



PUBLIC DISCLOSURE REQUIREMENTS MODULE



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MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.1 Purpose

PD-A.1.1 The purpose of this Module is to set out the detailed qualitative and quantitative public disclosure requirements that banks should adhere to in order to enhance corporate governance and financial transparency through better practice in public disclosure. Such disclosures also help to protect customers and facilitate market discipline.

PD-A.1.2 This module provides support for certain other parts of the Rulebook, namely:

- (a) Principles of Business;
- (b) High-level Controls;
- (c) Audit Firms;
- (d) CBB Reporting Requirements;
- (e) Capital Adequacy
- (f) Business and Market Conduct; and
- (g) Risk Management (i.e. market, credit, liquidity and operational).

PD-A.1.3 This Module also provides support for certain aspects relating to disclosure requirements stipulated in the Central Bank of Bahrain and Financial Institutions Law (Decree No. 64 of 2006) and the Bahrain Commercial Companies Law (as amended).

PD-A.1.4 The CBB's disclosure requirements (in this Module) vary according to whether the concerned bank is locally incorporated (PD-1 and PD-3) or is a branch of a foreign bank (PD-2).

Legal Basis

PD-A.1.4 This Module contains the CBB's Directive relating to public disclosure and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). The Directive in this Module is applicable to all locally incorporated Islamic bank licensees (and branches of foreign banks where applicable).

PD-A.1.5 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.2 General Requirements

PD-A.2.1

All locally incorporated Islamic banks must have a formal disclosure policy as part of their overall communications strategy approved by the Board of Directors (and supported by documented procedures) that addresses the disclosures that the bank makes and the internal controls over the disclosure process. In addition, all locally incorporated Islamic banks must carry out an annual review of the validity of their disclosures (in terms of scope and accuracy) as outlined in Sections BR-5.2 and AU 3.2.

PD-A.2.2

All locally incorporated Islamic banks are required to publish their annual audited and reviewed quarterly financial statements per the rules set out in this module and the CBB Law, Bahrain Commercial Companies Law (as amended) and the Bahrain Stock Exchange regulations, where applicable. Such financial statements must be prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). When there are no specific accounting standards under AAOIFI, Islamic banks must use International Financial Reporting Standards (IFRS). Listed banks must refer to PD- A.2.6.

PD-A.2.3

The Central Bank requires that each bank must maintain an up-to-date checklist of all applicable AAOIFI standards and IFRS (where applicable) and also the disclosure requirements set out in this module for full compliance purposes. Such checklists should be part of the bank's public disclosures procedures.

PD-A.2.4

The disclosures specified in this module, which are in addition to those required by applicable accounting standards, must be reviewed by the bank's external auditors based upon agreed upon procedures (unless AAOIFI Standards or IFRS require that the concerned disclosures are audited). The disclosures in this Module may be presented as an accompanying document or appendices to the Annual Report (or interim Financial Statements) or in the Notes to the Financial Statements of the bank at the discretion of the concerned bank.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.2 General Requirements (continued)

PD-A.2.5 The external auditors must also review other statements in the Annual Report (such as the Chairman’s report) to ensure that such statements are consistent with the audited financial statements and the disclosures required by this Module. All qualitative or descriptive disclosures in the Annual Report must be based upon, and be reflective of, the facts and actual practice employed by the bank (and be subject to the above review by the bank’s external auditors).

PD-A.2.6 If situations arise where disclosures required in this module are in conflict with those required under AAOIFI Standards and IFRS and/or BSE listing requirements, listed banks should first follow BSE requirements. Unlisted banks should first follow AAOIFI standards. In such situations, banks should explain any material differences between the accounting or other disclosures and the disclosure required in this Module. This explanation does not have to take the form of a line by line reconciliation, but should provide stakeholders with sufficient detail to make an objective assessment of the bank’s financial and operational health. Moreover, a formal notification to the Central Bank is required in such a situation.

PD-A.2.7 The bank should decide which disclosures are relevant for it based on the materiality concept and subject to the concurrence of the bank’s external auditors. For the banks’ guidance, information would be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

PD-A.2.8 Non-compliance with these disclosure requirements could lead to an additional capital requirement such as not allowing the subject bank to apply a lower weighting for a particular portfolio or increasing a particular risk weight for a specific portfolio(s).

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.2 General Requirements (continued)

PD-A.2.9

The disclosures referred to in this Module must be made at the top consolidated level of a banking group (i.e. at the level of the parent bank in Bahrain). Disclosures related to individual banks within a banking group will be required where listing requirements or differing accounting requirements necessitate such separate disclosure.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-A:	Introduction

PD-A.3 Proprietary and Confidential Information

PD-A.3.1 Proprietary information encompasses information (for example on products or systems), that if shared with competitors would render a licensed bank's investment in these products/systems less valuable, and hence would undermine its competitive position. Information about customers is often confidential, in that it is provided under the terms of a legal agreement or counterparty relationship. This has an impact on what banks should reveal in terms of information about their customer base, as well as details on their internal arrangements, for instance methodologies used, parameter estimates, data etc.

PD-A.3.2

If a bank considers that disclosure of certain information required in Section PD-1.3 may prejudice seriously its position by making public information that is either proprietary or confidential in nature, it may not disclose those specific items, subject to the prior approval of the Central Bank. In such situations, the Central Bank may require the disclosure of more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed. This limited exemption is not intended to conflict with the disclosure requirements under IFRS or AAOIFI.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A-4 Module History

PD-A.4.1 This module was first issued in January 2005 as part of the Islamic principles volume. All regulations in this volume have been effective since this date. All subsequent changes are dated with the month and year at the base of the relevant page and in the Table of Contents. Chapter 3 of Module UG provides further details on Rulebook maintenance and control. The most recent changes made to this Module are detailed in the table below:

Summary of changes

Module Ref.	Change Date	Description of Changes
PD 2.1.5 & 3.1.7	Jan 2006	Revised notification for submission of accounts to the Agency
PD 4.3	July 2006	Amendment to disclosure of charges requirements
PD-A, PD-B, PD-1 & PD-3	Apr 2008	New Disclosures required by Basel II and IFSB

Effective date

PD-A.4.2

The contents in this Module are effective January 2005 or from the effective date of the summary of changes as shown above in the above table.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-B: General Guidance and Best Practice

PD-B.1 Guidance provided by international bodies

PD-B.1.1 This Chapter provides general guidance on public disclosure requirements.

Basel Committee on Banking Supervision: Various papers

PD-B.1.2 The papers below set best practice standards and are to be taken as guidance by licensees in order to improve public disclosure practices:

- ‘Enhancing Bank Transparency’ – September 1998 (see www.bis.org/publ/bcbs41.pdf)
- ‘Sound Practices for Loan Accounting and Disclosure’ – July 1999 (see www.bis.org/publ/bcbs55.pdf)
- ‘Best Practices for Credit Risk Disclosure’ – September 2000 (see www.bis.org/publ/bcbs74.pdf)
- Basel II The Third Pillar – Market Discipline – June 2006.

PD-B.1.3 In addition, the Basel Committee, in conjunction with the International Organization of Securities Commissions (IOSCO) has issued the following papers that relate to the subject matter of this Module:

- ‘Recommendations for Public Disclosure of Trading and Derivatives Activities of Banks and Securities Firms’ – October 1999 (see www.bis.org/publ/bcbs48.pdf)
- ‘Intra-group Transactions and Exposure Principles’ – December 1999 (see www.bis.org/publ/bcbs62.pdf)
- ‘Risk Concentrations Principles’ – December 1999 (see www.bis.org/publ/bcbs43.pdf)

PD-B.1.4 The Islamic Financial Services Board has issued the following paper which makes recommended disclosures for Islamic banks:

- ‘Disclosures to promote transparency and market discipline for institutions offering Islamic financial services – December 2006 (see www.ifsb.org/)



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.1 Introduction

PD-1.1.1 The purpose of this chapter is to set out the Central Bank's requirements relating to the disclosure of information in the annual audited financial statements ('Annual Report') of locally incorporated banks. This Chapter also refers to the Bahrain Commercial Companies Law (as amended) and the Bahrain Stock Exchange regulations relating to public disclosure and reporting requirements.

PD-1.1.2

For the purpose of this Chapter, the following definitions apply:

- (a) 'Director' includes any person who occupies the position of a director and any person who appears to the Central Bank to be a Director (howsoever called) of the applicant/licensed locally incorporated bank and its subsidiaries;
- (b) 'Chief Executive/General Manager' means a person who is responsible under the immediate authority of the directors for the conduct of the applicant/licensed locally incorporated bank, including its subsidiaries and overseas branches, or Bahrain branches of foreign banks;
- (c) 'Manager' means a person who, under the immediate authority of a director or the chief executive/general manager, exercises major managerial function(s) or is accountable for maintaining accounts or other records of the applicant/licensed bank;
- (d) 'Interest in the shares' shall include, but not be limited to, direct and/or indirect ownership of such shares, the right of voting associated with such shares, the right to receive dividends payable on such shares, and/or any right, regardless of the form thereof, to purchase (or otherwise acquire an interest in) such shares at any time;
- (e) 'Audited financial statements' refers to the financial statements required under AAOIFI or International Financial Reporting Standards;
- (f) 'Annual Report' refers to the document which contains the full audited financial statements and accompanying notes as well as any accompanying commentary by the senior officials of the bank.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.2 Requirements for Annual Audited Financial Statements and Annual Reports

Submission of Annual Audited Financial Statements

PD-1.2.1

All locally incorporated Islamic banks must submit their annual audited financial statements to the Central Bank including the full disclosures prescribed in this Chapter within 90 days of the end of the bank's financial year (as required by Article 62 of the CBB Law). Banks' annual audited financial statements must be audited by their external auditors.

PD-1.2.2

Banks are also required to place the full annual audited financial statements reports on their website (see also PD-1.3.10 (h)) within seven days of submission to the CBB.

Publication of Annual Audited Financial Statements

PD-1.2.3

Banks must publish extracts from their annual audited financial statements in one Arabic and one English daily newspaper within 60 days of the end of the financial year. The newspaper disclosures may be edited so that notes are not included, but must include at a minimum the balance sheet, the statements of income, the cash flow and changes in equity. The newspaper disclosures must be placed on the bank's website within seven days of publication.

PD-1.2.4

The newspaper disclosures should include a reference to the fact that the published figures "have been extracted from financial statements audited by XYZ auditors, who expressed an unqualified opinion on (dated report)". Banks must disclose in full any audit qualifications or matter of emphasis paragraphs contained within the auditor's opinion. The auditor's opinion must be made in accordance with AAOIFI's Standards on Auditing and the International Standards on Auditing as established by the International Federation of Accountants (as appropriate).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.2 Requirements for Annual Audited Financial Statements and Annual Reports (continued)

Publication of Annual Audited Financial Statements (continued)

PD-1.2.5

Banks must submit a newspaper copy of the published annual audited financial statements to the CBB within two days of publication in the concerned newspapers. The copy must be accompanied by a letter clearly showing on which date and in which publications the statements were published.

Submission of Annual Report

PD-1.2.6

All locally incorporated Islamic banks must submit their Annual Reports to the Central Bank, including the full disclosures prescribed in this Chapter within 120 days of the end of the bank's financial year.

PD-1.2.7

Banks are also required to place the Annual Reports on their website (see also PD-1.3.10(h)) within seven days of submission to the CBB.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports

Introduction

PD-1.3.1 Banks (referred to under Paragraph PD-1.2.1 – hereafter referred to as “banks”) should provide timely information which facilitates market participants’ assessment of them. The disclosure requirements set out in this Section must be included in the Annual Report either as an Appendix or in the notes to the Audited Financial Statements at the discretion of the concerned bank. The disclosures should be addressed in clear terms and with appropriate details to help achieve a satisfactory level of bank transparency.

PD-1.3.2 The disclosure requirements listed in Paragraphs PD-1.3.4 to PD-1.3.44 below follow the requirements of Basel 2 Pillar 3 and the IFSB and are in addition to or in some cases, serve to clarify the disclosure requirements of AAOIFI and/or IFRS as appropriate.

PD-1.3.3 If a bank is not able to achieve full compliance with the requirements stated in this Chapter, a meeting should be held with the Director of Islamic Financial Institutions Directorate at the Central Bank in the presence of the concerned external auditors to discuss the reasons for such non-compliance prior to the finalisation of the Annual Report. It is the responsibility of the bank to call for such meetings.

Investment accounts

PD-1.3.4 Restricted investment accounts are to be reported off-balance sheet in the financial statements.

Investment accounts

PD-1.3.5 Unrestricted investment accounts are to be reported on-balance sheet in the financial statements.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Scope of Application – Qualitative Disclosures

PD-1.3.6

The following information must be disclosed in relation to the parent bank (in Bahrain) and its banking and financial institution subsidiaries:

- a) The full legal name of the top corporate entity in the group to which the disclosure requirements apply.
- b) An outline of the differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group which for regulatory purposes are:
 - Fully consolidated;
 - Pro-rata consolidated;
 - Subject to deduction treatment;
 - Allowed to recognise surplus capital at the parent level;
 - Neither consolidated nor deducted (e.g. the investment is risk-weighted).
- c) Any restrictions on the transfer of funds or regulatory capital within the group (e.g. large exposure or exchange control regulations or covenants over the repayment of capital or the payment of dividends).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Scope of Application – Quantitative Disclosures

PD-1.3.7

The following information must be disclosed in relation to the parent bank (in Bahrain) and its banking and financial institution subsidiaries:

- a) The aggregate amount of capital deficiencies in all such subsidiaries that are not included in the consolidation (i.e. that are deducted) and the names and country of incorporation of such subsidiaries.
- b) The aggregate amounts (current book value) of the bank's total interests in insurance entities, which are risk-weighted rather than deducted from capital or subjected to an alternate group-wide methodology, as well as their name, their country of incorporation or residence, and the proportion of voting power in these entities. In addition, banks must disclose the quantitative impact on regulatory capital of using this method versus the deduction or alternate group-wide method.
- c) The aggregate capital deductions, and risk-weighted asset amounts of holdings of equities listed in paragraph PD-1.3.7(b) above which are not consolidated into the accounts of the parent bank (in Bahrain).

PD-1.3.8

In PD-1.3.7(a), a capital deficiency is the amount by which the regulatory capital base is less than the regulatory capital requirement. Any deficiencies which have been deducted on a group level in addition to the investment in such subsidiaries are not to be included in the aggregate regulatory capital deficiency.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Financial performance and position

PD-1.3.9

The following information relating to the financial performance and position of the bank should be included:

- a) Discussion of the main factors that influenced the bank's financial performance for the year, explaining any differences in performance between the current year and previous years and the reasons for such differences, and discussing factors that will have a significant influence on the bank's future financial performance;
- b) Basic quantitative indicators of financial performance including, but not restricted to, **ROAE**, **ROAA**, cost-to-income ratios etc. for the past 5 years;
- c) A discussion of the impact of acquisitions of new businesses and discontinued business and unusual items; and
- d) A discussion of the impact of changes in the capital structure and their possible impact on earnings and dividends.

Corporate governance and transparency

PD-1.3.10

The following information relating to corporate governance should be included in the bank's Annual Report:

- a) Information about the Board structure (e.g. the size of the Board, Board committees, and membership), and the basic organisational structure (lines of business structure and legal entity structure);
- b) Information about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of managers, as well as the Chairman, the Chief Executive and the General Manager (see Section PD-1.1 for definitions);



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Corporate governance and transparency (continued)

- c) Descriptive information on the managerial structure, including:
 - i. Committees (see Section HC-1.3 for detailed disclosure requirements relating to various types of committees);
 - ii. Segregation of duties;
 - iii. Reporting lines, and
 - iv. Responsibilities.
- d) Descriptive information on the incentive structure for the Chief Executive, the General Manager, Managers, Shari'a Board and the Board (remuneration policies, executive compensation, stock options, etc.);
- e) Nature and extent of transactions with related parties (as defined by AAOIFI and IFRS as appropriate see also PD-1.3.23(d));
- f) Information about any changes in the structures (as mentioned in Paragraphs PD-1.3.10(a) to PD-1.3.10(c) above) from prior periods;
- g) The communications strategy approved by the Board (including the use of the bank's website) which should perform at least the following:
 - i. The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and
 - ii. The provision of at least the last three years of financial data on the bank's website.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Corporate governance and transparency (continued)

- h) Banks are encouraged to maintain a website. If a bank does not have a website, it must state in its strategy how it will make all relevant information available to shareholders and other stakeholders on a timely basis.
- i) Descriptive information on any investor/ consumer awareness programmes for information on new products and services
- j) Information on any mediation and advice bureaus for investors and customers set up by the bank, including clearly written procedures for logging of complaints.
- k) Social functions and charitable contributions of the bank.
- l) Descriptive information on the governance arrangements, systems and controls employed by the bank to ensure Shari'a compliance and on how these meet applicable AAOIFI standards, and if there is less than full compliance, an explanation of the reasons for non-compliance.
- m) How non-Shari'a-compliant earnings and expenditure occur and the manner in which they are disposed of.
- n) The annual zakah contributions of the bank, where relevant.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Capital Structure – Qualitative Disclosures

PD-1.3.11

All banks must disclose summary descriptive information on the types, forms, terms and conditions of the main features of all capital- and equity-related instruments and unrestricted investment accounts listed below in PD-1.3.12 , PD-1.3.13 and PD-1.3.15, especially in the case of innovative, complex or hybrid capital instruments.

Capital Structure – Quantitative Disclosures

PD-1.3.12

All banks must disclose the amount of Tier One Capital with separate disclosures of:

- a) Issued and Paid-up share capital/common stock and any changes since the last reporting period;
- b) Breakdown of reserves and retained earnings;
- c) Minority interests in the equity of subsidiaries;
- d) Innovative capital or equity-related instruments;
- e) Other capital instruments; and
- f) Regulatory deductions from Tier One Capital (see CA-2 for guidance).

PD-1.3.13

All banks must disclose the components of and the total amounts of Tier Two Capital, prior to and after any adjustments or deductions (e.g. amortisations).

PD-1.3.14

All banks must disclose the aggregate general deductions from Tier One and Tier Two Capital (i.e. in respect of subsidiaries and material holdings of equities – see PD-1.3.7 and PD-1.3.8 and Module PCD in respect of deduction requirements).

PD-1.3.15

All banks must disclose the total eligible capital after all deductions, adjustments or caps (e.g. because of Large Exposures materiality thresholds or ceilings on components of Tier Two capital); and after observing all ceilings on Tier Two Capital.

PD-1.3.16

All banks must present a summary discussion of the bank's approach to assessing the adequacy of capital to support current and future activities. All banks must also disclose a description of the policy on identifying assets suitable for funding by unrestricted investment accounts.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Capital Adequacy

- PD-1.3.17** All banks must disclose the regulatory capital requirements for credit risk by each type of Islamic financing contract.
- PD-1.3.18** All banks must disclose their capital requirements for market risk using the standardised approach.
- PD-1.3.19** All banks must disclose their capital requirements for operational risk under:
- a) The basic indicator approach; or
 - b) The standardised approach (as applicable).
- PD-1.3.20** All banks must disclose their total and Tier One Capital Ratios on the following basis:
- a) For the top consolidated group in Bahrain;
 - b) For all significant bank subsidiaries (whose regulatory capital amounts to over 5% of group consolidated regulatory capital whether on a stand-alone or sub-consolidated basis).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Risk: General Qualitative Disclosure Requirements

PD-1.3.21

All banks must describe their risk management objectives and policies for each separate risk area below and provide information on whether or not strategies used have been effective throughout the reporting period. The strategies, processes and internal controls (including internal audit) must be described for each area below along with the structure and organisation of the relevant risk management function, and the scope and nature of risk reporting systems and policies for hedging/mitigating risk and strategies for monitoring the continuing effectiveness of hedges/mitigants. There are also certain specific disclosures for each of these areas in addition to the general qualitative disclosures required by this paragraph.

- a) Credit risk (see also PD-1.3.22 – PD-1.3.24);
- b) Market Risk (see also PD-1.3.27);
- c) Operational Risk (see also PD-1.3.28 – PD-1.3.30);
- d) Equity Risk in the Banking Book (see also PD-1.3.31);
- e) Rate of Return Risk (see also PD-1.3.39 – PD-1.3.40);
- f) Displaced Commercial Risk (see also PD-1.3.41).

Credit Risk – Qualitative Disclosures

PD-1.3.22

All banks must make the general qualitative disclosures outlined in PD-1.3.21 above, as well as those below:

- a) Definition of past due and impaired Islamic financing contracts;
- b) Description of the approaches for specific and general impairment provisions and the associated statistical methods used (where applicable);
- c) The name of External Credit Assessment Institutions (ECAIs) used for assigning risk weights to assets;
- d) The types of exposure for which each ECAI is used;
- e) The process used to transfer ECAI public issue ratings onto comparable (financing) assets in the banking book.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Credit Risk – Quantitative Disclosures

PD-1.3.23

All banks must disclose the following, giving, where applicable, the percentages funded by the banks own capital and current accounts, and by Profit Sharing Investment Accounts (PSIA) respectively:

- a) Total gross credit exposures (gross outstanding before any risk mitigation) plus average gross exposures over the period broken down by major types of credit exposure (as outlined under IFRS) into funded and unfunded exposures. Where the period end position is representative of the risk positions of the bank during the period, average gross exposures need not be disclosed. Banks must state that average gross exposures have not been disclosed for this reason. Where average amounts are disclosed in accordance with an accounting standard or other requirement which specifies the calculation method to be used, that method should be followed. Otherwise, the average exposures should be calculated using the most frequent interval that an entity's systems generate for management, regulatory or other reasons, provided that the resulting averages are representative of the licensed bank's operations. The basis used for calculating averages needs to be stated.
- b) Geographic distribution of exposures, broken down into significant areas by major types of credit exposure. Geographical areas may be individual countries, or groups of countries. Banks may define the geographical area according to how they manage the concerned areas internally. The criteria used to allocate exposures to particular geographical areas should be specified.
- c) Distribution of exposures by industry or counterparty type, broken down by major types of credit exposure, broken down by funded and unfunded exposure.
- d) Intra-group transactions including exposures to related parties as required by accounting standards (relevant AAOIFI or IFRS), and whether such transactions have been made on an arm's length basis.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosure in the Annual Reports (continued)

Credit Risk – Quantitative Disclosures (continued)

- e) Credit or financing facilities to highly leveraged and other high risk counterparties (as defined in PD-1.3.24) must be separately disclosed as an individual category.
- f) Banks must disclose concentrations of risk to individual counterparties where the exposure is in excess of the 15% individual obligor limit. These do not require the disclosure of the name of the counterparty.
- g) Residual contractual maturity breakdown (see PD-1.3.24(a) of the whole portfolio, broken down by major types of credit exposure.
- h) By major industry or counterparty type:
 - Amount of non-performing and impaired Islamic financing contracts and past due Islamic financing contracts (see PD-1.3.24);
 - Amount and changes in specific and collective impairment provisions during the financial year (see PD-1.3.24);
 - Charges for specific provisions and charge-offs (write-offs) during the period.
 - Reconciliation of changes in provisions for Islamic financing contracts impairment.
- i) Amount of past due Islamic financing contracts, provided separately broken down by significant geographic areas including the amounts of specific and collective impairment provisions related to each geographical area (see PD-1.3.24 for definition of geographical area).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Credit Risk – Quantitative Disclosures (continued)

- j) Aggregate quantitative information about all outstanding Islamic financing contracts at year end not included in (e) above that have been restructured (according to the PIR instructions) during the period including:
- The balance of any restructured Islamic financing contracts;
 - The magnitude of any restructuring activity;
 - The impact of restructured Islamic financing contracts on provisions and present and future earnings; and
 - The basic nature of concessions on all credit relationships that are restructured, including Islamic financing contracts, and other on- and off-balance sheet activities.

If full repayment is expected, the restructured credit need not be disclosed in this section after satisfactory performance for a period of six months in accordance with the modified terms.

- k) Quantitative information concerning obligations with respect to recourse transactions (i.e. where the asset has been sold, but the bank retains responsibility for repayment if the original counterparty defaults or fails to fulfil obligations). Information must include the amount of assets sold and any expected losses.
- l) Any penalties imposed on customers for default and the disposition of any monies received as penalties.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Credit Risk – Quantitative Disclosures (continued)

PD-1.3.24

For Paragraph PD-1.3.23, the following notes are provided:

- a) Banks must follow the residual maturity groupings currently followed under IFRS 7 (Guidance Note B 11 & B 12), but they must also extend the periods to include 5-10 years, 10-20 years, and 20 years and over (where the banks have exposures or liabilities of such maturity).
- b) In PD-1.3.23(h), banks must provide an ageing of past due, non-performing or impaired Islamic financing contracts on the following basis:
 - Ageing schedule (over 3 months, over 1 year and over 3 years) of past due Islamic financing contracts and other assets;
 - Breakdown by relevant counterparty type or major industry ;
- c) For specific, collective, general and other impairment provisions, the portion of provisions not allocated to specific geographical areas should be shown separately.
- d) The reconciliation of changes in provisions should show such provisions separately.
- e) “Highly leveraged and other high risk counterparties” follow the categorisation given in the Basel Committee Paper of March 2001, entitled “Review of issues relating to Highly Leveraged Institutions (HLIs)” which described HLIs as having the following characteristics:
 - They are subject to little or no regulatory oversight.
 - They are generally subject to very limited disclosure requirements and are not subject to rating by credit reference agencies.
 - HLIs often take on significant leverage, where leverage is the ratio between risk, expressed in some common denominator, and capital.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Credit Risk Mitigation: Disclosure Requirements

PD-1.3.25

- a) For Credit Risk Mitigation, banks must make the qualitative disclosures of PD-1.3.21 and PD-1.3.22, and also the following disclosures (with regard to credit risk mitigation):
- Policies and processes for, and an indication of the extent to which the bank makes use of on- and off-balance sheet netting, if at all;
 - Policies and processes for collateral valuation and management;
 - A description of the main types of collateral or other Shari'a Compliant risk mitigation techniques employed by the bank;
 - The main types of guarantor and their credit worthiness;
 - Information about (market or credit) risk concentrations within the credit risk mitigation taken;
 - Policies and the carrying amounts for assets owned and leased under Ijarah Muntahia Bittamleek;
 - Where a third party guarantee is taken as a risk mitigant, the risk weight applicable to the guarantor should be disclosed and the Shari'a compliance of the guarantee confirmed; and
 - The nature and carrying amount of any assets held by the bank as collateral (including any haircuts) and the terms and conditions relating to the pledges. When the assets are not readily convertible into cash by the bank, the policies for disposing of the assets, or for using them in the bank's operations, should be disclosed.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosure in the Annual Reports (continued)

Credit Risk Mitigation: Disclosure Requirements (continued)

- b) All locally incorporated banks must disclose by type of Islamic financing contract, the total exposure (after on- or off-balance sheet netting, where applicable) that is covered by eligible collateral after the application of haircuts.
- c) All locally incorporated banks must disclose the total exposure (after on- or off-balance sheet netting where applicable) that is covered by guarantees by type of Islamic financing contract.

Disclosures related to counterparty credit risk (CCR)

PD-1.3.26

All locally incorporated banks must make the following disclosures regarding counterparty credit risk:

- a) The general qualitative disclosures (PD-1.3.21 and PD-1.3.22) with respect to CCR including:
 - Discussion of methodology used to assign capital and credit limits for counterparty credit exposures;
 - Discussion of policies for securing collateral and establishing credit provisions;
 - Discussion of the impact of the amount of collateral the bank would have to provide if given a credit rating downgrade.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosure in the Annual Reports (continued)

Disclosures related to counterparty credit risk (continued)

- b) Gross positive fair value of contracts, netting benefits, netted current credit exposures and collateral held (including type: e.g. cash, government securities, etc.). Also measures for exposure at default. The distribution of current credit exposure by type of credit exposure (e.g. FX contracts, equity contracts, commodity contracts, etc.).

Market Risk Disclosures for banks

PD-1.3.27

Banks must disclose the following items:

- a) The general qualitative disclosure requirements for market risk (PD-1.3.21), identifying the concerned portfolios (special mention must be made of assets that do not have a ready market and/or which are exposed to high price volatility);
- b) The capital requirements for each category of the market risk items below on an end period basis, as well as showing the maximum and minimum values during the period:
- Equity position risk;
 - market risk on trading positions in sukuk;
 - Foreign exchange risk (i.e. net open position);
 - Commodity risk (i.e. price risk).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Operational Risk Disclosures

PD-1.3.28

All banks must disclose the general qualitative disclosures (PD-1.3.21) and also the approach(es) for operational risk which the bank employs to control such risk, and disclosures of any issues considered to be individually significant.

Operational Risk Qualitative Disclosures

PD-1.3.29

The following additional qualitative disclosures (to paragraph PD-1.3.21) should be made for operational risk:

- a) Policies to incorporate operational risk measures into the management framework- for example budgeting, target-setting, and performance review and compliance
- b) Policies and processes:
 1. To help track loss events and potential exposures;
 2. To report to these losses, indicators and scenarios on a regular basis; and
 3. To review the reports jointly by risk and line managers.
- c) Policies on the loss mitigation process via contingency planning, business continuity planning, staff training and enhancement of internal controls, as well as business processes and infrastructures.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Operational Risk Quantitative Disclosures

PD-1.3.30

The following quantitative disclosures should be made for operational risk:

- a) The calculation of the capital charge or RWA equivalent for operational risk.
- b) Indicators of operational risk exposures, such as:
 - Gross income;
 - Amount of non-Shari'a- compliant income; and
 - Number of Shari'a violations that were identified and reported during the financial year.
- c) Any material legal contingencies including pending legal actions. This should a discussion and estimate of the potential liabilities, in addition to qualitative statements about how the bank manages and controls such risks.

Disclosure Requirements for Equity Positions in the Banking Book

PD-1.3.31

All banks must make the following disclosures for any equities held in the Banking Book.

- a) The general qualitative disclosure requirement (PD-1.3.21) with respect to equity risk, including:
 - Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and
 - Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting policies and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.
- b) Total gross exposure and average gross exposure to equity-based financing structures by type of financing contract.
- c) The types and nature of investments, including the amount that can be classified as quoted on an active market or privately held.
- d) The cumulative realised gains (or losses) arising from sales or liquidations in the reporting period.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

*Disclosure Requirements for Equity Positions in the Banking Book
(continued)*

- e)
 - Total unrealised gains and losses recognised in the balance sheet but not through the P&L.
 - Any unrealised gains and losses included in Tier One and Tier Two capital.

- f) Capital requirements broken down by appropriate equity groupings, consistent with the methodology, as well as the aggregate amounts and type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirement.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Unrestricted Investment Accounts: Qualitative Disclosures

PD-1.3.32

The following qualitative disclosures should be made when the concerned Islamic bank has unrestricted investment accounts:

- a) Written procedures and policies applicable to the investment accounts, including a synopsis of the following:
 - General applicable investment objectives;
 - Range of investment products available;
 - Characteristics of investors for whom various investment accounts may be appropriate;
 - Purchase, redemption and distribution procedures, including IAH's rights to withdraw funds during the term of the Mudarabah contract, and any penalties, such as forfeited shares of profits, that will be incurred by doing so;
 - Experience of portfolio managers, investment advisors and trustees;
 - Governance arrangements for the IAH funds; and
 - Strategy for trading and organization of assets.
- b) Disclosure that IAH funds are invested and managed in accordance with Shari'a requirements.
- c) Product information and the manner in which the products are made available to investors.
- d) Basis and method of allocation of assets, expenses and profit in relation to IAH funds, including, with particular reference to unrestricted IAH, the co-mingling of their funds with other funds managed by the bank, the balance between shareholders' and IAH's interests in terms of allocating investment funds and the risk-return characteristics of investments.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Unrestricted Investment Accounts: Qualitative Disclosures (continued)

- e) Disclosures on the policies governing the management of IAH funds, which covers the approaches to the management of investment portfolio, establishment of prudential reserves, and the calculation, allocation and distribution of profits, including the extent of management's right to appropriate IAH's share of investment profit in order to build up PER and or IRR, to use these reserves to smooth profit payouts to IAH, the rules governing the transfer of funds to or from PER and IRR, including contractual or regulatory limits on management's discretion in the matter and the disposition of unused balances on these accounts at the end of the relevant Mudarabah contract.
- f) The availability of "personal banking" and investment advisory and financial planning services for the benefit of IAH, and the degree of independence of such advisors in recommending products offered by other banks.
- g) Complaints procedures available to dissatisfied IAH.
- h) The extent of any sharing of profits from the bank's provision of fee-based banking.
- i) The extent to which the bank is committed to paying a competitive rate of return by accepting DCR.
- j) The major changes in the investment strategies that affect the investment accounts (including commingling of funds).
- k) Bases applied for charging expenses to unrestricted IAH.
- l) Description of total administrative expenses charged to unrestricted IAH.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Unrestricted Investment Accounts: Quantitative Disclosure Requirements

PD-1.3.33

The following quantitative disclosures should be made when the concerned Islamic bank has unrestricted investment accounts:

- a) Amount of IAH funds.
- b) The ratio of Profit Equalization Reserves (PER) to the total amount of PSIA by type of IAH.
- c) The ratio of Investment Risk Reserves (IRR) to the total of PSIA by type of IAH.
- d) ROAA and ROAE.
- e) Ratio of profit distributed to PSIA by type of IAH. The bank must disclose the profit sharing formula used for the calculation and distribution of profits.
- f) The management fee (Mudarib share) as a percentage of the total investment profit, and the extent to which it is subject to partial or total waiver in order to pay a competitive rate of return to IAH.
- g) Ratio of financing to PSIA by type of IAH.
- h) Percentage of financing for each type of Shari'a-compliant contract to total financing.
- i) Percentage of financing for each category of counterparty to total financing – that is, Amount of Shari'a-compliant financing extended to a category of counterparties (outstanding) / Amount of total financing (outstanding) x 100.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Unrestricted Investment Accounts: Quantitative Disclosure Requirements (continued)

- j) The carrying amount of any assets that the bank has pledged as collateral and the terms and conditions relating to the pledge.
- k) The amount of any guarantees or pledges given by the bank and the conditions attaching to those guarantees or pledges.
- l) Share of profits earned by IAH, before transfers to or from reserves (amount and as a percentage of funds invested).
- m) Share of profits paid out to IAH, after transfers to or from reserves (amount and as a percentage of funds invested).
- n) Share of profits paid out to the bank as Mudarib.
- o) Movement on PER and IRR during the year.
- p) The utilization and computation of PER and/or IRR during the period.
- q) Average declared rate of return or profit rate on PSIA by maturity (3-month, 6-month, 12-month, 36-month).
- r) Types of assets in which the funds are invested and the actual allocation among various types of assets.
- s) Changes in asset allocation in the last six months.
- t) Off-balance sheet exposures arising from investment decisions, such as commitment and contingencies.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Unrestricted Investment Accounts: Quantitative Disclosure Requirements (continued)

- u) Limits imposed on the amount that can be invested in any one asset.
- v) The treatment of assets financed by IAH in the calculation of RWA for capital adequacy purposes.
- w) Profits earned and profits paid out over the past five years (amount and as a percentage of funds invested).
- x) Amount of total administrative expenses charged to unrestricted IAH.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Restricted Investment Accounts: Qualitative Disclosure Requirements

PD-1.3.34

The following qualitative disclosures should be made in addition to PD 1.3.32 (a) to (g) when the concerned Islamic bank has restricted investment accounts:

- a) Written policies on the bank's fiduciary duties in managing IAH funds, and the policies and procedures for monitoring these duties.
- b) The duties and obligations of investment account managers in managing the IAH funds, and the policies and procedures for monitoring these duties and obligations.

Restricted Investment Accounts: Quantitative Disclosure Requirements

PD-1.3.35

The following quantitative disclosures should be made in addition to PD 1.3.33 (a) to (w)- excluding (p) when the concerned Islamic bank has restricted investment account:

- a) Current period returns.
- b) Historical returns over the past five years.
- c) The use of off-balance sheet transactions for investment management, where relevant.
- d) Disclosure of the range and measures of risks facing each restricted IAH fund, based on its specific investment policies.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Liquidity Risk Qualitative Disclosures

PD-1.3.36

All banks must disclose a summary of the liquidity risk management framework used for assessing the risk exposure for each category of funding as well as on an aggregate basis:

- Current accounts;
- Unrestricted investment accounts;
- Restricted investment account.

Banks must also disclose the policy on diversity of funding sources to allow sufficient resources to Shari'a-compliant funds to mitigate liquidity risk.

Liquidity Risk Quantitative Disclosures

PD-1.3.37

All banks must disclose the indicators of exposures to liquidity risk such as short-term assets to short-term liabilities, liquid asset ratios or funding volatility.

PD-1.3.38

Banks must disclose a maturity analysis of financing and various categories of funding (current account, unrestricted investment account and restricted investment account) by different maturity buckets.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Rate of Return Risk Qualitative Disclosures

PD-1.3.39

The following qualitative disclosures should be made for rate of return risk.

- a) Discussion of factors affecting rates of return and benchmark rates, and the effects thereof on the pricing of contracts
- b) Processes and systems to monitor and measure the factors that give rise to rate of return risk.

Rate of Return Risk Quantitative Disclosures

PD-1.3.40

The following quantitative disclosures should be made for rate of return risk.

- a) Indicators of exposures to rate of return risk- for example, data on expected payments/ receipts on financing and funding and the cost of funding at different maturity buckets according to time of maturity or time of re-pricing for floating rate assets or funding.
- b) Sensitivity analysis of bank's profits and the rate of returns to price or profit rate movements in the market, including detailed quantitative information about the nature and extent of profit-rate sensitive assets and liabilities and off-balance sheet exposures (e.g. breakdown of fixed and floating profit items and the profit margin earned, and the duration and effective profit rate of assets and liabilities). These disclosures should be by each portfolio identified in PD-1.3.23 a), showing their related gains and losses. Also, the effect on the value of assets, liabilities and economic capital for a benchmark change of 200bp in profit rates should be disclosed.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Displaced Commercial Risk (DCR) Disclosures

PD-1.3.41

All banks must disclose the following regarding DCR:

- a) The bank's policy on DCR, including the framework for managing the expectations of its shareholders and unrestricted IAH, the sharing of risks among the various stakeholders, and the range and measures of risk facing unrestricted IAH based on the bank's general business strategies and investment policies.
- b) The historical data over the past five years for the following:
 - i. Total Mudarabah profits available for sharing between unrestricted IAH and shareholders as Mudarib (as a percentage of Mudarabah assets);
 - ii. Mudarabah profits earned for unrestricted IAH (as a percentage of assets) before any smoothing;
 - iii. Mudarabah profits paid out to unrestricted IAH (as a percentage of assets) after any smoothing;
 - iv. Balances of PER and IRR, and movement of these in determining unrestricted IAH payout excluding PD-1.3.33(p);
 - v. Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio; and
 - vi. Market benchmark rates selected by the bank.
- c) Five year comparison of historical rate of return of unrestricted IAH in relation to the market benchmark rate selected by the bank.
- d) Five year comparison between the percentage rate of returns to IAH and the percentage returns to shareholders from Mudarabah profits.
- e) Amount and percentage of profits appropriated to PER and IRR.
- f) Analysis of the difference between aggregate Mudarabah-earned profit and profit distributed to IAH as a function of movement in PER, IRR and the Mudarib's share.
- g) Analysis of the proportion of the RWA funded by IAH that should be considered in arriving at the total RWA together with an explanation of the underlying rationale.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Disclosures concerning other risks

PD-1.3.42

The following quantitative information about investments in foreign subsidiaries (as included in the Financial Statements Section and representing foreign currency translation risk) must be included in the Annual Report, supplemented by a discussion about:

- a) The nature of the related currency exposure,
- b) How that exposure has changed from year to year,
- c) Foreign exchange translation effects thereon,
- d) The earnings impact of foreign exchange transactions, and
- e) The effectiveness of risk management (hedging) strategies.

Compliance Disclosures

PD-1.3.43

The Annual Report must include a declaration by the external auditors that they did not come across any violations of the requirements below during the course of their audit work that would have any material negative impact on the financial position of the bank:

- a) The Bahrain Commercial Companies Law (as amended);
- b) The CBB Law where a violation might have had a material negative effect on the business of the bank or on its financial position;
- c) The Regulations and Directives issued by the Central Bank; and
- d) The BSE Law, the BSE Internal Regulation and associated Resolutions, Rules and Procedures (where applicable).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Reports (continued)

Compliance Disclosures (continued)

PD-1.3.44

The Annual Report must disclose the amount of any penalties paid to the Central Bank during the period of the report together with a factual description of the reason(s) given by the Central Bank for the penalty (see Section EN-1.3). Failure to comply with this requirement will mean that the concerned bank will be required to make the disclosure in the subsequent quarterly financial statement and in the subsequent annual financial statement. A financial penalty for non-disclosure will also be levied upon the concerned bank.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual disclosure requirements

PD-1.4 Additional disclosure in the annual audited financial statements of banks listed on the Bahrain Stock Exchange (BSE)

PD-1.4.1 The content of this Section is applicable only to locally incorporated banks listed on the Bahrain Stock Exchange (BSE).

PD-1.4.2 The disclosure requirements set out in this Section for banks referred to under Paragraph PD-1.4.1 are in addition to those set out in Section PD-1.3.

Interests of Directors, chief executive officers and managers

PD-1.4.3 Without prejudice to any other requirement of Bahrain law (or any other direction of the Central Bank), the Directors' Report Section of the annual audited financial statements of banks should contain details of the interests of Directors, chief executive officers and managers (persons as defined under Section PD-1.1, respectively) in the shares of such banks. Such details should include:

- (a) Total interests in the shares of such banks by individual persons mentioned above, and
- (b) Changes in such interests from the previous financial year to the current financial year.

PD-1.4.4 For the purpose of the disclosure required under Paragraph PD-1.4.3, any interests in the shares of a bank held by the spouse(s) or children of a Director, or any other person the control of whose interests in such shares lies ultimately with the Director, shall be deemed to be the interests of the relevant Director. For a definition of 'interest in the shares', see Paragraph PD-1.1.2(d).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD 2: Semi-annual disclosure requirements

PD-2.1 Disclosure by commercial branches of foreign banks

PD-2.1.1 The content of this Section is applicable only to retail bank branches (licensed by the Central Bank) of foreign banks.

PD-2.1.2 Banks (referred to under Paragraph PD-2.1.1) are required by the Central Bank to prepare and disclose to the public the following information (in the same format as their Annual Audited Accounts) for their Bahrain operations on a semi-annual basis:

- (a) Balance Sheet, and
- (b) Profit and Loss Accounts.

PD-2.1.3 The statements referred to under Paragraph PD-2.1.2 should be reviewed by the bank's external auditors, in accordance with International Standards on Auditing (ISA) applicable to Review engagements.

PD-2.1.4 These statements (referred to under Paragraph PD-2.1.2) should be published in one local newspaper within eight weeks from the statements' date.

PD-2.1.5 Banks must submit a newspaper copy of the statements (referred to under Paragraph PD-2.1.2) to the Central Bank within eight weeks from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-3: Quarterly Disclosure Requirements

PD-3.1 Publication of Reviewed (unaudited) Quarterly Financial Statements

PD-3.1.1 The content of this Section is applicable to locally incorporated banks licensed by the Central Bank of Bahrain.

PD-3.1.2 Banks must prepare reviewed (unaudited) quarterly financial statements in accordance with AAOIFI Standards (and IFRS where applicable) for the first three quarters of their financial year.

PD-3.1.3 Banks' unaudited quarterly financial statements must be reviewed by their external auditors who must also make a statement regarding the results of such review. Such review and statement should be made in accordance with the applicable AAOIFI standards and/or International Standards on Review Engagements 2410.

PD-3.1.4 Extracts from the reviewed quarterly financial statements (including at least the balance sheet, income statement, statement of cash flows and a statement of changes in shareholders' equity as required by AAOIFI Standards) must be published in one Arabic and one English daily newspaper widely available in Bahrain and on the bank's website within forty-five days of the end of the quarter to which such statements relate.

PD-3.1.5 Banks must submit a newspaper copy of the statements (referred to under paragraph PD-3.1.4) to the CBB within two business days of publication. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-3: Quarterly Disclosure Requirements

**PD-3.1 Publication of Reviewed (unaudited) Quarterly
Financial Statements (continued)**

Additional Requirements for Semi Annual Disclosures

PD-3.1.6

In addition to the requirements of paragraphs PD-3.1.1 to PD-3.1.5 above, the following requirements apply to the Semi-Annual financial statements posted on banks' websites. Banks must make all the quantitative disclosures required by section PD-1.3 in the half-yearly financial statements on their website, but the qualitative disclosure requirements of the paragraphs listed below may be dispensed with at the option of the bank in their half-yearly statements:

- a. PD-1.3.6 (b) and (c)
- b. PD-1.3.9 (a) and (d)
- c. PD-1.3.10-11
- d. PD-1.3.16
- e. PD-1.3.21-22
- f. PD-1.3.25 (a)
- g. PD-1.3.26 (a)
- h. PD-1.3.27 (a)
- i. PD-1.3.28-29
- j. PD-1.3.31 (a)
- k. PD-1.3.32
- l. PD-1.3.34
- m. PD-1.3.36
- n. PD-1.3.39

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-3: Quarterly Disclosure Requirements

PD-3.2 Special Arrangements for Newly-Established Banks

PD-3.2.1 Newly-established banks are not required to follow the publication requirements of sections PD-3.1 for the first three quarters of their operation or until the commencement of their second financial year of operation (whichever period is the longer).

PD-3.2.2 After the above period has expired, all newly-established locally incorporated banks must follow the publication requirements of Section PD-3.1. Newly-established banks must follow the requirements for annual reporting.

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.1 Introduction

PD-4.1.1 The purpose of the contents of this Chapter is to set out the Central Bank's requirements relating to other public disclosure of information by the banks, not covered in Chapters PD-1 to PD-3.

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.2 Disclosure of key terms relating to a consumer finance agreement

PD-4.2.1 The content of this Section is applicable to all retail banks licensed by the Central Bank.

PD-4.2.2 All banks referred to under Paragraph PD-4.2.1 are required by the Central Bank to follow the disclosure requirements related to consumer finance as set out under Section CM-7.5.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.3 Disclosure of charges on short-term financing facilities

PD-4.3.1 The content of this Section is applicable to all retail banks licensed by the Central Bank.

PD-4.3.2 The Central Bank requires all retail banks to display, by a conspicuous notice, their scale of charges on BD short-term revolving facilities to commercial customers.

PD-4.3.3 'Conspicuous notice' means a written statement in both Arabic and English languages which is easily visible and legible and is displayed in all retail banks' premises open to the public.

PD-4.3.4 Retail banks are left free to decide their own basis of charging and to make changes to it as they consider appropriate.

PD-4.3.5 Retail banks must display a list of current charges including any standard charges and commissions that will be applied by the bank to individual services and transactions. See Section BC 4.2 for further details.

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.4 Disclosure relating to Deposit Protection Scheme

PD-4.4.1 The content of this Section is applicable to all retail banks licensed by the Central Bank.

PD-4.4.2 The Central Bank requires all retail banks referring (directly or indirectly) to the protection of deposits in related marketing materials and in general notices featured within banking halls and in account documentation, including Annual Reports, to prominently disclose the following statement:

- ‘Subject to the provisions thereof, deposits held with the Bahrain office of [name of the banking firm] are covered by the Deposit Protection Scheme established by the Central Bank of Bahrain regulation concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board’.

PD-4.4.3 Retail banks should, in discussions and/or correspondence with new and prospective customers, bring the Deposit Protection Scheme and the protection afforded by it to the customer’s notice.

PD-4.4.4 The Central Bank welcomes the introduction by the banks, at their discretion, of other appropriate means to promote the Deposit Protection Scheme as prominently as possible.

PD-4.4.5 For detailed guidance on the Deposit Protection Scheme’s documentation requirements, see Chapter CP-2.

MODULE	PD: Public Disclosure Requirements
CHAPTER	PD 5: Public Disclosure via the Internet

PD-5.1 Publication and disclosure of financial results

Existing requirements

PD-5.1.1 All locally incorporated banks are required to disclose their quarterly financial statements to the public within forty-five days of the end of each quarter. Disclosure to the public should be by way of an announcement in the local press of the balance sheet and profit and loss account (with certain other additional disclosures as outlined in Chapters PD-1 to PD-3).

Criteria for application for disclosure via the internet

PD-5.1.2 Non-listed locally incorporated banks may apply to the Central Bank to disclose their quarterly financial statements via the internet. If a bank wishes to cease disclosure of quarterly financial statements via the local press, it must satisfy the following criteria:

- (a) The bank has no shareholders resident in Bahrain.
- (b) The bank has no customers resident in Bahrain. Customers include borrowers, depositors, investment account holders or persons from whom the bank earns fees or commissions. 'Customers' in this context would not include other banks, but would include Bahraini corporations, the Government of Bahrain and its agencies, and private individuals (whether high net worth or not).
- (c) The bank does not market itself in any way to residents of Bahrain. In particular, the bank should not market funds or other financial products to residents, even if the bank has no on balance sheet assets or liabilities arising from Bahraini residents.

PD-5.1.3 Banks meeting all of the above criteria, may apply to the Central Bank to disclose their quarterly financial statements by way of their website instead of by way of the local press.