

KHALEEJI COMMERCIAL BANK BSC

PUBLIC DISCLOSURES

(Based on CBB guidelines)

30 June 2021

These disclosures have been prepared in accordance with the Public Disclosure Module (“PD”), Section PD-1.3: Disclosures in Annual Reports and PD-3.1.6 Semi-annual Disclosures, CBB Rule Book, Volume II for Islamic Banks. These disclosures should be read in conjunction with the detailed risk management disclosures made in the annual report for the year ended 31 December 2020, and the condensed consolidated interim financial information for the six months ended 30 June 2021.

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Executive Summary

The Public Disclosures made under this section have been prepared in accordance with the CBB requirements outlined in the Public Disclosure Module (“PD”), Section PD-1.3: Disclosures in Annual Reports of the CBB Rule Book, Volume II for Islamic Banks and Section PD-3.1.6: Publication of reviewed (Unaudited) quarterly financial statements for locally incorporated banks.

All figures presented in this section are reported in BD thousands and are as of 30 June 2021 unless otherwise stated.

Khaleeji Commercial Bank BSC (the “Bank”) Tier I and total capital adequacy ratios comply with the minimum capital requirements under the CBB’s Basel 3 framework.

At 30 June 2021, Bank’s CET1 and T1 capital and total capital adequacy ratios were 13.24 percent, 19.07 percent and 20.21 percent, respectively.

1 Group Structure

The Bank operates under a retail banking license granted by the CBB on 20 October 2003. The Bank does not have significant operating subsidiaries. The subsidiaries set-up is primarily special purpose entities with nominal capital to execute specific investment transactions. The subsidiaries qualify as commercial entities as per the CBB guidelines and are risk weighted as investments for capital adequacy computation purposes.

2 Capital Management and Capital Adequacy Ratio

2.1 Capital management

The Bank's policy is to maintain a strong capital base to develop and retain investor, creditor and market confidence and to sustain business growth. The Bank recognizes the impact of a high level of capital on shareholders' returns, while not losing sight of the security and market confidence afforded by a sound capital base. The Bank aims to maintain a minimum total capital adequacy ratio significantly in excess of that mandated by the CBB.

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2.2 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.

	Statement of Financial position as in published financial statements	Statement of Financial position as per regulatory reporting	Reference
ASSETS			
CASH AND BANK BALANCES	69,189	69,191	
OF WHICH ECL (STAGE 1&2)	(4)	-	a
OF WHICH FINANCING TO SUBSIDIARY (COMMERCIAL ENTITY)	2	-	
PLACEMENTS WITH FINANCIAL INSTITUTIONS	27,144	27,144	
OF WHICH ECL (STAGE 1&2)	-	-	b
FINANCING ASSETS	309,087	319,336	
OF WHICH ECL (STAGE 1&2)	(8,606)	-	c
OF WHICH FINANCING TO SUBSIDIARY (COMMERCIAL ENTITY)	(1,643)	-	
INVESTMENT IN SUKUK	290,244	290,642	
OF WHICH ECL (STAGE 1&2)	(398)	-	d
ASSETS ACQUIRED FOR LEASING	111,631	111,631	
LEASE RENTAL RECEIVABLES	34,807	36,116	
OF WHICH ECL (STAGE 1&2)	(1,309)	-	e
INVESTMENT SECURITIES	48,161	100,057	
OF WHICH FINANCING TO SUBSIDIARY (COMMERCIAL ENTITY)	(51,896)	-	
OF WHICH RELATED TO INSIGNIFICANT INVESTMENTS IN FINANCIAL ENTITIES	-	-	f
OF WHICH CAPITAL ADJUSTMENTS RELATED TO INVESTMENT IN FINANCIAL ENTITIES WHERE OWNERSHIP IS < 10% OF ISSUED COMMON SHARE CAPITAL (AMOUNT ABOVE 10% CET1A)	-	-	g
OF WHICH RELATED TO OTHER INVESTMENTS	48,161	100,057	
INVESTMENT IN REAL ESTATE	94,204	29,178	
OF WHICH DEVELOPMENT PROPERTY OF SUBSIDIARY (COMMERCIAL ENTITY)	65,026		
EQUITY ACCOUNTED INVESTEEES	31,350	31,350	
OTHER ASSETS	17,465	17,565	
OF WHICH RECEIVABLE FROM SUBSIDIARY (COMMERCIAL ENTITY)	(100)		
PROPERTY AND EQUIPMENT	7,577	7,577	
TOTAL ASSETS	1,040,859	1,039,787	
LIABILITIES			
PLACEMENTS FROM FINANCIAL INSTITUTIONS	96,591	96,591	
PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS	197,831	197,831	
TERM BORROWING	76,980	76,980	
CUSTOMERS' CURRENT ACCOUNTS	57,969	58,549	
OF WHICH ACCOUNT OF SUBSIDIARY (COMMERCIAL ENTITY)	(530)	-	
OTHER LIABILITIES	9,983	8,116	
OF WHICH ECL (STAGE 1&2)	280	-	h
OF WHICH PAYABLES OF SUBSIDIARY (COMMERCIAL ENTITY)	1,587	-	
TOTAL LIABILITIES	439,354	438,017	
EQUITY OF INVESTMENT ACCOUNT HOLDERS	446,794	446,794	
OWNERS' EQUITY			
SHARE CAPITAL	89,212	89,212	i
SUBORDINATED MUDARABA (AT 1)	47,222	47,222	
STATUTORY RESERVE	9,024	9,024	j
TREASURY SHARES	(11,926)	(11,926)	k
INVESTMENT FAIR VALUE RESERVE	254	254	l
RETAINED EARNINGS	10,733	10,593	m
OF WHICH RETAINED EARNINGS OF SUBSIDIARY (COMMERCIAL ENTITY)	140	-	
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	144,519	144,378	
ECL (STAGE 1&2)		10,597	a+b+c+d+e-h
NON-CONTROLLING INTEREST	10,192	-	
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	1,040,859	1,039,787	

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2.3 Composition of Capital as at 30 June 2021

Composition of Capital as at 30 June 2021			Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves			
1.	Directly issued qualifying common share capital plus related stock surplus	98,490	i+j+l
2.	Retained earnings	20,676	m
3.	Accumulated other comprehensive income (and other reserves)	-	
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	119,166	
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	(11,926)	k
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)	-	f
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)	-	g
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.	CBB specific regulatory adjustments	-	
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	(11,926)	
29.	Common Equity Tier 1 capital (CET1)	107,240	
Additional Tier 1 capital: instruments			
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	47,222	
31.	of which: classified as equity under applicable accounting standards	47,222	
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	47,222	
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.	CBB specific regulatory adjustments	-	
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	-	

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44.	Additional Tier 1 capital (AT1)	47,222	
45.	Tier 1 capital (T1 = CET1 + AT1)	154,462	
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	9,172	
51.	Tier 2 capital before regulatory adjustments	9,172	
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	-	
58.	Tier 2 capital (T2)	9,172	
59.	Total capital (TC = T1 + T2)	163,634	
60.	Total risk weighted assets	809,792	
Capital ratios and buffers			
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.24%	
62.	Tier 1 (as a percentage of risk weighted assets)	19.07%	
63.	Total capital (as a percentage of risk weighted assets)	20.21%	
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	
67.	of which: D-SIB buffer requirement	N/A	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	13.24%	
National minima including CCB (where different from Basel III)			
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	-	f
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)	-	
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	10,597	a+b+c+d+e-h
77.	Cap on inclusion of provisions in Tier 2 under standardized approach	9,172	
78.	N/A	-	
79.	N/A	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80.	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	NA	
81.	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	NA	
82.	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	NA	
83.	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	NA	
84.	<i>Current cap on T2 instruments subject to phase out arrangements</i>	NA	
85.	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	NA	

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2.4 Unconsolidated legal entities for regulatory purposes

Legal entities that are included within the accounting scope of consolidation but excluded from the regulatory scope of consolidation:

Legal Entity name	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank for regulatory purposes	Extracts of financials as at 30 June 2021 (Amount in BD 000's)	
			Total assets	Total equity
Harbour West 2 Real Estate SPC	Commercial entity	Risk weighted (look through approach)	8,523	8,523
Harbour West 4 Real Estate SPC	Commercial entity	Risk weighted (look through approach)	6,042	6,042
Surooh LTD	Commercial entity	Risk weighted	6,032	2,579
HH Hotel Properties S.P.C	Commercial entity	Risk weighted	60,001	60,001
KHCB Tier 1 Sukuk Limited	Trust	Risk weighted	60,004	60,000
The Khaleeji Commercial Bank Employee Benefit Trust	Trust	Risk weighted	1	1

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2.5 Disclosure template for main feature of regulatory capital instruments

1.	Issuer	Khaleeji Commercial Bank B.S.C	KHCB Tier 1 Sukuk Limited
2.	Unique identifier	KHCB	NA
3.	Governing law(s) of the instrument	All applicable laws and regulations of the Kingdom of Bahrain	English law, Cayman Islands Law
	Regulatory treatment		
4.	Transitional CBB rules	Common Equity Tier 1	Additional Tier 1
5.	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1
6.	Eligible at solo/group/group & solo	Group and solo	Group and solo
7.	Instrument type (types to be specified by each jurisdiction)	Equity Shares	Subordinated Mudaraba
8.	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	BD 89 million	BD 47 million
9.	Par value of instrument	BD 0.100	USD 200,000 and integral multiples of USD 1,000 in excess thereof
10.	Accounting classification	Shareholders' Equity	Shareholders' Equity
11.	Original date of issuance	Various	30-Jun-20
12.	Perpetual or dated	Perpetual	Perpetual
13.	Original maturity date	No Maturity	No Maturity
14.	Issuer call subject to prior supervisory approval	No	Yes
15.	Optional call date, contingent call dates and redemption amount	Not applicable	30-Jun-25
16.	Subsequent call dates, if applicable	Not applicable	After the First Call Date, subject to the CBB approval
	Coupons / dividends		
17.	Fixed or floating dividend/coupon	Dividend as decided by the Shareholders	Fixed
18.	Coupon rate and any related index	Not applicable	10%
19.	Existence of a dividend stopper	Not applicable	Not applicable
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21.	Existence of step up or other incentive to redeem	No	No
22.	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23.	Convertible or non-convertible	Non-convertible	Convertible
24.	If convertible, conversion trigger (s)	Not applicable	If a Non-Viability Event occurs (means that the Central Bank has informed the Bank in writing that either (i) it has to cancel/write-off the Certificates on the grounds of non-viability; or (ii) an immediate public sector injection of capital is required, without which the Bank would become non-viable).
25.	If convertible, fully or partially	Not applicable	Full of Partial
26.	If convertible, conversion rate	Not applicable	Conversion will take place at higher of, i) current market value, ii) Net book value or iii) determination of independent valuer
27.	If convertible, mandatory or optional conversion	Not applicable	Optional
28.	If convertible, specify instrument type convertible into	Not applicable	CET1 Instruments
29.	If convertible, specify issuer of instrument it converts into	Not applicable	KHCB
30.	Write-down feature	No	No
31.	If write-down, write-down trigger(s)	Not applicable	Not applicable
32.	If write-down, full or partial	Not applicable	Not applicable
33.	If write-down, permanent or temporary	Not applicable	Not applicable
34.	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable	Rank subordinate to all Senior Obligations, and rank Pari Passu with all other Pari Passu Obligations.
36.	Non-compliant transitioned features	No	No
37.	If yes, specify non-compliant features	Not applicable	Not applicable

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2.6 Capital structure, minimum capital requirements and capital adequacy

Following is the break-up of capital structure as at 30 June 2021:

BD 000's

Eligible capital	30 June 2021
Common Equity Tier 1 (CET1)	
Issued and fully paid ordinary shares	89,212
Statutory reserve	9,024
Less: Employee stock incentive program funded by the bank (outstanding)	-
Retained earnings	14,701
Current interim cumulative net profit	5,974
Other reserve	255
Total CET1 capital prior to the regulatory adjustments	119,166
Less: Investment in own shares	(11,926)
Less: Investments in financial entities where ownership is < 10% of the issued common share capital (amount above 10% CET1a)	-
Total Common Equity Tier 1 capital after the regulatory adjustments	107,240
Other Capital	
AT1	47,222
Total Tier 1 Capital	154,462
Expected credit losses (ECL) Sateg 1 & 2 – (Tier 2)	9,172
Total Available T2 Capital	9,172
Total Capital	163,634

	30 June 2021
Credit risk weight exposures	733,742
Market risk weight exposures	8,275
Operational risk weight exposures	67,775
Total risk weighted exposures	809,792

Capital adequacy ratio (CET1)	13.24%
Capital adequacy ratio (T1)	19.07%
Capital adequacy ratio (Total capital)	20.21%

The above capital adequacy ratios are calculated by dividing the respective regulatory capital base by the total Risk Weighted Assets (RWAs).

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Break-up of capital requirement in accordance with the capital adequacy module of the CBB for the period ended 30 June 2021 is as follows (in BD 000's):

Exposure classification	Exposure			Risk weighted assets ^[1]			Capital requirement @ 12.5%		
	Self-Financed ^[2]	IAH ^[3]	Total	Self – Financed	IAH	Total	Self – Financed	IAH	Total
▪ Cash and collection items	4,566	-	4,566	-	-	-	-	-	-
▪ Sovereigns	21,185	237,760	258,945	-	-	-	-	-	-
▪ Claims on PSEs	9,811	59,317	69,128	-	8,365	8,365	-	1,046	1,046
▪ Banks	30	55,626	55,656	6	21,467	21,473	1	2,683	2,684
▪ Corporates	204,419	94,091	298,510	251,441	85,826	337,267	31,430	10,728	42,158
▪ Past due facilities	30,995	-	30,995	41,116	-	41,116	5,139	-	5,139
▪ Investments in equities/sukuk	27,520	-	27,520	41,280	-	41,280	5,160	-	5,160
▪ Investments in Funds	15,273	-	-	22,910	-	-	2,864	-	2,864
▪ Holdings of real estate	128,113	-	128,113	334,941	-	334,941	41,868	-	41,868
▪ Other assets	7,352	-	7,352	7,352	-	7,352	919	-	919
Credit Risk	449,264	446,794	880,785	676,136	115,658	791,794	87,381	14,457	101,838
Market Risk	8,275	-	8,275	8,275	-	8,275	1,034	-	1,034
Operational Risk	67,775	-	67,775	67,775	-	67,775	8,472	-	8,472
Total	525,314	446,794	956,835	749,130	115,658	864,788	93,641	14,457	110,962

^[1] For capital adequacy computations, 100% of the RWAs are reckoned for self-financed assets while only 30% is considered for assets funded through equity of investment account holders (IAH).

^[2] Excludes credit risk mitigants of BD 151,339 thousand.

^[3] Excludes credit risk mitigants of BD 5,056 thousand.

3 Credit Risk

3.1 Levels of exposure

Gross credit exposure along with average credit exposure broken down under different exposure classes as at 30 June 2021 is as follows: BD000's

	Average ^[1] Exposure	Gross Exposure		
		Self – Financed	IAH	Total
Cash and bank balances ^[2]	118,219	25,701	43,490	69,191
Placement with financial institutions ^[2]	24,129	-	27,144	27,144
Financing assets ^[2]	311,636	233,818	85,518	319,336
Investment in sukuk ^[2]	279,511	-	290,642	290,642
Assets acquired for leasing(including lease rental receivables) ^[2]	153,914	147,747	-	147,747
Investment in equity securities	100,073	100,057	-	100,057
Investments in associates	31,461	31,350	-	31,350
Investment Real estate	17,781	17,781	-	17,781
Development property	5,822	11,397	-	11,397
Other assets, including property and equipment	30,635	25,142	-	25,142
Total funded Credit Exposure	1,073,181	592,993	446,794	1,039,787
Financial guarantees	7,336	7,330	-	7,330
Total unfunded Credit Exposure	7,336	7,330	-	7,330

^[1] Represents quarterly average balances for the six month period ended 30 June 2021.

^[2] Gross of ECL Stage 1 and Stage 2 provision.

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3.2 Concentration of credit risk

3.2.1 Geographic distribution

The geographical exposure profile as at 30 June 2021 was as follows:

BD 000's

30 June 2021	GCC Countries	Europe	USA	Asia	Australia	Total
Assets						
Cash and bank balances	62,896	3,761	2,517	15	-	69,189
Placement with financial institutions	16,964	10,180	-	-	-	27,144
Financing assets	302,629	-	6,458	-	-	309,087
Investment in sukuk	290,244	-	-	-	-	290,244
Assets acquired for leasing (including lease rentals receivable)	146,438	-	-	-	-	146,438
Investment in equity securities	29,847	-	-	14,383	3,931	48,161
Investment in associates	31,350	-	-	-	-	31,350
Investment in Real Estate	17,781	-	-	-	-	17,781
Development property	76,423	-	-	-	-	76,423
Other assets	16,433	15	206	810	1	17,465
Property and equipment	7,577	-	-	-	-	7,577
Total funded exposures	998,582	13,955	9,181	15,208	3,932	1,040,859
Guarantees	14,993	-	-	-	-	14,993
Undrawn financing facilities	32,577	-	-	-	-	32,577
Total unfunded exposures	47,570	-	-	-	-	47,570

3.2.2 Industry/ sector-wise distribution

The Board of Directors has stipulated maximum exposures to various industry sectors. The industry/ sector wise exposure as at 30 June 2021 was as follows:

BD 000's

30 June 2021	Banks and financial institutions	Real estate	Others	Total
Assets				
Cash and bank balances	69,189	-	-	69,189
Placement with financial institutions	27,144	-	-	27,144
Financing assets	2,502	143,876	162,709	309,087
Investment in sukuk	-	2,260	287,984	290,244
Assets acquired for leasing (including lease rentals receivable)	-	121,735	24,703	146,438
Investment in equity securities	15,272	28,958	3,931	48,161
Investment in associates	-	31,350	-	31,350
Investment in Real Estate	-	17,781	-	17,781
Development property	-	76,423	-	76,423
Other assets	894	1,247	15,324	17,465
Property and equipment	-	6,736	841	7,577
Total funded exposure	115,001	430,366	495,492	1,040,859
Guarantees	345	7,268	7,380	14,993
Undrawn financing facilities	-	19,662	12,915	32,577
Total unfunded exposures	345	26,930	20,295	47,570

3.2.3 Transactions with related counterparties

Related counterparties are those entities which are related to the Bank through significant shareholding, control, or both. Wherever the Bank has entered into business transactions with such counterparties, such transactions have been done at an arm's length basis and on commercial terms that bring no disadvantage to the Bank. For the purpose of identification of related counterparties, the Bank strictly follows the guidelines issued by CBB for this purpose. For details of Transactions with related parties during the six months period ended 30 June 2021 and outstanding balances pertaining to related parties, please refer to note 23 of the condensed consolidated interim financial information for the six month ended 30 June 2021.

3.2.4 Exposures exceeding materiality thresholds

The Bank is required to carry out capital adjustments (deduction) for its exposure to significant investments in capital of banking and financial entities that are outside the scope of regulatory consolidation subject to certain materiality thresholds as defined in the Capital Adequacy Module ("CA Module") of the CBB Rule Book.

Further, the exposures in excess of limits prescribed by Credit Risk Management Module ("CM Module") (single obligor limit of 15% of total capital and aggregate limit for connected counterparty exposure of 25% of total capital) are subject to risk weight of 800%. For investment in a financial entity where ownership is < 10% of the issued common capital, 60% of the amount exceeding 10% of CET1(a) is subject to deduction from CET1(a). The following table summarizes the exposures exceeding regulatory limits as of 30 June 2021:

BD 000's			
Counterparty	Exposure type	Total exposure	Limit as a percentage
Exposure to Controller	Financing	6,717	0%

3.2.5 Exposures in highly leveraged counterparties

The following balances represent the financing facilities to highly leveraged or other high risk counterparties as of 30 June 2021:

Counterparties	Gross BD '000	Provision BD '000	Net BD '000
Counterparty # 1	4,185	3,138	1,047
Counterparty # 2	2,280	-	2,280

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3.2.6 Residual contractual maturity of the credit portfolio and investment in sukuk

The Bank's policy provides guidelines for the appropriate tenor for corporate clients and retail customers. These guidelines are reviewed on a periodic basis. The Bank constantly monitors the residual maturity profile of its assets to ensure that any mismatch with the maturity of its liabilities is kept within acceptable limits. The contractual residual maturity profile by type of financing contract of the Bank's credit portfolio and investment in sukuk in banking book is given in the table below (in BD 000's):

Maturity Scale	< 1 M	1 - 3 M	3 - 6 M	6M - 1Y	1 - 3Y	3 - 5Y	5 - 10Y	10 - 20Y	Over 20Y	Total
Credit portfolio:										
Murabaha	61,288	25,126	19,933	38,865	130,733	13,993	17,235	899	25	308,097
Mudaraba	4	9	13	26	118	121	699	-	-	990
Ijarah	6,790	2,906	4,461	8,669	36,953	23,127	31,271	25,081	7,180	146,438
Total	68,082	28,041	24,407	47,560	167,804	37,241	49,205	25,980	7,205	455,525
Investment in sukuk- banking book										
	2,832	19,607	3,569	4,499	27,505	177,520	54,712	-	-	290,244
Total	2,832	19,607	3,569	4,499	27,505	177,520	54,712	-	-	290,244
Grand Total	70,914	47,648	27,976	52,059	195,309	214,761	103,917	25,980	7,205	745,769

3.3 Equity risk in banking book

The Bank has certain equity investments in the Banking book and they are subject to credit risk weighting under the capital adequacy framework.

Information on equity investments

BD 000's

Privately held	100,057
Other expenses	(28)
Net loss on sale of investment	(121)
Structured Note profit	353

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

Equity investments in banking book	BD 000's					
	Gross exposure		Risk weighted exposure		Capital requirement @ 12.5%	
	Self-financed	IAH	Self-financed	IAH	Self-financed	IAH
Unlisted	3,931	-	5,897	-	737	-
Investments in unlisted real estate companies	28,957	-	115,828	-	14,479	-
Investments in unrated funds – unlisted	15,273	-	22,910	-	2,864	-
Other holding of real estate	51,896	-	103,792	-	12,974	-
Total	100,057	-	248,427	-	31,054	-

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3.4 Geographical and sector wise break up of impairment allowances and impaired and past due accounts

	BD 000's				
	GCC Countries	Europe	Asia	America	Total
Impaired and non-performing					
3 months to 1 year	22,500	-	-	-	22,500
1 year to 3 years	18,682	-	-	-	18,682
More than 3 years	7,718	-	-	-	7,718
	48,900	-	-	-	48,900
Less: Stage 3 ECL allowance					
At 1 January 2021	10,905	-	-	-	10,905
Net Transfer	4	-	-	-	4
Net Charge during the period	4,273	-	-	-	4,273
Write off during the period	(4)	-	-	-	(4)
Disposal	-	-	-	-	-
At 30 June 2021	15,178	-	-	-	15,178
Carrying amount	33,722	-	-	-	33,722
Past due but not impaired, including substandard:					
Up to 3 months	51,054	-	-	-	51,054
3 months to 1 year	37,899	-	-	-	37,899
More than 1 year	-	-	-	-	-
	88,953	-	-	-	88,953
Stage 1 and Stage 2 ECL Allowance					
At 1 January 2021	9,919	-	-	214	10,133
Net Transfer	369	-	-	-	369
Net Charge / (reversal) during the period	(585)	-	-	(2)	(587)
At 31 December 2021	9,703	-	-	212	9,915

	BD 000's			
	Banks and financial institutions	Real estate	Others	Total
Impaired:				
3 months to 1 year	989	10,131	11,380	22,500
1 year to 3 years	-	7,443	11,239	18,682
More than 3 years	-	3,176	4,542	7,718
	989	20,750	27,161	48,900
Less: Stage 3 ECL allowance				
At 1 January 2021	524	3,476	6,905	10,905
Net Transfer	-	153	(149)	4
Net Charge during the period	79	1,576	2,618	4,273
Write off during the period	-	-	(4)	(4)
Disposal	-	-	-	-
At 30 June 2021	603	5,205	9,370	15,178
Carrying amount	386	15,545	17,791	33,722
Past due but not impaired:				
Up to 3 months	-	35,191	15,863	51,054
3 months to 1 year	-	18,384	19,515	37,899
More than 1 year	-	-	-	-
	-	53,575	35,378	88,953
Stage 1 and Stage 2 ECL Allowance				
At 1 January 2021	-	3,051	7,082	10,133
Net Transfer	-	45	324	369
Net Charge / (reversal) during the period	-	(1,194)	607	(587)
At 31 December 2021	-	1,902	8,013	9,915

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3.5 Renegotiated facilities

During the period, facilities of BD 1,895 thousand were renegotiated representing 0.4% of the total outstanding facilities, out of which BD 1,237 thousand are classified as neither past due nor impaired as of 30 June 2021. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD. The Bank carried out an assessment of the renegotiated facilities. The renegotiated terms improved or restored the Bank's ability to collect profit and principal.

3.6 Legal action and write off of exposures

The Bank has policy for initiation and prosecution of legal action when all amicable avenues for settlement of dues from a customer have been exhausted. The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means.

As of 30 June 2021, the Bank did not have any material legal contingency from pending legal actions. Based on management estimates there is no potential liability arising from these pending legal actions.

The Bank has a policy that permits write-off of exposures when there is no possibility of recovery of the dues through legal and other means. The Bank has written-off financing facilities amounting to BD 4 thousand during the six months period ended 30 June 2021.

3.7 Penalties for delayed payments

In cases where customers delay the payments of dues to the Bank, the Bank has the right to collect penalties, subject to the provisions of the agreement between the customer and the Bank. The Bank recovers such penalties from customers when the amounts are significant. As per policy such penalties are maintained in a separate account and used for charity purposes approved by the Bank's Shari'a Board.

The Bank has a policy of creating a contribution for Charity and Zakah fund for any non-Islamic income earned. During the six months period ended 30 June 2021, an amount of BD 6 thousand was thus transferred to Charity and Zakah fund.

3.8 Credit risk mitigation

The position of collateral cover for all credit exposures categorized on the basis of the type of security as on 30 June 2020 is given in the table below:

BD 000's

Collateral Type	Murabaha	Musharaka	Mudaraba	Wakala	Istisna	Ijara	Value of collateral ^[1]	Gross Exposure ^[2]	% of cover	% of Total
Real Estate Listed	228,238	-	-	-	-	213,339	442,689	342,385	139%	94%
Securities Unlisted	7,413	-	-	-	-	-	7,413	6,928	96%	1%
Bank Guarantee	-	-	-	-	-	-	-	-	0%	0%
Cash	-	-	-	-	-	-	-	-	0%	0%
Collateral Unsecured	23,561	-	-	-	-	1,713	25,274	49,766	46%	4%
Others	4,018	-	-	-	-	-	4,018	10,343	46%	1%
Total	263,230	-	-	-	-	215,052	479,394	480,618	102%	100%

^[1] Represents collateral values based on the last valuation carried out based on the Bank's valuation policy including collaterals which exceed the book value of the facility.

^[2] The amounts are gross of Stage 1 and Stage 2 ECL BD 9,915 thousand and Stage 3 ECL BD 15,178 thousand.

The Bank has a policy of disposal of asset held as collateral not readily convertible into cash, after completion of necessary legal formalities.

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3.9 Regulatory capital requirements by type of financing contracts

BD 000's

Financing contracts	Exposure		Credit Risk Weighted Assets		Capital Requirement @ 12.5%	
	Self-financed	IAH	Self-financed	IAH	Self-financed	IAH
Murabaha	233,944	85,504	262,105	24,134	32,763	3,017
Ijara assets (including lease rentals receivable)	146,438	-	9,280	-	1,160	-
Musharaka	105	-	105	-	13	-
Mudharabah	989	-	989	-	124	-
Wakala	90	-	90	-	11	-
Istisna	-	14	-	4	-	1
Total	381,566	85,518	272,569	24,138	34,071	3,018

4 Market Risk

4.1 Regulatory capital allocation against market rate risk

The table below shows the market risk position for each category of the market risk as at period ended 30 June 2021 along with the maximum and minimum values during the period:

BD 000's

	As at 30 June	Max	Min
Equity position risk	-	-	-
Market risk on trading positions in sukuk	-	-	-
Foreign exchange risk	662	662	657
Commodity risk	-	-	-
Total (A)	662	662	657
Risk Weighted Assets (A x 12.5)	8,275	8,275	8,213
Capital requirement @ 12.5%	1,034	1,034	1,027

5 Operational Risk

5.1 Regulatory capital allocation against operational risk

The Bank uses the Basic Indicator Approach ("BIA") in calculating its regulatory capital requirement for operational risk.

The risk weighted assets and capital requirement for operational risk as at 30 June 2021 is as given below:
BD 000's

Average gross income for 3 years (A)	36,146
Operational Risk Weighted Assets B = (A x 15% x 12.5)	67,775
Capital requirement (B x 12.5%)	8,472

6 Other Risks

6.1 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its financial obligations on account of a maturity mismatch between assets and liabilities. The Bank's approach to managing liquidity is to ensure that it will always have sufficient funds and high quality liquid assets to meet its liabilities when due without incurring unacceptable losses or risking damage to the Bank's reputation.

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Maturity profile of assets and liabilities based on residual contractual maturity or expected maturity as at 30 June 2021 is as follows:

BD 000's

30 June 2021	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	59,672	3,029	5,869	619	-	69,189
Placements with financial institutions	27,144	-	-	-	-	27,144
Financing assets ¹	86,427	19,946	38,891	130,851	32,972	309,087
Investment in sukuk	278,821	11,423	-	-	-	290,244
Investment in equity securities	-	-	22,593	15,549	10,019	48,161
Assets acquired for leasing ² (including lease rental receivables)	9,696	4,461	8,668	36,953	86,660	146,438
Investment in associates	-	922	1,981	-	28,447	31,350
Investment properties	-	-	-	-	17,781	17,781
Development property	-	-	-	-	76,423	76,423
Other assets	1,083	236	27	16,119	-	17,465
Property and equipment	-	-	-	-	7,577	7,577
Total assets	462,843	40,017	78,029	200,091	259,879	1,040,859

	Up to 3 months	3 to 6 months	6 months-1 year	1 to 3 years	Over 3 years	Total
Liabilities						
Placements from financial institutions	38,784	48,796	9,011	-	-	96,591
Placements from non-financial institutions and individuals	65,399	51,183	59,765	16,333	5,151	197,831
Medium-Term Borrowing	61,829	-	15,151	-	-	76,980
Customers' current accounts ³	17,822	5,642	6,127	7,001	21,377	57,969
Other liabilities	2,683	963	885	5,452	-	9,983
Total liabilities	186,517	106,584	90,939	28,786	26,528	439,354
Equity of Investment Account Holders¹	102,398	74,227	110,145	77,067	82,957	446,794
Restricted Investment accounts	62	-	-	10,649	-	10,711
Commitments	18,730	3,439	5,266	20,031	104	47,570

¹Allocated using behavioral approach to compute expected maturity profile.

Following are the key liquidity ratios which reflect the liquidity position of the Bank for the past 5 years:

	June 2021	2020	2019	2018	2017
	Figures in %				
Inter-bank assets to inter-bank liabilities	57.58%	64.11%	84.82%	62.61%	47.02%
Liquid assets to total assets	26.01%	24.41%	38.83%	60.02%	22.19%
Liquid assets to total deposits	38.53%	35.66%	51.79%	47.55%	35.12%
Net liquid assets to total deposits	24.78%	24.22%	33.70%	18308%	10.07%

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Net stable funding Ratio (NSFR)

The objective of the NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability. NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding".

NSFR calculated as per the requirements of the CBB rulebook, as of 30 June 2021 is as follows:

	Total weighted value
	30 June 2021
Available stable funding (ASF)	634,022
Required stable funding (RSF)	597,859
NSFR %	106.05%
Minimum required by CBB*	80%

*As part of concessionary measures announced by CBB, minimum NSFR ratio were reduced from 100% to 80% till 31st December 2021.

Liquidity Coverage Ratio (LCR)

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high-quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days.

	Average balance
	30 June 2021
Stock of HQLA	207,356
Net cashflows	68,817
LCR %	301.3%
Minimum required by CBB*	80%

*As part of concessionary measures announced by CBB, minimum LCR ratio were reduced from 100% to 80% till 31st December 2021.

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6.2 Profit rate risk in the banking book

A summary of the Bank's profit rate gap position at 30 June 2021 is as follows:

BD 000's

30 June 2021	Up to 3 months	3 - 6 months	6 months - 1 year	1 - 3 years	More than 3 years	Total
Assets						
Placements with financial institutions	27,144	-	-	-	-	27,144
Financing assets	61,372	7,124	29,449	51,558	159,584	309,087
Assets acquired for leasing (including lease rental receivables)	24	-	62	3,017	143,335	146,438
Investments securities (sukuk)	25,024	1,693	4,500	27,320	231,707	290,244
Total profit rate sensitive assets	113,564	8,817	34,011	81,895	534,626	772,913
Liabilities						
Placements from financial institutions	38,784	48,796	9,011	-	-	96,591
Placements from non-financial institutions and individuals	51,411	52,577	79,789	14,054	-	197,831
Medium-Term Borrowing	61,828	-	15,152	-	-	76,980
Customers' current accounts	1,554	-	-	-	-	1,554
Equity of investment account holders	255,180	44,229	119,657	27,724	4	446,794
Total profit rate sensitive liabilities	408,757	145,602	223,609	41,778	4	819,750
Profit rate gap	(295,193)	(136,785)	(189,598)	40,117	534,622	(46,837)

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise across all yield curves and a 50 bp rise or fall of all yield curves.

An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

At 30 June 2021	100bp parallel increase/ decrease	50bp increase/ decrease
At 31 December 2020	± 468	± 234
	± 690	± 345

The other principal risk, to which the banking book is exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the RMD in its day-to-day monitoring activities. The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel fall or rise across all yield curves and a 50 bps rise or fall of all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position position) is as follows:

At 30 June 2021	200bp parallel increase/ decrease
At 31 December 2020	± 936
	± 1,380

6.3 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. The Bank does not engage in proprietary trading of equity, foreign exchange or its derivatives. However, the Bank manages such risk through natural hedges to hedge its risks arising out of mismatch in its asset liability portfolios. Clear policies for such transactions are in place. For other credit markets transactions (primarily interbank placements), the Bank has established a matrix of counterparty limits based on external credit rating of such counterparties. Such limits are constantly monitored by the Banks Risk Management Department. As at 30 June 2021, the Bank did not have any open position in foreign currency risk management instruments.

6.4 Concentration risk

Concentration risks arises when a number of obligors, counterparties or investees are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Accordingly, such concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or region. The Bank has established exposure limits to various geographic regions and industry sectors. For break-up of exposure geography and industry/ sector wise, please refer points 3.2.1 and 3.2.2 above.

6.5 Reputational risk

Reputation risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base, lead to costly litigation that could have an adverse impact on liquidity or capital of the Bank. Being an Islamic Bank, reputation is an important asset and among the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments and poor communication to investors. The Bank has a well-developed and coherently implemented communication strategy to cover such contingencies. The Bank also allocates additional capital for such risks under its ICAAP.

6.6 Displaced commercial risk

Displaced Commercial Risk refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by equity of investment account holders. This can be due to the return on such assets being lower than that of competitors. The Bank has adequate policies and procedures in place to identify, monitor and address all potential risks that may arise from such activities. Please refer to the section on IAH for further details.

6.7 Other risks

Other risks include strategic risk, fiduciary risks, and regulatory risks etc. which are inherent in all business and are not easily measurable or quantifiable. The Bank's Board has overall responsibility for approving and reviewing the risk strategies and amendments to the risk policies. The Bank senior management is responsible for implementing the risk strategy approved by the Board. The management also ensures that internal systems of corporate governance and regulatory compliance for management of fiduciary and reputational risks are robust and effective. The Bank also allocates additional capital for such risks under its ICAAP.

7 Compliance Disclosure

During the period, the Bank was charged a penalty of BD 50.

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8 Financial Performance

Following are basic quantitative indicators of the financial performance:

(Annualized rates)

	June 2021	2020	2019	2018	2017
Return on average equity	6.46%	9.14%	(14.99)%	2.45%	0.71%
Return on average assets	0.60%	0.86%	(1.62)%	0.36%	0.11%
Finance income to finance expense	117.34%	119.25%	119.57%	155.60%	221.37%
Cost-to-Income-Ratio*	34.88%	45.92%	72.58%	64.59%	60.80%

* Cost has been considered excluding impairment allowances.

9 Product Disclosures

9.1 Equity of investment account holders (IAH's)

The details of income distribution to IAH holders for the last five years are given below:

	BD 000's				
	June 2021	2020	2019	2018	2017
Allocated income to IAH	13,920	21,574	23,544	5,806	14,884
Distributed profit *	6,067	12,285	15,087	4,059	7,447
Mudarib fees	7,853	9,289	8,457	1,747	7,437
As at 30 June					
IAH ^[1]	469,265	435,886	467,268	340,921	383,561
Profit Equalisation Reserve (PER)	-	-	-	-	-
Investment Risk Reserve (IRR)	-	-	-	-	-
Profit Equalisation Reserve-to-IAH (%)	-	-	-	-	-
Investment Risk Reserve-to-IAH (%)	-	-	-	-	-

^[1] Represents average balance

* Includes contribution towards deposit protection scheme

Ratio of financing of the IAH by type of IAH contracts as at 30 June 2021:

Type of IAH contracts

1 Month Mudharaba¹
 3 Months Mudharaba
 6 Months Mudharaba
 12 Months Mudharaba
 18 Months Mudharaba
 24 Months Mudharaba
 36 Months Mudharaba
 VIP Mudharaba
 Total

Ratio of financing

38.6%
 7.1%
 4.5%
 20.7%
 0.1%
 6.3%
 0.1%
 22.6%
 100.0%

¹ Includes saving account, Al-Wafer account and call mudharaba accounts.

Ratio of profit distributed to PSIA by type of IAH (based on tenor):

BD 000's

Mudaraba Tenor	Profit distribution amount in BD					Ratio of profit paid as a percentage of total				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
1 Month ^[2]	1,591	2,170	1,657	1,029	959	26.1	17.7	11.0	11.79	12.9
3 Months	379	633	763	290	297	6.2	5.1	5.1	3.38	4.0
6 Months	308	656	658	536	1,012	5.1	5.3	4.4	6.23	13.6
12 Months	1,514	3,797	4,592	3,936	3,024	25.0	30.9	30.4	45.75	40.6
18 Months	4	9	6	6	6	0.1	0.1	0.0	0.07	0.1
24 Month	558	1,312	1,078	122	239	9.2	10.7	7.1	1.42	3.2
36 Month	10	106	514	367	3	0.2	0.9	3.4	4.26	-
VIP Mudaraba	1,703	3,552	5,819	2,316	1,907	28.1	28.9	38.6	27.01	25.6
Wakala	-	50	-	-	-	-	0.4	-	-	-
Total	6,067	12,285	15,087	8,602	7,447	100.0	100.0	100.0	100.0	100.0

^[2] Includes saving account and call mudaraba

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9.1 Equity of investment account holders (IAH's) (Continued)

Distribution of profits by type of IAH products (Annualised rates)

Year	Avg. profit earned from IAH assets (%age of asset)	PER set aside as a %age of IAH assets	IRR set aside as a %age of IAH assets	Mudharib fees as a %age of IAH assets	Profit paid as a %age of IAH assets
2021	5.93	-	-	3.35	2.59
2020	4.95	-	-	2.13	2.82
2019	5.04	-	-	1.81	3.23
2018	4.41	-	-	1.63	2.50
2017	3.88	-	-	1.94	1.94

Following are the average profit rates declared and distributed to the investors by the Bank:

(Annualised rates)

Type of deposit	2021	2020	2019	2018	2017
1 month Mudharaba ^[1]	1.54%	1.32%	1.03%	0.86%	0.64%
3 months Mudharaba	2.94%	3.28%	3.66%	2.51%	1.79%
6 months Mudharaba	3.04%	3.45%	3.69%	2.96%	3.07%
12 months Mudharaba	3.27%	3.71%	3.86%	3.37%	2.81%
18 months Mudharaba	3.25%	3.70%	3.44%	2.81%	2.73%
24 months Mudharaba	3.99%	5.88%	5.48%	3.26%	3.49%
36 Months Mudharaba	3.87%	2.10%	5.22%	4.93%	3.39%
VIP Mudharaba	3.34%	4.18%	4.94%	3.10%	2.39%
Wakala	-	0.96%	-	-	-

^[1] Includes saving account, Al-Wafer account and call mudharaba accounts.

Market benchmark rates:

The Bank refers to the group of commercial Islamic banks incorporated in the Kingdom of Bahrain so as to benchmark the rate of return on IAH.

IAH account by type of assets:

The following table summarizes the movement in type of assets in which the IAH funds are invested and allocated among various type of assets for the year ended 30 June 2021:

Particular	Allocation at 1 January 2021	Movement	Allocation at 30 June 2021	Proportion of total assets (%)	% of funding by IAH as at 30 June 2021
Cash and bank balances	48,695	(5,206)	43,490	9.73%	62.86%
Placements with financial institutions	17,720	9,425	27,145	6.08%	100.00%
Financing assets:	97,395	(11,877)	85,518	19.14%	27.52%
-Murabaha	96,051	(10,547)	85,504	19.14%	27.52%
-Istisna	1,344	(1,330)	14	0.00%	0.00%
Investment securities – Sukuk	261,539	29,103	290,642	65.05%	100.00%
Total	425,349	21,445	446,794		

Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio

	June 2021	2020	2019	2018	2017
Average mudarib share as a percentage of total income allocated to IAH	61.73%	60.72%	46.56%	41.82%	41.86%
Average mudarib share contractually agreed with IAH	64.84%	63.89%	59.38%	62.20%	58.80%
Average mudarib fees sacrificed by the Bank	3.11%	3.17%	12.82%	20.38%	16.94%

For details of assets that the Bank has pledged as collateral as of 30 June 2021, please refer to note 8 of the condensed consolidated interim financial information for the six month ended 30 June 2021.

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9.2 Restricted Investment Accounts (RIA's)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2021	2020	2018	2017	2016
RIA 1 – Safana	<p>An investment structure designed to participate in the equity interest of Safana Investment WLL. A company established for the purpose of acquiring reclaimed land to subdivide and sell. In 2011, the Bank made an offer to buy back < BD 20,000 of each investors funds in RIA 1 at par. This offer was formalized in a letter to investors dated 25 May 2011. A total of 74 of the 95 RIA 1 investors accepted the offer at a cost of BD 1,220,000 to the Bank and resulting in a total of 39 investors being fully exited from the RIA. As a result, total investors funds have reduced to BD 8.34 million.</p> <p>KHCB and NS12 (special purpose vehicle incorporated by the Bank on behalf of investors with the principle purpose of holding plots of lands in the Nurana Project) recently appointed Key Point to work out an in-kind exit scheme for the RIA investors by offering the 19 plots. Scheme documents has been received from Key Point and approved by KHCB and NS 12 management to be circulated to investors.</p> <p>Approved Scheme Documents have been circulated by Key Point to all investors and followed by a workshop conducted at KHCB offices on the 24th August 2016, to explain and answer any queries or information needed to exercise the Plots Application Forms.</p> <p>Last date of returned Application Forms was 7th September 2016, along with the Opening Date which was held at 24th Floor, KHCB Offices managed and monitored by Key Point and witnessed By KHCB employs; the result was 6 plots were allotted out of 19 plots.</p> <p>The in-kind exit scheme has been completed and an open auction held on 22nd November, 2016 to allow maximum opportunities to the Investors to re-participate once again on the remaining plots. KPMG was engaged By KHCB to audit the whole In-kind exit process.</p> <p>Following the 3 allotment rounds of which RIA 1 investors participated, 6 plots have been allocated.</p> <p>Total revise fund BD 5,176,246 which included KHCB and total remaining NS 12 BD 6,979,665 as at 30 June 2021.</p>	2007	61.78% over product tenor	Bullet payment on maturity	-	-	-	-	-

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9.2 Restricted Investment Accounts (RIA's)(Continued)

RIA name	Details	Launch date	Projected returns	Return frequency	Return annualized (%)				
					June 2021	2020	2018	2017	2016
RIA 5 - North Gate	<p>A restricted investment product which owns a 6.0% stake in Shaden Real Estate Investment WLL which in turn (through its subsidiaries), holds a parcel of reclaimed land measuring approximately 3.875 million Sq. Meters (located in Al-Hidd, Muharraq). The mixed-use plot will be sold to end users subsequent to the completion of infrastructure works.</p> <p>During Q1 2015, the Bank effected a buy-back option to all RIA investors for up to an amount of BD 30,000 plus 5% premium for all investors. RIA investors holding BD 30,000 and below was exited in full. A detailed letter was sent to all RIA investors in this regard. The offer was made valid up to 15 June 2015 AND during Q3 2015 the Bank paid 5.62% as partial redemption to the remaining investors.</p> <p>Moreover, during December 2018 dividend declared amount of BD 259,500 to all RIA investors and it was paid by following quarter.</p>	2008	90.66% over product tenor	Bullet return at maturity	-	-	-	-	-
RIA 6 – Locata	<p>A Restricted Mudaraba product which entitles the investors beneficial ownership of 25% equity share capital of Locata Corporation Pty Ltd., a company incorporated in Australia. The Company has invented a new and patented wireless radiolocation technology and shall use this funding to scale up its production capacity, sales/marketing channels and further product enhancement capabilities. During last year, 479 shares were bought back from investors.</p>	2009	110.54% over product tenor	Bullet return at maturity	4.5%	-	-	-	-