

مصرف السلام
Al Salam Bank



AL SALAM BANK-BAHRAIN B.S.C.

BASEL III -PILLAR III Composition of Capital Disclosure

30 June 2021

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BASEL III - PILLAR III - DISCLOSURES
30 June 2021

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	2,633,917
Collective provision impairment	25,627
Less: Provision related to Contingent Liabilities and Commitments	(525)
Balance sheet as in Regulatory Return	2,659,019

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 June 2021

BHD '000

	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	339,174	339,271	
of which Self financed		207,142	
of which financed by URIA		132,129	
Placements with banks and similar financial institutions	192,414	192,571	
of which financed by URIA	-	192,571	
Financing assets	822,644	1,372,672	
Finance lease assets	526,016	-	
of which Self financed	-	129,729	
of which financed by URIA	-	1,242,943	
Available-for-sale investments	512,315	513,084	
of which Non-trading investments	1,220		
of which Sovereign Sukuk	494,055		
of which Corporate Sukuk	17,040		
Investment properties	62,363	62,363	
of which Investments in real estate	59,420	-	
of which Development properties	2,943	-	
Investment in associates	13,847	13,847	
Property, plant, and equipment (PPE)	4,102	4,102	
Other Assets	161,042	161,109	
Non-Trading investment	95,501	-	
Other receivables and prepayments	39,570	-	
Goodwill	25,971	-	G
Total Assets	2,633,917	2,659,019	
Liabilities			
Customers' current accounts	419,000	419,000	
Placements from financial institutions	157,085	157,085	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	139,480	139,480	
of which Murabaha term financing	139,480	-	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	55,831	55,306	
of which Other liabilities	55,578	55,053	
of which Dividends payable	253	253	
Unrestricted Investment Accounts	1,567,643	1,567,643	
Total Liabilities	2,339,039	2,338,514	
Owners' Equity			
Total share capital	234,442	234,442	A
Share capital	241,972	241,972	
Treasury stock	(7,530)	(7,530)	
Reserves and retained earnings	59,973	59,973	
Share premium	209	209	C-1
Statutory reserve	16,706	16,706	C-2
Retained earnings (excluding profit for the year)	(2,085)	(2,085)	
of which amount eligible for CET1	(3,777)	(3,777)	B-1
of which amount not eligible for CET1	1,692	1,692	
Subsidy from government	2,143	2,143	
Modification Loss	(24,768)	(24,768)	
Modification loss amortization	24,768	24,768	B-2
Net profit for the year	10,662	10,662	
of which amount eligible for CET1	10,388	10,388	B-3
of which amount not eligible for CET1	275	275	
Fx translation adjustment	(3,901)	(3,901)	C-3
Changes in fair value - amount eligible for CET1	13,373	13,373	C-4
Real estate fair value reserve - amount eligible for T2	22,865	22,865	D
Minority interest in subsidiaries' share capital	464	464	
of which amount eligible for CET1	-	152	E-1
of which amount eligible for AT1	-	33	E-2
of which amount eligible for T2	-	43	E-3
of which amount not eligible for regulatory capital	-	236	
Expected credit losses (Stages 1 & 2)	-	25,627	
of which amount eligible for T2	-	12,236	F
of which amount not eligible for regulatory capital	-	13,391	
Total Owners' Equity	294,878	320,505	
Total Liabilities + Owners' Equity	2,633,917	2,659,019	

Appendix PD-1: Reconciliation requirements & Template
 Step 3: Composition of Capital Common Template as at 30 June 2021

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	234,442	A
2	Retained earnings	31,379	B1+B2+B3
3	Accumulated other comprehensive income (and other reserves)	26,387	C1+C2+C3+C4
4	<i>Not Applicable</i>		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	152	E1
6	Common Equity Tier 1 capital before regulatory adjustments	292,361	
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	<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	25,971	
29	Common Equity Tier 1 capital (CET1)	266,390	
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)	33	E-2
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	33	
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)	33	
45	Tier 1 capital (T1 = CET1 + AT1)	266,422	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,865	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)	43	E-3
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	12,236	F
51	Tier 2 capital before regulatory adjustments	35,145	

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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)	35,145
59	Total capital (TC = T1 + T2)	301,567
60	Total risk weighted assets	1,107,777
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	24.05%
62	Tier 1 (as a percentage of risk weighted assets)	24.05%
63	Total capital (as a percentage of risk weighted assets)	27.22%
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)	24.05%
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)	25,627
77	Cap on inclusion of provisions in Tier 2 under standardised approach	12,236
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 30 June 2021

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)	BD 241.972 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