

بنك السلام
Al Salam Bank



AL SALAM BANK B.S.C.

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

31 March 2024

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 | 5,314,897 |
| Collective provision impairment | 33,872 |
| Less: Provision related to Contingent Liabilities and Commitments | (1,239) |
| Balance sheet as in Regulatory Return | 5,347,530 |

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 March 2024

BHD '000

| | Balance sheet as in published financial statements | Consolidated PIRI data | Reference |
|---|--|------------------------|------------|
| Assets | | | |
| Cash and balances with banks and Central Bank | 568,199 | 568,345 | |
| of which Self financed | | 455,077 | |
| of which financed by URIA | | 113,268 | |
| Placements with banks and similar financial institutions | 353,633 | 353,651 | |
| of which Self financed | - | 18,259 | |
| of which financed by URIA | - | 335,392 | |
| Held-to-maturity investments | 590,499 | 590,825 | |
| of which Sovereign Sukuk | 561,071 | - | |
| of which Corporate Sukuk | 29,428 | - | |
| Available-for-sale investments | 444,801 | 445,029 | |
| of which Sovereign Sukuk | 412,395 | | |
| of which Corporate Sukuk | 32,406 | | |
| Financing assets | 2,728,698 | 2,760,537 | |
| of which Self financed | | 475,640 | |
| of which financed by URIA | | 2,284,897 | |
| Investment properties | 75,743 | 75,743 | |
| Investment in associates | 231,542 | 231,542 | |
| of which Self financed | | 4,559 | |
| of which financed by URIA | | 226,983 | |
| Property, plant, and equipment (PPE) | 22,244 | 22,244 | |
| Other Assets | 299,538 | 299,613 | |
| Non-Trading investment | 100,959 | 100,959 | |
| Other receivables and prepayments | 94,143 | 94,218 | |
| Takaful assets | 27,173 | 27,173 | |
| Goodwill & Intangibles | 77,263 | 77,263 | |
| of which eligible for deduction from CET1 | | 49,407 | G |
| of which not eligible for CET1 deduction | | 27,856 | |
| Total Assets | 5,314,897 | 5,347,530 | |
| Liabilities | | | |
| Placements from financial institutions | 126,721 | 126,721 | |
| Customers' current accounts | 1,139,957 | 1,139,957 | |
| Funding Liabilities (e.g. reverse commodity murabaha, etc.) | 418,226 | 418,226 | |
| of which Murabaha Term Financing | 418,226 | - | |
| Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs) | 202,927 | 201,689 | |
| of which Takaful Liabilities | 77,807 | 77,807 | |
| of which Other liabilities | 125,120 | 123,882 | |
| Unrestricted Investment Accounts | 2,960,540 | 2,960,540 | |
| Total Liabilities | 4,848,371 | 4,847,133 | |
| Owners' Equity | | | |
| Total share capital | 261,205 | 261,205 | A |
| Share capital | 274,778 | 274,778 | |
| Treasury stock | (6,956) | (6,956) | |
| Employee incentive scheme shares | (6,617) | (6,617) | |
| Reserves and retained earnings | 83,552 | 83,552 | |
| Share premium | 209 | 209 | C-1 |
| Statutory reserve | 25,982 | 25,982 | C-2 |
| Retained earnings (excluding profit for the year), of which: | 11,033 | 11,033 | |
| Amount eligible for CET1 | 5,489 | 5,489 | B-1 |
| Amount not eligible for CET1 | 3,401 | 3,401 | |
| 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 | 14,006 | 14,006 | |
| of which amount eligible for CET1 | 13,521 | 13,521 | B-5 |
| of which amount not eligible for CET1 | 485 | 485 | |
| Fx translation adjustment | 94 | 94 | C-3 |
| Changes in fair value - amount eligible for CET1 | 8,040 | 8,040 | C-4 |
| Share grant scheme | 1,497 | 1,497 | C-5 |
| Real estate fair value reserve - amount eligible for T2 | 22,691 | 22,691 | D |
| Subordinated Mudaraba (AT1) | 49,903 | 49,903 | E-1 |
| Minority interest in subsidiaries' share capital | 71,866 | 71,866 | |
| of which amount eligible for CET1 | | 11,402 | E-2 |
| of which amount eligible for AT1 | | 3,801 | E-3 |
| of which amount eligible for T2 | | 5,068 | E-4 |
| of which amount not eligible for regulatory capital | | 51,595 | |
| Expected credit losses (Stages 1 & 2) | | 33,872 | F |
| of which amount eligible for T2 | | 30,070 | |
| of which amount not eligible for regulatory capital | | 3,802 | |
| Total Owners' Equity | 466,525 | 500,396 | |
| Total Liabilities + Owners' Equity | 5,314,897 | 5,347,530 | |

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 | 261,205 | A |
| 2 | Retained earnings | 36,236 | B1+B2+B3+B4+B5 |
| 3 | Accumulated other comprehensive income (and other reserves) | 35,822 | 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) | 11,402 | E2 |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 344,665 | |
| Common Equity Tier 1 capital: regulatory adjustments | | | |
| 7 | Prudential valuation adjustments | - | |
| 8 | Goodwill (net of related tax liability) | 49,407 | 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 | 49,407 | |
| 29 | Common Equity Tier 1 capital (CET1) | 295,257 | |
| 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 | 49,903 | E-1 |
| 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) | 3,801 | E-3 |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - | |
| 36 | Additional Tier 1 capital before regulatory adjustments | 53,703 | |
| 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) | 53,703 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 348,961 | |
| 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) | 5,068 | E-4 |
| 49 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - | |
| 50 | Provisions | 30,070 | F |
| 51 | Tier 2 capital before regulatory adjustments | 57,829 | |

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| Tier 2 capital: regulatory adjustments | | |
|---|--|------------------|
| 52 | Investments in own Tier 2 instruments | - |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | - |
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | - |
| 55 | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - |
| 56 | National specific regulatory adjustments | - |
| 57 | Total regulatory adjustments to Tier 2 capital | - |
| 58 | Tier 2 capital (T2) | 57,829 |
| 59 | Total capital (TC = T1 + T2) | 406,790 |
| 60 | Total risk weighted assets | 1,825,901 |
| Capital ratios and buffers | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 16.17% |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 19.11% |
| 63 | Total capital (as a percentage of risk weighted assets) | 22.28% |
| 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) | 16.17% |
| 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) | 33,872 |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 30,070 |
| 78 | N/A | |
| 79 | N/A | |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023) | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | - |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - |
| 84 | Current cap on T2 instruments subject to phase out arrangements | - |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - |

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Appendix PD-3: Features of regulatory capital
 For the period ended 31 March 2024

| | | | |
|----|---|---|---|
| 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 50.45 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 | Dividend as decided by the Shareholders | Fixed |
| 17 | Fixed or floating dividend/coupon | Not applicable | 6% (reset midwasp + 1.50%) |
| 18 | Coupon rate and any related index | Not applicable | Yes |
| 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 |
| | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Not applicable | Constitute 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. |
| 35 | Non-compliant transitioned features | No | No |
| 36 | If yes, specify non-compliant features | Not applicable | Not applicable |
| 37 | | | |