Supplementary Information
Appendix BR-4
Guidelines for Completion of PIRI
Locally Incorporated Banks

GUIDELINES FOR COMPLETION OF
THE PRUDENTIAL INFORMATION RETURNS FOR ISLAMIC BANKS INCORPORATED IN THE KINGDOM OF BAHRAIN

GENERAL

1) All Islamic banks incorporated in Bahrain must complete the Form Prudential Information Returns for Islamic Banks ("PIRI"). This Form is intended to be a financial report of the bank as a separate legal entity. Banks should therefore include all assets and liabilities and off-balance sheet activities of their head office and their branches in Bahrain and abroad. If the Bank has subsidiary(ies), then it should include all assets, liabilities, and off-balance sheet activities (does not include RIA) of their head office and their branches in Bahrain, their branches abroad, and subsidiary(ies). In this case, separate figures in respect of the head office or "Bahrain operations" are to be reported.

2) These guidelines should be read in conjunction with the Capital Adequacy Module for Islamic Banks, Volume II, and any other directives in this regard issued by the Central Bank of Bahrain ("CBB").

3) The same Form PIRI is to be used for reporting on solo or consolidated basis. Each bank should submit only one Form. Please note the following definitions:

   (a) Solo Basis: Should include operations of the parent institution and its overseas branches and associates before consolidation. ONLY report these information where required.
   (b) Consolidation Basis: Should include operations of the parent institution and its subsidiaries. Report such information where there is no specific reporting requirement. However, exclude the subsidiaries reported under aggregation when completing the credit, market, and operational risk weighted exposures sheets.
   (c) Bahrain Operations: All operations of the institution booked in Bahrain.

   Please refer to IFRS 5 and IAS 27 for definitions, accounting and consolidation requirements applicable to subsidiaries.

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

5) A major purpose of this Form is to assess the banks' financial performance including capital adequacy (Credit, Market, & Operational risks), asset quality, liquidity and other assets and earnings in accordance with international practices.

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

   a) Section A: Balance Sheet and Profit & Loss
   b) Section B: Capital Adequacy Calculation
   c) Section C: Capital Adequacy Calculation / Credit, Market, and Operational Risk Weighted Exposures
   d) Section D: Asset Quality
   e) Section E: Management of Investment Accounts
   f) Section F: P&L, Earning Quality, and Liquidity

7) Banks have the option to use the supplementary schedules (appendix CA-9) to collect exposure data for credit and market risk or to use its own schedules/systems. 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 records 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 either controls or holds a significant investment (20% - 50%) in a non-resident banking, securities or other financial entity which is filing its return with the respective supervisor under the Basel II capital adequacy rules, the investor bank will not automatically be required to consolidate or pro-rata consolidate on a line by line basis respectively for regulatory capital purposes. Under such circumstances, the aggregation rules outlined in paragraph PCD-3.1.2 will be applicable. However, a bank may opt to consolidate or pro-rata consolidate such entities instead of aggregation or pro-rata aggregation provided that it satisfies CBB that these entities are otherwise adequately capitalized on a stand-alone basis in their respective jurisdictions. CBB will liaise with the concerned host supervisors in this regard. In addition, if a foreign branch of a Bahraini bank is filing its return with the respective supervisor under the Basel II capital adequacy rules, the aggregation rules may also be applied to such branch.

10) Completed PIRI is required from all banks showing the financial position and the capital adequacy ratio at the end of each calendar quarter. It should be sent not later than 20 calendar days after the relevant reporting date to:

Islamic Financial Institutions Supervision Directorate
Central Bank of Bahrain
P.O. Box 27
Manama
Kingdom of Bahrain

SECTION A: BALANCE SHEET AND PROFIT & LOSS

11) Section A provides the CBB with financial information about the Bank. Figures provided should be reported as of the quarter end. 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.
    (b) Non-capital liabilities: Represent all liabilities in the balance sheet.
    (c) Assets: Represent all assets (monetary and non-monetary assets).
        i. Self financed
        ii. Financed by unrestricted investment accounts
        iii. Financed by restricted investment accounts

PROFIT & LOSS

13) The Profit and Loss sheet represent the income and expenses of the Bank. Figures provided should tally 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 financing facilities, investment and other assets (should include all assets other than financing facilities 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 (if the Bank is engaged in any derivative transactions)
        (i) Equity
        (ii) Foreign Exchange
        (iii) Commodities

SECTION B: CAPITAL ADEQUACY RATIO CALCULATION

CAPITAL BASE

15) The capital is divided into three categories as follows:

Tier 1: Core capital

16) Tier 1 capital shall consist of the sum of items (a) to (e) below, less the sum of items (f) to (j) below:

(a) Issued and fully paid ordinary shares (For Islamic funds with participation and / or "B" class shares (not carrying voting rights), the treatment for the purpose of these regulations must be agreed with the CBB. The CBB will consider each case on its merit).

(b) Disclosed reserves, including:
   a. General reserves
   b. Legal / statutory reserves
   c. Share premium
   d. Capital redemption reserves
   e. Excluding fair value reserves

(c) Retained profit brought forward;

(d) Unrealized gains from fair valuing equities as described in note (c) below under Tier 2 capital; and

(e) Minority interests in subsidiaries Tier 1 equity, arising on consolidation, in the equity of subsidiaries that are less than wholly owned. Further guidance on minority interests is provided in the Prudential Consolidation and Deduction Requirements Module.

Less:

(f) Goodwill;

(g) Current interim cumulative net losses;

(h) Unrealized gross losses arising from fair valuing equity securities;

(i) Other deductions made on pro-rata basis between Tier 1 and Tier 2. However, a section is provided under the Total Tiered Capital for deduction purposes; and

(j) Reciprocal cross holdings of banks' capital artificially designed to inflate the capital position of banks must be deducted for regulatory capital purposes from the tier in which the reciprocal cross holding exists.

Tier 2: Supplementary capital

17) Tier 2 capital shall consist of the following items (a) to (e) below, less item (f):

(a) Current Interim retained profits which have been reviewed as per the ISA by the external auditors;

(b) Asset revaluation reserves, which arise from the revaluation of fixed assets and real estate from time to time in line with the change in market values, and are reflected on the face of the balance sheet as a revaluation reserve. Similarly, gains may also arise from revaluation of Investment Properties (real estate). These reserves (including the net gains on investment properties) may be included in Tier 2 capital, with the concurrence of the external auditors, provided that the assets are prudently valued, fully reflecting the possibility of price and forced sale. A discount of 55% will be applied to the difference between the historical cost book value and the market value to reflect the potential volatility of this form of unrealised capital;

(c) Unrealized gains arising from fair valuing equities:
i. For unrealized gross gains reported directly in equity, a discount factor of 55% will be applied before inclusion in Tier 2 capital. Note for gross losses, the whole amount of such unrealised loss should be deducted from the Tier 1 capital.
ii. For unrealized net gains reported in income, a discount factor of 55% will apply on any such unrealized net gains from unlisted equity instruments before inclusion in Tier 1 capital (for audited gains) or Tier 2 capital (for reviewed gains) as appropriate. This discount factor will be applied to the incremental net gains related to unlisted equities arising on or after January 1, 2008.
Recognition of such unrealized gains for capital adequacy purposes is subject to the fulfillment of the conditions outlined in para CA-2.1.4 (c). Banks should note that the Central bank will discuss the applicability of the discount factor above with individual banks and the CBB reserves the right to adjust such discount factor.

Please note that only audited unrealized gains for unlisted equities reported income should be reported in Tier 1.

(d) General provision as per AAOIFI Financial Accounting Standard # 15.

(e) Profit equalization reserve and investment risk reserve, up to a maximum amount equal to the capital charge pertaining to 30% of the risk weighted assets financed by unrestricted investment account holders.

Less:

(f) Reciprocal cross-holdings of banks' capital artificially designed to inflate the capital position of banks must be deducted for regulatory capital purposes from the tier in which the reciprocal cross-holding exists.

Deductions from Tiers 1 and 2 capital

18) Deduction other than mentioned above should be made 50% from Tier 1 and 50% from Tier 2 capital. Please refer to PCD-1.1, 1.2, 2.1, 2.2, 2.3, & 2.4 and appendices to the PCD Module for complete description of the applicable deductions and a worked example.

19) To arrive at the Total Eligible Capital Base at solo level, investments in subsidiaries should be deducted in line item 3.1 under the capital components section of the PIRI

Limits on the use of different forms of capital

20) Tier 1 capital should represent at least half of the total eligible capital, i.e., Tier 2 capital is limited to the 100% of Tier 1 capital

21) The limit on Tier 2 capital is based on the amount of Tier 1 capital after all deductions of investments pursuant to Prudential Consolidation and Deduction Requirements Module (see Appendix PCD-2 of PCD module for an example of the deduction effects and the caps).

CAPITAL ADEQUACY RATIO CALCULATION ("CAR")

22) In this sheet, the Bank has to enter the Risk Weighted Exposures ("RWE") for credit, market, and operational risks. It also provides for the calculation of CAR under the aggregation rules set out in PCD-3.1.1 and PCD-3.1.2. In a nutshell, the aggregation rules may apply to subsidiaries in countries where Basel II has been officially adopted. Where aggregation rules are applied, exclude all figures related to entities subject to aggregation from Section B.

23) Also, in this sheet, the Bank has to enter the trigger minimum capital charge for the calculation of the minimum capital requirements for the different types of risks. Please note that the Bank has to maintain the limits imposed on the use of tiered capital as per the rules set out in CA-2.2 of the Capital Adequacy Module, Volume II.

24) In case of reporting on consolidated basis, the Bank has to fill the section titled "Solo Basis – Bahrain Operations Only Plus Overseas Branches".

SUMMARY OF RWAs

25) Enter in this sheet the total RWA for credit and market exposures whether financed by the Bank's own money or financed by URIA. Also report the total RWA for Operational Risk.

CREDIT RISK WEIGHTED EXPOSURES CALCULATION

The Standardized Approach

26) This sheet calculates the on and off-balance sheets 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 the following types:

(a) Cash items
- (i) Notes and coins
- (ii) Gold bullions held and backed by gold bullion liabilities
- (iii) Cash items in the process of collection
- (iv) Delivery-versus-payment transactions

(b) Claims on sovereigns
- (i) Claims on Bahrain and & GCC sovereign & respective central banks
- (ii) Claims on other sovereigns & respective central banks in their relevant domestic currency
- (iii) Claims on other sovereigns & respective central banks not in their relevant domestic currency

Entities classified as a sovereign in Bahrain which are entitled for zero risk weight, include the following:

(i) Central Bank of Bahrain;

(ii) All the ministries; and

(iii) The government entities, including:

1. National Oil & Gas Authority
2. Civil Service Bureau
3. General Organisation for Youth & Sports
4. Bahrain Centre for Studies & Research
5. Central Informatics Organisation
6. Civil Aviation Affairs
7. Shura Council
8. Council of Representatives
9. Directorate of Legal Affairs
10. Public Commission for the Protection of Marine Resources, Environment and Wildlife
11. Survey and Land Registration Bureau
12. Equestrian and Horse Racing Club.
13. Bahrain Royal Equestrian & Endurance Federation
14. Economic Development Board
15. National Audit Court
16. Bahrain Tender Board

17. The Constitutional Court
18. Public Prosecution
19. Prime Minister's Court
20. National Guard
21. Constitutional Court
22. Radio & TV Corporation
23. Sunni Awqaf
24. Ja'afari Awqaf
25. Bahrain University
26. High Council for Vocational Training
27. Royal Charity Organisation
28. Political Societies Support
29. Bahrain Institute for Political Development
30. Labour Market Regulatory Authority
31. The General Organisation of Port
32. Social Welfare Programme
33. The Royal Court

(c) Claims on international organizations (Bank for International Settlements, the International Monetary Fund and the European Central Bank)

(d) Claims on non-central government public sectors entities ("PSEs"). Please refer to CA-4.2.4 to CA-4.2.6

Please find below the list of entities classified as Public Sector Entities:
(i) Social Insurance Organization; and
(ii) Bahrain Exchange.

Please note that banks have to check with other Central banks about their respective PSEs that are treated as sovereign.

(e) Claims on multilateral development banks ("MDBs"): Comprises of the World Bank Group. For member of the group, please refer to the CA-4.2.8 and CA-4.2.9.

(f) Claims on banks: Classified into long/short term exposures with preferential treatment for claims on Bahraini incorporated bank where the claim is denominated in BD or USD and is three months or less. The following scenarios may apply for risk weighting:

(i) Claims on banks incorporated in Bahrain denominated in BD or USD of original maturity of three months or less will be risk weighted at 20%.

(ii) Short-term claims on banks incorporated in Bahrain but denominated in a foreign currency i.e a currency other than BD or USD must be risk weighted using the standard risk weights. For instance, if National Bank of Bahrain (NBB) makes a placement with BBK maturing in one month and is denominated in Euro, NBB should risk weight the claim on BBK using the standard risk weights of BBK.

(iii) Both long/short term claims on branches of foreign banks licensed in Bahrain will be assigned the standard risk weights. For instance, if NBB makes a placement with Citibank, Bahrain, in USD, NBB will risk weight the claim on Citibank using the standard risk weights corresponding to the external rating of the head office.

(iv) Short term claims on banks incorporated outside Bahrain in their domestic currency in the country where the bank is incorporated will be assigned the standard risk weights or the short-term risk weights where allowed by the Home Regulator. For instance, If NBB makes a placement with HSBC in London denominated in GBP, NBB should risk weight the claim on HSBC using the short-term risk weights if allowed by the home regulator. However, if the GBP placement is made with HSBC in Bahrain, the standard risk weights will be applied as in the previous paragraph.

(v) Banks should always be risk weighted as banks even if the bank is wholly owned by a sovereign.

(vi) According to paragraph CA-4.2.10 of CBB Capital Adequacy Module, no claim on an unrated bank may receive a risk weight lower than that applied to claims on its sovereign of incorporation. In such cases, claims on unrated banks should be reported under the respective risk weights applied to its sovereign of incorporation

(g) Claims on investment firms: Represents claims on investment firms which are subject to the supervision of the CBB (category 1 & 2). (see CA-4.2.13).

(h) Claims on corporates, including insurance companies:

(i) Corporates owned by the government of Bahrain (50% or more and are incorporated in Bahrain) may be risk weighted at zero percent. The corporate listed below are entitled for such treatment:

1. The Bahrain Petroleum Company (BAPCO)
2. Bahrain National Gas Company (BANAGAS)
3. Bahrain Mumtalakat Holdings and its associates:
    a) General Poultry Company
    b) Bahrain International Circuit Company
    c) Aluminum Bahrain Company – ALBA
    d) Bahrain Flour Mills Company
    e) Gulf Air Company
    f) Durrat Khaleej Al Bahrain Company
    g) Lulu Tourism Company
    h) Bahrain Real Estate Company
    i) Hawar Island Development Company
    j) Al Awali Real Estate Company

(ii) Other corporates comprise of corporates incorporated inside and outside Bahrain including category 3 investment firms.

(i) Claims included in the regulatory retail portfolios: Retail claims representing more than 0.2% of the bank's capital base or in excess of BD 250,000 shall be reported under Other Assets for capital adequacy calculation purposes. Claims included in the retail portfolio should be tested for both limits and any of these limits may disqualify a claim from being accorded the treatment of claims on retail. Please refer to paragraph CA-4.2.18 for more details.

(j) Mortgage:
   (i) Claims secured by residential property
   (ii) Claims secured by commercial real estate

(k) Past due facilities (90 days or more)

(l) Investment in Securities (banking book)
   (i) Equity investments (listed / unlisted)
   (ii) Mutual Funds (rated / not rated (listed/unlisted))
   (iii) Investments in Equity Sukuks:
   If the Sukuk is equity in nature, such investment should be treated as an equity investment and risk weighted accordingly. However, if the Sukuk has the characteristics of a receivable (or debt) then the Sukuk should be risk weighted using its issue specific rating according to the nature of the issuer (i.e. sovereign, bank or corporate etc). Where Sukuk is collateralised, no double counting of collateral will be permitted (See CA- CA-4.7.3). If the Sukuk is unrated and has the characteristics of a receivable, the risk weight applicable will be based on the risk weight applicable to the issuer.

Please note that the CBB may enforce a bank to adopt the 'Simple Risk Weight Method' for equities (Section CA-4.4) if the CBB considers that bank's equity portfolio is significant. For the risk weight to appear, please select the approach applicable for risk weighting the investment in securities / unrated funds from the drop down box. CBB may enforce the bank to adopt one of the IRB treatments (simple risk weight method) for investments in equities/unrated funds if the CBB considers that bank's equity/fund portfolio is significant

(m) Holding of real estate
All holdings of real estate by banks (i.e. owned directly or by way of subsidiaries or associate companies or other arrangements) must be risk-weighted at 200%. Premises occupied by the bank may be weighted at 100%.

(n) Underwriting of non-trading book items
Where a bank has acquired assets on its balance sheet in the banking book which it is intending to place with third parties under a formal arrangement and is underwriting the placement, the following risk weightings apply during the underwriting period (which may not last for more than 90 days). Once the underwriting period has expired, the usual risk weights should apply
   (i) For holdings of private equity, a risk weighting of 100% will apply instead of the usual 150% (see CA-4.2.29)
   (ii) For holdings of Real Estate, a risk weight of 100% will apply instead of the usual 200% risk weight (see CA-4.2.29).

(o) Other assets and specialized financing

(p) Off-balance sheet items: Please refer to CA-4.5 for details on off-balance sheet items.

27) The sheet is divided into 6 columns which are explained as follows:

(a) Column A – Credit Exposure Before CRM *(input cells)*
Report in this column on- and off-balance sheets exposures (does not include RIA) for all different type of claims. Exposures entered in this column should be reported without consideration of Credit Risk Mitigation ("CRM").

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 CA-4.5 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 CA-4.7 for detailed overview of the eligible types of collateral for the purpose of CAR.

(c) Column C – Unsecured Portion of the Credit Risk *(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.

(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".

28) There are two CAR sheets to capture the "Self Financed Exposure" and another to capture the "URIA Financed Exposures". Please report the exposures accordingly. *Please note that RIA Financed Exposures do not form any part of the capital adequacy ratio calculation.*

MARKET RISK WEIGHTED EXPOSURES CALCULATION

29) The market risk capital charges under the Standardized Approach arising from Bank's own money exposures and URIA exposures are aggregated and converted to a market risk weighted exposure by multiplying by 12.5.

30) Market risk capital charges from standardized approaches will be calculated in supplementary schedules and figures will be transferred to Sec C.1 MR - Market Risk sheet.

GENERAL GUIDELINES

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

32) 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 minimize capital charges occurs and to prevent "gains trading" in respect of securities which are not marked-to-market.

33) 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.

Definitions

34) Market risk is defined as the risk of losses in on or off-balance sheet positions arising from movements in market prices. Banks incorporated in Bahrain are required to measure and apply capital charges in respect of their market risks in addition to the existing credit risk capital requirements. The risks subject to this capital requirement are:

(a) Price risk;
(b) The risks pertaining to equities in the trading book;
(c) Sukuk;
(d) Foreign exchange risk throughout the bank; and
(e) Commodity risk throughout the bank.

35) For the purpose of market risk, the trading book of a bank is defined as follows:

A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book capital treatment, financial instruments must either be free of any restrictive covenants on their tradability or able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed (at the present time, open equity stakes in hedge funds, private equity investments and real estate holdings do not meet the definition of trading book, owing to significant constraints on the ability of banks to liquidate these positions and value them reliably on a daily basis. Such holdings must therefore be held in the bank's banking book and treated as equity holding in corporates, except real estates which should be treated as other assets).

36) A commodity is defined as a physical product which is, or can be, traded on a secondary market, e.g., agricultural products, mineral (including oil) and precious metals.

PRICE RISK

37) Dependent on the stage of the contract of the Islamic product with a counterparty, the bank may be exposed to the asset price risk due to the fluctuation in the asset price over a period of time. For example, under Operating Ijarah and IMB, because the asset may be available for lease prior to signing a lease contract, the bank is exposed to the changes in market prices, and hence, is required to calculate a market risk capital charge of 15% of the carrying value.

38) Please refer to the CA-3 for the different stages of contracts for each Islamic product and to CA-5.2.

EQUITY EXPOSURES

39) Report in this part the gross and net positions in the <u>trading book</u>.

40) The equity positions are to be reported by the country in which the equity is listed. Where equity is listed in more than one country, the bank should discuss the appropriate country allocation with the CBB.

41) The capital charge is levied on two aspects to cover both the specific risk and the general market risk. Specific risk is calculated for each country or equity market based on the bank's gross equity positions in that country or market. For each national market in which the bank holds equities, it should sum the market values of its individual net positions, irrespective of whether they are long or short positions, to produce the overall gross equity position for that market. The capital charge for specific risk will be 8% on the gross position, unless the portfolio is both liquid and well diversified, in which case the capital charge will be 4%. To qualify for the reduced 4% capital charge, the following requirements need to be met:

   (a) The portfolio should be listed on a recognized stock exchange;

   (b) No individual equity position shall comprise more than 10% of the gross value of the country/market portfolio; and

   (c) The total value of the equity positions which individually comprise between 5% and 10% of the gross value of the country portfolio shall not exceed 50% of the gross value of the country portfolio.

42) The general market risk charge will be 8% of the net position (i.e. the difference between the sum of all the long positions and the sum of all the short positions) in each national equity market. The sum of the specific risk charge and the general risk charge will be the total capital charge for equity exposures in the trading book.

43) Positions in highly liquid equity indices, attract a 2% capital charge in addition to the general market risk. For positions in equity indices not regarded as highly liquid, the specific risk capital charge will be the highest specific risk charge that would apply to any of its components.

SUKUK RISK

44) For sukuk held in the trading book, market specific and general risk capital charge must be calculated.

45) Specific risk:

Categories	External assessment	Specific risk capital charge
Government (including GCC governments)*	AAA to AA-	0%
	A+ to BBB-	0.25% (residual term to final maturity 6 months or less)
		1.00% (residual term to final maturity greater than 6 and up to and including 24 months)
		1.60% (residual term to final maturity exceeding 24 months)
	BB+ to B-	8.00%
	Below B-	12.00%
	Unrated	8.00%
Qualifying		0.25% (residual term to final maturity 6 months or less)
		1.00% (residual term to final maturity greater than 6 and up to and including 24 months)
		1.60% (residual term to final maturity exceeding 24 months)
Other	Similar to credit risk charges under the standardized approach, e.g.:	
	BB+ to BB-	8.00%
	Below BB-	12.00%
	Unrated	8.00%

46) General risk:

Residual term to maturity	RW
1 month or less	0.00%
1-3 months	0.20%
3-6 months	0.40%
6-12 months	0.70%
1-2 years	1.25%
2-3 years	1.75%
3-4 years	2.25%
4-5 years	2.75%
5-7 years	3.25%
7-10 years	3.75%
10-15 years	4.50%

FOREIGN EXCHANGE EXPOSURES

47) Report in this part the amount of net long/short positions in each currency and gold. The net open positions may be either trading positions or, simply, exposures caused by the bank's overall assets and liabilities. The open positions are calculated with reference to the bank's base currency, which will be either Bahraini Dinars or United States Dollars.

48) A bank doing negligible business in foreign currencies and which does not take foreign exchange positions for its own account may, at the discretion of the CBB evidenced by the CBB's prior written approval, be exempted from calculating the capital requirements on these positions. The CBB is likely to be guided by the following criteria in deciding to grant exemption to any bank:

(a) The bank's holding or taking of positions in foreign currencies, including gold, defined as the greater of the sum of the gross long positions and the sum of the gross short positions

(b) In all foreign currencies and gold, does not exceed 100% of its eligible capital; and

(c) The bank's overall net open position, does not exceed 2% of its eligible capital.

49) A bank's exposure to foreign exchange risk in any currency is its net open position in that currency, which is calculated by summing the following items:

(a) The net spot position in the currency (i.e. all assets items less all liability items, including accrued profit, other income and expenses, denominated in the currency in question; assets are included gross of provisions for bad and doubtful debts, except in cases where the provisions are maintained in the same currency as the underlying assets);

(b) The net forward position in the currency (i.e. all amounts to be received less all amounts to be paid under forward foreign exchange contracts, in the concerned currency);

(c) Guarantees and similar off-balance sheet contingent items that are certain to be called and are likely to be irrecoverable where the provisions, if any, are not maintained in the same currency;

(d) Profits (i.e. the net value of income and expense accounts) held in the currency in question; and;

(e) Specific provisions held in the currency in question where the underlying asset is in a different currency, net of assets held in the currency in question where a specific provision is held in a different currency.

50) All assets and liabilities used to arrive at the net open position should be included at closing mid-market spot exchange rates. Mark-to-market items should be included on the basis of the current market value of the positions. Net open positions in composite currencies, such as the ECU and the SDR, may either be broken down into the component currencies according to the quotas in force and included in the net open position calculations for the individual currencies, or treated as a separate currency.

51) For calculating the net open position in gold, the bank will first express the net position (spot plus forward) in terms of the standard unit of measurement (i.e., ounces or grams) and then, convert it at the current spot rate into the base currency. Gold positions should be valued at current spot market exchange rates.

52) The net long or short position in each currency is converted, at the spot rate, into the reporting currency. The overall net open position is measured by aggregating the following:

(a) The sum of the net short positions or the sum of the net long positions, whichever is greater.

(b) The net position (short or long) in gold, regardless of sign.

53) The capital charge will be 8% of the overall net open position.

COMMODITY EXPOSURES

54) Report in this part the holding or taking of positions in commodities, including precious metals but excluding gold. Long and short positions in each commodity are reported on a net basis for the purpose of calculating the net open position in that commodity. However, offsetting is not allowed for positions in different types of commodities. The net position in each commodity is then converted at spot rates into the bank's reporting currency.

55) All commodity transactions whether on- or off-balance sheet positions which are affected by changes in commodity prices should be included in the measurement framework for commodities risks.

56) Capital charge is calculated using either the simplified approach or the maturity ladder approach. By the simplified approach, the capital charge will be 15% of the net position, long or short, in each commodity to capture directional risk, plus an additional capital charge of 3% of the bank's gross positions, long plus short, in each commodity to protect the bank against basis risk, interest rate risk and forward gap risk.

57) By the maturity ladder approach, for each commodity, the long and short positions expressed in terms of the standard unit of measurement, are multiplied by the spot price of the commodity and then slotted into the following maturity ladder. Physical stocks are allocated to the first time-band. Please refer to CA-5.6.9 to CA-5.6.12 for details on how to use the maturity ladder approach.

Time-bands
0-1 month
1-3 months
3-6 months
6-12 months
1-2 years
2-3 years
over 3 years

OPERATIONAL RISK CAPITAL CHARGES

58) Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

59) For the purpose of operational risk capital charges calculation, Gross Income is defined as follows:

(a) Net income from financing activities which is gross of any provisions, operating expenses, realized profits/losses from the sale of securities in the banking book, and depreciation of Ijarah assets;
(b) Net income from investment activities.
(c) Fee income (e.g. commission and agency fee).

Less:
(d) Investment account holders' share of income
(e) Takaful income

MEASUREMENT METHODOLOGIES

60) The Central Bank of Bahrain Capital Adequacy guidelines outline 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")

61) Banks using the Basic Indicator Approach must hold capital for operational risk equal to the average over the previous three years of a fixed percentage (denoted alpha) of positive annual gross income. Figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator when calculating the average.

62) Banks should report information relating to Gross Income for the last three audited financial years to arrive at the operational risk capital charge. The gross income is equal to item number 1.13 in the P&L sheet of the PIRI forms.

63) Gross income is defined as:
(a) Net income from financing activities which is gross of any provisions, operating expenses, realized profits/losses from the sale of securities in the banking book, and depreciation of Ijarah assets;
(b) Net income from investment activities; and
(c) Fee income (e.g. commission and agency fee)

Less:
(d) Investment account holders' share of income
(e) Takaful income

64) 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.

65) The Operational Risk-Weighted Exposures of the Bank is calculated by multiplying the Operational Risk Capital charge by 12.5 as specified in CA-A.3.6(i) of the CBB Capital Adequacy rulebook.

STANDARDIZED APPROACH

66) Banks using the Standardized Approach are required to classify their activities into eight business lines:

(a) Corporate finance,
(b) Trading & sales,
(c) Retail banking,
(d) Commercial banking,
(e) Payment & settlement,
(f) Agency services,
(g) Asset management
(h) Retail brokerage.

A detailed mapping of the business lines are provided below:

Mapping of Business Lines

Level 1	Level 2	Activity Groups
Corporate Finance	Corporate Finance	Mergers and acquisitions, underwriting, privatisations, securitisation, research, debt (government, high yield), equity, syndications, IPOs, secondary private placements
	Municipal/Government Finance	
	Merchant Banking	
	Advisory Services	
Trading & Sales	Sales	Fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage, debt, prime brokerage
	Market Making	
	Proprietary Positions	
	Treasury	
Retail Banking	Retail Banking	Retail lending and deposits, banking services, trust and estates
	Private Banking	Private lending and deposits, banking services, trust and estates, investment advice
	Card Services	Merchant/commercial/corporate cards, private labels and retail
Commercial Banking	Commercial Banking	Project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange

Level 1	Level 2	Activity Groups
Payment and Settlement	External Clients	Payments and collections, funds transfer, clearing and settlement
Agency Services	Custody	Escrow, depository receipts, securities lending (customers) corporate actions
	Corporate Agency	Issuer and paying agents
	Corporate Trust	
Asset Management	Discretionary Fund Management	Pooled, segregated, retail, institutional, closed, open, private equity
	Non-Discretionary Fund Management	Pooled, segregated, retail, institutional, closed, open
Retail Brokerage	Retail Brokerage	Execution and full service

67) Banks should enter information relating to the gross income for each business line for the last three audited financial years. The definition of Gross Income is the same as used under the BIA.

68) Within each business line, gross income serves as a proxy for the scale of business operations and thus the likely scale of operational risk exposure within each of these business lines.

69) Under the Standardized Approach, the capital charge for each business line is calculated by multiplying gross income by a factor, denoted by a beta assigned to that business line. Beta serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for that business line.

70) The values of the beta factors are detailed below:

Business Lines	Beta Factors
Corporate Finance	18%
Trading and Sales	18%
Retail Banking	12%
Commercial banking	15%
Payment and Settlement	18%
Agency Services	15%
Asset Management	12%
Retail Brokerage	12%

71) Banks should note that under the Standardized Approach, gross income is measured for each business line not for the whole institution, i.e in corporate finance, the indicator is the gross income generated in the corporate finance business line.

72) The total capital charge under the Standardized Approach is calculated as the three-year average of the summation of the capital charges across each of the business lines in each year.

73) Please note that in any given year negative capital charges resulting from negative gross income in any business line cannot off-set positive capital charges in other business lines. Where the aggregate capital charge across all business lines within a given year is negative, the input to the numerator for that year will be zero.

74) The total Operational risk-weighted exposure for the Bank is calculated as the sum of the operational risk charges across each business line multiplied by 12.5 as specified in CA-A.3.6.

75) SECTION D: ASSET QUALITY

CLASSIFICATION OF FINANCING FACILITIES / RECEIVABLES

76) Financing facilities and advances are the amounts due from customers.

77) Profit accrued on non-performing financing facilities and advances may not be recognized without the agreement of the Bank's external auditors.

78) Types of receivables and advances:

(a) Standard: are performing receivables.

(b) Substandard: are those non-performing receivables which are inadequately protected by the current paying capacity or net assets of the customer or by the value of the security taken by the bank. Such financing facilities must have a definite weakness which jeopardizes the liquidation of the facility.

(c) Doubtful: are similar to substandard with the added characteristic that the weakness in question makes liquidation in full, on the basis of currently known facts, highly improbable.

(d) Loss: losses are where facilities are considered uncollectible within a reasonable time frame and prospects of recovery are remote, where the facility has little true value and where writing off should not be postponed.

(e) Problem country receivables: 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.

(f) Restructured receivables: Restructured receivables refers to receivables, relating to the period, where the bank for economic and legal reasons related to the customer's financial difficulties grants concessions that it would not otherwise considered.

79) Impaired receivables and advances must include all non-performing receivables and advances on which payment of profit or repayments of principal are 90 or more days past due and all receivables and advances on which specific provision have been made.

80) Collateral Market Value represents the market value of any kind of collateral against the facilities granted to the customer. It may not need by Basel II compliant. This sheet does not form any part of the capital adequacy calculation.

81) In the "Analysis by Sector" report the sectoral analysis attributable to each of the sectors identified on the sheet. Report the amount outstanding, non-performing amount and the amount of respective specific provisions.

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

(a) Any receivables secured by a first charge on residential property to an individual, where the fund receiver 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 fund receiver.

83) 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, contrasting a building for a customer) it should be classified a CONSTRUCTION financing facilities

(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.

84) Residential Mortgages: Include all financing facilities secured by a charge on residential property.

INVESTMENTS

85) 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.

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

87) 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.

PROVISIONS FOR LOSSES AND MOVEMENT OF UNREALIZED GAINS/LOSSES ON AFS INVESTMENT IN RETAINED EARNINGS

88) Report in this sheet the movement of the provisions for receivable/financing facilities, investments, all other assets, and off-balance sheet items. Also report the movement of the unrealized gains/losses on AFS in the retained earnings for the period.

89) 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-BANKS EXPOSURE (INCLUDING OFF-BALANCE SHEET ITEMS)

90) 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-4.2.1.

91) 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-4.2.2.

Large exposures

92) 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.

93) 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. For full details and limits on large exposure, please refer to CM-4.1 to CM-4.9.

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

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

RELATED PARTIES TRANSACTIONS, LARGE EXPOSURES AND OTHER ITEMS

Related Parties Transactions

96) 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.

Aggregate Gross Qualifying Holdings

97) This should include the aggregate amount of all qualifying holdings (as defined in CM-4.4.1 E of the CBB Rulebook Volume 2) before any capital deductions.

Aggregate Net Qualifying Holdings

98) This should include the aggregate amount of all qualifying holdings after any deductions imposed in respect of individual qualifying holdings. If a bank has two qualifying holdings of 11% and 17% of capital base, the gross qualifying holdings would be 28% of capital base and net holdings would be 26% (if a 2% deduction has been made for the larger qualifying holding (see section CM-4.9 for more details.)

EXPOSURES TO CONNECTED COUNTERPARTIES (INCLUDING OFF-BALANCE SHEET ITEMS) – Consolidated

99) Connected counterparties' includes companies or persons connected with the bank, including, in particular; subsidiaries and associated companies (whether such association is due to control, or shareholding or otherwise); Directors, their family links and their associates (whether such association is due to control or family links or otherwise); members of the Shari'a Supervisory Board; senior management; and shareholders (and their appointed board representatives) holding 10% or more of the voting rights of the bank. In this context, "family links" means spouse, father, mother, sons, daughters, sisters and brothers. For details, please refer to section CM-4.4.

Large Exposures - Consolidated

100) For details on large exposures, please refer to sections CM-4.1 to CM-4.9.

REAL ESTATE EXPOSURES – Consolidated

Financing Investment in Real Estate

101) Any contract under which financing is provided to invest in real estate.

Mortgage Facilities

102) Any contract under which financing is provided for the purpose of buying land or house or for building own house for personal use. In the case of corporate, report financing obtained to buy land or building or construction of building to be used as company/customers' own premises or for housing for their employees

Facilities to Construction Sector

103) Any contract under which financing is provided to contractors and suppliers of building material.

OTHER ITEMS – Consolidated

Facilities secured by Real Estate

104) Refers to contracts under which financing is obtained for other than real estate financing but collateralized by real estate.

SECTION F: P&L, EARNING QUALITY, AND LIQUIDITY

AGING OF INCOME

105) In Section (i) of the Income sheet report income earned on funds jointly employed through jointly financed accounts. Income from the bank's own funds, independent of the funds provided for the jointly financed accounts should not be included.

106) In Section (ii) of the Income sheet report income earned on the bank's own funds, independent of the funds provided in the jointly financed accounts.

107) Total income should equal total operating income reported in the P&L.

INCOME FROM TEN LARGEST CUSTOMERS

108) In Section (i) of the Income sheet report income earned on funds jointly employed through jointly financed accounts. Income from the bank's own funds, independent of the funds provided for the jointly financed accounts should not be included.

109) In Section (ii) of the Income sheet report income earned on the bank's own funds, independent of the funds provided in the jointly financed accounts.

LIQUIDITY INFLOWS

110) There are six sheets for the liquidity reporting covering the Self Finance (inflows / outflow), URIA (inflows / outflow), and RIA (inflows / outflow).

111) Please refer user to the Rulebook for more information on the use of Behavioral adjustments to data provided under section F of PIRI, please refer to the Rulebook section BR-5.2.4.

112) Inflows (on assets) are generally included in the maturity ladder according to their latest contractual maturity. Where the item falls within the maturity analysis of assets, the bank should only include any of the associated profit/gain or other receipts that fall due within the cash flow reporting period.

113) Assets known to be of doubtful value are excluded from the maturity ladder and treated on a case by case basis. Assets which have been pledged as collateral and are therefore no longer available to a bank to meet its obligations, should be excluded from the maturity ladder as they are no longer available to provide the bank with liquidity.

Highly Liquid / Marketable Assets

114) Marketable Assets: Assets considered to be readily marketable are included in the maturity ladder in the sight 8-day time band, generally at a discount to their reported value. The 8-day timeband is considered to be a reasonable period for settlement. However, in specific situations such assets may be included in the 8-days to 1-month time band in the light of the settlement period.

115) For assets to qualify as marketable, the following criteria must be met:
   (a) Prices are regularly quoted for the item by a range of counterparties;
   (b) The item is regularly traded;
   (c) The item may be sold either on an exchange or in a deep and liquid market, for payment in cash; and
   (d) Settlement is according to a prescribed timetable rather than a negotiated timetable.

116) The discount factors applied to marketable securities issued by various countries in the CBB's mismatch calculations are given in the below. The discount factors account for lower settlement values that may result based on the tenor of the assets or other risks attributable to the nature of the assets.

117) However, on occasions, the CBB may announce special discount factors to be used for marketable assets denominated in the currency of or originating from countries that may be faced with liquidity difficulties. In these cases the discount factors will be determined at the CBB's own discretion.

Marketable Central Government Securities (Assets)	Discount Factor
Central government marketable securities (such as Sukooks) with 0-12 months residual maturity.	0%
Central government marketable securities with 12 months-5 years residual maturity.	5%
Central government marketable securities with over 5 years residual maturity.	10%
Non-government marketable securities, which are either issued by a credit institution or an investment firm with 0-6 months residual maturity.	5%
Non-government marketable securities, which are either issued by a credit institution or an investment firm with 6 months-5 years residual maturity.	10%
Non-government marketable securities, which are either issued by a credit institution or an investment firm with over 5 years residual maturity.	15%
Highly liquid securities (i.e. listed on a recognised exchange or deep market).	20%

118) The CBB reserves the right to announce special discount factors for marketable assets denominated in the currency of or originating from countries that may be faced with liquidity difficulties. This can be discussed with the CBB on a case by case basis.

119) <u>Cash:</u> Include the amount comprising of notes, coins and balances with the CBB. This amount need not be discounted.

120) Central Government Securities: Report in these items the amount of inflows (either known or potential) from central government marketable securities (such as Sukuk) or other such Islamic marketable securities issued by the central governments of various countries. Include only marketable securities that are currently in the reporting bank's ownership with a residual maturity as specified under each item head in the return forms. These amounts should be discounted using the discount table above.

121) Non-Government Securities: Report in these items the amount of inflows (either known or potential) from non-government marketable securities or other such Islamic marketable securities issued by credit institutions or investment firms in various countries. Include only marketable securities that are currently in the reporting bank's ownership with a residual maturity as specified under each item head in the return forms. These amounts should be discounted using the discount factor table above.

122) Others: On occasions, the CBB may announce special discount factors for marketable assets denominated in the currency of or originating from countries that may be faced with liquidity difficulties. Include these items with respective discount factors under this head. Also include in this section any other marketable assets not covered by other sections and specify details.

123) Highly Liquid Equities: Amount in this item should represent inflows from highly liquid equities that are traded on a recognized exchange and could be liquidated easily within 8 days. Equities that are not liquid (i.e. not traded on a recognized exchange) should not be included.

RETAIL

124) For liquidity monitoring purposes only, a bank should classify its cash flows as being either retail or wholesale. Each bank will have its own means of classifying cash flows as either retail or wholesale. Following are few considerations that may lead the banks to make such classification:
   (a) *Size*. Both in absolute terms and in relation to the business as a whole; larger amounts are more likely to be classified as wholesale; small amounts will probably be retail.
   (b) *Volatility*. Wholesale cash flows are likely to be highly volatile whereas retail cash flows have a low volatility.
   (c) *Type of business relationship*. Retail customers tend to develop long-term relationships with their bank and use one bank for all their banking needs. Wholesale counterparties will generally tend to work on a transactional basis with a number of banks.

125) The details on the bank's qualification of the cash flows (whether retail or wholesale) should be entered into the bank's liquidity policy statement. This classification should be disclosed within the liquidity policy statement.

126) Murabaha Receivables: This amount should include inflows of installments and the related profit accruing from it. The amount should be reported as installment inflows at the latest possible repayment date or as assets maturing at the latest possible repayment date.

127) Ijarah / Ijarah Muntahia Bittamleek: Include in this item, the amount of inflows related to Ijarah/ Ijarah Muntahia Bittamleek rentals reported as inflows on the latest possible payment date. Where the lessee has the option to purchase the asset for a fixed consideration either during the duration of the asset or at the end of the contract, the consideration should be taken as an inflow at the latest possible exercise date.

128) Other Retail Inflows: Include in this item any other retail inflows from the bank's operations (e.g. inflows from Islamic credit card operations, etc.).

WHOLESALE

129) The ability to obtain funds in the wholesale markets is an important source of liquidity. The bank should be able to estimate their "normal" borrowing capacity in wholesale markets and to establish a policy regarding dealing in markets against that capacity.

130) All inflows should be taken as occurring at the last possible contractual date or in case of an asset at the last possible contractual repayment date. Following are the treatments of inflows for some of the Islamic contracts.

131) Non-Marketable Securities: Include here any securities which the reporting bank holds or will receive, but which it cannot classify as marketable. A bank should report non-marketable assets according to the redemption value of the assets or alternatively, where the redemption value is unavailable or not applicable (eg. in the case of equities), at the fair value, if determinable (as per IAS 39). This reflects the potential inflow of cash when the asset matures.

132) Inter-bank: Interbank (excluding intergroup/ related party). Report inflows arising from placements with other banks. Exclude from this item inflows from other bank entities within the group or related party which should be reported in "Intra-group / related party".

133) Intra-group/ Related Party: Report any cash flows from counterparties connected to the reporting bank. Also include inflows from intergroup / related party (including affiliates and sister companies) arising from some of the Islamic financial contracts.

134) Corporate: Report inflows from non-bank, non-connected corporate counterparties.

135) Government / Public Sector – Bahrain: Report inflows from the Government of Bahrain and Bahrain public sector entities.

136) For a list of ministries (and their directorates) included in the Government of Bahrain and a list of entities included in the Bahrain public sector, refer back to paragraph 26.

137) Government / Public Sector – Other Countries: Report inflows from the central governments and public sector entities of various countries. Also include central governments and public sector entities of GCC countries excluding Bahrain.

138) Government / Public Sector – Classified Countries: On occasions, the CBB may classify countries as having liquidity difficulties. Report inflows from the central government and the public sector entities of such classified countries under this section.

139) Forward Foreign Exchange: Enter any cash flows relating to forward purchases of foreign currency. The amount received should be entered in the appropriate maturity band.

140) Forward Sales and Purchases: Enter inflows from forward sales in the time band corresponding to the date of the forward sale. For forward purchases, where the asset purchased is a marketable asset, the bank should report the discounted value (amount) of the security purchased at the maturity of the contract. Where the asset purchased is non-marketable, the bank should enter the discounted value (amount) of the security at the maturity of the asset.

141) <u>Commodities:</u> Enter any inflows from sale of commodities held by the bank. This amount may or may not be a part of the amount reported as inflows from Parallel Salam contracts.

142) <u>Trade Related Letters of Credit:</u> Report here any inflows arising from trade related letters of credit.

143) <u>Fees (including Mudarib Fees):</u> Enter any inflow in the form of fees receivable by the bank. Also include Mudarib fees that the bank is entitled to for being a Mudarib of investor's funds.

144) <u>Other Funding Sources:</u> Include inflows from all other funding sources not reported elsewhere according to their timing of cash flows.

LIQUIDITY OUTFLOWS

145) Please refer to the description of the items under the liquidity inflows.

MATURITY PROFILE

146) Banks should monitor compliance with their liquidity mismatch guidelines each business day and should report in this section the mismatch on the reporting date.

147) Banks are expected to stay within their liquidity mismatch guidelines. Where a bank exceeds its guideline during the reporting period, it should contact the CBB to inform them of any exception as soon as it occurs.

148) Please refer to the liquidity Risk Management Module in the Rulebook for guidance on permitted mismatch.