

**Ibdar Bank B.S.C. (c)**  
**Regulatory Capital Disclosures**  
**For The Quarter Ended 31 March 2017**

### 3 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") as 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, general reserves, statutory reserves, retained earnings/accumulated losses and unrealized gains and losses arising from fair valuing equities. Tier 2 includes asset revaluation reserve - property, plant and equipment and the general financing loss provisions. From the regulatory perspective, the significant amount of the Bank's capital is in Tier 1 form.

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:

Subsidiaries	Country of incorporation	Total Assets	Total Equity	Description
Elaf Corporate Services Limited	British Virgin Islands	1,061	(18,064)	A company established to manage affiliated companies
Tamkeen Investment Company BSC	Kingdom of Bahrain	11,553	2,653	Administer Management Incentive Program ("MIP")
Suffun Bahrain W.L.L.		3,727,897	3,711,458	Investment holding company
Medical Management Group SPC*		42	(18,018)	SPV to invest in health care
Q400 Aviation Company III	British Virgin Islands	24,374,828	7,082,572	Purchase and lease of aircraft to airline company
Q400 Aviation Company IV		24,453,782	7,350,603	
Q400 Aviation Company V		24,272,460	7,167,044	
PKV Investment Company Limited	Cayman Islands	77,012,477	27,500,174	Investment holding vehicle for property lease

Associates	Country of incorporation	Description
Aqari Real Estate Company BSC (c)	Kingdom of Bahrain	Invest in income generating residential, office and commercial real estate assets
Skaugen Gulf Petchem Carriers BSC (c)	Kingdom of Bahrain	Petrochemical shipping company with vessels operating through the Norgas Pool
MENA Energy Limited	Kingdom of Saudi Arabia	Investment company holding a stake in an electrical services contracting company

\* The Bank has a commitment of USD 18 thousands towards the equity shortfall. The Bank is in the process of liquidating this subsidiary.

**3 CAPITAL ADEQUACY (continued)**

**3.1 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.

	<i>31 March 2017</i>		<i>Reference</i>
	<i>Statement of financial position as in published financial statements (USD '000)</i>	<i>Statement of financial position as per regulatory reporting (USD '000)</i>	
<b>Assets</b>			
Cash and balances with banks	11,208	11,155	
Placements with financial institutions	3,013	3,013	
Financing receivables	6,792	6,792	
Receivable from ijarah investors	7,635	7,635	
Investment securities	163,004	209,237	
Of which related to insignificant investments in financial entities under CET1	-	25,745	<b>E</b>
Of which related to significant investments in financial entities under CET1	-	13,413	<b>F</b>
Of which related to other investments	-	170,079	
Assets acquired for leasing	67,430	-	
Investment in real estate	98,332	25,961	
Equity-accounted investees	4,752	1,079	
Other assets	16,698	8,268	
<b>Total assets</b>	<b>378,864</b>	<b>273,140</b>	
<b>Liabilities</b>			
Placements from financial institutions	3,001	3,001	
Financing liabilities	67,933	18,719	
Liabilities related to assets acquired for leasing	51,501	-	
Other liabilities	14,115	14,911	
Of which related to collective impairment provisions	-	144	<b>G</b>
Of which related to other liabilities	-	14,767	
<b>Total liabilities</b>	<b>136,550</b>	<b>36,631</b>	
<b>Shareholders' Equity</b>			
Share capital	300,000	300,000	<b>A</b>
Statutory reserve	676	676	<b>C</b>
Accumulated losses	(65,499)	(69,395)	<b>B</b>
Property fair value reserve	610	610	
General reserve	4,618	4,618	<b>D</b>
<b>Equity attributable to shareholders of the Bank</b>	<b>240,405</b>	<b>236,509</b>	
Non-controlling interests	1,909	-	
<b>Total owners' equity</b>	<b>242,314</b>	<b>236,509</b>	
<b>Total liabilities and owners' equity</b>	<b>378,864</b>	<b>273,140</b>	

**3 CAPITAL ADEQUACY (continued)**

**3.1 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.

	<b>31 March 2017</b>		<i>Reference</i>
	<i>Components of regulatory capital (USD '000)</i>	<i>Amounts subject to pre-2015 treatment (USD '000)</i>	
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
Directly issued qualifying common share capital plus related stock surplus	300,000	-	A
Retained earnings	(69,394)	-	B
Accumulated other comprehensive income (and other reserves)	5,294	-	C+D
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>235,900</b>	<b>-</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
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)	(2,385)	25,745	E
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)	-	13,413	F
Regulatory adjustments applied to common equity Tier 1 in respect of amounts subject to pre-2015 treatment	(1,293)	-	
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>(3,678)</b>	<b>39,158</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>232,222</b>		
<b>Additional Tier 1 capital (AT1)</b>	<b>-</b>		
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>232,222</b>		
<b>Tier 2 capital: instruments and provisions</b>			
Provisions	144		G
<b>Tier 2 capital before regulatory adjustments</b>	<b>144</b>		
<b>Tier 2 capital (T2)</b>	<b>144</b>		
<b>Total capital (TC = T1 + T2)</b>	<b>232,366</b>		
<b>Risk weighted assets in respect of amounts subject to pre-2015 treatment</b>	<b>63,952</b>		
Of which: Insignificant investments in the common shares of financial entities <10% - Listed (RW at 100%)	12,519		
Of which: Insignificant investments in the common shares of financial entities <10% - Unlisted (RW at 150%)	17,901		
Of which: Significant investment in the common shares of financial entities >10% (RW at 250%)	33,533		
<b>Total risk weighted assets</b>	<b>618,527</b>		
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 (as a percentage of risk weighted assets)	<b>37.54%</b>		
Tier 1 (as a percentage of risk weighted assets)	<b>37.54%</b>		
Total capital (as a percentage of risk weighted assets)	<b>37.57%</b>		
<b>National minima including CCB (where different from Basel III)</b>			
CBB Common Equity Tier 1 minimum ratio	6.50%		
CBB Tier 1 minimum ratio	8.00%		
CBB total capital minimum ratio	10.00%		

**3 CAPITAL ADEQUACY (continued)**

**3.1 Composition of capital disclosure (Continued)**

Disclosure template for main feature of regulatory capital instruments as at 31 March 2017:

1	<b>Issuer</b>	Ibdar Bank BSC (c)
2	<b>Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)</b>	NA
3	<b>Governing law(s) of the instrument</b>	All applicable laws and regulations of the Kingdom of Bahrain
<b>Regulatory treatment</b>		
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	<b>Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)</b>	USD 300 million
9	<b>Par value of instrument</b>	USD 1.00
10	<b>Accounting classification</b>	Shareholder's equity
11	<b>Original date of issuance</b>	31 December 2012
12	<b>Perpetual or dated</b>	Perpetual
13	Original maturity date	No maturity
14	<b>Issuer call subject to prior supervisory approval</b>	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
<b>Coupons / dividends</b>		
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	<b>Convertible or non-convertible</b>	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	<b>Write-down feature</b>	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	<b>Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)</b>	NA
36	<b>Non-compliant transitioned features</b>	NA
37	<b>If yes, specify non-compliant features</b>	NA