

Bahrain Islamic Bank B.S.C.
Composition of Capital and Liquidity Disclosures
As at 30 September 2020

Reconciliation of Published Financial Balance Sheet to Regulatory Reporting as at 30 September 2020

	<i>Statement of Financial position as per published financial statements</i>	<i>Statement of Financial position as per Regulatory Reporting</i>
	Q3 2020 BD'000	Q3 2020 BD'000
Assets		
Cash and balances with banks and Central Bank	54,009	54,009
Gross Placements with financial institutions	46,660	46,660
Less: Expected credit loss (stage 3)	-	-
Less: Expected credit loss (stage 1 and stage 2)	(1)	-
Net placements with financial institutions	46,659	46,660
Gross financing assets	580,676	580,676
Less: Expected credit loss (stage 3)	(12,555)	(12,555)
Less: Expected credit loss (stage 1 and stage 2)	(5,378)	-
Net financing assets	562,743	568,121
Gross investment securities	296,916	296,916
Less: Expected credit loss (stage 3)	(20,931)	(20,931)
Less: Expected credit loss (stage 1 and stage 2)	(25)	-
Net investment securities	275,960	275,985
Ijarah Muntahia Bittamleek	196,748	196,748
Gross ijarah rental receivables	36,904	36,904
Less: Expected credit loss (stage 3)	(16,261)	(16,261)
Less: Expected credit loss (stage 1 and stage 2)	(1,001)	-
Net ijarah rental receivables	19,642	20,643
Investment in associates	21,032	21,032
Investment in real estate	18,179	18,179
Property and equipment	14,040	14,040
Net Other assets	8,375	8,375
Modification loss impact net of government subsidy	-	14,662
TOTAL ASSETS	1,217,387	1,238,454
Liabilities, Equity Of Investment Accountholders And Owners' Equity		
Liabilities		
Placements from financial institutions	114,869	114,869
Placements from non-financial institutions and individuals	275,523	275,523
Borrowings from financial institutions	-	-
Customers' current accounts	196,143	196,143
Other liabilities	23,954	23,907
of which: Expected credit loss - Off balance sheet exposures (stage 3)	-	-
(stage 1 and stage 2)	47	-
of which: Other liabilities	23,907	23,907
Total Liabilities	610,489	610,442
Equity of Investment Accountholders	502,316	502,316
Owners' Equity		
Share capital	106,406	106,406
Treasury shares	(892)	(892)
Shares under employee share incentive scheme	(257)	(257)
Share premium	206	206
Statutory reserve	4,736	4,736
Real estate fair value reserve	2,049	2,049
Investment securities fair value reserve	205	205
Expected credit loss	-	6,452
of which: amount eligible for Tier 2 capital subject to a maximum of 1.25% of credit risk weighted assets	-	-
of which: amount ineligible for Tier 2 capital	-	6,452
Loss for the year	(2,530)	(2,530)
Retained earnings brought forward	(5,341)	9,321
of which: Retained earnings as of 1 January 2020	8,007	8,007
of which: Modification loss and Government Subsidy	(12,770)	-
of which: Zakah and Donations approved	(578)	(578)
of which: Aggregate ECL provision relating to stage 1 and 2 exposures	-	1,892
Total Owners' Equity	104,582	125,696
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY	1,217,387	1,238,454

Composition of Capital Common Disclosure Template as at 30 September 2020

	<i>CET 1</i>	<i>T2</i>
	<i>BD'000</i>	<i>BD'000</i>
Components of capital		
Issued and fully paid ordinary shares	106,406	-
General reserves	-	-
Legal / statutory reserves	4,736	-
Share premium	206	-
Retained earnings brought forward	9,321	-
Current year profits	(2,530)	-
Unrealized gains and losses on available for sale financial instruments	205	-
Less:		
Employee stock incentive program funded by the bank (outstanding)	257	-
Treasury Shares	892	-
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d)	117,195	-
Assets revaluation reserve - property, plant, and equipment		2,049
Expected Credit Losses (ECL) Stages 1 & 2		6,452
Total Available AT1 & T2 Capital		8,501
Total Capital		125,696

Disclosure template for main features of regulatory capital instruments

1	Issuer	Bahrain Islamic Bank BSC
2	Unique identifier (Bahrain bourse ticker)	BISB
3	Governing law(s) of the instrument	All applicable laws and regulations in the Kingdom of Bahrain
	<i>Regulatory treatment</i>	
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 and solo
7	Instrument type (types to be specified by each jurisdiction)	Equity shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 106.40 million
9	Par value of instrument	BD 0.100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various
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
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Dividend as declared by 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	Not applicable
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

Consolidated Liquidity Coverage Ratio as of 30 September 2020

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The module mandates that banks must adequately manage their assets and liabilities to create strong short-term resilience and a sufficient ability to meet the bank's net cash outflows within 30 days

As per CBB Module LM, banks are required to meet the minimum LCR of at least 100% on a daily basis. This ratio was relaxed to 80% for 2020 due to the pressures within the banking sector following the COVID pandemic. Below is Bahrain Islamic Bank's LCR disclosure as of 30 September 2020:

BD'000

Consolidated LCR		Total Unweighted Value (average) ⁽¹⁾	Total Weighted Value (average) ⁽¹⁾
High Quality Liquid Assets			
1	Total HQLA		252,802
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	258,816	7,764
4	Less stable—retail deposits	204,572	20,457
5	Unsecured Wholesale Funding		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	182,851	107,851
8	Unsecured Sukuk	-	-
9	Secured Wholesale Funding		
10	Additional requirements, of which:		
11	Outflows related to Shari'a-compliant hedging instruments exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on financing products	-	-
13	Credit and liquidity facilities	98,270	7,759
14	Other contractual funding obligations		
15	Other contingent funding obligations	66,659	3,333
16	Total Cash Outflow		147,165
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	114,757	107,519
19	Other cash inflows	10,288	10,288
20	Total Cash Inflow	125,045	117,807
		Total Adjusted Value	
21	Total HQLA		252,802
22	Total net cash outflows		36,791.15
23	Liquidity Coverage Ratio (%)		687.13%

(1) Figures based on simple daily average of working days during the quarter, as per CBB Module LM.

Consolidated Net Stable Funding Ratio as of 30 September 2020

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The main objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have sufficient level of stable funding in relation to their assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position.

As per CBB Module LM, banks are required to meet the minimum NSFR of at least 100% on a continuous basis. This ratio was relaxed to 80% for 2020 due to the pressures within the banking sector following the COVID pandemic. Below is Bahrain Islamic Bank's NSFR disclosure as of 30 September 2020:

BD '000						
Sr.	Item	Unweighted Values (before applying factors)				Total Weighted Value
		No Specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital:					
2	Regulatory Capital	117,194	-	-	8,503	125,697
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and deposits from small business customers:					
5	Stable Deposits	-	260,489	5,626	4,559	257,368
6	Less stable deposits	-	287,947	55,273	38,613	347,510
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	376,829	57,245	2,271	171,469
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	9,245	-	-	-
13	Total ASF					902,044
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					13,058
15	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16	Performing financing and sukuk/ securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	50,415	874	4,847	12,846
19	Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	122,318	76,585	549,219	560,738
20	- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	-	-
21	Performing residential mortgages, of which:					
22	- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
23	Securities/ sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	3,798	0	1,899
24	Other assets:					
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for Shari'a-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	-
27	NSFR Shari'a-compliant hedging assets	-	-	-	-	-
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	124,296	-	-	-	124,296
30	OBS items	-	159,167	-	-	7,958
31	Total RSF		331,900	81,257	554,066	720,795
32	NSFR (%)					125%

Consolidated Leverage Ratio as of 30 September 2020

In June 2018, the Central Bank of Bahrain issued regulations on the financial leverage ratio as part of the CA: Capital Adequacy Module Chapter 10, which has been implemented as of 30 June 2019.

The leverage ratio calculations take into account all on balance sheet exposures, all off balance sheet exposures, and any derivative exposures after applying the applicable adjustments as per the CBB guidelines. The leverage ratio represents how well the bank's core capital covers the bank's total exposures.

CBB require banks to hold a minimum leverage ratio of at least 3%.

S. No.	Description	BD '000
1	Total Self Financed Assets	715,071
2	Total URIA Financed Assets	502,317
3	Less: PER of URIAs	(1,304)
4	Less: IRR of URIAs	-
5	Off Balance Sheet items - with relevant Credit Conversion Factors	63,667
6	Leverage ratio exposure [(1) + {(2)+(3)+(4)}*30% + (5)]	929,041
7	Tier 1 Capital	117,194
8	Leverage Ratio [(7)/(6)]	12.6%