Bahrain Islamic Bank B.S.C.

Composition of Capital and Liquidity Disclosures

As at 30 September 2022

Reconcilation of Published Financial Balance Sheet to Regulatory Reporting as at 30 September 2022

	Statement of Financial position as per published financial statements	***Statement of Financial position as per Regulatory Reporting***
	Q3 2022	***Q3 2022***
	BD'000	***BD'000***
Assets		
Cash and balances with banks and Central Bank	**65,081**	**65,081**
Gross Placements with financial institutions	*109,444*	*109,444*
Less: Expected credit loss (stage 3)	*(3,686)*	*(3,686)*
Less: Expected credit loss (stage 1 and stage 2)	*(4)*	*-*
Net placements with financial institutions	**105,754**	**105,758**
Gross financing assets	*724,199*	*724,199*
Less: Expected credit loss (stage 3)	*(21,857)*	*(21,857)*
Less: Expected credit loss (stage 1 and stage 2)	*(14,984)*	*-*
Net financing assets	**687,358**	**702,342**
Gross investment securities	*266,752*	*266,752*
Less: Expected credit loss (stage 3)	*(26,765)*	*(26,765)*
Less: Expected credit loss (stage 1 and stage 2)	*(136)*	*-*
Net investment securities	**239,851**	**239,987**
Ijarah Muntahia Bittamleek	**295,750**	**295,750**
Less: Expected credit loss (stage 3)	*(1,127)*	*(1,127)*
Less: Expected credit loss (stage 1 and stage 2)	*(3,311)*	*-*
Net Ijarah Muntahia Bittamleek	**291,312**	**294,623**
Investment in associates	**8,821**	**8,821**
Investment in real estate	**13,678**	**13,678**
Property and equipment	**13,943**	**13,943**
Other assets	**16,512**	**16,528**
TOTAL ASSETS	**1,442,310**	**1,460,761**
Liabilities, Equity Of Investment Accountholders And Owners' Equity		
Liabilities		
Placements from financial institutions	**195,659**	**195,659**
Placements from non-financial institutions and individuals	**232,124**	**232,124**
Financing from financial institutions	**108,556**	**108,556**
Customers' current accounts	**230,838**	**230,838**
Other liabilities	**38,464**	**38,205**
of which: Expected credit loss - Off balance sheet exposures (stage 3)	1,310	1,310
(stage 1 and stage 2)	259	-
of which: Other liabilities	36,895	36,895
Total Liabilities	**805,641**	**805,382**
Total Equity of Investment Accountholders	**504,023**	**504,023**
Owners' Equity		
Share capital	**106,406**	**106,406**
Subordinated Mudaraba (AT1)	**25,000**	**25,000**
Treasury shares	**(892)**	**(892)**
Shares under employee share incentive scheme	**(293)**	**(293)**
Share premium	**206**	**206**
Statutory reserve	**5,349**	**5,349**
Real estate fair value reserve	**1,370**	**1,370**
Investment securities fair value reserve	**1,602**	**1,602**
Expected credit loss	**-**	**18,710**
of which: amount eligible for Tier 2 capital subject to a maximum of 1.25% of credit risk weighted assets	**-**	8,887
of which: amount ineligible for Tier 2 capital	**-**	9,823
Profit for the period	**9,426**	**9,426**
Retained earnings brought forward	**(15,528)**	**(15,528)**
of which: Retained earnings as of 1 January 2022	(13,343)	(13,343)
of which: Zakah and donations approved	(488)	(488)
of which: Profit distribution on AT1 Capital	(1,901)	(1,901)
of which: Share of reserve of investment in associate	204	204
Total Owners' Equity	**132,646**	**151,356**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY	**1,442,310**	**1,460,761**

Composition of Capital Common Disclosure Template as at 30 September 2022

Common Equity Tier 1 capital: instruments and reserves		
1.	Directly issued qualifying common share capital plus related stock surplus	120,202
2.	Retained earnings	1,627
3.	Accumulated other comprehensive income (and other reserves)	1,602
4.	*Not applicable*	-
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**	**123,431**
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)**	**123,431**

Composition of Capital Common Disclosure Template as at 30 September 2022

Additional Tier 1 capital: instruments		
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	25,000
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)	-
35.	*of which: instruments issued by subsidiaries subject to phase out*	-
36.	**Additional Tier 1 capital before regulatory adjustments**	**25,000**
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)**	25,000
45.	**Tier 1 capital (T1 = CET1 + AT1)**	**148,431**
Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,370
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)	-
49.	*of which: instruments issued by subsidiaries subject to phase out*	-
50.	Provisions	8,887
51.	**Tier 2 capital before regulatory adjustments**	**10,257**
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)**	**10,257**
59.	**Total capital (TC = T1 + T2)**	**158,688**
60.	**Total risk weighted assets**	**828,359**

Composition of Capital Common Disclosure Template as at 30 September 2022

Capital ratios and buffers		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.90%
62.	Tier 1 (as a percentage of risk weighted assets)	17.92%
63.	Total capital (as a percentage of risk weighted assets)	19.16%
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)	14.90%
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	3,271
73.	Significant investments in the common stock of financials	4,066
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)	18,710
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	8,887
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	Bahrain Islamic Bank BSC
2	Unique identifier (Bahrain bourse ticker)	BISB	BISB
3	Governing law(s) of the instrument	All applicable laws and regulations in the Kingdom of Bahrain	All applicable laws and regulations in the Kingdom of Bahrain
	Regulatory treatment		
4	Transitional CBB rules	Common Equity Tier 1	AT1
5	Post-transitional CBB rules	Common Equity Tier 1	AT1
6	Eligible at solo/group/group & solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Equity shares	Subordinated Mudaraba Sukuk
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 106.40 million	BD 25 million
9	Par value of instrument	BD 0.100	Not applicable
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	Various	2021
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	2026
16	Subsequent call dates, if applicable	Not applicable	Not applicable
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Dividend as declared by shareholders	Fixed
18	Coupon rate and any related index	Not applicable	7.50%
19	Existence of a dividend stopper	Not applicable	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Not applicable	Convertible
24	If convertible, conversion trigger (s)	Not applicable	If a Non-Viability Event occurs (means the Central bank has notified the Bank in writing that it has determined that Bank is, or will become, Non-Viable without: (a) a Conversion; or (b) a public sector injection of capital or equivalent support).
25	If convertible, fully or partially	Not applicable	full or partially depending on the non-viability event
26	If convertible, conversion rate	Not applicable	Conversion Rate means the amount, in Bahraini Dinar per Ordinary Share, as determined by the Bank based on the higher of (i) the market price of an Ordinary Share; (ii) the book value of an Ordinary Share; and (iii) the value of an Ordinary Share as determined by an independent appraiser
27	If convertible, mandatory or optional conversion	Not applicable	Optional
28	If convertible, specify instrument type convertible into	Not applicable	CET1 Instruments
29	If convertible, specify issuer of instrument it converts into	Not applicable	BisB
30	Write-down feature	No	No
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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Rank subordinate to all Senior Obligations, and rank Pari Passu with all other Pari Passu Obligations.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

Consolidated Liquidity Coverage Ratio as of 30 September 2022

In August 2018, the Central Bank of Bahrain issued it's 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-19 pandemic. Below is Bahrain Islamic Bank's LCR disclosure as of 30 September 2022:

BD '000

	Consolidated LCR	Total Unweighted Value (average) (1)	Total Weighted Value (average) (1)
High Quality Liquid Assets			
1	Total HQLA		180,196
Cash Outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	262,513	7,875
4	Less stable—retail deposits	235,819	23,582
5	**Unsecured Wholesale Funding**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	252,990	175,049
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	93,744	7,799
14	**Other contractual funding obligations**		
15	Other contingent funding obligations	34,011	1,701
16	**Total Cash Outflow**		**216,006**
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	155,281	142,364
19	Other cash inflows	12,653	12,653
20	**Total Cash Outflow**	**167,934**	**155,017**

		Total Adjusted Value
21	Total HQLA	180,196
22	Total net cash outflows	60,989
23	**Liquidity Coverage Ratio (%)**	**293.3%**

(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 2022

In August 2018, the Central Bank of Bahrain issued it's 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. In 2020, the Central Bank of Bahrain (CBB) announced various measures, including reduction of NSFR ratio requirement from 100% to 80%, to combat the effects of COVID-19 to ease liquidity conditions in the economy as well as to assist banks in complying with regulatory requirements. These regulatory concessionary measures were extended until 30 June 2022. Below is Bahrain Islamic Bank's NSFR disclosure as of 30 September 2022:

						BD '000
		Unweighted Values (before applying factors)				Total Weighted Value
Sr.	Item	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	148,430	-	-	20,082	**168,513**
3	Other Capital Instruments	-	-	-	-	**-**
4	**Retail Deposits and deposits from small business customers:**					
5	Stable Deposits	-	262,453	6,506	1,878	**257,389**
6	Less stable deposits	-	302,170	53,154	23,794	**343,585**
7	**Wholesale funding:**					
8	Operational deposits	-	-	-	-	**-**
9	Other wholesale funding	-	508,263	111,163	1,819	**157,180**
10	**Other liabilities:**					
11	NSFR Shari’a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	21,050	-	-	**-**
13	**Total ASF**					**926,667**
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	[redacted]				**10,974**
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	-	102,566	599	10,592	**26,276**
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:	-	108,324	112,357	741,285	**732,764**
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	-	0	-	-	**-**
24	**Other assets:**					
25	Physical traded commodities, including gold	-	[redacted]	[redacted]	[redacted]	**-**
26	Assets posted as initial margin for Shari’a-compliant hedging contracts and contributions to default funds of CCPs	[redacted]	-	-	-	**-**
27	NSFR Shari’a-compliant hedging assets	[redacted]	2,066	-	-	**2,066**
28	NSFR Shari’a-compliant hedging contract liabilities before deduction of variation margin posted	[redacted]	-	-	-	**-**
29	All other assets not included in the above categories	98,290	-	-	11,331	**109,621**
30	OBS items	[redacted]	126,935	-	-	**6,347**
31	**Total RSF**		**339,891**	**112,956**	**763,207**	**888,048**
32	**NSFR (%)**					**104.3%**

Consolidated Leverage Ratio as of 30 September 2022

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	**938,289**
2	Total URIA Financed Assets	**504,022**
3	Less: PER of URIAs	**(1,478)**
4	Less: IRR of URIAs	**-**
5	Off Balance Sheet items - with relevent Credit Conversion Factors	**50,774**
6	**Leverage ratio exposure [(1) + {(2)+(3)+(4)}*30% + (5)]**	**1,139,826**
7	Tier 1 Capital	**148,431**
8	**Leverage Ratio [(7)/(6)]**	**13.0%**