



The Chief Executive Officers

All Bank Licensees

All Financing Companies

All Microfinance Companies

Manama

Kingdom of Bahrain

Dear Sirs,

Re: Financial Impact Assessment of the Six Months Instalment Deferral

Further to CBB's circulars nos. OG/108/2020, EDBS/KH/C/30/2020, EDBS/KH/C/32/2020 and subsequent guidelines issued by Central Bank of Bahrain, all licensees are hereby requested to carry out a detailed financial impact assessment of the applied six months deferral through calculating the Net Present Value of their Bahrain based credit portfolio in accordance with the applicable IFRS/AAOIFI Standards. This assessment should be conducted for first half and full year of 2020, in consultation with licensees' external auditors, and should be submitted to the CBB by 21st May 2020. When carrying out the said assessment, licensees should take into account the expected benefits received/receivable due to various regulatory and government initiatives, including payment of salaries for Bahraini staff, waiver from paying electricity and water bills for three months, zero cost repo received from CBB, etc.

Moreover, Bahraini banks with subsidiaries and branches outside Bahrain must also conduct a high-level financial impact assessment on a consolidated level based on the regulatory measures taken by their host regulators for the same periods stated above and should submit the results of the above assessment by 31st May 2020.

The attached template should be used to summarize the overall impact assessment.

Yours sincerely,

Khalid Hamad Al-Hamad

cc. External Auditors
Bahrain Association of Banks

Financial Impact Assessment Template

[Name of the Licensee]

BD 000's for Retail Banks/Financing Companies and USD 000's for wholesale banks

Modification Loss* (Bahrain Operations) [BD/USD] 000's

	% Impact	
Impact of 6 month deferral on Bahrain Based Credit Portfolio		
Impact on portfolio - funded	-	-
Impact of unfunded	-	-
Total impact	-	-

* Modification loss should be calculated as the difference between the net present value of the modified cash flows calculated using the original effective interest/ profit rate and the current carrying value on the date of modification.

Forecast Results (Consolidated)

[BD/USD] 000's

		Day 1 loss (Bahrain)	Day 1 loss (Outside Bahrain)	Govt assistance (Bahrain)	Govt assistance (Outside Bahrain)	Revised forecast
Forecast results for the year	Base case **					
HY June 2020 Year ended December 2020						

** Base case would include management estimate of ECL for the period/ year and existing business as usual adjustments planned for the year. It is understood that these are current forecasts and the environment is subject to rapid change and updated facts and circumstances will continue to be factored as new information becomes available.