BAHRAIN DEVELOPMENT BANK B.S.C. (c)

Risk and Capital Management Disclosures

For the period ended 30 June 2019

These disclosures have been prepared in accordance with the Public Disclosure Module ("PD"), CBB Rule Book, Volume I for Conventional banks.

These disclosures have been reviewed by the Bank's external auditors Ernst & Young based upon agreed-upon procedures as required under Para PD-A.2.4 of the PD Module.

1 EXECUTIVE SUMMARY

This report has been prepared in accordance with Pillar III disclosure requirements prescribed by the Central Bank of Bahrain, herein referred to as “CBB”. The report has been designed to provide BDB Group’s stakeholders with detailed information on the Bank’s approach in managing capital and risk, having due regard to the operating environment.

The Bank applies the Basel framework in the measurement of its capital adequacy, and in its capital management strategy and risk management framework. CBB’s Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision’s (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

BDB has adopted the Standardized Approach for Credit Risk, Market Risk and the Basic Indicator Approach for Operational Risk to determine the capital requirement.

The disclosures in this report are in addition to the disclosures set out in the consolidated financial statements for the year ended 30th June 2019 presented in accordance with the International Financial Reporting Standards (IFRS).

2 INTRODUCTION TO THE BASEL III FRAMEWORK

The CBB’s Basel III capital framework is based on three pillars consistent with the Basel III framework developed by the Basel Committee, as follows:-

- Pillar I: calculation of the Risk Weighted Assets (RWAs) and capital requirement.
- Pillar II: the supervisory review process, including the Internal Capital Adequacy Assessment Process (ICAAP).
- Pillar III: rules for the disclosure of risk management and capital adequacy information.

Amongst the three pillars, it is Pillar I that has been affected most and largely amended with the introduction of Basel III. Additional disclosure requirements have also been introduced under Pillar III.

CBB CAPITAL ADEQUACY RULES:

CBB minimum required total capital adequacy ratio (including CCB) increased from 12 percent to 12.5 percent, compared to 10.5 percent recommended by the Basel Committee. Moreover, there are newly introduced limits and minima by the CBB under Basel III, such as minimum Common Equity Tier 1 Capital Ratio “CET1” of 9 percent (including CCB) and minimum T1 Capital Ratio of 10.5 percent (including CCB).

The table below summarizes the approaches available for calculating RWAs for each risk type in accordance with the CBB’s Basel III capital adequacy framework:

Credit Risk	Market Risk	Operational Risk
Standardised Approach	Standardised Approach Internal Models Approach	Basic Indicator Approach Standardised Approach

For regulatory reporting purposes, BDB is using the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

i) Credit Risk

Credit Risk represents the potential financial loss as a consequence of a customer’s inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items. The bank has a robust credit risk management architecture which is explained in greater detail in Note 2 of the consolidated financial statements.

The Bank does not use any external credit assessment institutions and the risk rating for the exposures are based on the internal credit framework and policy guidelines of the Bank.

For regulatory reporting purposes, BDB is using the Standardised Approach for credit risk.

ii) Market Risk

Market Risk is the risk of potential losses arising from movements in market prices of financial instruments as a result of changes in market rates (such as interest rates and foreign exchange rates).

For the regulatory market risk capital requirement, BDB is using the Standardised Approach for the calculation of regulatory market risk capital.

iii) Operational Risk

Operational Risk is the risk of monetary loss on account of human error, fraud, systems failures or the failure to record transactions. In order to manage and mitigate such risks, the Bank ensures that proper systems and resources (financial and personnel) are available to support the Bank's operations. Proper segregation of duties and other controls (including reconciliation, monitoring and reporting) are implemented to support the various operations and activities.

For the regulatory operational risk capital requirement, BDB is using the Basic Indicator Approach for the calculation of regulatory operational risk capital.

Regulatory Reforms

The Bank is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"), with headquarters and branches in Bahrain. The Bank's capital adequacy requirements are computed on a consolidated basis.

3 GROUP STRUCTURE

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRS. As at 30 June 2019, the Group consists of the Bank and its following subsidiaries:

Name	Country of incorporation	Ownership interest
Bahrain Business Incubator Centre (S.P.C.)	Kingdom of Bahrain	100%
Bahrain Export Development Center S.P.C	Kingdom of Bahrain	100%
Al-Waha Venture Capital Fund Company	Kingdom of Bahrain	99%
Middle East Corner Consultancy CO. WLL*	Kingdom of Bahrain	28.6%

* The Bank is exposed, or has rights, to variable returns from its involvement with Middle East Corner Consultancy Co. WLL; and has the ability to affect those returns through its power over Middle East Corner Consultancy Co. WLL and thus is deemed as subsidiary of the Bank.

Restrictions on capital and transfer of funds within the Group

Since the Bank's subsidiaries are not regulated financial institutions, there is no regulatory impediment to the transfer of retained earnings to the Bank. However, as a separate legally incorporated entity, the transfer of paid in capital and mandatory reserves would require shareholder action. As the major shareholder (either direct or indirect) in the entity, the Bank has the power to undertake the legal processes for the transfer of such capital. The Bank's subsidiaries are registered and domiciled in Bahrain and there are no exchange controls or other restrictions on the transfer of funds.

(Expressed in Thousands Bahrain Dinars)

4 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The Bank’s regulatory capital base comprises of (a) CET 1 capital which includes share capital, reserves and retained earnings. (b) Tier 2 capital which consist of general loan loss provisions.

Capital structure, minimum capital and capital adequacy

The Bank’s paid up capital consists only of ordinary shares and does not have any other type of capital instruments.

The Bank’s regulatory capital base is as detailed below:

	As at 30 June 2019
Common Equity Tier 1 (CET1)	
Issued and full paid ordinary shares	**65,000**
Legal / Statutory reserve	**1,186**
Retained earnings	**(2,580)**
Other reserves	**4,048**
Current period Profit	**237**
Cumulative fair value changes on FVOCI investments (Debt)	**212**
Total Common Equity Tier 1 (CET1) (A)	**68,103**
Additional Tier 1 (AT1)	-
Total Tier 1 (T1)	**68,103**
Tier 2 Capital (T2)	
Expected Credit Losses (ECL)	**1,525**
Total Tier 2 (T2) (B)	**1,525**
Total Capital Base (Tier 1 + Tier 2) (C=A+B)	**69,628**

Capital Requirement for Risk Weighted Exposure	Credit Exposure before credit risk mitigant	Eligible financial collateral	Credit Exposure after risk mitigant	Risk weighted exposure	Capital Requirement at 12.5%
As at 30 June 2019					
Cash items	232	-	232	-	-
Sovereigns	78,818	-	78,818	-	-
Banks	9,060	-	9,060	6,185	773
Corporates	64,017	816	63,201	61,948	7,744
Past due exposures	16,613	85	16,528	17,947	2,243
Investment in securities	4,765	-	4,765	7,469	934
Holding of Real Estate	14,113	-	14,113	26,934	3,367
Others assets	1,517	-	1,517	1,517	190
Total Credit Risk Exposure	189,135	901	188,234	122,000	15,250
Market Risk				138	17
Operational Risk				19,049	2,381
Total Risk Weighted Assets (D)				141,187	17,648
Capital Adequacy Ratio (B)/(D)				49.32%	
CET1 Capital Adequacy Ratio (A)/(D)				48.24%	

5 CREDIT RISK – PILLAR III DISCLOSURES

This section describes BDB's exposure to credit risk, and provides detailed disclosures on credit risk in accordance with the CBB's Basel III framework, in relation to Pillar III disclosure requirements.

Definition of exposure classes

The Bank has a diversified funded and unfunded credit exposure. These exposures are classified as standard portfolio per CBB's Basel III requirements.

Brief description of applicable standard portfolio are as follows:

a. Claims on sovereigns:

These pertain to exposures to governments and their central banks. Claims on Bahrain and GCC sovereigns are risk weighted at 0%. Claims on all other sovereigns are given a risk weighting of 0% where such claims are denominated and funded in the relevant domestic currency of that sovereign. Claims on sovereigns, other than those mentioned above are risk weighted based on their credit ratings.

b. Investment in securities and sukuk:

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150%.

c. Claims on banks:

Claims on banks are risk weighted based on external rating agencies (S&P, Moody's, Fitch , and Capital intelligence) . Short-term claims on locally incorporated banks are assigned a risk weighting of 20% where such claims on the banks are of an original maturity of three months or less and the claims are denominated and funded in either Bahraini Dinars or US Dollar.

Preferential risk weighting that is one category more favourable than the standard risk weighting is assigned to claims on foreign banks licensed in Bahrain of an original maturity of three months or less denominated and funded in the relevant domestic currency. Such preferential risk weight for short-term claims on banks licensed in other jurisdictions are allowed only if the relevant supervisor also allows this preferential risk weighting to short-term claims on its banks.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

d. Claims on corporates:

Claims on corporates are risk weighted based on credit ratings. Risk weighting for unrated (corporate) claims are assigned at 100%.

e. Impairment of assets:

The Bank assesses at each reporting date whether there is any objective evidence that a specific financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'impairment event') and that impairment event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

f. Restructured financing facilities:

Where possible, the Bank seeks to restructure facilities rather than to take ownership of collateral. This may involve extending the payment arrangements and the agreement of new financing facility conditions. Management continuously reviews renegotiated financing facilities to ensure that all criteria are met and that future payments are likely to occur. The financing facilities continue to be subject to impairment assessment, calculated using the facility's original effective interest rate.

(Expressed in Thousands Bahrain Dinars)

g. Past due exposures:

This includes claims, for which the repayment is overdue for more than 90 days. The risk weighting for such loans is either 100% or 150% is applied depending on the level of provisions maintained against the assets.

h. Equity Portfolio:

Investment in securities and financial entities are risk weighted at a minimum risk weight of 100% for listed entities or 150% for unlisted entities, unless such investments exceed 10% of the eligible capital of investee entity, in which case they are deducted from the Bank's capital.

i. Other assets:

These are risk weighted at 100%.

j. Holding of real estate:

All other holdings of real estate by banks (i.e. owned directly, subsidiaries or associate companies or other arrangements such as trusts, funds or REITs) are risk-weighted at 200%. Investment in listed real estate companies and investment in unlisted real estate companies are risk-weighted at 300% and 400% respectively. Premises occupied by the Group are weighted at 100%.

k. Related party transactions and balances:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank. Such related parties in the ordinary course of business at commercial interest and commission rates (Refer note 28 of the consolidated financial statements).

Amounts due from related parties are unsecured.

l. Highly leveraged counterparties:

The Bank does not lend to highly leveraged and other high risk counterparties as defined in PD-1-3-24(e).

6 Funded and Unfunded Total Credit Exposure

	Total funded credit exposure	Total un-funded credit exposure	Average quarterly credit exposure
Sovereigns	47,440	-	46,821
Banks	9,060	-	9,417
Corporates	62,255	6,143	70,010
Past due exposures	16,613	-	16,607
Investment in securities	4,765	-	4,848
Holding of Real Estate	14,113	-	14,190
Other assets and Cash items	1,736	-	2,323
Total credit risk	155,982	6,143	164,215

(Expressed in Thousands Bahrain Dinars)

7 Concentration of credit risk by industry & region (Exposures subject to risk weighting)

		2019		
	Region	Funded	Unfunded	Total
Government & public sector	GCC	**47,440**	**-**	**47,440**
Banks and financial institutions	GCC	**9,857**	**-**	**9,857**
Trading and Manufacturing	GCC	**46,841**	**665**	**47,506**
Educational Institutions & Healthcare	GCC	**9,484**	**64**	**9,548**
Hospitality, media and transportation	GCC	**8,060**	**-**	**8,060**
Fisheries, agriculture & dairy	GCC	**5,538**	**-**	**5,538**
Food processing	GCC	**2,342**	**36**	**2,378**
Others	GCC	**26,420**	**5,378**	**31,798**
TOTAL		**155,982**	**6,143**	**162,125**

8 CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

Total credit exposures in excess of 15% individual obligor limit	2019
Sovereigns	**78,818**

9 SEGMENT WISE BREAKDOWN OF NON PERFORMING LOANS AND IMPAIRMENT PROVISION

	Impaired loans (net of provision)	Stage 3: Lifetime ECL creditimpaired	Charge for the period	Write off
Project finance	**14,717**	**21,572**	**114**	**1,372**
Fisheries and Agriculture	**1,896**	**-**	**-**	**-**
	16,613	**21,572**	**114**	**1,372**

(Expressed in Thousands Bahrain Dinars)

10 RESIDUAL CONTRACTUAL MATURITY

Maturity analysis of assets

The table below summarises the residual contractual maturity profile of the Group's assets as at 30 June 2019

2019	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Above 20 years	Total
Assets										
Cash and balances with Central Bank of Bahrain	2,346	-	-	-	-	-	-	-	-	2,346
Placements with banks and other financial institutions	2,842	336	3,462	5,107	-	-	-	-	-	11,747
Islamic financing and loans to customers	1,274	1,718	2,661	5,071	36,876	22,568	7,490	-	1,210	78,868
Investment securities	41,652	-	-	-	-	-	-	-	5,459	47,111
Investment in associates	-	-	-	-	-	-	322	-	-	322
Investment property	-	-	-	-	-	-	-	-	11,805	11,805
Property, plant and equipment	-	-	-	-	-	-	-	-	1,895	1,895
Other assets	-	-	1,888	-	-	-	-	-	-	1,888
Total assets	48,114	2,054	8,011	10,178	36,876	22,568	7,812	-	20,369	155,982

(Expressed in Thousands Bahrain Dinars)

11 PAST DUE AND IMPAIRED LOANS - AGE ANALYSIS

i) By Geographical area

	2019			
	Three months to one year	One to three years	Over three years	Total
GCC	19,679	2,458	525	22,662
TOTAL	19,679	2,458	525	22,662

ii) By Segment wise

	Three months to one year	One to three years	Over three years	Total
Project finance	18,284	1,954	259	20,497
Fisheries and Agriculture	1,395	504	266	2,165
TOTAL	19,679	2,458	525	22,662

12 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS

The Bank and its subsidiaries operate and grant loans/financing facilities locally to Bahrain entities and persons only.

	2019
GCC	
Specific impairment provision - Stage 3	21,572
TOTAL	21,572

13 Reconciliation of changes in Expected credit losses

	2019		
	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and stage 2 : Lifetime ECL not credit- impaired	Total
Balance at 1 January 2018	22,830	1,740	24,570
Amounts written off during the year	(1,372)	(5)	(1,377)
Charge for the year	848	218	1,066
Recoveries during the year	(734)	(786)	(1,520)
At 30 June 2019	21,572	1,167	22,739

Restructured Credit Facilities

The Bank has restructured credit facilities amounting to BD 45 thousands during the year ended 30 June 2019. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash crunch situations or to realign the repayment with the borrower's revised cash flow projections.

The above restructurings did not have a significant impact on the present or future earnings and were primarily extensions of the loan/financing tenor.

(Expressed in Thousands Bahrain Dinars)

14 CREDIT RISK MITIGATION

The reduction of the capital requirement attributable to credit risk mitigation is calculated in different ways, depending on the type of credit risk mitigation. The main collaterals taken for risk mitigation on credit exposures are deposits held by customers, residential / commercial property mortgage, investment securities, counter-guarantees from other banks, tamkeen guarantees etc. However, for purposes of capital adequacy computation, only eligible collateral recognized under Basel 3 is taken into consideration.

15 ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

Eligible financial collateral, and guarantees, presented by standard portfolio are as under:

	Gross credit exposure	**Financial collateral**	**Credit exposure after credit risk mitigant**
As at 30 June 2019			
Sovereigns	**78,818**	**-**	**78,818**
Banks	**9,060**	**-**	**9,060**
Corporates	**64,017**	**816**	**63,201**
Past due exposures	**16,613**	**85**	**16,528**
Investments in equities/funds	**4,765**	**-**	**4,765**
Holding of real estate	**14,113**	**-**	**14,113**
Other assets and cash items	**1,749**	**-**	**1,749**
	189,135	**901**	**188,234**

(Expressed in Thousands Bahrain Dinars)

16 SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the period ended 30 June 2019

	2019
Bahraini Dinar	
Assets	174,043
Liabilities	141,381
(+) 200 basis points	**653**
(-) 200 basis points	**(653)**
US Dollar	
Assets	31,909
Liabilities	44,042
(+) 200 basis points	**(243)**
(-) 200 basis points	**243**
Kuwaiti Dinar	
Assets	786
Liabilities	696
(+) 200 basis points	**2**
(-) 200 basis points	**(2)**
Saudi Riyals	
Assets	8,385
Liabilities	8,344
(+) 200 basis points	**1**
(-) 200 basis points	**(1)**

(Expressed in Thousands Bahrain Dinars)

17 MARKET RISK, INTEREST RATE GAP

Market risk

Market risk is defined as potential adverse changes in the fair value or future cash flows of a trading position or portfolio of financial instruments resulting from the movement of market variables, such as interest rates, currency rates, equity prices and commodity prices, market indices as well as volatilities and correlations between markets. As its primary tool, the Bank measures its market risk exposure using the Standardised Approach under Basel III.

The Bank uses the Standardised Approach for calculating market risk capital charges for the following market risk components:

• Equity exposure risk
• Interest rate exposure risk
• Foreign currency exposure risk
• Commodity risk

The Bank's market risk capital charge is largely composed of foreign currency risk arising from the Bank's foreign exchange exposure on investments denominated mainly in Kuwaiti dinars, Saudi riyals and USD, and interest rate risk arising on the bond portfolio. The capital requirement for market risk using the Standardised Approach as at 30 June 2019 was as follows:

	Capital requirements			
	2019	Maximum	Minimum	Average
Risk Type				
Equity risk capital	-	-	-	-
Foreign exchange risk capital	11	11	8	9.5
Interest rate risk capital	-	-	-	-
Commodity risk capital	-	-	-	-

Interest rate risk

Interest rate risk arises from the possibility that changes the interest rates will affect future profitability or the fair values of the financial instruments. The Bank is exposed to interest rate risks due to mismatches of interest rate repricing on maturity of assets and liabilities. Positions are monitored periodically to ensure that this is maintained within the established limits. The Banks assets and liabilities reprice only on maturity.

The Bank's interest rate sensitivity position is based on the maturity dates, as follows

	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
2019								
Assets								
Cash and balances with Central Bank of Bahrain	-	-	-	-	-	-	2,346	2,346
Placements with banks and other financial institutions	2,842	336	3,462	5,107	-	-	-	11,747
Islamic financing and loans to customers	1,274	1,718	2,661	5,071	59,444	8,700	-	78,868
Other assets	41,652	-	-	-	-	5,459	15,910	63,021
Total assets	4,116	2,054	6,123	10,178	59,444	8,700	2,346	155,982
Liabilities								
Term loans	251	3,242	694	3,493	27,944	10,857	-	46,481
Deposits	20,854	2,430	144	2,084	-	10,000	-	35,512
Other liabilities	-	-	-	-	-	-	5,907	5,907
Total liabilities	20,854	2,430	144	2,084	-	10,000	5,907	87,900
Net liquidity gap	(16,738)	(376)	5,979	8,094	59,444	(1,300)	(3,561)	

(Expressed in Thousands Bahrain Dinars)

18 EQUITY POSITION IN THE BANKING BOOK

	2019	
	Net exposure	**Capital requirement**
Publicly traded	**1**	**0**
Privately held	**5,249**	**656**
TOTAL	**5,250**	**656**

19 GAINS ON EQUITY INVESTMENTS

	2019
(i) Realised Gains/ Losses in the statement of profit or loss	**-**
(ii) Realised Gains/ Losses in retained earnings	**-**
(iii) Unrealised Gains/ Losses in CET1 Capital	**362**

The Bank does not have any equity investments subject to supervisory transition or grandfathering provisions.

20 DERIVATIVES

	Foreign exchange contracts
Notional – Banking book	**31,378**

21 OPERATIONAL AND LEGAL RISKS

Operational risk is the risk of loss arising from errors that can be made in instructing payments or settling transactions, breakdown in technology and internal control systems. The Bank uses the Basic Indicator Approach under the Basel III framework for measuring and managing its operational risk. Currently, the Bank conducts its business from a single location. BDB is a retail bank with some restrictions and accordingly, the number of client relationships and volume of transactions at BDB are moderate on average.

BDB's operations are conducted according to well-defined procedures. These procedures include a comprehensive system of internal controls, including segregation of duties and other internal checks, which are designed to prevent either inadvertent staff errors or malfeasance prior to the release of a transaction. The Bank also engages in subsequent monitoring of accounting records, daily reconciliation of cash and securities accounts and other checks to enable it detect any erroneous or improper transactions which may have occurred. Specific limits are set up to mitigate and monitor the Bank's exposure.

Operational risk is managed by the Risk management department. The scope of the Internal Audit department encompasses audits and reviews of all business units, support services and branches. The internal audit process focuses primarily on assessing risks and controls and ensuring compliance with established policies, procedures and delegated authorities. Products and services are reviewed by the Internal Audit department and assessed for operational risks. The Internal Audit department is operationally independent and reports significant internal control deficiencies to the Audit Committee.

The Bank has a Business Continuity Plan (BCP) to ensure that the critical activities are supported in case of an emergency. The BCP is approved by the Board of Directors.

Bank's ICAAP limit of 25% has been fixed to absorb any unforseen event as compared to regulatory capital requirement of 12.5%.

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the group. The Group has developed controls and procedures to identify legal risks and believes that losses will not be material.

22 FINES & PENALTY

	Amount in BHD Actual 2019
Penalty paid to Central Bank of Bahrain	**0**

23 Liquidity Coverage Ratio (LCR)

According to LM-11.1.2 under the "Liquidity Risk Management Module" in the CBB Rulebook, The Bank has calculated the Liquidity Coverage Ratio, which is at 374.8% as on 30th June, 2019.

24 Leverage Ratio (LR)

According to CA-15.5.1 under the "Leverage Ratio & Gearing Requirements" Module in the CBB Rulebook, The Bank has calculated the Leverage Ratio, which is at 42.0% as on 30th June, 2019.

Composition of capital disclosure requirements

BAHRAIN DEVELOPMENT BANK B.S.C. (c)

Composition of capital disclosure requirements

For the period ended 30 June 2019

PD 2 : Reconciliation of regulatory capital

Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

This step in not applicable to the Bank since the scope of regulatory consolidation and accounting consolidation is identical.

BAHRAIN DEVELOPMENT BANK B.S.C. (c)
For the period ended 30 June 2019

PD 2 : Reconciliation of regulatory capital (continued)
Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation

	Balance sheet as in published financial statements	Consolidated PIR data
Assets		
Cash and balances at central banks	2,346	2,346
Placements with banks and other financial institutions	11,747	11,825
Investment securities	47,111	47,111
Investments in associates	322	322
Total Investment	**47,433**	**47,433**
of which:		
Significant investments in capital of financials insitutions exceeds the 10% of CET1		
Amount in excess of 10% of CET1 to be deducted		
Amount in excess of 10% of CET1 to be deducted in year 1		
Investment property	11,805	11,805
Loans and advances	78,868	80,035
of which: General loan loss provision which qualify as capital	1,489	1,719
Prepayments, accrued income and other assets	1,888	2,132
Property, plant and equipment	1,895	1,895
Total assets	**155,982**	**157,471**
Liabilities		
Deposits from banks and other financial institutions	3,000	3,000
Customer accounts	32,512	32,512
Term Loans	46,481	46,481
Repurchase agreements and other similar secured borrowing		
Derivative financial instruments		
Accruals, deferred income and other liabilities	5,907	5,677
Total liabilities	**87,900**	**87,670**
Shareholders' Equity		
Paid-in share capital	65,000	65,000
Shares under employee share incentive scheme		
Total share capital	**65,000**	**65,000**
of which amount eligible for CET1	-	65,000
of which amount eligible for AT1	-	-
Retained earnings	(2,343)	(2,343)
Statutory reserve	1,186	1,186
Other Reserve	4,048	4,048
General reserve		
Share premium		
Donations and charity reserve		
General loan loss provision which qualify as capital		1,719
Available for sale revaluation reserve	212	212
Share of Available for sale revaluation reserve relating to associates not considered for regulatory capital		
Minority interest in subsidiaries' share capital	(21)	(21)
Total shareholders' equity	**68,082**	**69,801**
Total liabilities & Shareholders' Equity	**155,982**	**157,471**

PD 3 : Main features of regulatory capital instruments

1	Issuer	Bahrain Development Bank BSC
2	Unique identifier (Bahrain Bourse ticker)	BDB
3	Governing law of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	Regulatory treatment	
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
7	Instrument Type	Common Equity shares
8	Amount recognized in regulatory capital (currency in Millions, as of most recent reporting date)	BD65,000
9	Par Value of instrument	BD1.00
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Not Applicable
12	Perpetual or dated	Not Applicable
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	Not Applicable
17	Fixed or floating dividend/coupon	Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Noncumulative or cumulative	Not Applicable
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	Not Applicable
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	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

PD 4: Capital composition disclosure template

	Common disclosure template to be used during the transition of regulatory adjustments (i.e. from 30 June 2015 to 31 December 2018)		Amounts subject to pre-2015 treatment	Reference
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	65,000		
2	Retained earnings	(2,343)		
3	Accumulated other comprehensive income (and other reserves)	5,446		
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**	**68,103**		
	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 (if not already netted off paid-in capital on reported balance sheet)	-		
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	National specific regulatory adjustments	-		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-		
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**	**68,103**		
29	**Common Equity Tier 1 capital (CET1)**	**-**		
	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	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	-		
	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	National specific regulatory adjustments	-		
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-		
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)**	**68,103**		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
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	1,525		
51	**Tier 2 capital before regulatory adjustments**	**1,525**		
	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 thatare 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	-		
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-		
57	**Total regulatory adjustments to Tier 2 capital**	**-**		
58	**Tier 2 capital (T2)**	**1,525**		
59	**Total capital (TC = T1 + T2)**	**69,628**		
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT			
60	**Total risk weighted assets**	**141,187**		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	48.24%		
62	Tier 1 (as a percentage of risk weighted assets)	48.24%		
63	Total capital (as a percentage of risk weighted assets)	49.32%		
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)	9.00%		
65	of which: capital conservation buffer requirement	2.50%		
66	of which: bank specific countercyclical buffer requirement (N/A)	0.00%		
67	of which: D-SIB buffer requirement (N/A)	0.00%		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	48.24%		
	National minima including CCB (if different from Basel 3)			
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	1,103		
73	Significant investments in the common stock of financials	322		
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 standardised approach (prior to application of cap)	1,719		
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	1,525		
78	N/A	-		
79	N/A	-		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)			
80	Current cap on CET1 instruments subject to phase out arrangements	-		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
82	Current cap on AT1 instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on T2 instruments subject to phase out arrangements	-		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities	-		