

Al Baraka Islamic Bank B.S.C. (c)

Disclosure of Basel III Ratios

As at 30 September 2020

Al Baraka Islamic Bank B.S.C. (c)
Liquidity Coverage Ratio Disclosure
As at 30 September 2020

BHD'000

Liquidity Coverage Ratio (LCR) - Consolidated	Factor	Total Amount	Amount with Factor Applied	Amount with Factor Applied
			Q3 2020	Q2 2020
Stock of HQLA				
A. Level 1 assets:				
Coins and banknotes	100%	12,551	12,551	14,484
Qualified balances with the CBB	100%	13,885	13,885	25,036
Debt securities/Sukuk issued by the CBB or the Government of Bahrain	100%	93,032	93,032	105,343
Debt securities/Sukuk issued governments of GCC member states and their central banks;	100%	17,612	17,612	15,994
Debt securities/Sukuk that can be monetised and issued or guaranteed by sovereigns, central banks, PSEs, IMF, BIS, ECB, EC, or MDBs	100%	-	-	-
Debt securities/Sukuk issued in local currency by sovereign or the country's central bank, where the liquidity risk arises or the banks home country - given a non-0 percent Risk-weight (RW);	100%	50,153	50,153	37,853
Debt securities/Sukuk issued in foreign currency by sovereign or central bank that does not exceed the value of the net cash outflow in the foreign currency caused by a stress scenario based on the bank's operations in the country where the liquidity risk arises from - given a non-0 percent RW	100%	-	-	-
Total level 1 Assets			187,233	198,710
B. Level 2 assets (maximum of 40 percent Of HQLA)				
1) Level 2A assets	Fine			
Debt securities/Sukuk that can be issued and liquidated or guaranteed by sovereigns, central banks, PSEs, and qualified MDBs	85%	7,152	6,079	6,339
Debt securities/Sukuk qualified for liquidation (including commercial paper)	85%	-	-	-
Qualified covered bonds	85%	-	-	-
2) Level 2B assets (maximum of 15 percent of HQLA)	Fine			
Debt securities/Sukuk (including commercial paper) issued by qualified non-financial institutions	50%	2,864	1,432	1,430
Qualified common equity shares	50%	1,485	743	614
Total level 2 Assets (1+2)			8,254	8,383
Total value of stock of HQLA			195,487	207,093
Cash Outflows				
A1. Retail Mudaraba, Wakala and Reverse Murabaha Deposits				
Demand deposits and term deposits (maturity within 30 days)				
Stable deposits; and	3%	87,708	2,631	2,353
Less stable - retail deposits	10%	198,202	19,820	18,565
Retail and Small Business Customers demand and fixed deposits (for overseas branches and subsidiaries)*	-	-	-	-
B. Unsecured Wholesale Mudaraba, Wakala and Reverse Murabaha Funding				
1) Small business customer deposits:				
Less stable deposits	10%	42,785	4,278	3,935
Term deposits with remaining maturity over 30 days	0%	3,516	-	-
2) Operational deposits generated by clearing, custody, and cash management:	25%	-	-	-
3) Deposits from non-financial institutions, sovereign, central banks, multilateral development banks, PSEs, and Bahrain's Social Insurance Organization and GCC PIFs where PIF is a controller of the bank.	40%	126,641	50,657	48,448
4) Deposits from Financial Institutions and other legal entity corporations.	100%	96,238	96,238	114,879
C. Secured Funding				
Backed by level 1 assets or with central banks	0%	5,852	-	-
Backed by level 2A assets	15%	-	-	-
Secured funding transactions with domestic sovereign, PSE's or multilateral development banks that are not backed by level 1 or 2A assets	25%	-	-	-
Backed by other level 2B assets	50%	-	-	-
All others	100%	-	-	-
D. Other Cash Outflow				
Net Shari'a-compliant hedging contract cash outflow	100%	-	-	64
Asset-backed securities, covered sukuk, and other structured financing instruments	100%	-	-	-
Asset-backed commercial sukuk, securities investment vehicles, and other similar financing tool	100%	-	-	-
Committed: credit and liquidity facilities given by bank to:				
Retail and small business customers, including credit cards (from amount not used)	5%	4,308	215	192
Non-financial corporates, sovereigns and central banks, PSEs and multilateral development banks (from amount not used) - Credit	10%	628	63	26
Non-financial corporates, sovereigns and central banks, PSEs and multilateral development banks (from amount not used) - Liquidity	30%	-	-	-
Banks subject to prudential supervision (from amount not used)	40%	-	-	-
Other financial institutions (including securities firms and insurance firms) (from amount not used) - Credit	40%	-	-	-
Other financial institutions (including securities firms and insurance firms) (from amount not used) - Liquidity	100%	-	-	-
Other legal entities (from amount not used)	100%	-	-	-
Other Contingent Funding Obligations:				
Guarantees, LCs, revocable credit and liquidity facilities, non-contractual commitments	5%	151,108	7,555	9,790
Customer short positions that are covered by other customers' collateral	50%	-	-	-
Increased liquidity needs related to the potential for valuations changes on posted collateral	20%	-	-	-
Other contractual cash outflows	100%	2,890	2,890	328
Total Cash Outflow			184,349	198,580
Cash Inflows				
A. Secured lending transactions backed by the following asset category				
Level 1 assets	0%	-	-	-
Level 2A assets	15%	-	-	-
Level 2B assets	50%	-	-	-
Margin lending backed by all other collateral	50%	-	-	-
Other collateral	100%	-	-	-
B. Committed facilities - credit and liquidity facilities given to banks	0%	-	-	-
C. Other inflows by				
Retail and small business customer	50%	3,481	1,740	790
Non-retail customers:				
1. Financial institutions and central banks	100%	132,993	132,993	145,149
2. Non-financial institutions	50%	8,027	4,013	6,570
Operational deposits held at other financial institutions	0%	3,933	-	-
D. Other net Shari'a-compliant hedging contract cash inflows; and	100%	352	352	100
E. Other contractual cash inflows	100%	16,232	16,232	7,178
Total Cash Inflows			155,330	159,787
Net cash outflow = total cash outflow - total cash inflow or lowest value (75 percent of total cash outflow)			46,087	49,645
Liquidity coverage ratio - HQLA / Net cash outflowRegulatory Limit (Regulatory limit of 100%)			424.17%	417.15%

General Disclosures:

The Liquidity Coverage Ratio (LCR) is aimed at assessing the Bank's ability to meet the liquidity requirements in the short term (1 month), and must be maintained at/or above the minimum regulatory limit of 100% at all times. The Bank's quarterly average of daily consolidated LCR as of Q3 2020 stood at 424% and the above are the details of the daily averages computed throughout the quarter (including Itqan capital and Al Baraka Bank Pakistan) as compared to Q2 2020. It is worth noting that in light of the COVID-19 pandemic, the CBB has introduced relaxed regulatory limits which temporarily require maintaining a minimum LCR of 80%.

Al Baraka Islamic Bank maintains ~BHD 195 million (post-haircut) as HQLA versus an average net cash-outflow of ~BHD 46 million. Furthermore, the daily average LCR for the month of September 2020 was 439% on a consolidated basis, and 701% on a solo basis. Debt securities/ Sukuk issued by the CBB and government of Bahrain formed the major portion of the Bank's HQLA.

Al Baraka Islamic Bank B.S.C. (c)
Net Stable Funding Disclosure
As at 30 September 2020

NSFR Common Disclosure Template - Consolidated

BHD'000

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Sep-20	Jun-20
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value	Total weighted value
Available Stable Funding (ASF):							
1	Capital:	72,901	-	-	4,572	77,473	80,148
2	Regulatory Capital	72,901	-	-	4,572	77,473	80,148
3	Other Capital Instruments	-	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	330,260	20,994	11,203	328,413	304,427
5	Stable deposits	-	21,630	2	-	20,550	63,758
6	Less stable deposits	-	308,630	20,992	11,203	307,863	240,669
7	Wholesale funding:	-	335,007	58,869	8,150	101,794	113,502
8	Operational deposits	-	-	-	-	-	-
9	Other wholesale funding	-	335,007	58,869	8,150	101,794	113,502
10	Other liabilities:	-	-	-	44,670	44,670	42,776
11	NSFR Shari'a-compliant hedging contract liabilities	-	-	-	-	-	-
12	All other liabilities not included in the above categories	-	-	-	44,670	44,670	42,776
13	Total ASF					552,350	540,854
Required Stable Funding (RSF):							
14	Total NSFR high-quality liquid assets (HQLA)					14,086	11,753
15	Deposits held at other financial institutions for operational purposes					-	-
16	Performing financing and 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	-	67,258	-	16,628	26,717	33,328
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:	-	112,207	41,274	-	76,740	78,741
20	- With a risk weight of less than or equal to 35% as per the Capital Adequacy Ratio guidelines	-	-	-	43,098	28,014	17,387
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 that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	953	25,161	25,638	25,328
24	Other assets:	50,072	-	-	-	50,072	46,568
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 contract assets	-	-	-	-	67,673	67,673
28	NSFR Shari'a-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	-	-
29	All other assets not included in the above categories	14,817	-	-	-	14,817	14,794
30	OBS items	-	-	-	-	5,934	8,511
31	Total RSF					309,692	304,084
32	NSFR (Regulatory limit of 100%)					178.4%	177.9%

General Disclosures:

The NSFR is designed as a medium to long-term measure intended to provide a sustainable maturity structure of assets and liabilities; aiming to limit over-reliance on short-term wholesale funding and promotes funding stability. The above are the details of the NSFR components as of September 2020 considering the Bank's subsidiaries, as compared to June 2020.

As of 30 September 2020, the Bank's total weighted value of Available Stable Funding (ASF) stood at ~BHD 552 million vs a total weighted value of ~BHD 309 million Required Stable Funding (RSF). Banks must maintain the NSFR at or above a minimum regulatory requirement of 100%, where AIB levelled at 139% on a solo basis and 178% on a consolidated basis. It is worth noting that in light of the COVID-19 pandemic, the CBB has introduced relaxed regulatory limits which temporarily require maintaining a minimum NSFR of 80%.