AL SALAM BANK B.S.C.

BASEL III - PILLAR III
Composition of Capital Disclosure

31 December 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. For the purpose of Capital Adequacy calculation; the Bank has obtained an approval from the CBB to aggregate the risk weighted exposures of 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	**2,684,571**
Collective provision impairment	22,959
Less: Provision related to Contingent Liabilities and Commitments	(343)
Balance sheet as in Regulatory Return	**2,707,187**

Step 2: Reconcilation of published financial balance sheet to regulatory reporting as at 31 December 2021

BHD '000

	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	309,149	309,230	
of which Self financed		119,827	
of which financed by URIA		189,403	
Placements with banks and similar financial institutions	133,860	133,866	
of which financed by URIA	-	133,866	
Financing assets	806,968	1,385,183	
Finance lease assets	555,909	-	
of which Self financed	-	84,275	
of which financed by URIA	-	1,300,908	
Available-for-sale investments	639,688	639,845	
of which Sovereign Sukuk	613,403		
of which Corporate Sukuk	26,285		
Investment properties	60,904	60,904	
of which Investments in real estate	57,961	-	
of which Development properties	2,943	-	
Investment in associates	14,533	14,533	
Property, plant, and equipment (PPE)	3,609	3,609	
Other Assets	159,951	160,016	
Non-Trading investment	91,591	-	
Other receivables and prepayments	42,389	-	
Goodwill	25,971	-	G
Total Assets	**2,684,571**	**2,707,187**	
Liabilities			
Customers' current accounts	482,739	482,739	
Placements from financial institutions	126,891	126,891	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	100,216	100,216	
of which Murabaha term financing	100,216	-	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	53,789	53,446	
Unrestricted Investment Accounts	1,624,177	1,624,177	
Total Liabilities	**2,387,812**	**2,387,469**	
Owners' Equity			
Total share capital	229,499	229,499	A
Share capital	241,972	241,972	
Treasury stock	(12,473)	(12,473)	
Reserves and retained earnings	66,752	66,752	
Share premium	209	209	C-1
Statutory reserve	18,600	18,600	C-2
Retained earnings (excluding profit for the year), of which:	(1,836)	(1,836)	
Amount eligible for CET1	(5,671)	(5,671)	B-1
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	21,367	21,367	
of which amount eligible for CET1	22,213	22,213	B-3
of which amount not eligible for CET1	(846)	(846)	
Fx translation adjustment	(3,985)	(3,985)	C-3
Changes in fair value - amount eligible for CET1	9,532	9,532	C-4
Real estate fair value reserve - amount eligible for T2	22,865	22,865	D
Minority interest in subsidiaries' share capital	508	508	
of which amount eligible for CET1	-	168	E-1
of which amount eligible for AT1	-	36	E-2
of which amount eligible for T2	-	48	E-3
of which amount not eligible for regulatory capital	-	255	
Expected credit losses (Stages 1 & 2)	-	22,959	
of which amount eligible for T2	-	11,683	F
of which amount not eligible for regulatory capital	-	11,276	
Total Owners' Equity	**296,759**	**319,718**	
Total Liabilities + Owners' Equity	**2,684,571**	**2,707,187**	

Appendix PD-1: Reconciliation requirements & Template
Step 3: Composition of Capital Common Template as at 31 December 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	229,499	A
2	Retained earnings	41,310	B1+B2+B3
3	Accumulated other comprehensive income (and other reserves)	24,356	C1+C2+C3+C4
4	*Not Applicable*		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	168	E1
6	Common Equity Tier 1 capital before regulatory adjustments	295,333	
	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	-	
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)**	**269,362**	
	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)	36	E-2
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	Additional Tier 1 capital before regulatory adjustments	**36**	
	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)**	**36**	
45	Tier 1 capital (T1 = CET1 + AT1)	**269,398**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,865	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)	48	E-3
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	11,683	F
51	Tier 2 capital before regulatory adjustments	**34,596**	

	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)**	34,596	
59	**Total capital (TC = T1 + T2)**	303,994	
60	**Total risk weighted assets**	1,065,193	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	25.29%	
62	Tier 1 (as a percentage of risk weighted assets)	25.29%	
63	Total capital (as a percentage of risk weighted assets)	28.54%	
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)	25.29%	
	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)	22,959	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	11,683	
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)*	-	

Appendix PD-3: Features of regulatory capital
For the period ended 31 December 2021

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
	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