# Supplementary Information
# Appendix BR-4
# Guidelines for Completion of PIR
# Bahraini Conventional Banks

GUIDELINES FOR COMPLETION OF
THE PRUDENTIAL INFORMATION REPORT FOR BAHRAINI CONVENTIONAL BANKS

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**GENERAL**

1) All Bahraini conventional banks must complete the Form Prudential Information Report ("PIR") in accordance with the requirements of Module BR of the CBB Rulebook Volume 1. The PIR is a report of the bank's regulatory balance sheet and risk positions relative to regulatory limits. Banks should therefore include all assets and liabilities and off-balance sheet items of their head office and their branches in Bahrain and abroad. If the bank has a banking or financial subsidiary (or subsidiaries), then it should also add the subsidiary(ies) assets, liabilities and off-balance sheet items to that of the head office and its branches (see note 9 below). In this case, separate figures in respect of the head office or "Bahrain operations" are to be reported as indicated on the concerned sheets in the form. **Banks with no banking or FI subsidiaries should complete the 'capital base – consolidated' spreadsheet and do not need to complete the 'capital base – solo' spreadsheet.**

2) These guidelines should be read in conjunction with Module CA (Capital Adequacy) Volume 1 of the CBB Rulebook and any other directives in this regard issued by the Central Bank of Bahrain ("CBB").

3) The Form PIR is to be used for reporting on both a solo and a consolidated basis where indicated in the form. Each bank should submit only one Form. Please note the following definitions:
   (a) Solo: Should include operations of the parent institution and its overseas branches before consolidation. ONLY report this information where required. Please note that columns J, L and M of line 75 of the 'capital base – solo' worksheet must be input by the reporting bank. These cells do not relate to any RWAs reported separately on the form.
   (b) Total Capital - Consolidated: Should include operations of the parent institution, its overseas branches and its banking and financial entity subsidiaries. However, exclude the subsidiaries reported under aggregation when completing the credit, market, and operational risk weighted exposures sheets because such RWAs are added separately in the Total Capital Consolidated Section (line 81).
   (c) Bahrain Operations: All operations of the institution booked in Bahrain.

   *Please refer to the relevant IFRS for definitions, accounting and consolidation requirements applicable to subsidiaries, and to Sections CA-B.1 and CA-2.4 for regulatory consolidation, aggregation, and deduction thresholds and requirements, for investments in banking or financial entities.*

4) Banks should complete the Form in the currency in which their share capital is denominated. Amounts should be reported to the nearest one thousand.

5) The key purpose of this Form is to assess banks' financial condition including their capital adequacy (Credit, Market, & Operational risks), asset quality, and liquidity.

6) The PIR Form is divided into the following sections:

   a) Section A: Balance Sheet and Profit & Loss
   b) Section B: Capital Adequacy Calculation
   c) Section C: Asset Quality
   d) Section D: Liquidity and Other Assets

7) Banks should use the supplementary schedules (Appendix CA-20) to collect data exposures and calculate the capital charges for market risk. Any kind of support schedules/systems used are subject to the CBB inspection and review at the CBB discretion and are subject to CBB's requirements on record keeping.

8) Please note that only the yellow cells are the input cells. The remaining cells are either informative or automatic cells.

9) If a parent bank controls a non-resident banking subsidiary which is filing its return with the respective host supervisor under the Basel III capital adequacy rules, the investor bank should normally consolidate such entities on a line-by-line basis for regulatory capital purposes. However, where the CBB is satisfied with the quality of supervision of these banking subsidiaries and the CBB is satisfied that these banking subsidiaries are adequately capitalized on a stand-alone basis in their respective jurisdictions then aggregation of the capital and RWAs of these banking subsidiaries may be permitted and the aggregation rules outlined in Section CA-B.1 may apply instead (see also notes 16 and 19 below). The CBB will liaise with the concerned host supervisors in this regard. In addition, if a overseas branch of a Bahraini bank is filing its return with the respective supervisor under the Basel III capital adequacy rules, the aggregation rules may also be applied to such branch, instead of line-by-line consolidation.

10) A completed PIR is required from all Bahraini conventional bank licensees showing the financial position and the capital adequacy ratio at the end of each calendar quarter. The PIR should be filed electronically not later than 20 days after the relevant reporting date.

## SECTION A: BALANCE SHEET AND PROFIT & LOSS

11) Section A provides the CBB with financial information about the Bank. Figures provided should reconcile with the financial statements as of the end of each quarter. **This section is not intended to form any part of the capital adequacy ratio and calculation. It is intended for reporting purposes only.**

### BALANCE SHEET

12) The Balance Sheet is presented in three sections as follows:

    (a) Capital liabilities: Represent the shareholders' equity in the balance sheet. Under item 1.6, net profit/(loss) for the current period will include net profit/loss attributed to the shareholders of the bank as shown in item no. 32 of section A2.
    (b) Non-capital liabilities: Represent all liabilities in the balance sheet.
    (c) Assets: Represent all assets (monetary and non-monetary assets).
    (d) Under 3.4, loans and advances to banks and non banks will exclude interest accrued but not yet due on the reporting date and interest in suspense.

### PROFIT & LOSS

13) The Profit and Loss sheet represents the income and expenses of the Bank. Figures provided should reconcile with the financial statements of that quarter.

**TRADING BOOK VS BANKING BOOK**

14) This sheet is used as a control sheet for the purpose of classifying exposures as trading or banking book. The sheet is broken down into two sections representing on- and off balance sheet items. The on- balance sheet items should be classified as loans, investment and other assets (should include all assets other than loans and investments) .The off- balance sheet items should be classified as follows (notional value of contract should be reported, i.e. before applying the CCF):

   (a) Contingents
   (b) Commitments
   (c) Derivatives
      (i) Interest Rate
      (ii) Equity
      (iii) Foreign Exchange
      (iv) Commodities

**SECTION B: CAPITAL ADEQUACY RATIO CALCULATION CAPITAL BASE CONSOLIDATED**

15) Total Capital is divided into three categories as follows:

**Tier 1: Common Equity Tier 1 (CET1)**

High level guidance on the components of CET1 is given in Paragraph CA-2.1.2 of Module CA.

**Additional Tier 1 Capital (AT1)**

High level guidance on the components of AT1 is given in Paragraph CA-2.1.4 of Module CA.

**Tier 2 Capital (T2)**

High level guidance on the components of T2 is given in Paragraph CA-2.1.8 of Module CA.

**REGULATORY ADJUSTMENTS**

16) **Regulatory adjustments to be applied to Regulatory Capital are explained in Section CA-2.4 of Module CA.**

There are four stages of adjustments for CET1. The first set of adjustments is applied in Paragraphs CA2.4.2 to CA-2.4.15. A subtotal for CET1 is obtained (this is referred to as CET1a). A second regulatory adjustment described in Paragraphs CA-2.4.16 to CA-2.4.19 is then applied to CET1a (this adjustment results in CET1b). A third regulatory adjustment described in Paragraphs CA-2.4.20 to CA-2.4.21 is then applied to CET1b (this adjustment results in CET1c). Then a final regulatory adjustment described in Paragraph CA-2.4.23 is then applied to CET1c (this adjustment results in CET1d). This is the amount of CET1 that can be used for the calculation of the CAR and determining all other applicable caps on T1 and T2. An example of the effects of the regulatory deductions is given in Appendix CA-22.

**Goodwill**

Any deferred tax liability (in any countries which would place a deferred tax liability on goodwill) must always be deducted in full. It is not subject to any transitional arrangements.

**Investments in own shares (i.4)**

A short position in own shares can only be netted against a long position when the two positions are with the same counterparty and a legally valid netting agreement is in place (see CA-4 on collateral and netting).

Indirect investments in own shares refers to holdings of index securities in which the bank is a constituent, net of short positions; or where shares are held as collateral against exposures to customers.

**Positive or negative adjustments due to aggregation (CET1, AT1, T2, i.1.27 & ii.2) (in Total Capital Consolidated sheet)**

If a bank invests say BD10mn in the capital of a subsidiary, it is possible that the host regulator may not allow all of the concerned capital to be used in the subsidiary's CAR calculation (e.g. amortisation of T2 in last five years to maturity). Therefore if there is a difference between the amount invested by the parent bank (e.g. BD10mn) and the 'eligible capital' amount allowed by the host regulator (e.g. BD8mn) the difference (BD2mn) must be deducted so that only the eligible regulatory capital of the subsidiary is included in the consolidated CAR calculation.

**Expected Credit Losses (i.6.1 (Regulatory Adjustment sheet) & i.2.5 (Total Capital Consolidated sheet))**

These would include collective impairment provisions under stage 1 and stage 2 under IFRS 9 .

**Investments in financial entities (i.1.18 and i.1.22) (in Total Capital Consolidated sheet)**

There are investments < 10% of the issued share capital and investments > 10% of the issued capital of the entities concerned and therefore two sets of deductions from capital once the respective thresholds of CET1 are reached. The transitional effect of such deductions is achieved by adjusting the reporting year (2015 – 2018) in the top right corner of the Regulatory Adjustments sheet.

To take into account the transitional arrangements, banks must include the amount of common equity not deducted (i.10.16 on the Regulatory Adjustments sheet) in cell 12.1.1 or cell 12.1.2 in the credit risk weighted assets section of the form. Holdings of AT1 and T2 capital of other FIs not deducted (i.10.17 and i.10.18 on the Regulatory Adjustments sheet) should be included in cell 12.1.1 or 12.1.2 in the risk-weighted assets section of the form.

**Limits and Minima on the Use of Different Forms of Capital**

These limits are automatically generated in the PIR under the Total Capital –Consolidated sheet and Total Capital Solo sheet.

17) **For Consolidated T1 Capital and Total Capital please refer to CA-2.2.1.**

18) **For Solo T1 Capital and Total Capital please refer to CA-2.2.1A**

**CAPITAL ADEQUACY RATIO CALCULATION ("CAR")**
**Capital Base – Consolidated sheet and Total Capital – Solo sheet**

19) For the Total Capital – Solo sheet, when applicable, the Bank has to enter the Risk Weighted Assets ("RWA") for credit, market, and operational risks. For the Total Capital – Consolidated sheet, the RWA assets are automatically generated from the credit risk, market risk and operational risk sheets, subject to any adjustment due to aggregation rules set out in CA-B.1. The aggregation rules may apply to subsidiaries in countries where Basel III is officially adopted. Where aggregation rules are applied, include capital components (i.2.13) and RWAs (ii.2) where indicated on the form. The aggregation of risk-weighted assets (ii.2) from foreign subsidiaries may be used as an alternative to line-by-line consolidation using CBB rules. Paragraph CA-B.1.4 onward explains 'aggregation' as a means of consolidating the risk assets of subsidiaries in foreign jurisdictions as distinct from applying CBB rules to such positions (line-by-line consolidation). As a general rule, the capital instruments and credit risk, market risk and operational risk weighted assets of subsidiaries should be consolidated using CBB rules wherever possible. However it may not always be practical to do so within the PIR reporting deadlines and so aggregation of the risk assets from the regulatory returns of the host regulator may be an alternative that can be used in such cases.

20) The minimum capital charges for the calculation of the minimum capital requirements for the different types of risk are automatically generated. Please note that the Bank has to maintain the limits imposed on the use of tiered capital as per the rules as set out in CA-B.2 and CA-2.2 of the Capital Adequacy Module, Volume 1. These are automatically generated in the PIR.

21) In cases where the bank has banking or FI subsidiaries, it must complete the Total Capital – Consolidated sheet as well as the Total Capital – Solo sheet.

**CREDIT RISK WEIGHTED ASSETS CALCULATION: The Standardized Approach**

22) The credit risk weighted asset sheet calculates the on- and off-balance sheet exposures risk weighted assets for credit risk by applying appropriate risk weights based on the type of claim and the external rating (by a credit rating agency approved by the CBB) of the counterparty.

    The claims are divided into categories described in Section CA-3.2.
    Entities classified as Bahrain sovereign and public sector eligible for 0% risk weighting are identified in Appendix CA-18.

Off-balance sheet items: Please refer to Section CA-3.3 for details on off-balance sheet items.

23) The credit risk weighted asset sheet is divided into 6 columns as follows:

    (a) Column A – Credit Exposure Before CRM *(input cells)*
    Report in this column on- and off-balance sheet exposures for all different type of claims. Exposures entered in this column should be reported without consideration of Credit Risk Mitigation ("CRM"). Report gross amount net of specific provisions only.

    Please note that off-balance sheet items must be converted into on-balance sheet items by applying the appropriate Credit Conversion Factors ("CCF"). Please refer to section CA-3.3 for details on the different types of off-balance sheets items and the respective CCFs.

    (b) Column B – Credit Risk Mitigation ("CRM") *(input cells)*
    CBB allows different techniques for credit risk mitigation which contribute to the reduction in the credit exposure. Some techniques apply a direct reduction to the exposure such as cash margin and some replace the risk weight of the counterparty with that of a third party (i.e. guarantor) if the third party is better rated than the counterparty. Please refer to section CA-4.3 for detailed overview of the eligible types of collateral for the purpose of CAR.

    (c) Column C – Unsecured Portion of the Credit Exposure *(automatic cells)*
    In this column, the CRM is deducted from the credit exposure to arrive at the unsecured portion of the credit exposure, which is later multiplied by the respective risk weights.

    (d) Column D – Risk Weighted Assets CRM *(input cells)*
    The Bank has to calculate the risk weighted assets of the collateral for each exposure if the risk weight of the third party (collateral) is lower than that of the counterparty.

    (e) Column E – Risk Weights *(given information)*
    Represents all risk weights for each claim category. Please refer to sectionCA-3.2 for details on the application of the different risk weights.

    (f) Column F – Credit Risk Weighted Assets *(automatic cells)*
    This column automatically calculates the credit risk weighted assets by multiplying column "C" by column "E" and then adding column "D".

**MARKET RISK WEIGHTED EXPOSURES CALCULATION (Chapters CA-8 to CA-14)**

24) Banks should refer to the detailed instructions under Chapters CA-8 to CA-14 of Volume 1 of the CBB Rulebook for the market risk capital requirements.

25) The market risk capital charges arising from the Standardized Approach and Internal Models Approach are aggregated and converted to a market risk weighted exposure by multiplying by 12.5.

26) Each bank should agree on a written policy statement with the CBB on which activities are normally considered as trading and constitute part of the trading book.

27) The CBB intends to carefully monitor the way in which banks allocate financial instruments and will seek, in particular, to ensure that no abusive switching designed to minimise capital charges occurs and to prevent “gains trading” in respect of securities which are not marked-to-market.

28) Banks are required to have, and discuss with the CBB, a written policy statement on the subject of valuing trading book positions, which in particular should address the valuation process for those items where market prices are not readily available.

29) In general, banks following the standardised approach as set out in Chapters 8 to 13 of Module CA are only required to complete the Section Market Risk Capital Charges of the PIR. Banks which have obtained the CBB’s approval to adopt their internal Value-at-Risk models to calculate their market risk capital charge (in all or individual risk categories) should complete the Section Market Risk – Internal Models Approach. Where the internal model is used to calculate only selected risk categories, the capital charge for the risk categories measured under the Internal Models approach should be reported in the Section Market Risk – Internal Models Approach, while that for the other risk categories measured under the Standardised approach should be reported in the relevant parts of the Section Market Risk Capital Charges sheet. This combination of the Standardised approach and the Internal Models approach is allowed on a transitional basis. Banks which adopt the Internal Models approach will not be permitted, save in exceptional circumstances, to revert to the Standardised approach.

***Internal Models Approach (Chapter CA-14)***

*Only those banks which have obtained the CBB's written approval to adopt their internal Value- at-Risk models to calculate their market risk capital charges are required to report in this part.*

30) The bank should report the Value-at-Risk results (VaR) as at the last business day of the reporting quarter in column A and the average VaR over the most recent 60 business days of the reporting quarter in column B, both for each individual market risk category and for the aggregate of all risk categories.

31) The Bank should report the number of backtesting exceptions for the past 250 business days (from the reporting quarter-end and going backwards), based on:

    (a) Actual daily changes in portfolio value.
    (b) Hypothetical changes in portfolio value that would occur were end-of-day positions to remain unchanged during the 1 day holding period.

32) The multiplication factor will be set by the CBB, separately for each bank, on the basis of the CBB's assessment of the quality of the bank's risk management system, subject to an absolute minimum of 3. Banks will be required to add to the multiplication factor set by the CBB, a "plus factor" directly related to the ex-post performance of the model, thereby introducing a built-in positive incentive to maintain the predictive quality of the model. The plus will range from 0 to 1 based on the outcome of the bank's back testing. If the back testing results are satisfactory and the bank meets all the qualitative standards as set out in the Market Risk Capital Adequacy Regulations, the plus factor could be zero. The Basel Committee's document titled "Supervisory framework for the use of back testing in conjunction with the internal models approach to market risk capital requirements," presents in detail the approach to be followed for back testing and the plus factor. Banks are expected to strictly comply with this approach.

33) The capital charge for general market risk will be the higher of (a) and (b) below, multiplied by the multiplication factor:

    (a) Its previous day's VaR number; and

    (b) An average of the daily VaR measures on each of the preceding sixty business days.

***Largest daily losses over the quarter***

34) Report in this part, in descending order, the five largest daily losses in the reporting quarter and their respective VaR, for the risk exposures which are measured by the internal models approach. If the number of daily losses during the quarter is less than five, report all such daily losses.

**OPERATIONAL RISK CAPITAL CHARGES**

35) Banks should refer to the detailed instructions under Chapters CA-7 of Volume 1 of the CBB Rulebook for the operational risk capital requirements.

36) The operational risk-weighted exposures of the Bank is calculated by multiplying the operational risk capital charge by 12.5.

**MEASUREMENT METHODOLOGIES**

37) The Central Bank of Bahrain Capital Adequacy Module outlines two methodologies for calculation of a Bank's operational risk charge:

(a) The Basic Indicator approach; and (b) The Standardized Approach.

**THE BASIC INDICATOR APPROACH ("BIA")**

38) Banks should note that only those years with positive gross income will be counted for the calculation of capital charge. Alpha which is fixed at 15% relates the industry-wide level of required capital to the industry-wide level of the indicator.

**STANDARDISED APPROACH**

39) Banks should refer to Section CA-7.1 for details of the standardized approach.

## SECTION C: ASSET QUALITY

### CLASSIFICATION OF LOANS AND ADVANCES

40) Interest accrued on non-performing loans must not be recognized once they are 90 days past due . Therefore principle and interest outstanding must not include interest on loans that are more than 90 days past due. Also, it will be excluding interest accrued but not yet due on the reporting date.

41) Analysis by Category

(a) (i.1) Stage 1 : This stage will include those performing loans which require calculation of ECL for a 12 month period only.
(b) (i.2) Stage 2: This stage will include those loans which have experienced significant increase in credit risk and require calculation of lifetime ECL.
(c) (i.3) Stage 3: This stage will include those loans which have become non–performing as defined under non-performing loans below and/or have specific provisions based on lifetime ECL.
(d) (i.6) Past due but not impaired : Loans which are past due between 1-89 days, but not impaired
(e) (i.7) Watch List: Those Loans which are currently protected from loss as these are not impaired but are assessed as potentially weak. They constitute a risk, but the risk is not such that it justifies a rating of NPL.
(f) Problem country debt loans: are all receivables due from countries scoring 10 or above under the CBB's sovereign debt matrix or from countries in default should be reported here.
(g) (i.5) Restructured loans: Restructured loans refers to loans, where the bank for economic and legal reasons related to the customer's financial difficulties grants concessions that it would have not otherwise considered. Concessions are special contractual terms and conditions that a lender would not extend or consider under normal market conditions.
(h) Rescheduled loans**:** Rescheduled loans are loans where, in response to changes in market conditions, no concessions have been granted to a performing customer provided that at the time of rescheduling, the loans have been serviced normally; the ability of the borrower to service is not in doubt and where there is reasonable assurance that the borrower will be able to service all future principal and interest payments on the loans in accordance with the revised repayment terms. Rescheduled loans must be reported in restructured loans.

42) Default, or impairment is considered to have occurred when either or both of the two following events have taken place:
   a. Where the obligor is unlikely to pay its credit obligations in full i.e. principal, interest, fees or any other amount
   b. The credit facility is past due for 90 days or more.

43) Non-performing exposures will include all exposures that are 'defaulted' or "impaired" as defined above and all other exposures where there is evidence that full repayment based on the contractual terms, original or, when applicable, modified (e.g. repayment of principal and interest) is unlikely without the bank's realisation of collateral.

44) Non-performing exposures must always be categorised for the whole exposure, including when non-performance relates to only a part of the exposure ex. unpaid interest. For off-balance sheet exposures, such as loan commitments or financial guarantees, the whole exposure is the entire uncancellable nominal amount. All non-performing exposures will be classified as Stage 3 for the purpose of ECL calculations.

45) Re-categorisation of Non-performing Exposures as Performing can be done only when all the following criteria are met simultaneously:

**i.** The counterparty does not have any exposures that are past due for 90 days or more;

**ii.** Repayments have been made when due over a continuous repayment period of at least:

a. Six months or six instalments, whichever is longer, for retail facilities; or
b. Six months or two instalments, whichever is longer, for all other facilities.
c. In cases where a non-retail non-performing exposure has been restructured and the revised terms allow for longer repayment intervals, re-categorisation can be made after a 12-month period provided at least two instalments have been paid under the revised terms.;
d. The counterparty's financial situation has improved so that the full repayment of the exposure is likely, according to the original or, when applicable, modified conditions.
e. The exposure is not considered to be in 'default' or 'impaired'.

46) Collateral Market Value represents the market value of any kind of collateral against the facilities granted to the customer. This sheet does not form any part of the capital adequacy calculation.

47) In the "Analysis by Sector" section, report the amount attributable to each of the sectors identified on the sheet. Report the amount outstanding, non-performing amount and the amount of respective specific provisions. A separate table for SME loans only that have already been included in the analysis by sector table should also be submitted under Section C1.

48) Consumer Finance is the provision of any form of credit facility to an individual excluding:

a. Any loan secured by a first charge on residential property to an individual, where the borrower lives in, or intends to live in the property;
b. The provision of any form of credit to an individual for business purposes where the facility is to be repaid from the business activities of the borrower.

49) Please distinguish between real estate financing and construction financing as follows:

a. If the credit facility is provided to a construction company for the use in its operations (working capital, constructing a building for a customer) it should be classified a construction loans.

b. If the credit facility is provided to a construction company to construct its own building, then it will be classified as real estate financing.

50) Residential Mortgages: Include all loans secured by a charge on residential property.

**INVESTMENTS**

51) This sheet is to be used to classify investments based on whether they are either banking book investments or trading book investments based on the nature of the investment.

52) Available-for-sale assets are those financial assets that are neither held to maturity nor held for trading.

53) An investment property is an investment in land or building that is not occupied substantially for use by, or in the operations of, the investing enterprise or another enterprise in the same group as the investing enterprise.

54) Investment Analysis : These should be based under IFRS 9 classifications. Under Section C2, line D1.1.2, Equity will also include value of listed and unlisted equity securities and mutual funds and in managed funds.

**PROVISIONS FOR LOSSES**

The below staging classification must be used for providing for expected credit losses and and loan loss provison represent migration in credit quality and will dictate the level of ECL to be recognised:

| **Staging** | **Description** | **ECL measure** |
|---|---|---|
| **Stage 1** | Performing assets with no significant deterioration in credit risk since origination or with very low credit risk. | 12-month ECL |
| **Stage 2** | Performing assets that have exhibited significant increase in credit risk since origination. | Life-time ECL |
| **Stage 3** | Non-performing assets, that are considered credit impaired. | Life-time ECL |

**MOVEMENT IN FAIR VALUE OF FINANCIAL INSTRUMENTS**

55) Report in this sheet the movement of the provisions for loans, investments, all other assets, and offbalance sheet items. Also report the movement of the unrealized gains/losses on financial instruments at Fair Value through Other Comprehensive Income (FVOCI) in the retained earnings for the period.

56) The specific provision is the amount that is required to write down the asset to its cash equivalent value, i.e. amount expected to be collected.

**LARGEST BANK AND NON-BANK EXPOSURES (INCLUDING OFF-BALANCE SHEET ITEMS)**

57) The measure of exposure reflects the maximum loss should a counterparty fail, or loss that may be experienced due to non-repayment of facilities granted. For full details of the definition of an exposure refer to CM-5.3.1.

As a general rule, exposures should be reported on a gross basis (i.e. no offset). For full details of when net exposures may sometimes be reported see CM-5.3.2.

**LARGE EXPOSURES**

58) For details and limits on large exposure, please refer to Section CM-5.5.

59) Large exposures are calculated using the sum of the nominal amounts before the application of the risk weighting and credit conversion factors for:

a. On-balance sheet claims
b. Guarantees and other contingent claims; and
c. Potential claims in the case of undrawn facilities.

60) In case of syndicated facilities, the nominal amount would include only the bank's share of the syndication and any amounts for which binding commitments from other financial institutions is not available. Where a binding commitment is available, that amount would be excluded in calculation of the large exposures. .

61) All exposures to the same counterparty should be aggregated.

62) Any exposure which represents 10% or more of the bank's consolidated total capital (line i.5 of the total capital – consolidated sheet) should be reported. If all exposures are below 10% of the bank's consolidated total capital, report the 25 largest exposures. Where the bank has only a few number of exposures representing 10% or more of its total capital, then the next largest exposures should be reported up to 25 counterparties.

## SECTION D: LIQUIDITY AND OTHER ASSETS

### LIQUIDITY

63) This section details the liquidity profile of the Bank. The sheet is classified into three main sections:
(a) Liquid Assets
(b) Qualifying Liabilities
(c) Net Stable Funds

64) Liquid Assets include cash and all assets that can be easily converted into cash.

65) Cash and balances at central banks include the amount comprising of notes, coins and balances with the Central Bank of Bahrain. Banks are advised that this does not include the 5% cash reserve maintained with the CBB.

66) Marketable securities which are not pledged and which include all those securities that can be easily sold/liquidated should be included in this section. Assets should only be classified as marketable where the Bank can readily obtain a market value. The Bank should report these securities at the current market value.

67) Banks should report all Qualifying Liabilities within this section including:
(a) Deposits from non-banks
(b) Deposits from banks
(c) Certificates of deposits issued
(d) Term borrowings

68) Banks should report the following data to calculate the Net Stable Funds:
(a) Deposits from non-banks (based on the bank's assessment)
(b) Certificate of deposits issued
(c) Core capital (Endowment capital + general reserves + R/E (losses) brought forward + net profit(loss) for the period – from the Sec A balance sheet: lines 1.1+1.4+1.5+1.6+1.7))
(d) Term borrowings

The following should be deducted from the above to arrive at the Net Stable Funds amount:
(e) Fixed Assets
(f) Properties acquired as a result of debt settlements
(g) Total investments in loans to consolidated subsidiaries engaged in banking and financial activities.
(h) Total deductions as specified by the CBB

69) Banks already submitting the Liquidity Coverage Ratio (LCR) and Net Stable Fund Ratio (NSFR) to the CBB separately will have to submit the same as part of the PIR under Section D6 on Basel 3 liquidity Ratios.

### MATURITY PROFILE

#### Assets

70) Assets should be inserted into the appropriate maturity band according to their maturities, i.e. in terms of the period remaining to contractual maturity date. Overdrafts should be reported according to the period remaining to the next review dates.

71) Where assets have been pledged as collateral and are therefore no longer available to the bank to meet obligations, they should be excluded from the maturity ladder as they are no longer available to provide the bank with liquidity.

72) Marketable assets (marketable means that there is an active market from which a market value or some indicator that enables a market value to be calculated, is available) should be included in the "8 days but less than one month" band for the purpose of this maturity profile.

73) Assets known to be of doubtful value (non-performing assets) should normally be excluded from the maturity ladder but it could be included on a case by case basis.

74) Contractual standby facilities made available to the bank by other banks should be included in the "8 days but less than one month" band, and should also be reported as a note to the profile.

75) Items in the course of collection, if material, could be netted off (if applicable) for the purpose of this maturity profile. The balance should be reported under "8 days but less than one month" band.

**Liabilities:**

76) All types of deposits should be reported in terms of the period remaining to the contractual maturity date. Set off, for the purpose of this maturity profile may be allowed if an appropriate agreement exists between the parties involved.

77) Known firm commitments to make funds available on a particular date should be included at their full value, and also reported separately as a note to the profile.

78) Commitments which are not due to be met on a particular date, e.g. undrawn overdraft amount, standby facilities etc. should be reported separately as a note to the profile.

79) Contingent liabilities should not be included in the maturity profile, unless they are likely tobe fulfilled.

**25 LARGEST BANK DEPOSITORS & 25 LARGEST NON-BANK DEPOSITORS**

80) All exposures to the same counterparty should be aggregated.

**RELATED PARTIES TRANSACTIONS, LARGE EXPOSURES AND OTHER ITEMS**

**Related Parties Transactions**

81) Related parties transactions is defined as a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

*Please refer to IAS 24 for the guidance on Related Parties Transactions.*

**Large Exposures - Consolidated**

82) For details on large exposures, please refer to sections CM-5.3 and CM-5.5.

**Other Items**

83) Banks should report the following in this section:

(a) Total assets pledged by the bank

(b) Client funds under management

  (i) On behalf of Clients in Bahrain
  (ii) On behalf of Clients outside Bahrain

(c) Back-to-Back deposits from banks and customers

(d) Shari'a compliant transactions