

Bahrain Islamic Bank B.S.C.
Composition of Capital and Liquidity Disclosures
As at 31 March 2021

Reconciliation of Published Financial Balance Sheet to Regulatory Reporting as at 31 March 2021

	<i>Statement of Financial position as per published financial statements</i>	<i>Statement of Financial position as per Regulatory Reporting</i>
	Q1 2021 BD'000	Q1 2021 BD'000
Assets		
Cash and balances with banks and Central Bank	53,620	53,620
Gross Placements with financial institutions	71,624	71,624
Less: Expected credit loss (stage 3)	-	-
Less: Expected credit loss (stage 1 and stage 2)	(3)	-
Net placements with financial institutions	71,621	71,624
Gross financing assets	599,070	599,070
Less: Expected credit loss (stage 3)	(18,340)	(18,340)
Less: Expected credit loss (stage 1 and stage 2)	(9,100)	-
Net financing assets	571,630	580,730
Gross investment securities	275,090	275,090
Less: Expected credit loss (stage 3)	(22,878)	(22,878)
Less: Expected credit loss (stage 1 and stage 2)	(186)	-
Net investment securities	252,026	252,212
Ijarah Muntahia Bittamleek	198,509	198,509
Gross ijarah rental receivables	30,815	30,815
Less: Expected credit loss (stage 3)	(1,302)	(1,302)
Less: Expected credit loss (stage 1 and stage 2)	(1,094)	-
Net ijarah rental receivables	28,419	29,513
Investment in associates	18,291	18,291
Investment in real estate	16,226	16,226
Property and equipment	13,820	13,820
Other assets	7,662	7,662
TOTAL ASSETS	1,231,824	1,242,207
Liabilities, Equity Of Investment Accountholders And Owners' Equity		
Liabilities		
Placements from financial institutions	120,727	120,727
Placements from non-financial institutions and individuals	237,442	237,442
Borrowings from financial institutions	19,022	19,022
Customers' current accounts	202,484	202,484
Other liabilities	39,961	39,850
of which: Expected credit loss - Off balance sheet exposures (stage 3)	-	-
(stage 1 and stage 2)	111	-
of which: Other liabilities	39,850	39,850
Total Liabilities	619,636	619,525
Total Equity of Investment Accountholders	512,076	512,076
Owners' Equity		
Share capital	106,406	106,406
Treasury shares	(892)	(892)
Shares under employee share incentive scheme	(175)	(175)
Share premium	206	206
Statutory reserve	4,736	4,736
Real estate fair value reserve	2,178	2,178
Investment securities fair value reserve	1,744	1,744
Expected credit loss	-	10,494
of which: amount eligible for Tier 2 capital subject to a maximum of 1.25% of credit risk weighted assets	-	8,099
of which: amount ineligible for Tier 2 capital	-	2,395
Profit for the period	4,312	4,312
Retained earnings brought forward	(18,403)	(18,403)
of which: Retained earnings as of 1 January 2021 (Pre Modification loss and Government subsidy)	(5,134)	(5,134)
of which: Modification loss and Government subsidy, net	(12,897)	(12,897)
of which: Zakah and Donations approved	(372)	(372)
Total Owners' Equity	100,112	110,606
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY	1,231,824	1,242,207

Composition of Capital Common Disclosure Template as at 31 March 2021

Common Equity Tier 1 capital: instruments and reserves		
1.	Directly issued qualifying common share capital plus related stock surplus	114,593
2.	Retained earnings	(1,248)
3.	Accumulated other comprehensive income (and other reserves)	1,744
4.	<i>Not applicable</i>	-
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6.	Common Equity Tier 1 capital before regulatory adjustments	115,089
Common Equity Tier 1 capital: regulatory adjustments		
7.	Prudential valuation adjustments	-
8.	Goodwill (net of related tax liability)	-
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	-
29.	Common Equity Tier 1 capital (CET1)	115,089

Composition of Capital Common Disclosure Template as at 31 March 2021

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.	<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)	-
35.	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
36.	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
37.	Investments in own Additional Tier 1 instruments	-
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)	-
45.	Tier 1 capital (T1 = CET1 + AT1)	115,089
Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	2,178
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)	-
49.	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
50.	Provisions	8,099
51.	Tier 2 capital before regulatory adjustments	10,277
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)	10,277
59.	Total capital (TC = T1 + T2)	125,366
60.	Total risk weighted assets	765,528

Composition of Capital Common Disclosure Template as at 31 March 2021

Capital ratios and buffers		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.03%
62.	Tier 1 (as a percentage of risk weighted assets)	15.03%
63.	Total capital (as a percentage of risk weighted assets)	16.38%
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%
65.	of which: capital conservation buffer requirement	2.50%
66.	of which: bank specific countercyclical buffer requirement	N/A
67.	of which: D-SIB buffer requirement	N/A
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	15.03%
National minima including CCB (where different from Basel III)		
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	3,301
73.	Significant investments in the common stock of financials	3,894
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 standardized approach (prior to application of cap)	10,494
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	8,099
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	NA
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA
82.	Current cap on AT1 instruments subject to phase out arrangements	NA
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA
84.	Current cap on T2 instruments subject to phase out arrangements	NA
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA

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 31 March 2021

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 31 March 2021:

BD'000

Consolidated LCR		Total Unweighted Value (average) ⁽¹⁾	Total Weighted Value (average) ⁽¹⁾
High Quality Liquid Assets			
1	Total HQLA		266,730
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	259,599	7,788
4	Less stable—retail deposits	215,802	21,580
5	Unsecured Wholesale Funding		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	179,563	118,659
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	96,616	7,650
14	Other contractual funding obligations		
15	Other contingent funding obligations	49,273	2,464
16	Total Cash Outflow		158,140
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	88,500	74,432
19	Other cash inflows	9,321	9,321
20	Total Cash Inflow	97,820	83,752
Total Adjusted Value			
21	Total HQLA		266,730
22	Total net cash outflows		74,387.70
23	Liquidity Coverage Ratio (%)		392.4%

(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 31 March 2021

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 31 March 2021:

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	115,087	-	-	12,673	127,761
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and deposits from small business customers:					
5	Stable Deposits	-	263,285	6,092	4,177	260,086
6	Less stable deposits	-	283,412	73,138	40,409	361,305
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	338,298	81,517	1,421	170,949
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-
12	All other liabilities not included in the above categories	-	22,694	-	-	-
13	Total ASF					920,100
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					20,617
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	-	50,070	1,188	9,357	17,461
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:	-	101,096	86,994	607,900	593,537
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	-	3,797	-	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	116,017	-	-	-	116,017
30	OBS items	-	141,589	-	-	7,079
31	Total RSF		296,552	88,182	617,257	756,610
32	NSFR (%)					121.6%

Consolidated Leverage Ratio as of 31 March 2021

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	719,746
2	Total URIA Financed Assets	512,076
3	Less: PER of URIAs	(1,342)
4	Less: IRR of URIAs	-
5	Off Balance Sheet items - with relevent Credit Conversion Factors	56,635
6	Leverage ratio exposure [(1) + {(2)+(3)+(4)}*30% + (5)]	929,602
7	Tier 1 Capital	115,089
8	Leverage Ratio [(7)/(6)]	12.4%