

APPENDIX I - COMPOSITION OF CAPITAL DISCLOSURE

Appendix PD-2: Reconciliation requirements

Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

There are no differences between the regulatory and accounting consolidation, with both following line by line consolidation approach using consistent account policies without excluding any entities. As mandated by the Central Bank of Bahrain ("CBB"), financing facilities and investments have been grossed up with collective impairment provision, as presented below:

	BHD '000
Balance sheet as per published financial statements	1,650,044
Collective provision impairment	11,272
Balance sheet as in Regulatory Return	1,661,316

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 September 2018

Assets	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Cash and balances with banks and Central Bank	72,436	72,437	
Placements with banks and similar financial institutions	138,613	138,618	
of which Self financed	-	38,834	
of which financed by URIA	-	99,784	
Held-to-maturity investments	376,936	376,938	
of which Sovereign Sukuk	367,982	-	
of which Corporate Sukuk	8,954	-	
Financing Contracts	770,790	793,837	
Assets under conversion - Loans and Advances	12,740	-	
Available-for-sale investments	1,909	1,909	
Investment properties	81,775	81,775	
of which Investments in real estate	75,485	-	
of which Development properties	6,290	-	
Investment in unconsolidated subsidiaries and associates	16,186	17,102	
of which Property, plant, and equipment (PPE)	29,806	29,806	
Other Assets	148,852	148,894	
Assets under conversion - Non-trading investments	-	-	
Non Trading investment	107,842	-	
Other Assets	15,040	148,894	
Goodwill	25,971	-	G
Total Assets	1,650,044	1,661,316	
Liabilities			
Current accounts for non-banks	259,382	259,382	
Balances of banks and similar institutions	154,936	154,936	
Funding Liabilities (eg. reverse commodity murabaha, etc.)	789,276	789,276	
of which Wakala payables to non-banks	643,952	-	
of which Term financing	145,324	-	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	44,512	43,589	
of which Other liabilities	38,445	37,522	
of which Dividends payable	6,067	6,067	
Unrestricted Investment Accounts	99,784	99,784	
Total Liabilities	1,347,890	1,346,967	
Owners' Equity			
Total share capital	211,989	211,989	
Share capital	214,093	214,093	
Treasury stock	(2,104)	(2,104)	
of which amount eligible for CET1	-	211,989	A
Reserves and retained earnings	89,648	89,648	
of which amount eligible for CET1			
Share premium	12,209	12,209	C-1
Statutory reserve	17,148	17,148	C-2
Retained earnings/(losses) brought forward	25,452	25,452	B-1
Net profit / (loss) for the current period	13,592	13,592	B-2
Fx translation adjustment	(3,027)	(3,027)	C-3
Changes in fair value - amount eligible for CET1	199	199	C-4
of which amount eligible for T2			
Real estate fair value reserve - amount eligible for T2	24,075	24,075	D
Minority interest in subsidiaries' share capital	517	517	
of which amount not eligible for regulatory capital	-	334	
of which amount eligible for CET1	-	156	E-1
of which amount eligible for AT1	-	12	E-2
of which amount eligible for T2	-	15	E-3
Expected credit losses (Stages 1 & 2)	-	12,195	
of which qualifies as T2 capital	-	11,228	F
Total Owners' Equity	302,154	314,349	
Total Liabilities + Owners' Equity	1,650,044	1,661,316	

* Appendix PD 1 to be used post 1 January 2019

Appendix PD-2 & PD-4: Reconciliation requirements & Template during the transitional period
Step 3: Composition of Capital Common Template (transition) as at 30 September 2018

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Reference numbers of balance sheet under the regulatory scope of consolidation from step 2	Amount subject to pre-2015 treatment
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	211,989	A	
2	Retained earnings	39,044	B1+B2	
3	Accumulated other comprehensive income (and other reserves)	26,529	C1+C2+C3+C4	
4	Not Applicable	-		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	156	E1	89
6	Common Equity Tier 1 capital before regulatory adjustments	277,718		
	Common Equity Tier 1 capital: regulatory adjustments			
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)	-		
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 (if not already netted off paid-in capital on reported balance sheet)	-		
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	National specific regulatory adjustments	-		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-		
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	25,971		
29	Common Equity Tier 1 capital (CET1)	251,747		
	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	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)	12	E-2	(3)
35	of which: instruments issued by subsidiaries subject to phase out	-		
36	Additional Tier 1 capital before regulatory adjustments	12		
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-		
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	National specific regulatory adjustments	-		
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	Total regulatory adjustments to Additional Tier 1 capital	-		
44	Additional Tier 1 capital (AT1)	12		
45	Tier 1 capital (T1 = CET1 + AT1)	251,759		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	24,075	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)	15	E-3	(4)
49	of which: instruments issued by subsidiaries subject to phase out	-		
50	Provisions	11,228	F	
51	Tier 2 capital before regulatory adjustments	35,318		

	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	-	
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	35,318	
59	Total capital (TC = T1 + T2)	287,077	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT		
60	Total risk weighted assets	1,357,107	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.55%	
62	Tier 1 (as a percentage of risk weighted assets)	18.55%	
63	Total capital (as a percentage of risk weighted assets)	21.15%	
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 (N/A)	0.00%	
67	of which: D-SIB buffer requirement (N/A)	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	18.55%	
	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)	11,228	
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of risk weighted assets)	15,665	
78	N/A		
79	N/A		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)	-	
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)	-	

Features of regulatory capital
 For the period ended 30 September 2018

1	Issuer	Al Salam Bank, Bahrain
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)	2,141 Million
9	Par value of instrument	BD 0.100
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	13-Apr-06
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	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