



AL SALAM BANK B.S.C.

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

30 September 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	6,873,612
Collective provision impairment	38,583
Less: Provision related to Contingent Liabilities and Commitments	(2,576)
Balance sheet as in Regulatory Return	6,909,619

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

	BHD '000		
	Balance sheet as in published financial statements	Consolidated PIRI data	Reference
Assets			
Cash and balances with banks and Central Bank	618,635	618,799	
of which Self financed		281,550	
of which financed by URIA		337,249	
Placements with banks and similar financial institutions	340,602	340,625	
of which Self financed	-	8,897	
of which financed by URIA		331,728	
Held-to-maturity investments	709,290	709,425	
of which Sovereign Sukuk	675,304		
of which Corporate Sukuk	33,986		
Available-for-sale investments	673,119	673,212	
of which Sovereign Sukuk	647,010		
of which Corporate Sukuk	26,109		
Financing assets	3,684,553	3,720,110	
of which Self financed		578,462	
of which financed by URIA		3,141,648	
Investment properties	130,034	130,034	
of which Self financed		112,773	
of which financed by URIA		17,261	
Investment in associates	233,597	233,597	
of which Self financed		3,974	
of which financed by URIA		229,623	
Property, plant, and equipment (PPE)	36,241	36,241	
Other Assets	447,540	447,576	
Non-Trading investment	98,342		
of which Self financed		89,714	
of which financed by URIA		8,628	
Other receivables and prepayments	121,460	121,495	
Takaful assets	22,371	22,371	
Goodwill & Intangibles	205,368	205,368	
of which eligible for deduction from CET1		48,888	G
of which not eligible for CET1 deduction		156,480	
Total Assets	6,873,612	6,909,619	
Liabilities			
Placements from financial institutions and customers	190,324	121,811	
Customers' current accounts	1,292,754	1,292,754	
Funding Liabilities (e.g. reverse commodity murabaha, etc.)	612,478	680,991	
of which Murabaha from customers	-	68,513	
of which Murabaha Term Financing	612,478	612,478	
Accruals, deferred income, other liabilities, current and deferred tax liabilities (DTLs)	200,227	197,651	
of which Takaful Liabilities	69,754	69,754	
of which Other liabilities	130,473	127,897	
Unrestricted Investment Accounts	4,066,137	4,066,137	
Total Liabilities	6,361,920	6,359,344	
Owners' Equity			
Total share capital	240,151	240,151	A
Share capital	274,778	274,778	
Treasury stock	(28,010)	(28,010)	
Employee incentive scheme shares	(6,617)	(6,617)	
Reserves and retained earnings	126,057	126,057	
Share premium	209	209	C-1
Statutory reserve	25,982	25,982	C-2
Retained earnings (excluding profit for the year), of which:	9,205	9,205	
Amount eligible for CET1	2,872	2,872	B-1
Amount not eligible for CET1	4,190	4,190	
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	42,329	42,329	
of which amount eligible for CET1	40,530	40,530	B-5
of which amount not eligible for CET1	1,799	1,799	
Fx translation adjustment	1,317	1,317	C-3
Changes in fair value - amount eligible for CET1	23,377	23,377	C-4
Share grant scheme	947	947	C-5
Real estate fair value reserve - amount eligible for T2	22,691	22,691	D
Subordinated Mudaraba (AT1)	67,276	67,276	E-1
Minority interest in subsidiaries' share capital	78,208	78,208	
of which amount eligible for CET1		13,197	E-2
of which amount eligible for AT1		4,399	E-3
of which amount eligible for T2		5,865	E-4
of which amount not eligible for regulatory capital		54,747	
Expected credit losses (Stages 1 & 2)		38,583	F
of which amount eligible for T2		32,567	
of which amount not eligible for regulatory capital		6,016	
Total Owners' Equity	511,692	550,275	
Total Liabilities + Owners' Equity	6,873,612	6,909,619	

Appendix PD-1: Reconciliation requirements & Template

Step 3: Composition of Capital Common Template as at 30 September 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	240,151	A
2	Retained earnings	60,628	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	51,832	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)	13,197	E2
6	Common Equity Tier 1 capital before regulatory adjustments	365,808	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	48,888	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	48,888	
29	Common Equity Tier 1 capital (CET1)	316,920	
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	67,276	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)	4,399	E-3
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	71,675	
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)	71,675	
45	Tier 1 capital (T1 = CET1 + AT1)	388,595	
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)	5,865	E-4
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	32,567	F
51	Tier 2 capital before regulatory adjustments	61,123	

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)	61,123
59	Total capital (TC = T1 + T2)	449,718
60	Total risk weighted assets	2,201,772
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)	17.6%
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)	10.5%
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	1.5%
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	3,738
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	610
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)	38,583
77	Cap on inclusion of provisions in Tier 2 under standardised approach	32,567
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)	-

AL SALAM BANK B.S.C.
BASEL III - PILLAR III - DISCLOSURES
30 September 2024

Appendix PD-3: Features of regulatory capital
For the period ended 30 September 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		
4	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common Equity shares	Bilateral Mudaraba
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 274.78 Million	BD 67.28 million
9	Par value of instrument	BD 0.100	Not applicable
10	Accounting classification	Shareholders' Equity	Subordinated Mudaraba
11	Original date of issuance	13-Apr-06	Various
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	Not applicable	5 years plus 14 days from each issue date
16	Subsequent call dates, if applicable	Not applicable	Post First Call date
	Coupons / dividends	Dividend as decided by the Shareholders	
17	Fixed or floating dividend/coupon	Shareholders	Fixed
18	Coupon rate and any related index	Not applicable	6% (reset midwasp + 1.50%)
19	Existence of a dividend stopper	Not applicable	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible
24	If convertible, conversion trigger (s)	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)		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.
35		Not applicable	
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable