity prices. The Board of Directors has set limits on the risk that may be accepted. This is monitored on a regular basis by the Group's Asset and Liability Committee. **(PD 1.3.27 a, b)**

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 Requirement –Minimum*	Capital Requirement –Maximum*
Foreign exchange risk	3,542	496	283	134	283
Total market risk	**3,542**	**496**	**283**	**134**	**283**

* 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 2024.

The Group maintains a conservative market risk exposure that is focused on the foreign exchange risk coming from the Group's banking book positions. The open positions were taken in order of running the Group's day to day operations that include funding for the Group's investment portfolio. The Group monitors and manages these open positions on a daily basis. **(PD 1.3.21 b) (PD 1.3.27 a)**

5.3 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes or systems, or from external events. Operational risk is inherent in all business activities and can never be eliminated entirely; however shareholder value can be preserved and enhanced by managing, mitigating and, in some cases, insuring against operational risk. To achieve this goal, the Group has developed an operational risk framework which encompasses identification, measurement, management and monitoring of risk through risk control and mitigation. A variety of underlying processes are being deployed across the Group including risk and control self assessments, Key Risk Indicators (KRI), event management, new product review and approval processes and business contingency plans. **(PD 1.3.21 c)**

The Group's policy and procedures dictates that the operational functions of booking, recording and monitoring of transactions are carried out by staff that are independent of the individuals initiating the transactions. Each business line including Operations, Information Technology, Human Resources, Legal, Compliance and Financial Control is further responsible for employing the aforementioned framework processes and control programs to manage its operational risk within the guidelines established by the policy, and to develop internal procedures that comply with these policies. To ensure that all operational risks to which the Group is exposed to are adequately managed, support functions are also involved in the identification, measurement, management, monitoring and control/mitigation of operational risk, as appropriate. **(PD 1.3.28) (PD 1.3.29)**

Consistent with the fundamental principle of ownership, the relevant business units are accountable and responsible for managing the operational risks relevant to their respective businesses. Consequently, business and support units have documented procedures and controls in place along with departmental instruction manuals. Procedures are reviewed by the respective business or support unit and approved at the management level. **(PD 1.3.28) (PD 1.3.29)**

The Group has a well established Business Continuity Policy and Disaster Recovery Program, and has documented updated procedures covering all activities necessary for business continuity in case of a business disrupting event. Internal Audit also provides an independent assessment to evaluate the program's effectiveness.

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

5.3 Operational Risk (continued)

(PD 1.3.19) (PD 1.3.30 a, b)
In accordance with the basic indicator approach methodology of Basel III, the total consolidated minimum capital charge in respect of operational risk was BD 24,436 thousand. This capital charge was computed by multiplying the bank's average gross income for the last three financial years by a predefined beta factor and adding the aggregation of operational risk weighted exposures of ASB Seychelles amounting to BD 814 thousand.

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

	Jun-2024
Average gross income	92,656
Risk weighted exposures	173,730
Minimum capital charge	24,322

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. The Bank uses a dedicated system namely 'Risk Nucleus' system developed by BenchMatrix for effective operational risk management.

Non-Shari'a compliant income for the period ended 30 June 2024 amounted to BD 131 thousand. This has arisen primarily from conventional financing and investments, penalty charges from customers and income on current accounts balances held with correspondent banks. No Sharia violations were identified during the period ended 30 June 2024. (PD 1.3.30 b.ii)

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

5.4 Rate of Return Risk (PD 1.3.39)

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.

The Group's cautious asset liability strategy avoids funding long term lending facilities from short 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 below tables provide the asset and liability re-pricing profile on the contractual repricing or maturity dates, whichever is earlier for the period ended 30 June 2024 . (PD 1.3.27 c) (PD 1.3.40)

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

Assets	Total	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 2 years	>2 to 3 years	>3 years	Profit insensitive
Cash and balances with banks and Central Bank	668,513	-	-	-	-	-	-	-	668,513
Investment in sukuk	1,277,141	17,542	47,527	90,701	100,555	188,127	224,938	607,751	-
Placements with financial institutions	436,007	414,583	2,994	3,273	8,433	-	1,892	4,832	-
Financing assets	3,690,623	191,976	473,346	580,483	472,889	320,863	303,943	1,329,098	18,025
Non-trading investments	106,263	-	-	-	-	-	-	-	106,263
Investment in real estate	128,408	-	-	-	-	-	-	-	128,408
Investment in associates	237,863	-	-	-	-	-	-	-	237,863
Takaful and related assets	26,379	-	-	-	-	-	-	-	26,379
Other assets	125,692	-	-	-	-	-	-	-	125,692
Goodwill and other intangible assets	206,517	-	-	-	-	-	-	-	206,517
Total Assets (A)	**6,903,405**	**624,102**	**523,867**	**674,457**	**581,876**	**508,990**	**530,772**	**1,941,681**	**1,517,660**

Liabilities	Total	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 2 years	>2 to 3 years	>3 years	Profit insensitive
Placements from financial institutions and individuals	207,148	40,449	53,381	32,634	15,356	-	-	65,328	-
Customers' current accounts	1,326,570	-	-	-	-	-	-	-	1,326,570
Murabaha term financing	466,810	130,470	149,631	67,199	92,463	377	15,624	11,046	-
Takaful and related liabilities	75,458	-	-	-	-	-	-	-	75,458
Other liabilities	129,566	-	-	-	-	-	-	-	129,566
Quasi-Equity	4,207,334	1,785,871	627,588	684,218	903,851	123,549	39,662	36,532	6,063
Total Liabilities	**6,412,886**	**1,956,790**	**830,600**	**784,051**	**1,011,670**	**123,926**	**55,286**	**112,906**	**1,537,657**
Shareholders funds	490,519	-	-	-	-	-	-	-	490,519
Total Liabilities & Shareholders Funds	**6,903,405**	**1,956,790**	**830,600**	**784,051**	**1,011,670**	**123,926**	**55,286**	**112,906**	**2,028,176**
Off-Balance Sheet Liabilities	737,242	-	-	-	-	-	-	-	737,242
Total liabilities with Off-Balance Sheet Items (B)	**7,640,647**	**1,956,790**	**830,600**	**784,051**	**1,011,670**	**123,926**	**55,286**	**112,906**	**2,765,418**
Gap (A - B)		(1,332,688)	(306,733)	(109,594)	(429,794)	385,064	475,486	1,828,775	
Cumulative Gap		**(1,332,688)**	**(1,639,421)**	**(1,749,015)**	**(2,178,809)**	**(1,793,745)**	**(1,318,259)**	**510,516**	

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

Profit rate risk in the Banking Book	
200bp Profit Rate Shocks	
Upward rate shocks on net profit	11,242
Downward rate shocks on net profit	(11,242)
Impact on Economic Value of Equity	9.5%

5.5 Equity Position Risk

(PD 1.3.21 d) (PD 1.3.31)

Equity position risk arises from the possibility of changes in the price of equities or equity indices and the corresponding effect they will have on future profitability or the fair values of financial instruments. The Group is exposed to equity risk in the non-trading position and investment portfolio primarily in its core international and GCC markets.

Equity risk in the banking book is effectively managed by the active involvement of the Executive and Investment committees; adhering to the policies and procedures in place; involvement of competent professionals; adequate internal control environment and independent internal audit department.

Executive and Investment Committee Oversight

The Board of Director's involvement begins with the approval of the Investment Policy which essentially determines the following: aggregate portfolio parameters, asset class restrictions, approval authorities, risk tolerance, maturity considerations, exit strategy and governance issues.

The Executive Committee has delegated authority within the overall Board authority. It provides direction to the Executive Management on all business matters and assumes the role of the Board to address matters arising between Board meetings. The Committee is responsible for business matters concerning credit risk, strategy review and recommendations to the Board. The Credit and Investment Committee reviews and approves all transactions related to corporate and real estate investments, as well as monitoring their performance on an ongoing basis. In addition, the Committee is responsible to oversee the performance of the fund managers and recommend exit strategies to maximize return to its investors.

Internal Controls

With regard to internal controls, the investment activity is subject to the same rigorous checks and balances in place for the commercial banking activity. Adequacy of internal controls is ensured by the recruitment of adequate qualified professionals, proper definition and communication of departmental and personnel roles, segregation of responsibilities of origination and implementation, independent reporting by the Financial Controls Department, periodic internal audit of the existence and implementation of processes and controls. All recommendations of the Strategy and Investment Department (S&I) are documented in the form of Investment Portfolio Reports and Investment Memorandums and are subject to independent review by the Credit and Investment Committee. Responsibility for all deployments and receipt of redemption proceeds vests with the S&I. The S&I ensures transparency in valuation by sourcing pricing from the available sources and using conservative valuation principles in accordance with international accounting standards. In addition, the S&I operates as an independent department responsible for due diligence of investments and specializes in sourcing deals and performing the initial analysis. Moreover, the Investment Administration Department will perform the investment management duties of monitoring the investments and preparing performance reports along with other required documentation. This set-up helps streamline processes as each unit focuses on specific set of duties at the same time having independence controls.

Table 5.19 Equity positions in the Banking Book

	(BD '000s) Gross Credit Exposure
Quoted Equities	16,125
Unquoted Equities	90,138
Investment in associates - equity accounted	237,863
Net realized loss during the period	-
Net unrealized loss during the period	(380)

(BD '000s)

Asset Categories for Credit Risk	Gross Credit Exposure	Risk-Weighted Assets (RWA)	Minimum Capital Charge
Equity Investments - Unlisted	3,038	4,557	638
Investments in unrated funds - Unlisted	302	453	63
Significant investment in the common shares of financial entities >10%	274,838	51,209	7,169
Investment in listed real estate companies	12,490	37,470	5,246
Investment in unlisted real estate companies	79,005	316,020	44,243

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 a) (PD 1.3.21 f) (PD 1.3.32 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 holders from shareholders funds to cover the profit volatility risk. ASB 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 and concentration. 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. The liquidity coverage ratio as of 30 June 2024 was 208.66%.

6 Equity of Investment Accountholders (EIAH)

(PD 1.3.32)
Equity of investment accountholders' fund is commingled with Group's and Wakala fund to form one general Mudaraba pool. This pooled fund is used to fund and invest in banking assets generating income, however no priority is granted to any party for the purpose of investments and distribution of profits.

The Group does not allocate non-performing assets to EIAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to EIAH accountholders. Only the profits earned on pool of assets funded from EIAH and owners' equity are allocated between the owners' equity and IAH. As per the policy of the Group, minimum of 15% of return on assets earned is distributed to investment accountholders and 85% is retained by the Group as Mudarib share. The Group did not charge any administration expenses to investment accounts.

The funds are invested and managed in accordance with Shari'a principles. **(PD 1.3.32 b)**

According to the terms of acceptance of the unrestricted investment accounts, 100% of the funds are invested. 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)**

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

The EIAH and other customers can use the Group's relationship managers for any advice, mediation services, grievances and complaints. **(PD 1.3.32 f, g)**

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 ended 30 June 2024 and years ended 2023, 2022, 2021, 2020 and 2019 are as follows: (**PD 1.3.33**) **(PD 1.3.41)**

Table 6.1 (BD '000s)

	Jun-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	Dec-2019
Profit earned on the assets funded by EIAH	108,255	168,658	110,403	68,425	60,186	50,271
Profit paid for EIAH	71,990	100,087	47,991	35,977	29,335	28,425
Balance of:						
PER	-	-	-	-	-	-
IRR	-	-	-	-	-	-
Annual Rate of Return Benchmark	3%	3%	3%	3%	3%	3%
Annual Rate of Return (EIAH) - Profit earned*	5.15%	6.01%	4.73%	4.21%	4.91%	4.86%
Annual Rate of Return (EIAH) - Profit paid*	3.42%	3.57%	2.06%	2.22%	2.39%	2.75%
PER Amount	-	-	-	-	-	-
PER %	-	-	-	-	-	-
IRR Amount	-	-	-	-	-	-
IRR %	-	-	-	-	-	-
Reconciliation						
Mudaraba Profit Earned	108,255	168,658	110,403	68,425	60,186	50,271
Mudarib fees	(36,265)	(68,571)	(62,412)	(32,448)	(30,851)	(21,846)
Profit credited to EIAH accounts	**71,990**	**100,087**	**47,991**	**35,977**	**29,335**	**28,425**
Mudarib fee as a percentage of total investment profit	33%	41%	57%	47%	51%	43%
EIAH Balance	4,207,334	2,804,385	2,332,473	1,624,177	1,225,380	1,034,743
RWA as per PIRI Report	587,648	387,890	343,730	203,389	170,292	11,469

* Annualized

Table 6.2

	Jun-2024	Dec-2023	Dec-2022	Dec-2021	Dec-2020	Dec-2019
Rate of Return	3.4%	3.6%	2.1%	2.2%	2.4%	2.7%
Return on average EIAH assets (ROAA)*	6.2%	6.6%	5.6%	4.8%	5.5%	15.2%
Return on average equity (Total Owner's Equity) (ROAE)*	48.2%	45.2%	34.8%	23.7%	20.9%	16.1%

* Annualized

6 Equity of Investment Accountholders (continued)

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

Total assets (net of ECL) - Breakdown by EIAH & Self financed **(BD '000s)**

	Total Exposures	Funded by EIAH	Self Financed	% of EIAH to Total
Sovereign	1,585,288	293,892	1,291,396	19%
Financial Institutions	1,426,614	1,090,378	336,236	76%
Corporate	2,491,820	1,472,126	1,019,694	59%
Retail	1,399,683	1,320,689	78,994	94%
Total	**6,903,405**	**4,177,085**	**2,726,320**	**61%**

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

(BD '000s)

	Cash and balances with banks and Central Bank		Placements with financial institutions		Investment in associate		Investment in real estate		Non-trading investments		Financing Assets		Ijarah Financing	
	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed	EIAH	Self Financed
Asset Allocation as on 30 June 2024	330,153	338,360	436,007	-	233,957	3,906	17,261	111,147	9,563	96,700	1,758,294	359,589	1,391,850	180,890
Asset Allocation as on 31 December 2023	93,158	444,716	217,362	76,218	227,790	3,694	-	-	-	-	1,472,513	329,247	780,449	94,251
Asset Allocation as on 31 December 2022	133,200	234,547	113,096	-	217,509	36,497	-	-	-	-	1,151,621	83,471	699,664	51,709
Asset Allocation as on 31 December 2021	189,403	119,746	133,860	-	-	-	-	-	-	-	766,248	42,295	519,632	36,277
Asset Allocation as on 31 December 2020	107,134	181,132	37,965	-	-	-	-	-	-	-	747,538	66,911	320,029	149,334
Asset Allocation as on 31 December 2019	117,829	101,627	76,660	38,143	-	-	-	-	-	-	656,985	28,771	183,269	206,473

There are no off-balance sheet exposures arising from investment decisions attributable to the EIAH.

7 Restricted Investment Accounts (“RIA”)

Under RIA, the IAH has authorized the Bank to invest the funds on the basis of Mudaraba contract for investments, but imposes certain restrictions as to where, how and for what purpose these funds are to be invested. Further, the Bank may be restricted from commingling its own funds with the RIA funds for this purposes of investment. In addition, there may be other restrictions which IAHs may impose. RIA funds are invested and managed in accordance with Shari’a requirements. The funds are managed by the Bank under a fiduciary capacity as per the instructions of the RIA holders and accordingly the Bank is not liable to make good any losses occurred due to normal commercial reasons.

The Bank has developed the PSIA policy, approved by the Board, which details the manner in which the RIA funds are deployed and the way the profits are calculated for the RIA.

The Bank as fund manager (mudarib) carries out its fiduciary duties and administers the scheme in a proper, diligent and efficient manner, in accordance with the Shari’a principles and applicable laws and relevant rules and guidelines issued by the CBB.

The Bank has appropriate procedures and controls in place which commensurate with the size of its portfolio which includes:

a) Organising its internal affairs in a responsible manner, ensuring it has appropriate internal controls and management systems and procedures and controls designed to mitigate and manage such risk;

b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and

c) Ensuring that the Bank has the requisite level of knowledge and experience for the tasks that are undertaken and is competent for the work undertaken.

RIA products are made available to the customers through Private Banking department. Detailed product information and risks about various RIA products is available in the respective RIA information pack for the investors to make informed decisions. Such disclosure includes the disclosure on participation risks, default risks, investment risks and exchange rate risks.

Table 7.1

	Jun-2024
(PD-1.3.35 (a) & (b))	
Return to RIA holders	4,129
Total RIA	129,510
Average RIA funds during the year (PD-1.3.33 (a))	129,510
Average declared rate of return ((PD-1.3.33 (q))	
12-Month	6.38%
24-Month	6.38%
(PD-1.3.33 (l) (m) (n) & (o))	
RIA Return Before Mudarib shares	5,015
Mudarib fees	(886)
RIA Return after Mudarib shares	**4,129**
Mudarib fee as a percentage of total RIA investment profit (PD-1.3.33 (f))	17.7%
Share of Islamic Financing Contracts in Total RIA Financing (PD-1.3.33 (h) and (PD-1.3.33 (v)))	
RIA Balance	129,510
Murabaha Financing	129,510
Share of Islamic Financing Contracts in Total RIA Financing	100%
RWA as per PIRI Report	-

(PD-1.3.33 (w), (d) and 1.3.35(a),(b))	Jun-2024
Profit Earned*	5,015
Profit Paid*	4,129
Profit Paid as a Percentage of RIA Funds**	7.7%
Return on average RIA assets**	6.4%

* Profit earned and profit paid are based on average RIA funds and may not tally with the declared profit rates
** Annualized

Counterparty Type Contracts Financed by RIA to Total RIA (PD-1.3.33 (i)), (PD-1.3.38)	
Claims on corporate	129,510
Percentage of Counterparty type contracts to Total Financing	100%
Maturity analysis	**Amount**
Next Day	-
2-8days	9,920
8-1m	-
1-3m	14,070
3-6m	8,675
6-1y	88,795
1-3Y	8,050
3-5Y	-

8 Other Disclosures

8.1 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored on a daily basis by the Market Risk department and on a periodic basis by the Audit and Risk Committee as well as ALCO to ensure positions are maintained within established limits. Substantial portion of the Group's assets and liabilities are denominated in Bahraini Dinars, US Dollars or Saudi Riyals. As the Bahraini Dinar and Saudi Riyals are pegged to the US Dollars, positions in these currencies are not considered to represent significant currency risk as of 30 June 2024.

The Group has an investment in a foreign banking subsidiary wherein the transactions are denominated in US Dollars (USD) and since the BHD is pegged to USD there is no foreign exchange translation effect on the investment. The group also has an investment in subsidiary denominated in Algerian Dinar. The impact of foreign currency translation is included under Foreign Currency Translation Reserve (FCTR) in equity. (PD 1.3.42)

The foreign currency translations are used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries: The foreign currency translation reserve balance of Al Salam Bank Algeria with currency of Algerian Dinar is BHD 760 thousand.

8.2 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 Note11 titled Related Party Transactions in the condensed consolidated interim financial information for the period ended 30 June 2024. The intra-group and related party transactions are made at agreed commercial terms and are approved by the board. (PD 1.3.10 e) (PD 1.3.23 d)

8.3 Restructured Facilities

As at 30 June 2024, the balance of the renegotiated financing facilities to individuals and corporate was BD 166,632 thousand. 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. Previous restructuring of any facilities to individual and corporate customers did not have any significant impact on present and future earnings. (PD 1.3.23 j)

8.4 Assets Sold Under Recourse Agreements

The Group has not entered into any recourse agreement during the period ended 30 June 2024. (PD 1.3.23 k)

8.5 Legal Risk and Claims

As at 30 June 2024, legal suits amounting to BD 1,555 thousand (2023: BD 1,555 thousand) were pending against the Group. Based on the opinion of the Group's legal counsel, the total estimated liability arising from these cases is not considered to be material to the Group's consolidated financial position as the Group has also filed counter cases against these parties. (PD 1.3.30 c)

8.6 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)

8.7 Exposure to highly-leveraged and other high-risk counterparties

The bank has no exposure to highly-leveraged and other high-risk counterparties as per the definition provided in the CBB rulebook **(PD 1.3.23 e) (PD 1.3.24 e)**

8.8 CBB Penalties (PD 1.3.44)

During the period an amount of BD Nil was paid as penalty to the Central Bank of Bahrain (CBB) for failure to comply with CBB requirements.

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, other than Solidarity Group Holding BSC (c), which is not consolidated being a non-banking subsidiary. Furthermore, the Bank has obtained an approval from the CBB to aggregate the risk weighted exposures of Al Salam Bank - Seychelles ("ASBS") instead of the line-by-line consolidation approach.

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	**6,903,405**
Collective provision impairment	37,056
Less: Provision related to Contingent Liabilities and Commitments	(719)
Balance sheet as in Regulatory Return	**6,939,742**

Step 2: Reconcilation of published financial balance sheet to regulatory reporting as at 30 June 2024

BHD '000

	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	**668,513**	**668,737**	
of which Self financed		337,241	
of which financed by URIA		331,496	
Placements with banks and similar financial institutions	**436,007**	**436,022**	
of which financed by URIA		436,022	
Held-to-maturity investments	**697,878**	**698,234**	
of which Sovereign Sukuk	662,091		
of which Corporate Sukuk	35,787		
Available-for-sale investments	**579,262**	**579,463**	
of which Sovereign Sukuk	549,994		
of which Corporate Sukuk	29,268		
Financing assets	**3,690,623**	**3,726,141**	
of which Self financed		547,107	
of which financed by URIA		3,179,034	
Investment properties	**128,408**	**128,408**	
of which Self financed		111,147	
of which financed by URIA		17,261	
Investment in associates	**237,863**	**237,863**	
of which Self financed		3,906	
of which financed by URIA		233,957	
Property, plant, and equipment (PPE)	**37,973**	**37,973**	
Other Assets	**426,878**	**426,900**	
Non-Trading investment	106,263	106,262	
of which Self financed		96,700	
of which financed by URIA		9,563	
Other receivables and prepayments	87,719	87,742	
Takaful assets	26,379	26,379	
Goodwill & Intangibles	**206,517**	**206,517**	
of which eligible for deduction from CET1		49,147	G
of which not eligible for CET1 deduction		157,369	
Total Assets	**6,903,405**	**6,939,742**	
Liabilities			
Placements from financial institutions and customers	**207,148**	**137,457**	
Customers' current accounts	**1,326,570**	**1,326,570**	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	**466,810**	**536,501**	
of which Murabaha from customers	-	69,691	
of which Murabaha Term Financing	466,810	466,810	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	**205,024**	**204,305**	
of which Takaful Liabilities	75,458	75,458	
of which Other liabilities	129,566	128,847	
Unrestricted Investment Accounts	**4,207,334**	**4,207,334**	
Total Liabilities	**6,412,886**	**6,412,167**	
Owners' Equity			
Total share capital	**257,993**	**257,993**	A
Share capital	274,778	274,778	
Treasury stock	(10,168)	(10,168)	
Employee incentive scheme shares	(6,617)	(6,617)	
Reserves and retained earnings	**96,409**	**96,409**	
Share premium	209	209	C-1
Statutory reserve	25,982	25,982	C-2
Retained earnings (excluding profit for the year), of which:	10,162	10,162	
Amount eligible for CET1	3,825	3,825	B-1
Amount not eligible for CET1	4,194	4,194	
Subsidy from government	2,143	2,143	
of which amount added-back to CET1 as per CBB concessionary measures		714	B-2
of which amount to be added-back to CET1 in 2024 and 2025 as per CBB concessionary measures		1,429	
Modification Loss	(24,768)	(24,768)	
of which amount deducted from CET1 as per CBB concessionary measures		(8,256)	B-3
of which amount to be deducted from CET1 in 2024 and 2025 as per CBB concessionary measures		(16,512)	
Modification loss amortization	24,768	24,768	B-4
Net profit for the year	28,292	28,292	
of which amount eligible for CET1	29,290	29,290	B-5
of which amount not eligible for CET1	(998)	(998)	
Fx translation adjustment	1,061	1,061	C-3
Changes in fair value - amount eligible for CET1	6,415	6,415	C-4
Share grant scheme	1,597	1,597	C-5
Real estate fair value reserve - amount eligible for T2	22,691	22,691	D
Subordinated Mudaraba (AT1)	**62,175**	**62,175**	E-1
Minority interest in subsidiaries' share capital	**73,942**	**73,942**	
of which amount eligible for CET1		12,052	E-2
of which amount eligible for AT1		4,017	E-3
of which amount eligible for T2		5,357	E-4
of which amount not eligible for regulatory capital		52,516	
Expected credit losses (Stages 1 & 2)		**37,056**	F
of which amount eligible for T2		32,495	
of which amount not eligible for regulatory capital		4,561	
Total Owners' Equity	**490,519**	**527,575**	
Total Liabilities + Owners' Equity	**6,903,405**	**6,939,742**	

Appendix PD-1: Reconciliation requirements & Template
Step 3: Composition of Capital Common Template as at 30 June 2024

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
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	257,993	A
2	Retained earnings	50,341	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	35,264	C1+C2+C3+C4+C5
4	*Not Applicable*		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	12,052	E2
6	Common Equity Tier 1 capital before regulatory adjustments	355,650	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	49,147	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	-	
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	Total regulatory adjustments to Common equity Tier 1	49,147	
29	**Common Equity Tier 1 capital (CET1)**	**306,503**	
	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	62,175	E-1
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)	4,017	E-3
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	Additional Tier 1 capital before regulatory adjustments	66,192	
	Additional Tier 1 capital: regulatory adjustments		
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	Total regulatory adjustments to Additional Tier 1 capital	-	
44	**Additional Tier 1 capital (AT1)**	**66,192**	
45	Tier 1 capital (T1 = CET1 + AT1)	372,695	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,691	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)	5,357	E-4
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	32,495	F
51	Tier 2 capital before regulatory adjustments	60,542	

	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	60,542	
59	Total capital (TC = T1 + T2)	433,238	
60	Total risk weighted assets	2,131,909	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.4%	
62	Tier 1 (as a percentage of risk weighted assets)	17.5%	
63	Total capital (as a percentage of risk weighted assets)	20.3%	
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)	10.5%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	0.0%	
67	of which: D-SIB buffer requirement	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	14.4%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	10.5%	
70	CBB Tier 1 minimum ratio	12.0%	
71	CBB total capital minimum ratio	14.0%	
	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	4,248	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	601	
	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)	37,056	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	32,495	
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)*	-	

Appendix PD-3: Features of regulatory capital
For the period ended 30 June 2024

		Common Equity Tier 1	Subordinated Mudaraba (AT1)
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment		
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 274.78 Million	BD 62.91 million
9	Par value of instrument	BD 0.100	Not applicable
10	Accounting classification	Shareholders' Equity	Subordinated Mudaraba
11	Original date of issuance	13-Apr-06	Various
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date
16	Subsequent call dates, if applicable	Not applicable	Post First Call date
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed
18	Coupon rate and any related index	Not applicable	6% (reset midwasp + 1.50%)
19	Existence of a dividend stopper	Not applicable	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Constitue direct, unsecured, conditional, and subordinated obligations of the bank. Rank subordinate to all Senior Obligations and rank pari passue with all other pari passue obligations (if any). In priority only to Junior Obligations.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

Appendix II - Net Stable Funding Ratio (NSFR) Disclosure

Background:

Al Salam Bank ("ASB") has been subjected to the Basel III NSFR standards from December 2019, pursuant to CBB circular No. EDBS/KH/54/2018 dated 16th August 2018. ASB is required to maintain NSFR of at least 100% on an on-going basis.

The objective of NSFR is to improve the resiliency of banks by promoting long term funding stability. NSFR is designed to limit the risks emanating from excessive maturity mismatches over the medium to long term. More specifically, the NSFR requires ASB to fund illiquid assets with a minimum amount of stable liabilities over a horizon of one year.

The NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. CBB circular stipulates the applicable Required Stable Funding (“RSF”) factor for each category of asset and Available Stable Funding (“ASF”) factor for each type of funding source.

ASB seeks to ensure that its NSFR remains above the specified regulatory minimum requirements. This is achieved by:

(i) Monitoring the NSFR closely against an established internal early warning trigger and management target.

(ii) Managing and developing strategies to build a diversified funding base with access to funding sources across retail and wholesale channels.

Analysis and main drivers:

Al Salam Bank strategy is to maintain stable and well-diversified funding sources by focusing on raising more stable free float and long-term deposits from core customer base in Bahrain and across other key GCC markets where strong banking relationships have been successfully established. The main driver of this strategy is to fund bank’s core business activities with the widest deposit base and hence maintaining comfortable funding mix for the long-term assets and subsequently healthy NSFR.

The Assets and Labilities Committee (ALCO) regularly reviews the different liquidity indicators -including the NSFR- and set appropriate action plans in maintaining adequate, sustainable and healthy liquidity position. ALCO review takes global economic indicators as well as local micro economic factors into consideration. Hence effective liquidity management is set into practice steered by treasury and risk department and collaborated with other key business units.

As at 30 June 2024, the weighted value of the Available Stable Funding (ASF) stood at BD 4.3 billion, while the total weighted value of the Required Stable Funding (RSF) stood at BD 3.6 billion. The resultant NSFR stood at 118.0%, well above the current 100% threshold stipulated by CBB. The ASF is primarily driven by a strong capital base, substantial retail and private banking deposit base and deposits from non-financial corporate customers.

Post application of the relevant factors, the contribution of regulatory capital, retail deposits and deposits from non-financial corporates stood at 11%, 63% and 13% respectively. The bank does not rely on financial market funding sources and interbank funding activities are primarily used for short term funding gaps.

The RSF post application of relevant factors is driven by financing provided to non-financial corporate customers, retail and small business customers, and some unlisted investments.

ASB’s High-Quality Liquid Assets (HQLA) requires minimum funding due to its sovereign nature and high liquidity which, after applying the relevant factors, makes up 1% of the RSF portfolio. unencumbered financing and placements account for 66% and Investment exposures account for 14% of the RSF.

At ASB, there is considerable focus on growing and maintaining stability of demand and term deposits provided by private, corporate and retail customers which will continue to form a significant part of the funding.

						BHD '000
No.	Item	Unweighted Values (before applying relevant factors)				Total weighted value
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	406,758	-	-	60,542	467,301
3	Other Capital Instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	378,867	22,334	9,692	390,833
6	Less stable deposits	-	1,975,572	634,182	218,657	2,567,436
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2,499,279	333,452	114,583	860,523
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	168,519	-	-	-
13	**Total ASF**					4,286,092
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					46,538
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	666,195	331	3,996	104,091
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	1,229,926	456,654	1,318,612	1,942,995
20	With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	105,573	68,622
21	Performing residential mortgages, of which:	-	-	-	565,408	367,515
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	565,408	367,515
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	18,186	8,143	10,090	21,741
24	Other assets:					
25	Physical traded commodities, including gold	-				-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs		-	-	-	-
27	NSFR Shari'a-compliant hedging assets		-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	1,075,786	15,867	-	103,809	1,111,259
30	OBS items		786,231	-	-	39,312
31	**Total RSF**		-	-	-	3,633,451
32	**NSFR (%)**					118.0%

Appendix III - Liquidity Coverage Ratio (LCR)

CBB issued its regulations on Liquidity Risk Management in August 2018. The regulations mandate that banks are required to maintain LCR of at least 100% on a daily basis. The objective of LCR is to manage assets and liabilities to create strong short-term resilience and sufficient liquidity that is enough to fund cash outflow for 30 days.

Below is the bank's average consolidated LCR for the period:

		Q2-2024		Q1-2024	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets					
1	Total HQLA		**857,120**		**665,187**
Cash outflows					
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits	402,850	12,085	320,761	9,623
4	Less stable deposits	746,115	74,611	669,101	66,910
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	1,547,140	914,381	1,315,913	771,636
8	Unsecured sukuk	-	-	-	-
9	**Secured wholesale funding**		-		-
10	**Additional requirements, of which:**				
11	Outflows related to Shari'a-compliant hedging instruments exposures and other collateral requirements	-	-	-	-
12	Outflows related to loss of funding on financing products	-	-	-	-
13	Credit and liquidity facilities	204,024	75,184	199,742	81,244
14	**Other contractual funding obligations**	-	-	-	-
15	**Other contingent funding obligations**	470,110	21,492	471,918	19,095
16	Total Cash Outflows		**1,097,754**		**948,508**
Cash inflows					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	196,019	98,172	158,421	83,155
19	Other cash inflows	610,341	594,917	481,198	465,236
20	Total Cash Inflows	806,360	**693,088**	639,618	**548,391**
			Total adjusted Value		Total adjusted Value
21	**Total HQLA**		**857,120**		**665,187**
22	**Total net cash outflows**		**428,431**		**400,117**
23	**Liquidity Coverage Ratio (%)***		**218.7%**		**167.4%**

*Represents simple average of daily LCR

Appendix IV - Leverage Ratio

CBB in June 2018 issued guidelines on leverage ratio as part of updates to the Capital Adequacy Module. The ratio measures how well the banks' Tier 1 capital covers its total exposures (self-financed exposures and adjusted exposures funded by EOIA) both on-balance sheet and off-balance sheet. CBB has mandated a minimum consolidated leverage ratio of 3%.

Below is the bank's consolidated financial leverage ratio as at 30 June 2024:

S.No.	Description	BHD '000
1	Total Self Financed Assets	2,579,461
2	Total URIA Financed Assets	4,227,097
3	Off Balance Sheet items - with relevant Credit Conversion Factors	345,640
4	**Leverage ratio exposure [(1) + (2)*30% + (3)]**	**4,193,230**
5	Regulatory Adjustments	49,147
6	**Total exposures for the calculation of the leverage ratio [(4)-(5)]**	**4,144,083**
7	**Tier 1 Capital**	**357,611**
	Leverage Ratio [(7)/(6)]	**8.6%**
	Minimum Leverage Ratio as required by CBB	4.5%