BBK

بنك البحرين والكويت

Basel III RegulatoryCapital Disclosures

(For the year ended 30 September 2020)

1. Statement of financial position under the Regulatory Scope of Consolidation

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

	Statement of financial position as in published financial statements	Statement of financial position as per Regulatory Reporting	Reference
	BD millions	*BD millions*	
Assets			
Cash and balances with central banks	**227.0**	**227.0**	
Treasury bills	**481.0**	**481.0**	
Deposits and amounts due from banks and other financial institutions	**309.8**	**309.6**	
Loans and advances to customers	**1,583.4**	**1,583.4**	
Of which Expected Credit Loss (1.25% of Credit risk weighted assets)	27.2	27.2	a
Of which net loans and advances (gross of collective impairment provisions)	1,556.2	1,556.2	
Investment securities	**925.6**	**925.6**	
Of which equity investments in financial entities under CET1		24.2	b
Of which equity investments in financial entities under Tier 2		2.4	c
Of which related to other investments		899.0	
Investments in associated companies and joint ventures	**67.0**	**70.6**	
Of which Investment in own shares	1.2	1.2	d
Of which equity investments in financial entities	39.7	39.7	e
Of which other investments	26.1	29.7	
Interest receivable and other assets	**75.0**	**73.5**	
Of which deferred tax assets due to temporary differences	1.9	1.9	f
Of which Intangibles	4.5	4.5	g
Of which Interest receivable and other assets	68.6	67.1	
Premises and equipment	**35.7**	**34.9**	
Total assets	**3,704.5**	**3,705.6**	
Liabilities and Equities			
Liabilities			
Deposits and amounts due to banks and other financial institutions	**426.2**	**426.2**	
Borrowings under repurchase agreement	**401.6**	**401.6**	
Term borrowings	**188.5**	**188.5**	
Customers' current, savings and other deposits	**2,077.1**	**2,080.2**	
Interest payable and other liabilities	**153.5**	**151.9**	
Total liabilities	**3,246.9**	**3,248.4**	
Equity			
Share capital	**136.2**	**136.2**	h
Treasury stock	**(4.9)**	**(4.9)**	i
Perpetual tier 1 convertible capital securities	**-**	**-**	j
Share premium	**105.6**	**105.6**	k
Statutory reserve	**61.6**	**61.6**	l
General reserve	**61.6**	**61.6**	m
Cumulative changes in fair values	**(54.1)**	**(54.1)**	
of which cumulative changes in fair values on bonds and equities	(53.0)	(53.0)	n
of which Fair value changes in cash flow hedges	(1.3)	(1.3)	o
Foreign currency translation adjustments	**(13.6)**	**(13.6)**	
Of which related to unconsolidated subsidiary		(0.1)	p
Of which related to Parent		(13.5)	q
Retained earnings	**162.7**	**162.7**	
Of which employee stock options	3.2	3.2	
Of which related to modification loss and COVID 19 ECL net of government assistance		(21.0)	
Of which Retained earnings	159.5	180.5	r
ATTRIBUTABLE TO THE OWNERS OF THE BANK	**455.1**	**455.1**	
Non-controlling interest	**2.5**	**2.0**	
Total equity	**457.6**	**457.1**	
Total Liabilities and equities	**3,704.5**	**3,705.5**	

- **Legal entities included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:**

Name	Principle activities	Total Assets	Total Equities
Invita B.S.C. (c)	Business process outsourcing services	5.7	4.1

2. Regulatory Capital Components - Consolidated

The table below provides a detailed breakdown of the bank's regulatory capital components, including all regulatory adjustments. The table also provides reference to the comparison displayed in the previous table between accounting and regulatory statement of financial positions.

	Component of regulatory capital	Source based on reference letters of the statement of financial positions under the regulatory scope of consolidation
Common Equity Tier 1: Instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus	236.9	h+i+k
Retained earnings	179.4	p+r
Accumulated other comprehensive income and losses (and other reserves)	55.5	l+m+n+o+q
Common Equity Tier 1 capital before regulatory adjustments	**471.8**	
Common Equity Tier 1 capital :regulatory adjustments		
Other intangibles other than mortgage servicing rights (net of related tax liabilities)	4.5	g
Cash flow hedge reserve	(1.3)	o
Investments in own shares	1.2	d
Total regulatory adjustments to Common equity Tier 1	**4.4**	
Common Equity Tier 1 capital (CET1)	**467.4**	
Additional Tier 1 capital: instruments		
Additional Tier 1 capital before regulatory adjustments	**-**	
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	**-**	
Additional Tier 1 capital (AT1)	**-**	
Tier 1 capital (T1 = CET1 + AT1)	**467.4**	
Tier 2 capital: instruments and provisions		
Provisions	27.2	
Tier 2 capital before regulatory adjustments	**27.2**	
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	**-**	
Tier 2 capital (T2)	**27.2**	
Total capital (TC = T1 + T2)	**494.6**	
Total risk weighted assets	**2,490.8**	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	18.77%	
Tier 1 (as a percentage of risk weighted assets)	18.77%	
Total capital (as a percentage of risk weighted assets)	**19.86%**	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	10.50%	
of which: capital conservation buffer requirement	2.50%	
of which: bank specific countercyclical buffer requirement	N/A	
of which: G-SIB buffer requirement	1.50%	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	18.77%	
National minima (where different from Basel III)		
CBB Common Equity Tier 1 minimum ratio	10.50%	
CBB Tier 1 minimum ratio	12.00%	
CBB total capital minimum ratio	14.00%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	26.6	b+c
Significant investments in the common stock of financials	39.7	e
Deferred tax assets arising from temporary differences (net of related tax liability)	1.9	f
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	32.1	
Cap on inclusion of provisions in Tier 2 under standardised approach	27.2	a
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
Current cap on CET1 instruments subject to phase out arrangements	N/A	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	
Current cap on AT1 instruments subject to phase out arrangements	N/A	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	
Current cap on T2 instruments subject to phase out arrangements	N/A	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	

In November 2018, the Central Bank of Bahrain (CBB) issued its final Leverage regulation, which an effective date of 30th June 2019. The leverage ratio is a simple ratio that serves as a supplementary measure to the risk-based capital requirements. It aims to constrain the build-up of leverage in banking sector, reinforce the risk-based requirements with a simple non-risk based “backstop” measure, and serve as a broad measure of both the on and off-balance sheet sources of bank leverage.

The leverage ratio is measured as Tier 1 capital divided by Total Exposures. Total exposures consist of on-balance sheet, off-balance sheet, derivatives and securities financing transactions exposures. As per CBB regulations, Bahraini banks must meet a 3% leverage ratio minimum requirement at all times, except for Domestic Systemically Important Banks (DSIBs) where the minimum ratio is higher at 3.75%. Accordingly, as a DSIB bank, the minimum ratio for BBK is 3.75%. As of 30th September 2020, the leverage ratio for BBK stood at 11.54%.