

بنك السلام  
Al Salam Bank



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

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

**30 September 2023**

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	4,970,367
Collective provision impairment	28,918
Less: Provision related to Contingent Liabilities and Commitments	(1,444)
<b>Balance sheet as in Regulatory Return</b>	<b>4,997,841</b>

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 September 2023

BHD '000

	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
<b>Assets</b>			
Cash and balances with banks and Central Bank	508,602	508,771	
of which Self financed		414,056	
of which financed by URIA		94,715	
Placements with banks and similar financial institutions	288,790	288,806	
of which Self financed	-	89,158	
of which financed by URIA	-	199,648	
Held-to-maturity investments	598,892	599,239	
of which Sovereign Sukuk	570,345	-	
of which Corporate Sukuk	28,547	-	
Available-for-sale investments	369,441	369,697	
of which Sovereign Sukuk	345,801		
of which Corporate Sukuk	23,640		
Financing assets	2,586,496	2,612,662	
of which Self financed	-	407,685	
of which financed by URIA	-	2,204,977	
Investment properties	77,190	77,190	
Investment in associates	228,799	228,799	
of which Self financed		3,790	
of which financed by URIA		225,009	
Property, plant, and equipment (PPE)	20,582	20,582	
Other Assets	291,575	292,094	
Non-Trading investment	104,743	104,743	
Other receivables and prepayments	54,529	55,049	
Takaful assets	57,606	57,606	
Goodwill & Intangibles	74,697	74,697	
of which eligible for deduction from CET1		49,624	G
of which not eligible for CET1 deduction		25,073	
<b>Total Assets</b>	<b>4,970,367</b>	<b>4,997,841</b>	
<b>Liabilities</b>			
Placements from financial institutions	144,412	144,412	
Customers' current accounts	1,037,539	1,037,539	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	469,278	469,278	
of which Murabaha Term Financing	469,278	-	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	198,120	196,676	
of which Takaful Liabilities	96,083	96,083	
of which Other liabilities	102,037	100,593	
Unrestricted Investment Accounts	2,724,349	2,724,349	
<b>Total Liabilities</b>	<b>4,573,698</b>	<b>4,572,254</b>	
<b>Owners' Equity</b>			
Total share capital	248,700	248,700	A
Share capital	261,692	261,692	
Treasury stock	(12,992)	(12,992)	
<b>Reserves and retained earnings</b>	<b>80,338</b>	<b>80,338</b>	
Share premium	209	209	C-1
Statutory reserve	21,759	21,759	C-2
Retained earnings (excluding profit for the year), of which:	6,346	6,346	
Amount eligible for CET1	2,598	2,598	B-1
Amount not eligible for CET1	1,605	1,605	
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 2023 and 2024 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 2023 and 2024 as per CBB concessionary measures		(16,512)	
Modification loss amortization	24,768	24,768	B-4
Net profit for the year	31,003	31,003	
of which amount eligible for CET1	29,552	29,552	B-5
of which amount not eligible for CET1	1,451	1,451	
Fx translation adjustment	(3,396)	(3,396)	
of which amount eligible for CET1		(2,870)	C-3
of which amount not eligible for CET1		(526)	
Changes in fair value - amount eligible for CET1	(502)	(502)	C-4
Share grant scheme	2,120	2,120	C-5
Real estate fair value reserve - amount eligible for T2	22,799	22,799	D
<b>Minority interest in subsidiaries' share capital</b>	<b>67,631</b>	<b>67,631</b>	
of which amount eligible for CET1	-	9,449	E-1
of which amount eligible for AT1	-	3,150	E-2
of which amount eligible for T2	-	4,200	E-3
of which amount not eligible for regulatory capital	-	50,832	
<b>Expected credit losses (Stages 1 &amp; 2)</b>	<b>-</b>	<b>28,918</b>	<b>F</b>
of which amount eligible for T2	-	25,662	
of which amount not eligible for regulatory capital	-	3,256	
<b>Total Owners' Equity</b>	<b>396,669</b>	<b>425,587</b>	
<b>Total Liabilities + Owners' Equity</b>	<b>4,970,367</b>	<b>4,997,841</b>	

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	248,700	A
2	Retained earnings	49,377	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	20,716	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)	9,449	E1
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>328,242</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	49,624	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>49,624</b>	
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>278,618</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)	3,150	E-2
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>3,150</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>3,150</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>281,768</b>	
<b>Tier 2 capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,799	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)	4,200	E-3
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	25,662	F
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>52,661</b>	

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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	<b>Total regulatory adjustments to Tier 2 capital</b>	-
58	<b>Tier 2 capital (T2)</b>	<b>52,661</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>334,429</b>
60	<b>Total risk weighted assets</b>	<b>1,677,562</b>
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	16.61%
62	Tier 1 (as a percentage of risk weighted assets)	16.80%
63	Total capital (as a percentage of risk weighted assets)	19.94%
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)	16.61%
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)	28,918
77	Cap on inclusion of provisions in Tier 2 under standardised approach	25,662
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 September 2023

1	Issuer	Al Salam Bank B.S.C.
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 261.692 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
	<b>Coupons / dividends</b>	
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