

بنك السلام
Al Salam Bank



AL SALAM BANK B.S.C.

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

31 December 2023

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	5,147,110
Collective provision impairment	27,709
Less: Provision related to Contingent Liabilities and Commitments	(1,655)
Balance sheet as in Regulatory Return	5,173,164

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2023

BHD '000

	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	537,874	538,203	
of which Self financed		445,045	
of which financed by URIA		93,158	
Placements with banks and similar financial institutions	293,580	293,598	
of which Self financed	-	76,218	
of which financed by URIA	-	217,380	
Held-to-maturity investments	638,321	638,603	
of which Sovereign Sukuk	604,683	-	
of which Corporate Sukuk	33,638	-	
Available-for-sale investments	364,518	364,743	
of which Sovereign Sukuk	340,835		
of which Corporate Sukuk	23,683		
Financing assets	2,676,460	2,701,126	
of which Self financed		435,069	
of which financed by URIA		2,266,057	
Investment properties	78,070	78,070	
Investment in associates	231,484	231,484	
of which Self financed		3,694	
of which financed by URIA		227,790	
Property, plant, and equipment (PPE)	30,005	30,005	
Other Assets	296,798	297,332	
Non-Trading investment	100,060	100,060	
Other receivables and prepayments	51,223	51,757	
Takaful assets	67,370	67,370	
Goodwill & Intangibles	78,145	78,145	
of which eligible for deduction from CET1		49,667	G
of which not eligible for CET1 deduction		28,478	
Total Assets	5,147,110	5,173,164	
Liabilities			
Placements from financial institutions	136,511	136,511	
Customers' current accounts	1,066,031	1,066,031	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	510,848	510,848	
of which Murabaha Term Financing	510,848	-	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	220,685	219,030	
of which Takaful Liabilities	114,493	114,493	
of which Other liabilities	106,192	104,537	
Unrestricted Investment Accounts	2,804,385	2,804,385	
Total Liabilities	4,738,460	4,736,805	
Owners' Equity			
Total share capital	246,123	246,123	A
Share capital	261,692	261,692	
Treasury stock	(6,799)	(6,799)	
Employee incentive scheme shares	(8,770)	(8,770)	
Reserves and retained earnings	91,280	91,280	
Share premium	209	209	C-1
Statutory reserve	25,982	25,982	C-2
Retained earnings (excluding profit for the year), of which:	2,123	2,123	
Amount eligible for CET1	(816)	(816)	B-1
Amount not eligible for CET1	796	796	
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 2023 and 2024 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 2023 and 2024 as per CBB concessionary measures		(16,512)	
Modification loss amortization	24,768	24,768	B-4
Net profit for the year	42,226	42,226	
of which amount eligible for CET1	40,164	40,164	B-5
of which amount not eligible for CET1	2,062	2,062	
Fx translation adjustment	(1,464)	(1,464)	
of which amount eligible for CET1		(1,860)	C-3
of which amount not eligible for CET1		396	
Changes in fair value - amount eligible for CET1	(2,607)	(2,607)	C-4
Share grant scheme	2,120	2,120	C-5
Real estate fair value reserve - amount eligible for T2	22,691	22,691	D
Minority interest in subsidiaries' share capital	71,247	71,247	
of which amount eligible for CET1		10,723	E-1
of which amount eligible for AT1		3,574	E-2
of which amount eligible for T2		4,766	E-3
of which amount not eligible for regulatory capital		52,184	
Expected credit losses (Stages 1 & 2)		27,709	F
of which amount eligible for T2		24,703	
of which amount not eligible for regulatory capital		3,005	
Total Owners' Equity	408,650	436,359	
Total Liabilities + Owners' Equity	5,147,110	5,173,164	

Appendix PD-1: Reconciliation requirements & Template
 Step 3: Composition of Capital Common Template as at 31 December 2023

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	246,123	A
2	Retained earnings	56,574	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	23,843	C1+C2+C3+C4+C5
4	<i>Not Applicable</i>		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	10,723	E1
6	Common Equity Tier 1 capital before regulatory adjustments	337,263	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	49,667	G
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	<i>Not applicable</i>		
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	49,667	
29	Common Equity Tier 1 capital (CET1)	287,596	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	3,574	E-2
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	3,574	
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)	3,574	
45	Tier 1 capital (T1 = CET1 + AT1)	291,170	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,691	D
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	4,766	E-3
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	24,703	F
51	Tier 2 capital before regulatory adjustments	52,160	

AL SALAM BANK B.S.C.
 BASEL III - PILLAR III - DISCLOSURES
 31 December 2023

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)	52,160
59	Total capital (TC = T1 + T2)	343,330
60	Total risk weighted assets	1,687,357
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.04%
62	Tier 1 (as a percentage of risk weighted assets)	17.26%
63	Total capital (as a percentage of risk weighted assets)	20.35%
64	institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: bank specific countercyclical buffer requirement	0.00%
67	of which: D-SIB buffer requirement	0.00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	17.04%
National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9.00%
70	CBB Tier 1 minimum ratio	10.50%
71	CBB total capital minimum ratio	12.50%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	27,709
77	Cap on inclusion of provisions in Tier 2 under standardised approach	24,703
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)	-

AL SALAM BANK B.S.C.
 BASEL III - PILLAR III - DISCLOSURES
 31 December 2023

Appendix PD-3: Features of regulatory capital
 For the period ended 31 December 2023

1	Issuer	Al Salam Bank B.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
4	Transitional CBB rules	Common Equity Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 261.692 Million
9	Par value of instrument	BD 0.100
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	13-Apr-06
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable