



**CBB Reporting Forms  
Appendix BR-9  
Agreed Upon Procedures  
External Auditor's PIRI Review Letter**

[Insert date]

PRIVATE AND CONFIDENTIAL

Mr XX XXXX  
Chief Executive Officer  
A Bank B.S.C. (c)  
PO Box XXX  
Manama  
Kingdom of Bahrain

Dear Sir,

**A BANK B.S.C. (c)**  
**AGREED-UPON PROCEDURES RELATING TO**  
**THE QUARTERLY CONSOLIDATED PRUDENTIAL INFORMATION REPORT**  
**FOR ISLAMIC BANKS**  
**SUBMITTED TO THE CENTRAL BANK OF BAHRAIN**

We have performed the procedures agreed with you and enumerated below with respect to the **first submission** Quarterly Prudential Information Report for Islamic Banks (“PIRI”) submitted to the Central Bank of Bahrain (CBB) relating to the quarter ended 31/30 March/June/September/December 20\_\_, which has been electronically submitted to the CBB. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to Agreed-Upon Procedures Engagements 4400. The procedures were performed solely to assist you in confirming that the Form PIRI (Appendix BR-4) is completed in accordance with the CBB Rulebook, Volume 2 (Module CA, Supplementary Schedule Appendix CA-9 and the guidelines for completion of the PIRI) and any other relevant directives issued by Central Bank of Bahrain from time to time; all of which are referred to in this document as “CBB Rules and Guidelines”.

These are summarised as follows:

1. We have compared the information reported in the Form PIRI and supplementary schedules in line with the guidelines for completion of the PIRI to the Bank’s accounting and other records and identified all omitted items, all of which are noted in this report;
2. We have read the information reported in the Form PIRI to confirm that it is grouped, categorised and disclosed in accordance with the CBB’s Rules and Guidelines. We have checked the composition of balances and classifications to the underlying records on a test basis in respect of the following specific items in the form:

- 2.1 Section A: Balance Sheet:** Total Capital Liabilities (line 1.15), Total non-capital items (line 2.9), Total Unrestricted Investment Accounts (line 2.13) Total assets (line 3.13), Total Assets - Financed by URIA (line 1.10) Total Assets - Financed by RIA (line 2.9), including the components that make up these items.
- 2.2 Section A: Cumulative Profit & Loss:** Total operating Income (line 1.20), Total operating expenses (line 2.5), Net Profit/(Loss) attributable to the shareholders of the (line 2.11), including the components that make up these items.
- 2.3 Section A: Trading Book vs. Banking Book:** Total on-balance sheet (line 1.1.4), Total off-balance sheet (line 1.2.4).
- 2.4 Section B Solo and Consolidated Total Capital:** Total Common Equity Tier 1 capital after regulatory adjustments (line i.1.31 (and i.1.29 in solo)), Total Available AT1 and T2 capital (line i.2.6), Total AT1 and T2 deductions (line i.2.14), Total Capital (line i.4), including the components that make up these items, Aggregation of risk weighted exposures (line ii.3 (and Risk weighted exposures ii.1 in solo)).
- 2.5 Section B: Regulatory Adjustments:** Goodwill (line i.1), Intangibles (line i.2), Deferred Tax Assets – Amount to be deducted from Common Equity Tier1 in full (line i.3.5) and Amount subject to the threshold for deduction (line i.3.6), Investments in own shares – Total amount to be deducted from Common Equity Tier 1 (line i.4.1) and Total amount to be deducted from AT1 capital (line i.4.5) and Total amount to be deducted from T2 capital (line i.4.9), Reciprocal cross holdings in the capital of financial entities (lines i.5.1, i.5.2 and i.5.3), Expected Credit Losses (lines i.6.1, i.6.2 and i.6.3), Cash flow hedge reserve (line i.7 and i.7.6), Defined benefit pension fund assets – Total amount to be deducted from CET1 (line i.8.4), Securitisation gain on sale (line i.9.1), insignificant investments in financial entities Holdings of CET1 Capital stock (line i.10.1.3) and Holdings of AT1 Capital (line i.10.2.3) and Holdings of T2 Capital (line i.10.3.3), all related items concerning insignificant investments in financial entities (lines i.10.4.1 to i.10.4.5 and i.10.5.1 to i.10.5.3), all risk weighted items not deducted in respect of insignificant investments in financial entities (lines i.10.6.1 to i.10.6.3), significant investments in financial entities Holdings of common stock (line i.11.1.3) and AT1 Capital (line i.11.2.3) and T2 Capital (line i.11.3.3) and deduction related items (i.11.4.2 to i.11.4.4), mortgage servicing rights related items (lines i.12.3 to i.12.5), Deferred Tax Assets related items (lines i.13.1 to i.13.3), 15% limit related items (lines i.14.1.1 to i.14.10 inclusive).
- 2.6 Section B: Minority Holding Related Items:** All line items in this section (from i to iv).
- 2.7 Section B: Credit risk weighted items (self-financed and URIA):** Cash items (line 1), Total claims on Sovereigns (line 2), Total claims on PSEs (line 4), Total claims on MDBs (line 5), Total claims on Banks (line 6), Claims on corporates

including Takaful Companies and Category 3 Investment Firms (line 7), Claims on investment firms – Category 1&2 (line 8), regulatory retail portfolio (line 9), mortgages (line 10), past due facilities (line 11), investments in Equity securities and Equity Sukuk (line 12), holdings of real estate (line 13), underwriting of non-trading book items (line 14), other assets and specialized financing (line 15), including the components that make up these items.

- 2.8 Section B Market risk capital charges (Self-financed and URIA):** Price risk (line 1), equities position risk (line 2), Sukuk risk (line 3), foreign exchange risk (line 4), commodities risk (line 5).
- 2.9 Section B Operational Risk – Basic indicator approach:** Gross Income line and Risk weighted Exposures line.
- 2.10 Section B Operational Risk – Standardized approach:** Total capital charge for enter 1<sup>st</sup> year, 2<sup>nd</sup> year, and 3<sup>rd</sup> year.
- 2.11 Section C classification of financing facilities/receivables (Self-Financed, URIA, RIA both Consolidated and Bahrain Operations):** Analysis by category (line i), Impaired facilities/ receivables – Consolidated (line i.12.1), Analysis of all facilities/ receivables by sectors (line ii), Analysis of all facilities/ receivables by type (line iii), Analysis of all Facilities / Receivables by Economic Sector (line iv.), including the components that make up these items.
- 2.12 Section C Investments:** Listed Islamic debt (line A.1.1), Unlisted Islamic debt (line A.1.2), Listed equity securities and mutual funds (line A.2.1), Unlisted equity securities and mutual funds (line A.2.2), Listed managed funds (line A.3.1), Unlisted managed funds (line A.3.2), Investment Properties (lines B.1.1 and B.1.2), Interest in Associated Companies (line C.1), Interest in Unconsolidated Subsidiaries (line C.2), Interest in Subsidiaries (line C.3), Total amount of long term investments against provisions have been made (lines D.1.1 to D.1.4).
- 2.13 Section C provisions for losses:** At beginning of year (line 1.1), Transfer to stage 1, stage 2 and stage 3 (line 1.2.1 to 1.2.3), Net remeasurement of loss allowance (line 1.3), Amounts written off (line 1.5), Recoveries/ write backs (line 1.4.1.4), Exchange adjustments and other movements (line 1.6), At beginning of year (line 2.1), Transfer to stage 1, stage 2 and stage 3 (line 2.2.1 to 2.2.3), Net remeasurement of loss allowance (line 2.3), Amounts written off (line 2.5), Recoveries/ write backs (line 2.4), Exchange adjustments and other movements (line 2.6), At beginning of year (line 3.1), Amounts written off (line 3.2), Recoveries/ write backs (line 3.3), Exchange adjustments and other movements (line 3.4).
- 2.14 Section C Movements:** Unrealized gains/losses in opening retained earnings (line 1.1), Realized during the year (line 1.2), Other movements (line 1.3), At

beginning of the year (line 1), Exchange adjustment and other movements (line 2), Impairment (line 4.1), Realized (line 4.2), Transfer to retained earnings on sale or write-off (line 5).

**2.15 Section C Largest bank exposures:** Limit in reporting currency, outstanding amount, stages, ECL/specific provisions for top 25 exposures.

**2.16 Section C Largest non-bank exposures (Self-financed and URIA):** Country, Limit in reporting currency, outstanding amount, stages, ECL/specific provisions for top 25 exposures.

**2.17 Largest Fund Providers:** types of funds, total funds, country and maturity of 25 largest fund providers.

**2.18 Largest RIA Account Holders: Description of mudaraba/agency,** related party, capital invested, fair value of capital invested, PER, mudarib fee, Net amount after mudarib fee, IRR, Amount attributed to RIA.

**2.19 Section C Related parties and other items:** Claims (line i.1), Liabilities (line i.2), Connected Deposits (line i.4), Aggregate significant investments (line i.5), Claims on staff (line ii.1), Claims on senior management (line ii.2), exposures to directors and their associates (line ii.3), exposures to unconsolidated subsidiaries (line ii.4), exposures to consolidated subsidiaries (line ii.5), exposures to bank's associates (line ii.6), exposures to significant shareholders (line ii.7), total unexempted large exposures (line iii.1), total exempted large exposures (line iii.2), all outstanding, impaired real estate exposures and specific provisions in item iv, other items (line v), including the components that make up these items.

**2.20 Section C Income from non-Islamic Sources:** interest earned and others

**2.21 Section D Liquid Assets and Qualifying Liabilities:** Cash and balances at Central Banks (line i.1), Marketable securities (line i.2), Placements maturing within one month (line i.3), Deposits from non-banks (line ii.1), Deposits from banks (line ii.2), Term borrowings (line ii.3).

**2.22 Section D Maturity Band:** assets (consolidated and Bahrain operations) (line 1 to 6), liabilities (consolidated and Bahrain operations) (line 1 to 6), Contractual standby facilities made available to the bank by other banks, known firm commitments to make funds available on a particular date, Commitments which are not due to be met on a particular date.

**2.23 Section D Basel III Liquidity Ratios:** consolidated and solo LCR (line i.1), consolidated and solo NSFR (line i.2), consolidated and solo Leverage Ratio (line ii.1),

**2.24 [This Paragraph was deleted in January 2020].**

**2.25 [This Paragraph was deleted in January 2020].**

**2.26 [This Paragraph was deleted in January 2020].**

**2.27 [This Paragraph was deleted in January 2020].**

3. We have read the information reported in the Form PIRI to check that same information is reported consistently across the different sections in the Form PIRI; and the related information in the Supplementary Schedule (Appendix CA-9).
4. We have checked that line items identified in item 2 above are included in the Form PIRI in compliance with the CBB Rules and Guidelines;
5. We have checked that the risk weights for credit risk and the capital charges for market and operational risks have been computed in compliance with the CBB's Rules and Guidelines;
6. We have checked that the calculation of the capital adequacy ratios, i.e., CET1, T1 and Total Capital ratios on both a consolidated and solo basis, and in addition for consolidated CET1, T1 and Total Capital ratios with CCB is in compliance with the CBB's Rules and Guidelines;
7. We have checked the opening balances reported in the Form PIRI match with the closing balances for the previous period as reported to the CBB, except for provision for **financing facilities** and advances for which the opening balances were agreed with the closing balances as of the previous year end;
8. We have enquired from the staff responsible for completion of the Form PIRI of the nature of errors or inconsistencies in the Form PIRI previously reported to the CBB and the steps taken by the bank to rectify those errors and inconsistencies;
9. In the case of investments in other entities, we have checked that the Bank's risk weighting or consolidation or aggregation or deduction of such investments (and any associated risk assets and capital charges in the case of consolidation or aggregation) is in compliance with the CBB Rules and Guidelines;
10. We have checked that the Bank has implemented segregation between the preparer and reviewer of the Form PIRI and that the form has been independently reviewed and that adequate controls are in place and are implemented in the preparation and review of the PIRI; and
11. We have enquired with the staff responsible for preparation of the Form PIRI for the basis of classification / grouping / omission of items in the Form PIRI, which in their view were not specifically addressed by the CBB Guidelines.

We report our findings below:

- a) With respect to item 1 above, we found that the information reported in the Form PIRI and supplementary schedule agrees to the Bank's accounting and other records, [except as noted below];
- b) With respect to item 2 above, we found that based on underlying records, the Form PIRI has been grouped, categorised and disclosed in accordance with the CBB's Rules and Guidelines. We have checked the composition of balances and classifications identified in item 2 above on a sample basis to the underlying records. We found that the balances were accurate, and that the classifications to be appropriate, [except as noted below];
- c) With respect to item 3 above, we found that the information reported in the Form PIRI was consistent across the different sections in the Form PIRI as well as with the information contained in the supplementary schedules (Appendix CA-9), [except as noted below];
- d) With respect to item 4 above, we found that assets and off-balance sheet exposures identified in item 2 above are risk weighted properly in line with the CBB's Rules and Guidelines, [except as noted below];
- e) With respect to item 5 above, we found that the capital charges for market and operational risks have been computed in line with the CBB Rules and Guidelines, [except as noted below];
- f) With respect to item 6 above, we found that the calculation of the capital adequacy ratios, i.e. CET1, T1 and Total Capital ratios on both a consolidated and solo basis, and in addition for consolidated CET1, T1 and Total Capital ratios with CCB is in line with the CBB's Rules and Guidelines, [except as noted below];
- g) With respect to item 7 above, we found that the opening balances reported in the Form PIRI agree with the closing balances for the previous period as reported to the CBB except for provision for **financing facilities** and advances for which the opening balances agreed with the closing balances as of the previous year end, [except as noted below];
- h) With respect to item 8 above, our enquiries from the staff responsible for the completion of the Form PIRI about the nature of errors or inconsistencies in the Form PIRI previously reported to the CBB revealed that the Bank has taken adequate steps to rectify these issues, [except as noted below];
- i) With respect to item 9 above, we did not identify any investments in other entities that were not risk-weighted, consolidated, aggregated or deducted in accordance with the CBB Rules and Guidelines, [except as noted below];

- j) With respect to item 10 above, we verified that the Form PIRI is prepared by xxx and independently reviewed by xxx; and that adequate controls are in place and implanted in the preparation and review of the PIRI, [except as noted below]; and
- k) With respect to item 11 above; **Either:** We identified the items/transactions below which are not specifically addressed by the CBB's Rules and Guidelines. **Or:** We did not identify any items/transactions which were not specifically addressed by the CBB Rules and Guidelines for completion of the PIRI Form.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any audit or review assurance on the information reported in the Form PIRI. Had we performed additional procedures or had we performed an audit or review of the report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and is only for the information of the Bank and the Central Bank of Bahrain. This report should not be used for any other purpose or be distributed to any other parties without the prior written approval of xxx. This report relates only to the information reported in the Form PIRI for the quarter ended 31/30 March/June/September/December 20\_\_.

Yours faithfully

Manama, Kingdom of Bahrain

Copy to:        Director of Islamic Financial Institutions Supervision Directorate  
                    Central Bank of Bahrain