



Compliance Report based on:

AAOIFI Shariah Mandate

The Bahraini Saudi Bank BSC (BSB:BSH)

Description

The Bahraini Saudi Bank BSC is a Bahrain-based public shareholding company that offers commercial and retail banking solutions to both corporate and individual clients in accordance with Islamic Shariah principles. The Bank offers its services through four business segments: Retail Banking segment offers operative accounts, investment products and bill payment services; Premium Banking division offers personalized and teller services, financial planning and account services; Commercial Banking division covers accounts and investments, trade services and a range of financing products, such as ijara, murabah, musharakah and istisna, and Treasury Services segment provides market news, exchange rates in all the Gulf Cooperation Council (GCC) currencies and other major currencies, wakala deposits and other related services. It is operational through a network of nine branches and automated teller machines (ATM) located in Bahrain. The Bank is a subsidiary of Al Salam Bank Bahrain.

Company Status

IdealRatings analysts have issued a report regarding the company:

Name:	The Bahraini Saudi Bank BSC	Core Business Activity:	Banks
Ticker:	BSB:BSH	Exchange:	Bahrain Stock Exchange
ISIN:	BH0004669287	Compliance Status:	PASS
Country:	Bahrain		

IdealRatings reviewed the most recent financial statement (2011 A) for The Bahraini Saudi Bank BSC

This report has been prepared to determine the Shariah compliance status of the company based on the AAOIFI Shariah mandate.

Business Screening

Based on the business of the company the core business (Banks) is conventional and thus from a revenue perspective all the income is conventional. However, Shariah Supervisory Board meeting was held and approved the conversion of the Bank from a conventional to an Islamic Bank effective 1 January 2012. The Bank's operations will fully comply with Shariah principles effective 1 January 2012 as mentioned in the annual financial statement. Thus all the income is converted from conventional to Shariah compliant. Shariah board is responsible to convert the remaining conventional activities and purify them. Below there is a snap shot from annual financial statement for the year ended December 2011 declaring the conversion of the bank from a conventional to an Islamic bank.

On 20 November 2011, an extra-ordinary general meeting (“EGM”) of shareholders held and they have resolved to approve the delisting of the Bank’s listed shares from Bahrain Bourse. The shareholders have also resolved to approve the change of the Bank’s legal status from public shareholding to a closed joint stock company and to amend the Memorandum and Article of Association accordingly, subject to approval of CBB and Ministry of Industry and Commerce (“MOIC”).

On 22 December 2011, a second EGM was held and the shareholders resolved to approve the merger of the Bank with its Parent, ASBB. This is subject to regulatory approvals.

On 28 December 2011, Shari’a Supervisory Board meeting was held and approved the conversion of the Bank from a conventional to an Islamic Bank effective 1 January 2012. The Bank’s operations will fully comply with Shari’a principles effective 1 January 2012.

Note 1, annual financial statement 2011

The status of the company from a business activity is as follows:

	Threshold	Company	Compliance
Non-permissible Income	5%	0.00%	PASS

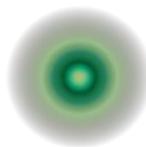
Financial Screening:

According to the most recent financial statement (2011 A), the financial ratios with respect to the AAOIFI Shariah mandate for the companies are as follows:

	Threshold	Company	Compliance
Interest-bearing Investments	30%	71.27%	FAIL
Interest-bearing Debts	30%	0%	PASS
Liquidity	6%	42.51%	PASS
Share Type (Pref/Common)	Common	Common	PASS
Has Shariah Board	True	True	PASS
Operates according to Shariah	True	True	PASS

Compliance Status:

Based on the available information and the above figures according to the AAOIFI Shariah mandate, the Bahraini Saudi Bank BSC is considered to be **Shariah-Compliant**.





Disclosures

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