

EXECUTIVE SUMMARY

In accordance with the regulatory requirements, all Bahraini conventional bank licensees are required to report the composition of capital in addition to the main features of the regulatory instruments. Furthermore, banks must provide a report of all regulatory capital elements with a reconciliation to the published financial statements.

This Composition of Capital and Reconciliation disclosures document encompass the above requirements by the Central Bank of Bahrain (CBB). The information presented herein pertains to SICO BSC (c) consolidated with its subsidiaries (together termed as "SICO" or the "Bank").

Reconciliation Requirements: Established to ensure that a full reconciliation of all regulatory capital elements back to the published consolidated financial statements is provided in a consistent manner.

Capital Components: Discloses the components of capital, taking into consideration the transitional arrangements. The disclosure provides the full terms and conditions of regulatory capital instruments and reports the calculation of any ratios involving components of regulatory capital, to enable the Prudential Information Returns (PIR) to be reconciled with the consolidated financial statements.

Main Features of Regulatory Capital Instruments: Provides a description of the main features of regulatory capital instruments issued. Established to ensure that banks provide a description of the main features of the regulatory capital instruments issued.

Step 1: Balance sheet under the regulatory scope of consolidation

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

Step 2: Reconciliation of Published Financial Balance Sheet to Regulatory Reporting as at 31 March 2021

	Published financial statements	Consolidated PIR data*	Reference
	31-MAR-2021	31-MAR-2021	
Assets	BD '000	BD '000	
Cash and cash equivalents	73,472	73,483	
<i>of which Cash and balances at central banks</i>	752	752	
<i>of which Placements with banks and financial institutions</i>	20,012	20,023	
Treasury bills	5,820	5,820	
Securities bought under repurchase Agreement	84,380	84,396	
Investments at fair value through profit and loss	25,685	25,685	
Investments at fair value through other comprehensive income	10,341	10,341	
Investments at Amortized Cost	9,948	9,948	
Investment in Properties	183	183	
Fees receivable	1,417	1,417	

Other assets	8,072	8,137	
of which loans and advances (margin receivables)	5,771	5,836	
of which interest receivable	652	652	
of which other assets	1,649	1,649	
Property, plant and equipment	342	342	
Intangible assets and goodwill	1,982	1,982	
Total assets	221,642	221,734	
Liabilities			
Short-term bank borrowings	8,868	8,868	
Securities sold under repurchase agreement	88,698	88,698	
Customer Accounts	51,236	51,236	
Other liabilities	6,157	6,157	
of which Interest payable	120	120	
of which other liabilities	6,037	6,037	
Payable to other unit holders (Other liabilities)	1,488	1,488	
Total liabilities	156,447	156,447	
Shareholders' Equity			
Share Capital - eligible for CET1	42,849	42,849	A
Shares under employee share incentive scheme	(2,263)	(2,263)	A
Treasury shares	-	-	A
Statutory reserve	8,330	8,330	B
of which share premium	761	761	
of which legal reserve	7,569	7,569	
General reserve	3,217	3,217	C
Investments fair value reserve	1,231	1,231	D
of which unrealised gains from fair valuing equities	741	741	
of which unrealised gains from other financial instruments	490	490	
Retained earnings	10,000	10,000	E
of which retained earnings brought forward from previous year	8,783	8,783	
of which net profits for the current period	1,217	1,217	
NCI	1,831	1,831	
Expected Credit Losses (Stages 1 & 2)	-	92	F
Total shareholder' equity	65,195	65,287	
Total liabilities and equity	221,642	221,734	

*The figures are gross of expected credit loss

Step 3: Composition of Capital Common Disclosure Template as at 31 March 2021

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital (BD '000s)	Source based on reference no. of the balance sheet under the regulatory scope of consolidation from step 2
	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	40,586	A
2	Retained earnings	10,000	E
3	Accumulated other comprehensive income (and other reserves)	12,778	B + C + D
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	63,364	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	908	
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	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Investment in CET1 of subsidiaries	-	
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	-	
	Investment in financial entities where ownership is < 10% of issued common share capital	-	
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	-	
29	Common Equity Tier 1 capital (CET1)	62,456	
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	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH: ...	-	
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)	62,456	
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	-	
	Expected Credit Losses (Stage 1 & 2)	92	F
51	Tier 2 capital before regulatory adjustments	-	

	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 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 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	-	
57	Total regulatory adjustments to Tier 2 capital	92	
58	Tier 2 capital (T2)	92	
59	Total capital (TC = T1 + T2)	62,548	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
	OF WHICH: Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible	-	
60	Total risk weighted assets	103,341	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	60.47%	
62	Tier 1 (as a percentage of risk weighted assets)	60.47%	
63	Total capital (as a percentage of risk weighted assets)	60.56%	
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%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement (N/A)	0%	
67	of which: D-SIB buffer requirement (N/A)	0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	60.47%	
	National minima including CCB (if different from Basel 3)		
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-	
73	Significant investments in the common stock of financials	-	
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 standardized approach (prior to application of cap)	92	F
77	Cap on inclusion of provisions in Tier 2 under standardized approach (1.25% of Credit Risk weighted Assets)	-	
78	NA	-	
79	NA	-	

	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)	-	

Main feature of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments		
1	Issuer	SICO BSC (c)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SICO BI EQUITY (BLOOMBERG ID)
3	Governing law(s) of the instrument	Commercial Companies Law, Bahrain
<i>Regulatory treatment</i>		
4	Transitional CBB rules	NA
5	Post-transitional CBB rules	NA
6	Eligible at solo/group/group & solo	Yes
7	Instrument type (types to be specified by each jurisdiction)	Common shares
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	BD 40.59 million
9	Par value of instrument	100 fils per share
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1995
12	Perpetual or dated	NA
13	Original maturity date	NA
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
<i>Coupons / dividends</i>		
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	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative 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