

Ibdar Bank B.S.C. (c)
Regulatory Capital Disclosures
For The quarter Ended 30 June 2018

1 CAPITAL ADEQUACY

The primary objective of the Group's capital management is to ensure that the Group maintains adequate risk capital, complies with the capital requirements laid down by the CBB and maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages the capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the CBB in supervising the Bank.

Regulatory capital consists of Common Equity Tier 1 capital ("CET1"), Additional Tier 1 Capital ("AT1") and Tier 2 capital (supplementary capital). The Group's Tier 1 comprises share capital, statutory reserves, current interim profit and unrealized gains and losses arising from fair valuing equities. Tier 2 includes general financing loss provisions.

The Group's approach to assessing capital adequacy has been in line with its risk appetite aligned with its current and future activities. To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the Standardized Approaches for its Credit Risk and Market Risk, and the Basic Indicator Approach for its Operational Risk.

The Group's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of expectations for each business group, expected growth in future sources and uses of funds.

Further the Bank monitors the CAR against an Internal Trigger Ratio of 20% compared to the required capital of 12.5% under CBB rulebook. If the ICAAP CAR touches the Internal Trigger Ratio, the Bank will initiate action to reduce its risk or increase capital before the Internal Target Ratio is breached.

Basis of Consolidation for Accounting and Regulatory Purposes

For the purpose of preparation of consolidated financial statements, the Bank consolidates all subsidiaries which are fully owned or exercises significant control over them. These subsidiaries are consolidated from date of acquisition being the date on which the group obtains control and continues until the control ceases. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. For regulatory purposes the Bank should consolidate all banking and other financial entities which are considered to be subsidiaries of the Bank. The treatment of the Bank's investments in all entities for the purpose of regulatory reporting is risk weighting of investment exposure. The principal subsidiaries and associates are as follows:

*Amounts in USD
('000)*

Subsidiaries	Country of incorporation	Total Assets	Total Equity	Description
Ibdar Corporate Services Limited *	British Virgin Islands	14	(7)	A company established to manage affiliated companies
Tamkeen Investment Company BSC	Kingdom of Bahrain	12	3	Administer Management Incentive Program ("MIP")
PKV Investment Company Limited	Cayman Islands	75,369	25,566	Investment holding vehicle for property lease
300 Riverpark - Amazon Robotics HQ	United States of America	49,074	21,934	Investment holding vehicle for property lease

Associates	Country of incorporation	Description
Palma Ibdar Air Lease	Kingdom of Bahrain	Managing aircraft leasing to airline companies

* The Bank has a commitment of USD 7 thousands towards the equity shortfall.

Associates which have been fully provided for, do not have any impact on regulatory reporting, and are not included in the table above.

1 CAPITAL ADEQUACY (continued)

1.1 Composition of capital disclosure

Table – 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.

	30 June 2018		Reference
	Statement of financial position as in published financial statements (USD '000)	Statement of financial position as per regulatory reporting (USD '000)	
Assets			
Cash and balances with banks	6,329	6,329	
Placements with financial institutions	12,207	12,207	
Investment in sukuk	87,278	87,278	
Of which related to insignificant investments in financial entities under CET1:	-	6,411	
Of which subject to regulatory adjustment from capital	-	217	E
Of which subject to risk weighting of investment exposure	-	6,194	
Of which related to other investments in sukuk	-	80,867	
Financing receivables	6,746	6,746	
Receivable from ijarah investors	5,708	5,708	
Investment in equity securities	83,903	115,125	
Of which related to insignificant investments in financial entities under CET1:	-	17,646	F
Of which subject to regulatory adjustment from capital	-	597	I
Of which subject to risk weighting of investment exposure	-	17,049	
Of which related to significant investments in financial entities under CET1	-	11,650	G
Of which related to other investments	-	85,829	
Investment in real estate	144,201	25,580	
Equity-accounted investees	401	401	
Other assets	15,090	9,276	
Total assets	361,863	268,650	
Liabilities			
Placements from financial institutions	3,006	3,006	
Financing liabilities	95,642	19,362	
Other liabilities	13,956	13,570	
Of which related to collective impairment provisions	-	182	H
Of which related to other liabilities	-	13,388	
Total liabilities	112,604	35,938	
Shareholders' Equity			
Share capital	233,000	233,000	A
Statutory reserve	762	762	C
Retained earnings / (Accumulated losses)	(2,807)	(5,946)	B
Property fair value reserve	278	278	
General reserve	4,618	4,618	D
Equity attributable to shareholders of the Bank	235,851	232,712	
Non-controlling interests	13,408	-	
Total owners' equity	249,259	232,712	
Total liabilities and owners' equity	361,863	268,650	

1 CAPITAL ADEQUACY (continued)

1.1 Composition of capital disclosure (Continued)

Table – 2. Composition of regulatory capital

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 Table 1 between accounting and regulatory statement of financial positions.

	30 June 2018		<i>Reference</i>
	<i>Components of regulatory capital (USD '000)</i>	<i>Amounts subject to pre-2015 treatment (USD '000)</i>	
Common Equity Tier 1 capital: instruments and reserves			
Directly issued qualifying common share capital plus related stock surplus	233,000	-	A
Retained earnings	(5,946)	-	B
Accumulated other comprehensive income (and other reserves)	5,380	-	C+D
Common Equity Tier 1 capital before regulatory adjustments	232,434	-	
Common Equity Tier 1 capital: regulatory adjustments			
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)	(217)	17,646	E/F
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)	-	11,650	G
Regulatory adjustments applied to common equity Tier 1 in respect of amounts subject to pre-2015 treatment	(597)	-	I
Total regulatory adjustments to Common equity Tier 1	(814)	29,296	
Common Equity Tier 1 capital (CET1)	231,620		
Additional Tier 1 capital (AT1)	-		
Tier 1 capital (T1 = CET1 + AT1)	231,620		
Tier 2 capital: instruments and provisions			
Provisions	182		H
Tier 2 capital before regulatory adjustments	182		
Tier 2 capital (T2)	182		
Total capital (TC = T1 + T2)	231,802		
Risk weighted assets in respect of amounts subject to pre-2015 treatment	58,438		
Of which: Insignificant investments in the common shares of financial entities <10% - Listed (RW at 100%)	11,104		
Of which: Insignificant investments in the common shares of financial entities <10% - Unlisted (RW at 150%)	18,209		
Of which: Significant investment in the common shares of financial entities >10% (RW at 250%)	29,125		
Total risk weighted assets	505,169		
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk weighted assets)	45.85%		
Tier 1 (as a percentage of risk weighted assets)	45.85%		
Total capital (as a percentage of risk weighted assets)	45.89%		
National minima including CCB (where different from Basel III)			
CBB Common Equity Tier 1 minimum ratio	9.00%		
CBB Tier 1 minimum ratio	10.50%		
CBB total capital minimum ratio	12.50%		

1 CAPITAL ADEQUACY (continued)

1.1 Composition of capital disclosure (Continued)

Disclosure template for main feature of regulatory capital instruments as at 30 June 2018:

1	Issuer	Ibdar Bank BSC (c)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) 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 & solo
7	Instrument type (types to be specified by each jurisdiction)	Equity shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	USD 233 million
9	Par value of instrument	USD 1.00
10	Accounting classification	Shareholder's equity
11	Original date of issuance	31 December 2012
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger (s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA