



AL SALAM BANK B.S.C.

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

30 June 2024

AL SALAM BANK B.S.C.

BASEL III - PILLAR III - DISCLOSURES

30 June 2024

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	6,903,405
Collective provision impairment	37,056
Less: Provision related to Contingent Liabilities and Commitments	(719)
Balance sheet as in Regulatory Return	6,939,742

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 30 June 2024

	BHD '000		
	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	668,513	668,737	
of which Self financed		337,241	
of which financed by URIA		331,496	
Placements with banks and similar financial institutions	436,007	436,022	
of which financed by URIA		436,022	
Held-to-maturity investments	697,878	698,234	
of which Sovereign Sukuk	662,091		
of which Corporate Sukuk	35,787		
Available-for-sale investments	579,262	579,463	
of which Sovereign Sukuk	549,994		
of which Corporate Sukuk	29,268		
Financing assets	3,690,623	3,726,141	
of which Self financed		547,107	
of which financed by URIA		3,179,034	
Investment properties	128,408	128,408	
of which Self financed		111,147	
of which financed by URIA		17,261	
Investment in associates	237,863	237,863	
of which Self financed		3,906	
of which financed by URIA		233,957	
Property, plant, and equipment (PPE)	37,973	37,973	
Other Assets	426,878	426,900	
Non-Trading investment	106,263	106,262	
of which Self financed		96,700	
of which financed by URIA		9,563	
Other receivables and prepayments	87,719	87,742	
Takaful assets	26,379	26,379	
Goodwill & Intangibles	206,517	206,517	
of which eligible for deduction from CET1		49,147	G
of which not eligible for CET1 deduction		157,369	
Total Assets	6,903,405	6,939,742	
Liabilities			
Placements from financial institutions and customers	207,148	137,457	
Customers' current accounts	1,326,570	1,326,570	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	466,810	536,501	
of which Murabaha from customers	-	69,691	
of which Murabaha Term Financing	466,810	466,810	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	205,024	204,305	
of which Takaful Liabilities	75,458	75,458	
of which Other liabilities	129,566	128,847	
Unrestricted Investment Accounts	4,207,334	4,207,334	
Total Liabilities	6,412,886	6,412,167	
Owners' Equity			
Total share capital	257,993	257,993	A
Share capital	274,778	274,778	
Treasury stock	(10,168)	(10,168)	
Employee incentive scheme shares	(6,617)	(6,617)	
Reserves and retained earnings	96,409	96,409	
Share premium	209	209	C-1
Statutory reserve	25,982	25,982	C-2
Retained earnings (excluding profit for the year), of which:	10,162	10,162	
Amount eligible for CET1	3,823	3,823	B-1
Amount not eligible for CET1	4,196	4,196	
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 2024 and 2025 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 2024 and 2025 as per CBB concessionary measures		(16,512)	
Modification loss amortization	24,768	24,768	B-4
Net profit for the year	28,292	28,292	
of which amount eligible for CET1	29,290	29,290	B-5
of which amount not eligible for CET1	(998)	(998)	
Fx translation adjustment	1,061	1,061	C-3
Changes in fair value - amount eligible for CET1	6,415	6,415	C-4
Share grant scheme	1,597	1,597	C-5
Real estate fair value reserve - amount eligible for T2	22,691	22,691	D
Subordinated Mudaraba (AT1)	62,175	62,175	E-1
Minority interest in subsidiaries' share capital	73,942	73,942	
of which amount eligible for CET1		12,052	E-2
of which amount eligible for AT1		4,017	E-3
of which amount eligible for T2		5,357	E-4
of which amount not eligible for regulatory capital		52,516	
Expected credit losses (Stages 1 & 2)		37,056	F
of which amount eligible for T2		33,535	
of which amount not eligible for regulatory capital		3,521	
Total Owners' Equity	490,519	527,575	
Total Liabilities + Owners' Equity	6,903,405	6,939,742	

Appendix PD-1: Reconciliation requirements & Template

Step 3: Composition of Capital Common Template as at 30 June 2024

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	257,993	A
2	Retained earnings	50,339	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	35,264	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)	12,052	E2
6	Common Equity Tier 1 capital before regulatory adjustments	355,648	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	49,147	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	49,147	
29	Common Equity Tier 1 capital (CET1)	306,501	
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	62,175	E-1
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)	4,017	E-3
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	66,192	
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)	66,192	
45	Tier 1 capital (T1 = CET1 + AT1)	372,693	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22,691	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)	5,357	E-4
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	33,535	F
51	Tier 2 capital before regulatory adjustments	61,583	

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)	61,583
59	Total capital (TC = T1 + T2)	434,276
60	Total risk weighted assets	2,131,609
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.4%
62	Tier 1 (as a percentage of risk weighted assets)	17.5%
63	Total capital (as a percentage of risk weighted assets)	20.4%
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)	9.0%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement	0.0%
67	of which: D-SIB buffer requirement	0.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	14.4%
National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	10.5%
70	CBB Tier 1 minimum ratio	12.0%
71	CBB total capital minimum ratio	14.0%
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)	37,056
77	Cap on inclusion of provisions in Tier 2 under standardised approach	33,535
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 2024

		Common Equity Tier 1	Subordinated Mudaraba (AT1)
1	Issuer	Al Salam Bank B.S.C.	Al Salam Bank B.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SALAM	Not applicable
3	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	All applicable laws and regulations of the Kingdom of Bahrain
4	Regulatory treatment		
5	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
7	Eligible at solo/group/group & solo	Solo and Group	Solo and Group
8	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba
9	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 274.78 Million	BD 62.91 million
10	Par value of instrument	BD 0.100	Not applicable
11	Accounting classification	Shareholders' Equity	Subordinated Mudaraba
12	Original date of issuance	13-Apr-06	Various
13	Perpetual or dated	Perpetual	Perpetual
14	Original maturity date	No maturity	No Maturity
15	Issuer call subject to prior supervisory approval	No	No
16	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date
17	Subsequent call dates, if applicable	Not applicable	Post First Call date
18	Coupons / dividends	Dividend as decided by the Shareholders	Fixed
19	Fixed or floating dividend/coupon	Shareholders	6% (reset midwasp + 1.50%)
20	Coupon rate and any related index	Not applicable	Yes
21	Existence of a dividend stopper	Not applicable	Yes
22	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
23	Existence of step up or other incentive to redeem	No	Yes
24	Noncumulative or cumulative	Non cumulative	Non cumulative
25	Convertible or non-convertible	Non convertible	Non convertible
26	If convertible, conversion trigger (s)	Not applicable	Not applicable
27	If convertible, fully or partially	Not applicable	Not applicable
28	If convertible, conversion rate	Not applicable	Not applicable
29	If convertible, mandatory or optional conversion	Not applicable	Not applicable
30	If convertible, specify instrument type convertible into	Not applicable	Not applicable
31	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
32	Write-down feature	No	Yes
33	If write-down, write-down trigger(s)	Not applicable	Not applicable
34	If write-down, full or partial	Not applicable	Not applicable
35	If write-down, permanent or temporary	Not applicable	Not applicable
36	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Constitute direct, unsecured, conditional, and subordinated obligations of the bank. Rank subordinate to all Senior Obligations and rank pari passue with all other pari passue obligations (if any). In priority only to Junior Obligations.
38	Non-compliant transitioned features	No	No
39	If yes, specify non-compliant features	Not applicable	Not applicable