



# **AL SALAM BANK-BAHRAIN B.S.C.**

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

**30 September 2019**

**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
<b>Balance sheet as per published financial statements</b>	<b>1,897,034</b>
Collective provision impairment	13,355
Less: Provision related to Contingent Liabilities and Commitments	(296)
<b>Balance sheet as in Regulatory Return</b>	<b>1,910,093</b>

**Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 September 2019**

	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
<b>Assets</b>			
Cash and balances with banks and Central Bank	174,579	174,596	
Placements with banks and similar financial institutions	119,178	119,222	
of which Self financed	-	24,981	
of which financed by URIA	-	94,241	
Held-to-maturity investments	358,533	358,571	
of which Sovereign Sukuk	339,115	-	
of which Corporate Sukuk	19,418	-	
Financing assets	656,642	993,229	
Finance lease assets	316,553	-	
Assets under conversion - Loans and Advances	8,167	-	
Available-for-sale investments	1,578	1,578	
Investment properties	78,527	78,527	
of which Investments in real estate	75,584	-	
of which Development properties	2,943	-	
Investment in associates	16,854	17,915	
Property, plant, and equipment (PPE)	20,731	20,731	
Other Assets	145,693	145,724	
Non Trading investment	105,263	-	
Other receivables and prepayments	14,460	-	
Goodwill	25,971	-	G
<b>Total Assets</b>	<b>1,897,034</b>	<b>1,910,093</b>	
<b>Liabilities</b>			
Current accounts for non-banks	298,202	298,202	
Balances of banks and similar institutions	170,432	170,432	
Funding Liabilities (eg. reverse commodity murabaha, etc.)	978,352	978,352	
of which Wakala payables to non-banks	820,647	-	
of which Term financing	157,705	-	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	42,389	42,094	
of which Other liabilities	36,762	36,467	
of which Dividends payable	5,627	5,627	
Unrestricted Investment Accounts	94,241	94,241	
<b>Total Liabilities</b>	<b>1,583,617</b>	<b>1,583,321</b>	
<b>Owners' Equity</b>			
Total share capital	216,655	216,655	A
Share capital	221,586	221,586	
Treasury stock	(4,931)	(4,931)	
<b>Reserves and retained earnings</b>	<b>96,171</b>	<b>96,171</b>	
Share premium	12,209	12,209	C-1
Statutory reserve	18,998	18,998	C-2
Retained earnings (excluding profit for the year)	27,255	27,255	B-1
Net profit for the year	17,223	17,223	B-2
Fx translation adjustment	(3,302)	(3,302)	C-3
Changes in fair value - amount eligible for CET1	199	199	C-4
Real estate fair value reserve - amount eligible for T2	23,589	23,589	D
Minority interest in subsidiaries' share capital	591	591	
of which amount not eligible for regulatory capital	-	482	
of which amount eligible for CET1	-	73	E-1
of which amount eligible for AT1	-	16	E-2
of which amount eligible for T2	-	21	E-3
Expected credit losses (Stages 1 & 2)	-	13,355	F
<b>Total Owners' Equity</b>	<b>313,417</b>	<b>326,772</b>	
<b>Total Liabilities + Owners' Equity</b>	<b>1,897,034</b>	<b>1,910,093</b>	

**Appendix PD-1: Reconciliation requirements & Template**  
**Step 3: Composition of Capital Common Template as at 30 September 2019**

	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	216,655	A
2	Retained earnings	44,478	B1+B2
3	Accumulated other comprehensive income (and other reserves)	28,104	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)	73	E1
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>289,310</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)	-	
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>25,971</b>	
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>263,339</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	-	
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)	16	E-2
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>16</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>16</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>263,355</b>	
	<b>Tier 2 capital: instruments and provisions</b>		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	23,589	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)	21	E-3
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	13,355	F
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>36,965</b>	

<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>36,965</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>300,320</b>
60	<b>Total risk weighted assets</b>	<b>1,433,124</b>
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.38%
62	Tier 1 (as a percentage of risk weighted assets)	18.38%
63	Total capital (as a percentage of risk weighted assets)	20.96%
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)	18.38%
<b>National minima including CCB (if different from Basel 3)</b>		
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%
<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	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
<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)	13,355
77	Cap on inclusion of provisions in Tier 2 under standardised approach	16,616
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)	-

**Appendix PD-3: Features of regulatory capital**  
**For the period ended 30 September 2019**

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
	<b>Regulatory treatment</b>	
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 221.586 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