

Bahrain Islamic Bank B.S.C.
Composition of Capital and Liquidity Disclosures
As at 30 September 2023

Reconciliation of Published Financial Balance Sheet to Regulatory Reporting as at 30 September 2023

	Statement of Financial position as per published financial statements	Statement of Financial position as per Regulatory Reporting
	Q3 2023 BD'000	Q3 2023 BD'000
Assets		
Cash and balances with banks and Central Bank	56,650	56,650
Gross Placements with financial institutions	103,147	103,147
Less: Expected credit loss (stage 3)	-	-
Less: Expected credit loss (stage 1 and stage 2)	(5)	-
Net placements with financial institutions	103,142	103,147
Gross financing assets	666,125	666,125
Less: Expected credit loss (stage 3)	(22,167)	(22,167)
Less: Expected credit loss (stage 1 and stage 2)	(11,570)	-
Net financing assets	632,388	643,958
Gross investment securities	303,464	303,464
Less: Expected credit loss (stage 3)	(26,772)	(26,772)
Less: Expected credit loss (stage 1 and stage 2)	(122)	-
Net investment securities	276,570	276,692
Ijarah Muntahia Bittamleek	315,878	315,878
Less: Expected credit loss (stage 3)	(1,604)	(1,604)
Less: Expected credit loss (stage 1 and stage 2)	(2,115)	-
Net Ijarah Muntahia Bittamleek	312,159	314,274
Investment in associates	8,272	8,272
Investment in real estate	14,775	14,775
Property and equipment	13,724	13,724
Other assets	7,446	7,446
TOTAL ASSETS	1,425,126	1,438,938
Liabilities, Equity Of Investment Accountholders And Owners' Equity		
Liabilities		
Placements from financial institutions	271,721	271,721
Placements from non-financial institutions and individuals	290,060	290,060
Financing from financial institutions	111,735	111,735
Customers' current accounts	198,771	198,771
Other liabilities	33,305	33,099
of which: Expected credit loss - Off balance sheet exposures (stage 3)	1,310	1,310
(stage 1 and stage 2)	206	-
of which: Other liabilities	31,789	31,789
Total Liabilities	905,592	905,386
Total Equity of Investment Accountholders	376,654	376,654
Owners' Equity		
Share capital	106,406	106,406
Subordinated Mudaraba (AT1)	-	-
Treasury shares	(892)	(892)
Shares under employee share incentive scheme	(195)	(195)
Share premium	206	206
Statutory reserve	6,606	6,606
Real estate fair value reserve	1,320	1,320
Investment securities fair value reserve	1,581	1,581
Expected credit loss	-	14,018
of which: amount eligible for Tier 2 capital subject to a maximum of 1.25% of credit risk weighted assets	-	10,009
of which: amount ineligible for Tier 2 capital	-	4,009
Profit for the period	9,386	9,386
Retained earnings brought forward	(6,538)	(6,538)
of which: Retained earnings as of 1 January 2023	(4,217)	(4,217)
of which: Zakah and donations approved	(420)	(420)
of which: Profit distribution on AT1 Capital	(1,901)	(1,901)
Equity Attributable to Parent's Shareholders	117,880	131,898
Subordinated Mudaraba (AT1)	25,000	25,000
Total Owners' Equity	142,880	156,898
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY	1,425,126	1,438,938

Composition of Capital Common Disclosure Template as at 30 September 2023

Common Equity Tier 1 capital: instruments and reserves		
1.	Directly issued qualifying common share capital plus related stock surplus	121,517
2.	Retained earnings	6,328
3.	Accumulated other comprehensive income (and other reserves)	1,581
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	129,426
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)	129,426

Composition of Capital Common Disclosure Template as at 30 September 2023

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.	<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	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)	154,426
Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,320
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	10,009
51.	Tier 2 capital before regulatory adjustments	11,329
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)	11,329
59.	Total capital (TC = T1 + T2)	165,755
60.	Total risk weighted assets	920,143

Composition of Capital Common Disclosure Template as at 30 September 2023

Capital ratios and buffers		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.07%
62.	Tier 1 (as a percentage of risk weighted assets)	16.78%
63.	Total capital (as a percentage of risk weighted assets)	18.01%
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)	14.07%
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	-
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 standardized approach (prior to application of cap)	14,019
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	10,009
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
	<i>Regulatory treatment</i>		
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
	<i>Coupons / dividends</i>		
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 2023

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. Below is Bahrain Islamic Bank's LCR disclosure as of 30 September 2023:

BD '000

Consolidated LCR		Total Unweighted Value (average) ⁽¹⁾	Total Weighted Value (average) ⁽¹⁾
High Quality Liquid Assets			
1	Total HQLA		176,885
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	255,568	7,667
4	Less stable—retail deposits	208,938	20,894
5	Unsecured Wholesale Funding		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	202,534	145,925
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	69,520	5,459
14	Other contractual funding obligations		
15	Other contingent funding obligations	26,038	1,302
16	Total Cash Outflow		181,247
Cash Inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	101,856	91,027
19	Other cash inflows	6,801	6,801
20	Total Cash Inflow	108,657	97,827
Total Adjusted Value			
21	Total HQLA		176,885
22	Total net cash outflows		83,420
23	Liquidity Coverage Ratio (%)		249.1%

(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 2023

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. Below is Bahrain Islamic Bank's NSFR disclosure as of 30 September 2023:

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	154,425	-	-	15,340	169,766
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and deposits from small business customers:					
5	Stable Deposits	-	256,882	6,800	351	250,849
6	Less stable deposits	-	294,650	63,901	18,512	341,208
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	508,635	99,147	63	120,927
10	Other liabilities:					
11	NSFR Shari'a-compliant hedging contract liabilities		-	-	-	
12	All other liabilities not included in the above categories	-	20,232	-	-	-
13	Total ASF					882,750
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)	16,696				15,337
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	-	107,993	811	9,323	25,928
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:	-	98,011	83,162	720,960	699,843
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	-				-
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		2,701	-	-	2,701
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
29	All other assets not included in the above categories	110,303	-	-	946	111,249
30	OBS items		100,190	-	-	5,009
31	Total RSF		308,895	83,974	731,229	860,067
32	NSFR (%)					102.6%

Consolidated Leverage Ratio as of 30 September 2023

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	1,048,472
2	Total URIA Financed Assets	376,654
3	Less: PER of URIAs	(63)
4	Less: IRR of URIAs	-
5	Off Balance Sheet items - with relevant Credit Conversion Factors	40,076
6	Leverage ratio exposure [(1) + {(2)+(3)+(4)}*30% + (5)]	1,201,526
7	Tier 1 Capital	154,426
8	Leverage Ratio [(7)/(6)]	12.9%