

<b>MODULE</b>	<b>CM: Credit Risk Management</b>
<b>CHAPTER</b>	<b>CM-1 Credit Risk Management Requirements</b>

## CM-1.8 Classification and Provisioning (Continued)

### *Identification of Non-performing Exposures*

#### CM-1.8.10

The following exposures are considered as non-performing:

- (a) All exposures, including purchased or originated credit impaired (POCI), that are in default or impaired under Paragraph CM-1.8.6, where applicable;
- (b) All exposures that have experienced a downward adjustment to their valuation due to deterioration of their creditworthiness and classified as Stage 3 according to the applicable accounting framework;
- (c) [This Subparagraph was deleted in February 2023]; and
- (d) All other exposures that are not in default or impaired but nevertheless:
  - (i) Relate to a counterparty that has other exposures that are past due for 90 days or more; and
  - (ii) 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 licensee's realisation of collateral, whether or not the exposure is current and regardless of the number of days the exposure is past due.

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## CM-1.8 Classification and Provisioning (Continued)

### *Re-categorisation of Non-performing Exposures as Performing*

- CM-1.8.15** A Stage 3 exposure can be moved to Stage 2 when all the following criteria are met simultaneously:
- (a) The counterparty does not have any exposures that are past due for 90 days or more (see also Paragraph CM-1.8.6);
  - (b) Repayments have been made when due over a continuous repayment period of at least:
    - i. For legal persons:
      - a. Six months for facilities with monthly or quarterly instalments; and
      - b. Twelve months for facilities with annual or semi-annual instalments.
    - ii. For natural persons:
      - a. Three months for facilities with monthly instalments; and
      - b. Six months for facilities with quarterly instalments.
- However, if the repayments in any of the above cases are not clearly reflective of improvement in the counterparty's financial position, a longer repayment history or higher number of instalments must be assessed by the licensee before re-categorisation of the exposure to a 'performing' status;
- (c) 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. This must usually require a credit review process that evaluates the borrower's current capacity to repay, clarity on the source of cash flow available for debt repayments, improvements in the level of indebtedness and compliance with various debt covenants imposed by the licensee. Repayments through liquidation or enforcement of collateral is generally not considered as an improvement in the financial health of the borrower; and
  - (d) The exposure is not considered to be in 'default' or 'impaired' according to the applicable accounting standards.

 <b>Central Bank of Bahrain Rulebook</b>	<b>Volume 1: Conventional Banks</b>
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## CM-1.8 Classification and Provisioning (Continued)

CM-1.8.18A	Non-performing POCI exposures may be re-categorised as performing subject to meeting the conditions stipulated in Paragraphs CM-1.8.15 to CM-1.8.18.
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