

Gulf International Bank B.S.C.

COMPOSITION OF CAPITAL

For the three months ended 31st March 2017



Executive summary

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 full reconciliation report of all regulatory capital elements back to the published financial statements.

The purpose of the disclosure is to enable market participants to compare the capital adequacy of banks across jurisdictions and to improve consistency and ease of use of disclosures relating to the composition of regulatory capital.

- 1- **Reconciliation Requirements:** Established to ensure that a full reconciliation of all regulatory capital elements back to the published financial statements is provided in a consistent manner.
- 2- **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.
- 3- **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 financial statements.

The format and the level of disclosure in the attached report is dictated by the Central Bank of Bahrain (CBB) and reflects a proforma issued by the Central Bank.

Reconciliation Requirements

	Balance sheet as in published financial statements		Consolidated PIR data	
	31.03.2017 US\$ millions	31.03.2017 US\$ millions	31.03.2017 US\$ millions	31.03.2017 US\$ millions
Assets				
Cash and other liquid assets	3,164	52		1
Securities purchased under agreements to resell	580	-		2
Placements with banks and similar financial institutions	5,048	8,741		2
Financial assets at fair value through profit and loss	122	122		
Investment securities	3,997	4,002		3
Loans and advances to banks and non-banks	10,470	10,645		3
Other assets	569	569		4
Total assets	23,951	24,130		
Liabilities				
Deposits from banks	2,339	4,532		5
Deposits from customers	14,605	12,412		5
Securities sold under agreements to repurchase	794	794		
Other liabilities	499	508		6
Senior term financing	3,355	3,355		
Total liabilities	21,591	21,601		
Shareholders' Equity				
Paid up share capital	2,500	2,500		
Reserves	381	345		7
Retained earnings	(522)	(485)		8
Collective impairment provision	-	170		3
Total shareholders' equity	2,360	2,530		
Total liabilities & shareholders' equity	23,951	24,130		

Differences due to PIR requirements:

¹ Cash balance reported in PIR is the cash and balances at the Central Bank of Bahrain. Other cash balances are reported under placements.

² Cash (exc. CBB) and securities purchased under agreements to resell are included under placements.

³ Collective impairment provision (loans & securities) are reported separately.

⁴ Under PIR the following breakdown is applicable:

Interest receivable	181
Property, plant, and equipment (PPE)	121
Other assets	267
Total	569

⁵ Central Bank deposits are reported under deposits from banks under the PIR, however, these are customer relationships to GIB.

⁶ Differences between amounts reported in the Balance sheet and the PIR are due to Off Balance sheet provisions.

Under PIR the following breakdown is applicable:

Interest payable	176
Other liabilities	332
Total	508

⁷ Under PIR the following breakdown is applicable:

Share premium	8
Legal reserve	222
General (disclosed) reserves	159
Fair value changes on investment securities	(44)
Total	345

⁸ Under the PIR the following breakdown is applicable:

Net profit for the current period	22
Retained earnings/(losses) brought forward	(507)
Total	(485)

Main Features of Regulatory Capital Instruments

1. Issuer	Gulf International Bank B.S.C.
2. Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	3541088Z
3. Governing law(s) of the instrument	Bahrain
<i>Regulatory treatment</i>	
4. Transitional CBB rules	Tier 1
5. Post-transitional CBB rules	Tier 1
6. Eligible at solo/group/group & solo	Solo and Group
7. Instrument type (types to be specified by each jurisdiction)	Common equity
8. Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2,525
9. Par value of instrument	2,500
10. Accounting classification	Shareholders' equity
11. Original date of issuance	
12. Perpetual or dated	Perpetual
Original maturity date	
14. Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	
Subsequent call dates, if applicable	
<i>Coupons / dividends</i>	
17. Fixed or floating dividend/coupon	
18. Coupon rate and any related index	
19. Existence of a dividend stopper	
21. Existence of step up or other incentive to redeem	
22. Noncumulative or cumulative	
23. Convertible or non-convertible	
24. If convertible, conversion trigger (s)	
25. If convertible, fully or partially	
26. If convertible, conversion rate	
27. If convertible, mandatory or optional conversion	
28. If convertible, specify instrument type convertible into	
29. If convertible, specify issuer of instrument it converts into	
30. Write-down feature	
31. If write-down, write-down trigger(s)	
32. If write-down, full or partial	
33. If write-down, permanent or temporary	
34. If temporary write-down, description of write-up mechanism	
35. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
37. yes, specify non-compliant features	

Capital Components

Pre-2015 Treatment

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	2508
2. Retained earnings	(507)
3. Accumulated other comprehensive income (and other reserves)	359
4. <i>Not Applicable</i>	
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	2,359
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	
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	
OF WHICH: N/A	
OF WHICH: N/A	
27. Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover	
28. Total regulatory adjustments to Common equity Tier 1	-
29. Common Equity Tier 1 capital (CET1)	2,359
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. <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	
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. <i>of which: instruments issued by subsidiaries subject to phase out</i>	
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)	
REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	
OF WHICH: N/A	
OF WHICH: N/A	
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)	2,359

Tier 2 capital: instruments and provisions

46. Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47. <i>Directly issued capital instruments subject to phase out from Tier 2</i>	
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. <i>of which: instruments issued by subsidiaries subject to phase out</i>	
50. Provisions	166
51. Tier 2 capital before regulatory adjustments	166

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	
REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-201 TREATMENT	
OF WHICH: N/A	
OF WHICH: N/A	
57. Total regulatory adjustments to Tier 2 capital	-
58. Tier 2 capital (T2)	166
59. Total capital (TC = T1 + T2)	2,525
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 short positions (amount above 10% threshold)	-
OF WHICH: 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)	
60. Total risk weighted assets	15,925

Capital ratios

61. Common Equity Tier 1 (as a percentage of risk weighted assets)	14.8%
62. Tier 1 (as a percentage of risk weighted assets)	14.8%
63. Total capital (as a percentage of risk weighted assets)	15.9%
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)	9.0%
65. <i>of which: capital conservation buffer requirement</i>	2.5%
66. <i>of which: bank specific countercyclical buffer requirement (N/A)</i>	N/A
67. <i>of which: D-SIB buffer requirement (N/A)</i>	N/A
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	14.8%

National minima including CCB (if different from Basel 3)

69. CBB Common Equity Tier 1 minimum ratio	9.0%
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 standardised approach (prior to application of cap)	166
77. Cap on inclusion of provisions in Tier 2 under standardised approach	
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	