



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

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

**30 June 2025**

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 was granted 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
<b>Balance sheet as per published financial statements</b>	<b>7,819,559</b>
Collective provision impairment	45,059
Less: Provision related to Contingent Liabilities and Commitments	(2,705)
<b>Balance sheet as in Regulatory Return</b>	<b>7,861,913</b>

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 June 2025

	BHD '000		
	Balance sheet as in published financial statements	Consolidated PIR data	Reference
<b>Assets</b>			
Cash and balances with banks and Central Bank	694,392	694,550	
of which Self financed		475,592	
of which financed by URIA		218,958	
Placements with banks and similar financial institutions	523,699	523,734	
of which Self financed		9,544	
of which financed by URIA		514,190	
Held-to-maturity investments	747,845	747,969	
of which Sovereign Sukuk	719,486		
of which Corporate Sukuk	28,359		
Available-for-sale investments	1,035,003	1,035,216	
of which Sovereign Sukuk	979,092		
of which Corporate Sukuk	55,911		
Financing assets	3,965,107	4,006,881	
of which Self financed		686,066	
of which financed by URIA		3,320,815	
Investment properties	99,913	99,913	
of which Self financed		82,923	
of which financed by URIA		16,990	
Investment in associates	258,531	258,531	
of which Self financed		27,168	
of which financed by URIA		231,363	
Property, plant, and equipment (PPE)	33,346	33,346	
Other Assets	461,723	461,773	
Non-Trading investment	102,728	102,728	
Other receivables and prepayments	84,428	84,478	
Takaful assets	39,951	39,951	
Goodwill & Intangibles	234,616	234,616	
of which eligible for deduction from CET1		48,108	G
of which not eligible for CET1 deduction		186,508	
<b>Total Assets</b>	<b>7,819,559</b>	<b>7,861,913</b>	
<b>Liabilities</b>			
Placements from financial institutions and customers	148,490	143,108	
Customers' current accounts	1,468,183	1,468,183	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	960,000	965,382	
of which Murabaha from customers		5,382	
of which Murabaha Term Financing	960,000	960,000	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	250,895	248,190	
of which Takaful Liabilities	113,864	113,864	
of which Other liabilities	137,031	134,326	
Unrestricted Investment Accounts	4,302,316	4,302,316	
of which amount eligible for T2		12,715	E-1
of which amount not eligible for regulatory capital		4,289,601	
<b>Total Liabilities</b>	<b>7,129,884</b>	<b>7,127,179</b>	
<b>Owners' Equity</b>			
Total share capital	281,892	281,892	A
Share capital	296,760	296,760	
Treasury stock	(8,251)	(8,251)	
Employee incentive scheme shares	(6,617)	(6,617)	
<b>Reserves and retained earnings</b>	<b>120,568</b>	<b>120,568</b>	
Share premium	209	209	C-1
Statutory reserve	31,883	31,883	
of which amount eligible for CET1		31,271	C-2
of which amount not eligible for CET1		612	
Retained earnings (excluding profit for the year), of which:	18,753	18,753	
Amount eligible for CET1	11,697	11,697	B-1
Amount not eligible for CET1	4,913	4,913	
Subsidy from government	2,143	2,143	
of which amount added-back to CET1 as per CBB concessionary measures		1,429	B-2
of which amount to be added-back to CET1 in 2024 and 2025 as per CBB concessionary measures		714	
Modification Loss	(24,768)	(24,768)	
of which amount deducted from CET1 as per CBB concessionary measures		(16,512)	B-3
of which amount to be deducted from CET1 in 2025 as per CBB concessionary measures		(8,256)	
Modification loss amortization	24,768	24,768	B-4
Net profit for the year	37,369	37,369	
of which amount eligible for CET1	36,157	36,157	B-5
of which amount not eligible for CET1	1,212	1,212	
Fx translation adjustment	3,410	3,410	C-3
Changes in fair value - amount eligible for CET1	4,880	4,880	C-4
Share grant scheme	1,381	1,381	C-5
Real estate fair value reserve - amount eligible for T2	22,683	22,683	D
<b>Subordinated Mudaraba</b>	<b>204,975</b>	<b>204,975</b>	
of which amount eligible for AT1		165,942	E-2
of which amount not eligible for regulatory capital		39,033	
<b>Minority interest in subsidiaries' share capital</b>	<b>82,240</b>	<b>82,240</b>	
of which amount eligible for CET1		15,253	E-3
of which amount eligible for AT1		5,084	E-4
of which amount eligible for T2		6,779	E-5
of which amount not eligible for regulatory capital		55,124	
<b>Expected credit losses (Stages 1 &amp; 2)</b>		<b>45,059</b>	F
of which amount eligible for T2		34,852	
of which amount not eligible for regulatory capital		10,207	
<b>Total Owners' Equity</b>	<b>689,675</b>	<b>734,734</b>	
<b>Total Liabilities + Owners' Equity</b>	<b>7,819,559</b>	<b>7,861,913</b>	

Appendix PD-1: Reconciliation requirements & Template  
 Step 3: Composition of Capital Common Template as at 30 June 2025

BHD '000

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2
	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Directly issued qualifying common share capital plus related stock surplus	281,892	A
2	Retained earnings	57,539	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	41,151	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)	15,253	E3
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>395,834</b>	
	<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	25,971	G
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	22,137	G
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	<i>Not applicable</i>		
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>48,108</b>	
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>347,726</b>	
	<b>Additional Tier 1 capital: instruments</b>		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	165,942	E-2
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)	5,084	E-4
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>171,026</b>	
	<b>Additional Tier 1 capital: regulatory adjustments</b>		
37	Investments in own Additional Tier 1 instruments plus related stock surplus	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	<b>171,026</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>518,752</b>	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,683	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)	19,494	E-1 and E-5
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	12,715	
50	Provisions	34,852	F
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>77,029</b>	

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	<b>Tier 2 capital: regulatory adjustments</b>	
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-
58	<b>Tier 2 capital (T2)</b>	<b>77,029</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>595,781</b>
60	<b>Total risk weighted assets</b>	<b>2,365,588</b>
	<b>Capital ratios and buffers</b>	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	<b>14.7%</b>
62	Tier 1 (as a percentage of risk weighted assets)	<b>21.9%</b>
63	Total capital (as a percentage of risk weighted assets)	<b>25.2%</b>
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)	<b>10.5%</b>
65	of which: capital conservation buffer requirement	<b>2.5%</b>
66	of which: bank specific countercyclical buffer requirement	<b>0.0%</b>
67	of which: D-SIB buffer requirement	<b>1.5%</b>
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	<b>14.7%</b>
	<b>National minima including CCB (if different from Basel 3)</b>	
69	CBB Common Equity Tier 1 minimum ratio	<b>10.5%</b>
70	CBB Tier 1 minimum ratio	<b>12.0%</b>
71	CBB total capital minimum ratio	<b>14.0%</b>
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	<b>3,738</b>
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	<b>753</b>
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	45,059
77	Cap on inclusion of provisions in Tier 2 under standardised approach	34,852
78	N/A	
79	N/A	
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)</b>	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

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**Appendix PD-3: Features of regulatory capital**  
**For the period ended 30 June 2025**

		Common Equity Tier 1	Subordinated Mudaraba (AT1)	Tier 2
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.	Al Salam Bank Algeria (S.P.A)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	Not applicable	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	Algeria
4	<b>Regulatory treatment</b>			
5	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Tier 2
7	Eligible at solo/group/group & solo	Solo and Group	Solo and Group	Group
8	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba	Subordinated Debt
9	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 296.76 Million	BD 165.94 million	BD 12.72 million
10	Par value of instrument	BD 0.100	Not applicable	Not applicable
11	Accounting classification	Shareholders' Equity	Subordinated Mudaraba	Quasi Equity
12	Original date of issuance	13-Apr-06	Various	13-Jan-25
13	Perpetual or dated	Perpetual	Perpetual	Dated
14	Original maturity date	No maturity	No Maturity	Non-callable for 5 years
15	Issuer call subject to prior supervisory approval	No	No	No
16	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date	First optional liquidation date 12 Jan 2030
17	Subsequent call dates, if applicable	Not applicable	Post First Call date	Not applicable
18	Coupons / dividends	Dividend as decided by the Shareholders		Quarterly distribution
19	Fixed or floating dividend/coupon	Shareholders	Fixed	Floating
20	Coupon rate and any related index	Not applicable	6% (reset midswap + 1.50%)	4.58% (Subject to attribution of profits to quasi-equity)
21	Existence of a dividend stopper	Not applicable	Yes	Not applicable
22	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
23	Existence of step up or other incentive to redeem	No	Yes	No
24	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
25	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
26	If convertible, conversion trigger (s)	Not applicable	Not applicable	Not applicable
27	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
28	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
29	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
30	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
31	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
32	Write-down feature	No	Yes	No
33	If write-down, write-down trigger(s)	Not applicable	Writedown at the point of non-viability	Not applicable
34	If write-down, full or partial	Not applicable	Both	Not applicable
35	If write-down, permanent or temporary	Not applicable	Permanent	Not applicable
36	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
37	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.	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.
38	Non-compliant transitioned features	No	No	No
39	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable