

PRIVATE AND CONFIDENTIAL

28 April 2024

The Board of Directors
Bahrain Development Bank B.S.C. (c)
P. O. Box 20501
Manama
Kingdom of Bahrain

**Bahrain Development Bank B.S.C. (c) (the “Bank” or “Group”)
Report of factual findings - Agreed-upon procedures report relating to review of
compliance with Public Disclosure Module issued by the Central Bank of Bahrain
for the year ended 31 December 2023**

Dear Sirs

Scope and purpose

We have performed the procedures enumerated below, which were agreed by Bahrain Development Bank B.S.C (c) (the “Engaging Party” or “the Bank”), solely to assist the Bank in ascertaining its compliance with the Public Disclosure Module (“PD Module”) issued by the Central Bank of Bahrain (“CBB”) for the year ended 31 December 2023 (the “Subject Matter”), and may not be suitable for another purpose.

Restricted use

This agreed-upon procedures report (“AUP Report”) is intended solely for the information and use of the Bank and CBB and is not intended to be and should not be used by anyone else.

Responsibilities of the Bank’s management

The Bank’s management has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and that it is responsible for the Subject Matter, on which the agreed-upon procedures are performed.

The Bank’s management is responsible for the completion of the public disclosures on which the agreed upon procedures are performed.

Our responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Engaging Party, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Our independence and quality management

In performing the agreed-upon procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). We are not required to be independent for the purpose of this engagement; however, we complied with the independence requirements of the IESBA Code that apply to assurance engagements other than financial audit or review engagements. We are the independent auditor of the Engaging Party and therefore, we have complied with the independence requirements of the IESBA Code that apply in context of the financial statements audit.

Our independence and quality management (continued)

Our firm applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance or Related Services Engagements*, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and findings

We have performed the procedures which are mentioned in Appendix A, attached to this report, which were agreed with you in terms of the engagement letter dated 15 May 2023, in relation to the Bank's compliance with the Subject Matter. We also report our findings in Appendix A.

Yours faithfully,



Manama, Kingdom of Bahrain

Attachment:

- Appendix A
- Risk and Capital Management Disclosures for the year ended 31 December 2023, stamped for Identification purposes.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
	General requirements (PD-A.2)		
1	We have checked whether the Group has a formal disclosure policy as part of the management's overall communications strategy approved by the Board of Directors (and supported by documented procedures) that addresses the disclosures made by the Group and the internal controls over the disclosure process. We have also noted the date of approval by the Board. (PD-A.2.1)	Annual and semi-annual	The Group has a formal disclosure policy as part of the management's overall communications strategy approved by the Board of Directors during February 2022 (and supported by documented procedures), which addresses the disclosures made by the Group and the internal controls over the disclosure process, as required by PD-A.2.1.
2	We have enquired whether the Group carries out a regular review of the validity of its disclosures (in terms of scope and accuracy) as outlined in Module BR-5.2 and AU-3.2. (PD-A.2.1)	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group performs a regular review of the validity of its disclosures (in terms of scope and accuracy) as outlined in Module BR-5.2 and AU-3.2.
3	We have checked whether the Group has published their annual audited and reviewed quarterly consolidated financial statements as per the rules set out in the PD Module and CBB Law, Bahrain Commercial Companies Law (as amended), the Rulebook of the licensed exchange and Volume 6 (Capital Markets), where applicable. We have also checked whether such financials were prepared in accordance with International Financial Reporting Standards (PD-A.2.2).	Annual and semi-annual	The Group has published its audited annual consolidated financial statements as per the rules set out in the PD module and CBB Law, Bahrain Commercial Companies Law (as amended) and the Bahrain Bourse regulations (PD-A.2.2). Such annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs).
4	We have enquired whether the Group has maintained an up-to-date checklist of all applicable IFRS and the disclosure requirements set out in PD module for full compliance purposes and whether such checklists are part of the Group's public disclosure procedures (PD-A.2.3).	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group has maintained an up-to-date checklist of all applicable IFRSs, and the disclosure requirements set out in PD module for full compliance purposes and such checklists are part of the Group's public disclosure procedures.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
5	<p>We have checked whether the Group has made the disclosures specified in the PD Module, which are in addition to those required by applicable accounting standards, on which the Group's external auditors are required to issue an agreed upon procedures report (unless IFRS require that the concerned disclosures are audited). (PD-A.2.4)</p> <p>We have also checked whether the disclosures required by the PD Module are presented as an accompanying document or appendices to the Annual Report or in the notes to the financial statements at the discretion of the Group. We have also checked whether these disclosures have been placed on the Group's website as required by the PD Module. (PD-A.2.4A)</p>	<p>Annual and semi-annual</p> <p>Annual</p>	<p>The Group has made the disclosures specified in the PD Module in the public disclosures document and the annual audited consolidated financial statements for the year ended 31 December 2023. Our findings based on the procedures performed are noted in procedures 9 to 80 of this report.</p> <p>Management has represented to us that the PD disclosures will be annexed to the Group's Annual Report, where the disclosures will also be present in the Bank's official website.</p>
6	<p>We checked whether statements forming part of the Annual Report such as the Chairman's report are consistent with the audited financial statements and the disclosures required by the PD Module. We have also checked whether all qualitative or descriptive disclosures in the Annual Report are based upon and reflective of facts and actual practice by the Group. (PD-A.2.5)</p>	<p>Annual</p>	<p>We found that the Board of Directors' report and financial highlights forming part of the Annual Report are consistent with the audited consolidated financial statements and the disclosures required by the PD Module. Further, the management has represented to us that all qualitative or descriptive disclosures in the Annual Report are based upon and reflective of facts and actual practice by the Group.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
7	<p>In case of situations where disclosures required in the PD Module are in conflict with those required under IFRS and/or Bahrain Bourse listing requirements, we have checked whether the Group has followed the CBB's requirements in Volume 6 (Capital Markets). Further, in such situations, we have also checked whether the Group has explained any material differences between the accounting or other disclosures and the disclosure required in the PD Module.</p> <p>Note: As per PD Module, this explanation does not have to take the form of a line by line reconciliation, but should provide stakeholders with sufficient detail to make an objective assessment of the Group's financial and operational health. Moreover, a formal notification to the Central Bank of Bahrain is required in such a situation. (PD-A.2.6)</p>	Annual and semi-annual	<p>Based on our inquiries with the management, we were informed that there were no instances of conflict between disclosures required in the PD Module with those required under IFRSs.</p> <p>Further, Bahrain Bourse listing requirements do not apply to the Group since it is not listed.</p>
8	<p>We have checked whether the disclosures referred to in the PD Module have been made at the top consolidated level of a banking group (i.e. at the level of the parent bank in Bahrain).</p> <p>We have enquired whether, disclosures related to individual banks within a banking group have been made where listing requirements or differing accounting requirements would make separate disclosure necessary. (PD-A.2.9)</p>	Annual and semi-annual	<p>Based on our inquiries with the management, we were informed that no separate disclosures are required with respect to individual subsidiaries within the Group in terms of clause PD-A.2.9 of the PD Module, thus the disclosures referred to in the PD Module have been made at the top consolidated level of Bahrain Development Bank B.S.C. (c) "BDB" Group (i.e. at the level of the Parent Bank in Bahrain). Our findings are noted under the procedures from 9 to 80 in this report.</p> <p>Furthermore, our inquiries revealed that there are no financial subsidiaries of the Group to be consolidated for regulatory capital purposes and therefore no such disclosure was made.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
9	We have checked whether the Group has followed a 3-step approach to provide a full reconciliation of all regulatory capital elements back to the published financial statements. (PD-A.2.10)	Annual and semi-annual	<p>The Group has followed the 3-step approach to provide a full reconciliation of all regulatory capital elements back to the published annual audited consolidated financial statements for the year ended 31 December 2023. The Bank has merged the disclosure under step 3 in the Appendix PD-2.</p> <p>Refer to Reconciliation of published financial balance sheet to regulatory reporting - Step 2 of Composition of capital disclosure requirements in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>
10	We have checked whether the Group has used a common template (Appendix PD-3) to provide a description of the main features of regulatory capital instruments issued (PD-A.2.11) and disclosed the full terms and conditions of all outstanding capital instruments on the Group's website. (PD-A.2.12)	Annual and semi-annual	<p>We found that the Group has used a common template (Appendix PD-3) to provide a description of the main features of regulatory capital instruments issued and disclosed the full terms and conditions of all outstanding capital instruments on the Bank's website.</p> <p>Refer to Disclosure template for main feature of regulatory capital instruments of Composition of capital disclosure requirements in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>
11	We have checked whether the Bank has used the template as per Appendix PD-1 in relation to disclosure of components of capital that are benefiting from the transitional adjustments (PD-A.2.13)	Annual and semi-annual	<p>We found that the Group has used the template as per Appendix PD-1 in relation to disclosures of components of capital that are benefitting from the transitional adjustments.</p> <p>Refer to Step 3 - Composition of Capital Common Template (transition) as at 31 December 2023 of composition of capital disclosure requirements in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
	Submission of Annual Audited Financial Statements		
12	<p>We have checked whether the Group has submitted its annual audited financial statements to the Central Bank of Bahrain within 3 months of the end of the Group's financial year (as required by Article 62 of the CBB Law). (PD-1.2.1).</p> <p>We have also checked whether the Group's annual audited financial statements are audited by their external auditors. (PD-1.2.1)</p>	Annual	<p>Based on our review of the Bank's correspondence with the CBB, we found that the Group has submitted its annual audited consolidated financial statements for the year ended 31 December 2023 to the CBB on 26 February 2024, which is within 3 months of the end of the Group's financial year.</p> <p>We noted that Group's annual audited consolidated financial statements for the year ended 31 December 2023 are audited by their external auditors appointed in the Group's AGM.</p>
13	We have checked whether the Group has placed the annual audited financial statements on their website (see also PD-1.3.8(h)) within one week of submission to the CBB. (PD-1.2.2)	Annual	The Group has placed the annual audited consolidated financial statements for the year ended 31 December 2023 on its website on 27 February 2024, i.e., within one week of submission to the CBB.
	Publication of Annual Audited Financial Statements		
14	<p>We have checked whether the Group has published extracts from their annual audited financial statements in one Arabic and one English daily newspaper within two months of the end of the financial year.</p> <p>We have also checked whether the newspaper disclosures were placed on the Group's website within 1 week of publication (PD-1.2.3).</p>	Annual	<p>The Group published extracts from their annual audited consolidated financial statements in one Arabic and one English daily newspaper on 26 February 2024, which is within two months of the end of the financial year (i.e., 31 December 2023).</p> <p>We found that the Arabic and English newspaper disclosures were placed on the Group's website on 27 February 2024.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
15	<p>We have checked whether the newspaper disclosures included a reference to the fact that the published figures “have been extracted from financial statements audited by Ernst & Young auditors, who expressed an unqualified opinion on (dated report)”.</p> <p><i>Note: Bank must disclose in full any audit qualifications or matter of emphasis paragraphs contained within the auditor’s opinion. The auditor’s opinion must be made in accordance with International Standards on Auditing as established by the International Federation of Accountants (as appropriate). (PD-1.2.4)</i></p>	Annual	<p>The newspaper disclosures included a reference to the fact that the published figures “have been extracted from the consolidated financial statements of BDB for the year ended 31 December 2023 which were audited by Ernst & Young, who expressed an unqualified opinion on 25 February 2024”.</p> <p>We found that there was no audit qualifications or matter of emphasis paragraphs contained within the auditor’s opinion issued on 25 February 2024.</p>
16	<p>We have checked that the Group has submitted a newspaper copy of the published annual audited financial statements to the CBB within two business days of publication in the concerned newspaper.</p> <p><i>Noted: The copy must be accompanied by a letter clearly showing on which date and in which publications the statements were published. (PD-1.2.5)</i></p>	Annual	<p>The Group submitted the newspaper copy of the published annual audited consolidated financial statements to the CBB on 26 February 2024, i.e., within two business days of the publication in the concerned newspaper.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
17	<p>Submission of Annual Report</p> <p>We have checked that the Group has submitted a soft copy (electronic) of their Annual Report to the CBB, including the full disclosures and appendices prescribed in this Chapter within 4 months of the end of the Group's financial year (PD-1.2.6).</p>	Annual	Management has represented to us that a soft copy (electronic) of the Group's Annual Report was submitted to the CBB, including the full disclosures and appendices prescribed in this chapter within 4 months of the end of the Group's financial year.
18	We have checked that the Group has placed the Annual Report with full disclosures and appendices on their website within one week of submission to the CBB (PD-1.2.7).	Annual	Management has represented to us that the Annual Report with full disclosures and appendices will be placed on the Bank's website within one week of submission to the CBB.
	Scope of Application – Qualitative Disclosures (PD-1.3.4)		
19	<p>We have checked whether the Group has disclosed:</p> <p>a) The full legal name of the top corporate entity in the group to which the disclosure requirements apply.</p> <p>b) Restrictions on the transfer of funds or regulatory capital within the group (e.g., large exposure or exchange control regulations or covenants over the repayment of capital or the payment of dividends).</p>	Annual / Semi-annual	<p>The Group has disclosed in Risk and Capital Management Disclosures for the year ended 31 December 2023, the full legal name of the top corporate entity in the Group to which the disclosure requirements apply, which is: Bahrain Development Bank B.S.C. (c).</p> <p>Based on our inquiries with the management, we were informed that there are no restrictions on the transfer of funds or regulatory capital within the Group. Also, we found that the Group has made disclosure under PD-1.3.4 (b) in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Refer Section 3 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
20	<p>We have agreed to the Form PIR ("Consolidated Prudential Information Return"), the aggregate amounts (current book value) of the Group's total interests in insurance entities, which are risk-weighted rather than deducted from capital and also checked their name, their country of incorporation or residence and the proportion of voting power in these entities.</p> <p>In addition, we have also checked whether the Group has disclosed the quantitative impact on regulatory capital of using this method versus the deduction method. (PD-1.3.5).</p>	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group does not hold any interests in insurance entities, hence this procedure is not applicable.
Financial performance and position			
21	<p>We have checked whether the Group has made the following disclosures: (PD-1.3.7)</p> <p>a) Discussion of the main factors that influenced the Group's financial performance for the year, explaining any differences in performance between the current year and previous year and the reasons for such differences, and discussing factors that will have a significant influence on the Group's future financial performance; and</p> <p>b) Basic quantitative indicators of financial performance (e.g. ROAE, ROAA, NIM, cost-to-income ratios) for the past 5 years.</p>	Annual / Semi-annual (optional)	We found that the Group has made disclosures relating to financial performance and position in the Annual Report as required by PD-1.3.7 (a) and (b).
22	<p>We have checked whether the Group has made the following disclosures:</p> <p>a) Impact of acquisitions of new businesses and discontinued businesses and unusual items (PD-1.3.9(c)); and</p> <p>b) A discussion of any changes in the capital structure and their possible impact on earnings and dividends (PD-1.3.9(d)).</p>	Annual / Semi-annual (optional)	The management informed us that no acquisitions of new businesses and discontinued business and unusual items were made, and no change occurred in the capital structure of the Group during the year ended 31 December 2023. Hence, this procedure is not applicable.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
23	<p data-bbox="271 225 1050 256">Corporate governance and transparency (PD-1.3.8)</p> <p data-bbox="271 256 1050 316">We have checked whether the Group has made the following disclosures:</p> <p data-bbox="271 347 1050 531">a) Information about the Board structure (e.g. the size of the Board, Board committees, function of committees and membership showing executive, non-executive and independent members, number and names of independent board members), and the basic organisational structure (lines of business structure and legal entity structure); (PD-1.3.8(a))</p> <p data-bbox="271 563 1050 683">b) Information about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of senior managers; (PD-1.3.8(b))</p> <p data-bbox="271 715 1050 774">c) Descriptive information on the managerial structure, including: (PD-1.3.8(c))</p> <p data-bbox="271 805 1050 962">i. Committees (refer PD-1.3.8(w) for detailed disclosure requirements relating to various types of committees); ii. Segregation of duties; iii. Reporting lines, and iv. Responsibilities.</p> <p data-bbox="271 994 1050 1121">d) Descriptive information on the performance-linked incentive structure for approved persons (including but not limited to remuneration policies, executive compensation and stock options, etc.); (PD-1.3.8(d))</p> <p data-bbox="271 1153 1050 1212">e) Nature and extent of transactions with related parties (as defined by IFRS); (PD-1.3.8(e))</p> <p data-bbox="271 1244 1050 1273">f) Approval process for related party transactions;</p> <p data-bbox="271 1305 1050 1361">g) Information about any changes in the structures (as stated in paragraph PD-1.3.8 (a) to (c)), from prior periods;</p>	Annual / Semi-annual (optional)	<p data-bbox="1350 256 2105 408">The Group has disclosed the requirements of PD-1.3.8 relating to corporate governance and transparency in the Annual Report 2023. However, we found that requirements under PD-1.3.8(d), PD-1.3.8(j), PD-1.3.8(s), PD-1.3.8(w) and PD-1.3.8(dd) were not disclosed by the Group due to the following:</p> <ul data-bbox="1350 440 2105 1121" style="list-style-type: none"> - Management has represented to us that the Bank does not maintain a specific performance-linked incentive structure for approved persons and material risk-takers, therefore disclosure requirements under PD-1.3.8(d) is not applicable; - Disclosure requirement under PD-1.3.8(j) is not applicable as the Bank is not listed; - Management represented to us that the Bank's directors are appointed by way of royal decree, therefore disclosure requirement under PD-1.3.8 (s) is not applicable; - Management represented to us that no significant issues raised during the year, therefore disclosure requirement under PD-1.3.8 (w) regarding this matter is not applicable; and - Management has represented us that the Bank no disclosure requirement under PD-1.3.8(dd), in accordance with the specific exemption received from the CBB on the Bank's remuneration practices.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
23	<p>h) The communications strategy approved by the Board (including the use of the Group's website) which should undertake to perform at least the following:</p> <ul style="list-style-type: none"> i. The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and ii. The provision of at least the last five years of financial data on the Group's website. <p>i) Distribution of ownership of shares by nationality;</p> <p>j) Directors' and senior managers' trading of the bank's shares during the year, on an individual basis;</p> <p>k) Distribution of ownership of shares by directors and senior managers, on an individual basis;</p> <p>l) Distribution of ownership of shares by size of shareholders;</p> <p>m) Ownership of shares by government;</p> <p>n) The Board's functions – rather than a general statement (which could be disclosed simply as the Board's legal obligations under various laws) the 'mandate' of the Board should be set out;</p> <p>o) The types of material transactions that require Board approval;</p> <p>q) Board terms and start date for each term for each director;</p> <p>r) What the board does to induct, educate, orient new directors;</p> <p>s) Election system of directors and any termination arrangements;</p>	As noted above.	As noted above.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
23	<ul style="list-style-type: none"> v) Whether the board has adopted a written code of ethical business conduct, and if so the text of that code and statement of how the board monitors compliance; w) Minimum number of Board committee meetings compared with the actual dates and number of board and committee meetings, individual attendance of each director and the work of committees and any significant issues arising during the period; y) Review of internal control processes and procedures; z) Directors responsibility with regard to the preparation of financial statements; aa) Board of Directors – whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution; bb) Bahraini conventional bank licensees must maintain a website; cc) Aggregate remuneration paid to Board members; dd) Key features and objectives of the remuneration policy of the Group for approved persons and material risk takers as well as the frequency of review of the remuneration structure and the extent to which the policy is applicable to foreign subsidiaries and branches; and ee) Aggregate remuneration paid to senior management. 	As noted above.	As noted above.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
Additional Disclosure Requirements pertaining to Remuneration (PD-1.3.8B)			
24	<p>We have checked whether the Group has disclosed the following qualitative and quantitative information pertaining to remuneration practices and policies in the annual report:</p> <p>(a) The name, composition and mandate of the main body overseeing remuneration (PD 1.3.8B (a));</p> <p>(b) Whether external consultants' advice has been sought and by whom in the bank and in what areas of the remuneration process the consultants have been involved (PD 1.3.8B (b));</p> <p>(c) The independence of remuneration for staff in risk management, internal audit, operations, financial controls, AML, internal Shari'a review/audit and compliance functions (PD 1.3.8B (c));</p> <p>(d) The risk adjustment methodologies (PD 1.3.8B (d));</p> <p>(e) The link between remuneration and performance (PD 1.3.8B (e));</p> <p>(f) The long-term performance measures (deferral, malus, clawback) (PD 1.3.8B (f));</p> <p>(g) The types of remuneration (cash/equity, fixed/variable) (PD 1.3.8B (g));</p> <p>(h) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made (PD 1.3.8B (h));</p>	Annual	<p>The Group has disclosed the requirements of PD-1.3.8B relating to additional disclosure requirements pertaining to remuneration in the Annual Report. However, we found the below requirements were not disclosed by the Group:</p> <ul style="list-style-type: none"> - Management represented to us that no external consultants' advice has been sought in any areas of the remuneration process, therefore there is no disclosure required under PD-1.3.8B (b). - Management represented to us that the risk adjustment methodologies is not applicable to the Bank, therefore there is no disclosure required under PD-1.3.8B (d). - Management represented to us that PD-1.3.8B (j)(ii), PD-1.3.8B (j)(iii) and PD-1.3.8B (j)(iv) are not applicable to the Bank, therefore there is no disclosure was made. - Management represented to us that the Bank only has one form of variable remuneration being cash as it is the only form of variable remuneration that is applicable. Therefore, there is no disclosure required under PD-1.3.8B (m)(ii). - Management represented to us that no guaranteed bonuses were awarded during the financial year ended 31 December 2023, therefore there is no disclosure required under PD-1.3.8B (q). - Management represented to us that no sign-on bonuses were awarded during the financial year ended 31 December 2023, therefore no disclosure was made for the year ended 31 December 2023 as per PD-1.3.8B (r). - Management represented to us that no severance payments were awarded during the financial year ended 31 December 2023 and prior year ended 31 December 2022, therefore there is no disclosure required under PD-1.3.8B (s).

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
	Additional Disclosure Requirements pertaining to Remuneration (PD-1.3.8B)		
24	<p>(i) The name, composition and mandate of the main body overseeing remuneration (PD 1.3.8B (a));</p> <p>(j) Whether external consultants' advice has been sought and by whom in the bank and in what areas of the remuneration process the consultants have been involved (PD 1.3.8B (b));</p> <p>(k) The independence of remuneration for staff in risk management, internal audit, operations, financial controls, AML, internal Shari'a review/audit and compliance functions (PD 1.3.8B (c));</p> <p>(l) The risk adjustment methodologies (PD 1.3.8B (d));</p> <p>(m) The link between remuneration and performance (PD 1.3.8B (e));</p> <p>(n) The long-term performance measures (deferral, malus, clawback) (PD 1.3.8B (f));</p> <p>(o) The types of remuneration (cash/equity, fixed/variable) (PD 1.3.8B (g));</p> <p>(p) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made (PD 1.3.8B (h));</p>	As noted above.	<ul style="list-style-type: none"> - Management represented to us that defer variable remuneration does not apply to the organization, hence no disclosure is required under PD – 1.3.8B (t) and PD-1.3.8B (u). - Based on our inquiries with the management, we were informed that the disclosures required by PD-1.3.8B (k)(iii) are linked to the performance of the Bank based on the short-term incentive plans card (STIP).

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
24	<p>(q) A discussion of how the bank ensures that approved persons engaged in risk management, internal audit, operations, financial controls, AML, internal shari'a review/audit and compliance functions are remunerated independently of the business units they oversee (PD 1.3.8B (i));</p> <p>(r) Description of the ways in which the current and future risks are taken into account in the remuneration processes. Disclosures must include (1.3.8B (j)):</p> <p>(i) An overview of the key risks that the bank takes into account when implementing remuneration measures ;</p> <p>(ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure;</p> <p>(iii) A discussion on the ways in which these measures affect remuneration; and</p> <p>(iv) A discussion of how the nature and type of these measures have changed over the past year and reasons for the change, as well as the impact of changes on remuneration;</p> <p>(k) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration (PD 1.3.8B (k)); Disclosures must include:</p> <p>(i) An overview of main performance metrics for bank, top-level business lines and individuals;</p> <p>(ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance ; and</p> <p>(iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak;</p>	As noted above.	As noted above.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
24	<p>h) Description of the ways in which the bank seeks to adjust remuneration to take account of longer term performance. (PD 1.3.8B (l));</p> <p>Disclosures must include:</p> <p>(i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance ; and</p> <p>(ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting through clawback arrangements;</p> <p>(m) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms) (PD 1.3.8B (m))).</p> <p>Disclosures must include:</p> <p>(i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms; and</p> <p>(ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance;</p> <p>(n) Number of meetings held by the main body overseeing remuneration during the financial year and aggregate remuneration paid to its members (PD 1.3.8B (n));</p>	As noted above.	As noted above.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
24	<p>(o) Number and total amount of remuneration for approved persons and material risk takers for the financial year split into fixed and variable remuneration (PD 1.3.8B (o));</p> <p>(p) Number and total amount of variable remuneration awarded during the financial year, split into cash, shares and share-linked instruments and other (PD 1.3.8B (p));</p> <p>(q) Number and total amount of guaranteed bonuses awarded during the financial year (PD 1.3.8B (q));</p> <p>(r) Number and total amount of sign-on awards made during the financial year (PD 1.3.8B (r));</p> <p>(s) Number and total amount of severance payments made during the financial year, and highest such award to a single person (PD 1.3.8B (s));</p> <p>(t) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms (PD 1.3.8B (t)); and</p> <p>(u) Total amount of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments. (PD 1.3.8B (u))</p> <p>We have checked that the disclosure requirements under subparagraph PD 1.3.8B (n) to (u) are provided for the current as well as previous financial year. (PD 1.3.8B).</p> <p>We have checked whether the disclosure requirements for items under Subparagraph PD-1.3.8B (o) and (p) is presented in a table format split between members of the Board and other approved persons, as well as material risk-takers. (PD-1.3.8E) and (PD-1.3.8F).</p> <p>We have checked in instances where the bank has no approved persons or material risk-takers whose remuneration is in excess of BD100,000 as per Paragraph HC-5.4.2, the disclosure requirements under Subparagraphs PD-1.3.8B(f), (g), (l), (m), (t) and (u) are not required. (PD-1.3.8G)</p>	As noted above.	As noted above.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
25	<p>We have checked that the disclosure of remuneration practices covers approved persons and material risk-takers and are to broken down as follows:</p> <p>(a) Members of the board of directors (PD 1.3.8C (a));</p> <p>(b) Approved persons in business lines (PD 1.3.8C (b));</p> <p>(c) Approved persons in risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions (PD 1.3.8C (c)); and</p> <p>(d) Material risk-takers not falling under categories (a) to (c) (PD 1.3.8C (d))</p>	Annual	The Group has disclosed the requirements of PD 1.3.8C (a) to (d) relating to disclosure of remuneration practices in the Annual Report for the year ended 31 December 2023.
	Capital Structure – Qualitative Disclosures		
26	<p>We have checked whether the Group has disclosed summary information on the terms and conditions of the main features of all capital instruments including innovative, complex or hybrid capital instruments. Further we have checked whether the disclosures are made in accordance with Appendix PD-3 (PD-1.3.9).</p> <p>We have enquired whether there are any changes in the key terms and conditions of the capital instruments during the year ended 31 December 2023 and agreed such changes to the underlying supporting documentation.</p>	Annual / Semi-annual	<p>We found that the Bank has disclosed summary information on the terms and conditions of the main features of all outstanding regulatory capital instruments.</p> <p>Refer to Disclosure template for main feature of regulatory capital instruments of Composition of capital disclosure requirements in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Management represented to us that the Group does not have any innovative, complex or hybrid capital instruments. They have further represented to us that there are no changes in the key terms and conditions of the capital instruments during the year ended 31 December 2023.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
27	<p>We have checked whether the Group has disclosed with separate disclosures of individual items as detailed in Appendix PD-1 the following items:</p> <p>(a) The amount of Tier One capital; (b) The amount of Tier Two capital; and (c) Required capital ratios and buffers (PD 1.3.10)</p> <p>For a sample of 5 items, we have agreed the balance to the Group's internal systems for the period.</p>	Annual and semi-annual	<p>The Group has disclosed the quantitative disclosures required under PD-1.3.10.</p> <p>Refer to Section 4 and Step 3: Composition of Capital Common Template (transition) as at 31 December 2023 of composition of capital disclosure requirements in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Based on the samples tested, we found that the balances agree to the accounting system as at 31 December 2023.</p>
28	<p>We have checked whether the Group has disclosed a reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as required under Appendix PD-2. (PD 1.3.12)</p> <p>We have agreed the amounts disclosed under the 'Balance sheet as in published financial statements' column to the consolidated financial statements for the period ended 31 December 2023 and amounts disclosed under 'Consolidated PIR data' to the calculations used in the preparation of Section-A: Balance Sheet of Form PIR.</p> <p>For a sample of 5 transactions, from the computation provided by the Group, we have agreed the balances to the accounting records as at 31 December 2023.</p> <p>We have agreed to the Form PIR, components of, and the total amounts of Tier 2 and Tier 3 Capital prior to and after any adjustments or deductions (e.g., amortizations) disclosed by the Group (PD-1.3.11).</p> <p>We have agreed the balance to the Group's internal system for the period.</p>	Annual and semi-annual	<p>We have agreed the amounts disclosed under the 'Balance sheet as in published financial statements' column to the annual audited consolidated financial statements for the year ended 31 December 2023 and amounts disclosed under 'Consolidated PIR data' to the calculations used in the preparation of Section-A: Balance Sheet of Form PIR.</p> <p>Refer to Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2023 of Composition of capital disclosure requirements as at 31 December 2023.</p> <p>Based on the samples tested, we found that the balances agree to the accounting system as at 31 December 2023.</p> <p>We found that the components of and the amount of Tier 2 Capital prior to and after any adjustments or deductions as disclosed by the Group, agree to the Form PIR and Group's internal system as at 31 December 2023.</p> <p>Based on our inquiries with the management, we were informed that the Group does not have Tier 3 Capital.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
	Capital Adequacy		
29	We have checked whether the Group has made a summary discussion of its approach to assess the adequacy of capital to support current and future activities both on a risk-based capital basis (PD-1.3.14).	Annual / Semi-annual (optional)	The Group has made a summary discussion of its approach to assess the adequacy of its capital to support current and future activities. Refer Table 2 of Risk and Capital Management Disclosures for the year ended 31 December 2023.
30	<p>We have agreed to the Form PIR, the disclosure made by the Group with regards to regulatory capital requirements for credit risk by the following categories: (PD-1.3.15)</p> <p>a) Standard portfolios subject to the standardised approach, disclosed separately for each standard portfolio (refer paragraph PD-1.3.20); and</p> <p>b) Securitisation exposures.</p> <p>For a sample of 10 items, from the computation provided by the Group, we have agreed the balance to the accounting records as at 31 December 2023.</p>	Annual and semi-annual	<p>The Group has disclosed the regulatory capital requirements for credit risk by standard portfolio in compliance with PD-1.3.20.</p> <p>Refer Table 4 and Table 5 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Based on our inquiries with the management, we were informed that the Group has not entered securitisation transactions during the year ended 31 December 2023. Accordingly, the disclosures required by PD-1.3.15(b) are not applicable to the Group.</p> <p>Based on the samples tested, we found that the balances agree to the accounting records as at 31 December 2023.</p>
31	<p>We have agreed to the Form PIR, the disclosure made by the Group with regards to capital requirements for market risk under the following approaches: (PD-1.3.17)</p> <p>a) the standardised approach; or</p> <p>b) the internal models approach (trading book) as applicable</p> <p>For a sample of 10 items, from the computation provided by the Group, we have agreed the balance to the accounting records as at 31 December 2023.</p>	Annual and semi-annual	<p>The Group has made disclosures with regards to capital requirements for market risk under standardised approach.</p> <p>Refer Table 17 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Based on our inquiries with the management, we were informed that the disclosures required by PD-1.3.17(b) are not applicable to the Group, as the Group follows the standardised approach for computation of capital requirements for market risk.</p> <p>Based on the samples tested from the computation provided above, we have found that the balances agree to the Group's accounting records as at 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
32	<p>We have agreed to the Form PIR, the disclosure made by the Group with regards to capital requirements for operational risk under: (PD-1.3.18)</p> <p>a) the basic indicator approach; or b) the standardised approach (as applicable)</p> <p>For a sample of 10 items, from the computation provided by the Group, we have agreed the balance to the accounting records as at 31 December 2023.</p>	Annual and semi-annual	<p>The Group has made disclosures with regard to capital requirements for operational risk under the basic indicator approach.</p> <p>Refer Table 2 and Table 4 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Based on our inquiries with the management, we were informed that the disclosures required by PD-1.3.18(b) are not applicable to the Group, as the Group follows the basic indicator approach for computation of capital requirements for operational risk.</p> <p>Based on the samples tested, we found that the balances agree to the accounting records as at 31 December 2023.</p>
33	<p>We have checked whether the Group has disclosed its Total and Tier One Capital Ratios segregated on the following basis: (PD-1.3.19)</p> <p>a) for the top consolidated group in Bahrain; b) for all significant Group subsidiaries (i.e. whose regulatory capital amounts to over 5% of group consolidated regulatory capital whether on a stand-alone or sub-consolidated basis).</p> <p>For a sample of 5 items from the computation provided above, we have agreed the balance to the Group's accounting records for the period.</p>	Annual and semi-annual	<p>The Group has disclosed its Total and Tier One Capital Ratios for the consolidated Group in Bahrain.</p> <p>Refer to Table 4 and Step 3: Composition of Capital Common Template as at 31 December 2023 of composition of capital disclosure requirements in Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Based on our inquiries with the management, we were informed that there are no financial subsidiaries of the Group to be consolidated for regulatory capital purposes and therefore there is no disclosure was made.</p> <p>Based on the samples tested, we found that the balances agree to the Group's accounting records for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
34	<p>General Qualitative Disclosure Requirements PD 1.3.21</p> <p>We have checked whether the Group has described its risk management objectives and policies for each separate risk area below and whether the strategies used by the Group have been effective throughout the reporting period. Further, we have also checked whether the Group has disclosed its strategies, processes and internal controls (including internal audit) must be described for each area below including the structure and organisation of the relevant risk management function, and the scope and nature of risk reporting systems and policies for hedging/mitigating risk and strategies for monitoring the continuing effectiveness of hedges/mitigants. There are also certain specific disclosures for each of these areas in addition to the general qualitative disclosure required by this Paragraph (PD-1.3.21).</p> <p>a) Credit Risk (refer PD-1.3.22 – PD-1.3.27); b) Securitisations (refer PD-1.3.28 – PD-1.3.29); c) Market Risk (refer PD-1.3.30 – PD-1.3.31); d) Operational Risk (refer PD-1.3.32 – PD-1.3.33); e) Equity Risk in the Banking Book (refer PD-1.3.34); and f) Banking Book interest rate risk (refer PD-1.3.35).</p>	Annual / Semi-annual (optional)	<p>The Group has disclosed its risk management objectives and policies for each separate risk area mentioned below and that the strategies used by the Group have been effective throughout the reporting period.</p> <p>Further, the Group has disclosed its strategies, processes and internal controls for each risk area mentioned below including the structure and organization of the relevant risk management function, and the scope and nature of risk reporting systems and policies for hedging/mitigation risk and strategies for monitoring the continuing effectiveness of hedges / mitigates.</p> <p>The management has represented to us that the Group has not entered securitisation during the year ended 31 December 2023.</p> <p>Refer to Table 5, Table 17, Table 18 and Table 21 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
35	<p>Credit Risk – Qualitative Disclosures (PD–1.3.22)</p> <p>We have checked whether the Group has made the following general qualitative disclosures:</p> <ul style="list-style-type: none"> a) Definition of past due and impaired credit facilities (for accounting purposes); b) Description of the approaches for specific and collective impairment provisions and statistical methods used (where applicable); c) The names of External Credit Assessment Institutions (ECAIs) used for the purpose of assigning risk weights to assets; d) The types of exposure for which each ECAI is used; and e) The process used to transfer ECAI public issue ratings onto comparable (loan) assets in the banking book. 	Annual / Semi-annual (optional)	<p>The Group has made qualitative disclosures with respect to credit risk as required by PD-1.3.22, except for (e) as the management has represented to us that the Group does not transfer ECAI public issue ratings onto comparable (loan) assets in the banking book.</p> <p>Refer to Table 5 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>
36	<p>Credit risk – Quantitative disclosures (PD–1.3.23)</p> <p>For a sample of 15 items, we have agreed the balance as per the accounting system as at 31 December 2023 to the working for total gross credit exposures (gross outstanding before any risk mitigation) plus average gross exposures over the period broken down by major types of credit exposure (as outlined under IFRS) into funded and unfunded exposures.</p> <p>Where the period end position is representative of the risk positions of the Group during the period, the average gross exposures are not disclosed, and we will enquire about the reasons and check whether these reasons are appropriately disclosed.</p>	Annual and semi-annual	<p>Based on the samples tested, we found that the balances as per the accounting system as at 31 December 2023 agree to the working for total gross credit exposures. The Group has disclosed the gross credit exposures (before any risk mitigation) over the period broken down by major types of credit exposure (as outlined under IFRSs) into funded and unfunded exposures.</p> <p>Based on our inquiries with the management, we were informed that the Group has calculated the average exposures based on average quarterly balance, which is the most frequent interval that the Bank's systems generate for management, regulatory or other reasons, and the resulting averages are representative of the Group's operations. Further, the Group has disclosed the basis used for calculating averages as per the requirements of PD-1.3.23(a).</p> <p>Refer Table 7 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
36	Where average amounts are disclosed in accordance with an accounting standard or other requirement which specifies the calculation method to be used, we will inquire whether that method is followed. We will also inquire whether, the average exposures are calculated using the most frequent interval that an entity's systems generate for management, regulatory or other reasons, provided that the resulting averages are representative of the licensed Group's operations and we will check whether the basis used for calculating averages are stated. (PD-1.3.23(a))	As noted above.	As noted above.
37	For a sample of 15 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for geographic distribution of exposures, broken down into significant areas by major types of credit exposure and also check whether the Group has disclosed the criteria used to allocate exposures to particular geographical area. (PD-1.3.23(b))	Annual and semi-annual	Based on the samples tested, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for geographic distribution of exposures. The Group has disclosed the geographic distribution of credit exposures broken down into significant areas by major types of credit exposures. Refer Table 7 of Risk and Capital Management Disclosures for the year ended 31 December 2023.
38	For a sample of 15 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for distribution of exposures by industry or counterparty type, broken down by major types of credit exposure and further broken down by funded and unfunded exposure. (PD-1.3.23(c))	Annual and semi-annual	Based on the samples tested, the balances agreed as per the accounting system to the working for distribution of exposures by industry, broken down by major types of credit exposure and further broken down by funded and unfunded exposure (PD-1.3.23(c)). Refer Table 6 and Table 7 of Risk and Capital Management Disclosures for the year ended 31 December 2023.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
39	For a sample of 15 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for intra-group transactions including exposures to related parties and inquire whether such transactions have been made on an arm's length basis and check whether this is appropriately stated. (PD-1.3.23(d))	Annual and semi-annual	<p>Based on the samples tested, we found that the Group has disclosed intra-group transactions and exposures to related parties in its annual audited consolidated financial statements for the year ended 31 December 2023.</p> <p>Refer Table 5 (k) of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Refer Note 26 to the annual audited consolidated financial statements for the year ended 31 December 2023.</p> <p>Based on the samples tested, we noted balances as per the accounting system as at 31 December 2023 agree to the working for intra-group transactions, including exposures to related parties.</p> <p>Management represented to us that all transactions with major shareholders, associates, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business are entered at arm's length basis.</p>

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
40	We have enquired the basis on which the Group determines its customers/counterparties as highly leveraged or having high risk and whether it is in line with the definition given in PD-1.3.24) and for a sample of 5 items agree the lending to these customers/counterparties as per the accounting system as at 31 December 2023 to the working provided by the Group. (PD-1.3.23(e))	Annual and semi-annual	Based on our inquiries with the management, we were informed that the determination of customers / counterparties as highly leveraged or having high risk is in line with the definition given in PD-1.3.24. Our inquiries further revealed that the Group does not have any such customers as at 31 December 2023. Hence, no disclosure was made in the sections forming part of Risk and Capital Management Disclosures for the year ended 31 December 2023.
41	For a sample of 5 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for concentration of risk to individual counterparties where the exposure is in excess of the 15% individual obligor limit. (PD-1.3.23(f))	Annual and semi-annual	Based on the samples tested, we found that the balances agree to the accounting system and to the working for concentration of risk to individual counterparties where the exposure is in excess of the 15% individual obligor limit. Refer Table 8 of Risk and Capital Management Disclosures for the year ended 31 December 2023.
42	For a sample of 15 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for residual contractual maturity breakdown of the whole credit portfolio, broken down by major types of credit exposure. (PD-1.3.23(g)) Note: Group must follow the residual maturity groupings currently followed under IFRS 7 (Guidance application B11), but they must also extend the periods to include 5-10 years, 10-20 years, and 20 years and over (where the Group has exposures or liabilities of such maturity). (PD-1.3.24(a))	Annual and semi-annual	Based on the samples tested, we found that the balances agree to the accounting system and to the working for residual contractual maturity breakdown of the whole credit portfolio, broken down by major types of credit exposure. Refer Table 10 of Risk and Capital Management Disclosures for the year ended 31 December 2023.

Sr. No.	Procedures	Frequency	Findings based on our inquiries and procedures performed
43	<p>For a sample of 15 items, we have agreed the balance as per the accounting system as at 31 December 2023 to the working for disclosure by major industry or counterparty type with respect to: (PD-1.3.23(h))</p> <ul style="list-style-type: none"> • the amount of impaired loans/facilities and past due loans/facilities; • specific and collective impairment provisions; • charges for specific impairment provisions and charge-offs (write-offs) during the period; and • reconciliation of changes in provisions for loan impairment. <p>We have checked whether the Group's disclosure of ageing of past due loans is on the following basis: (PD-1.3.24(b))</p> <ul style="list-style-type: none"> • Ageing schedule (over 3 months, over 1 year and over 3 years) of past due loans and other assets; and • Breakdown by relevant counterparty type and geographic area. <p>We have also checked whether the reconciliation of changes in provisions show specific and collective impairment provisions separately. (PD-1.3.24(d))</p>	Annual and semi-annual	<p>Based on the samples tested, we found that the balances agree to the accounting system and to the working for disclosure by major industry or counterparty type.</p> <p>We found that the Group's disclosure of ageing of past due loans is based on the ageing schedule and separately broken-down by relevant counterparty type and geographic area.</p> <p>Based on the procedure performed, we found that the reconciliation of changes in provisions shows impairment provisions separately in accordance with IFRS 9 guidelines.</p> <p>Refer Table 9, 11-13 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
44	<p>For a sample of 15 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working provided by the Group for all outstanding credit facilities at period end not included in PD-1.3.23(h) that have been restructured (according to the definition in the Prudential Information Return instructions) during the period as follows: (PD-1.3.23(j))</p> <ul style="list-style-type: none"> • The balance of any restructured credit facilities; • The magnitude of any restructuring activity; • The impact of restructured credit facilities on provisions and present and future earnings; and • The basic nature of concessions on all credit relationships that are restructured, including loans, derivatives and other on- and off-balance sheet activities. <p>Note: If full repayment is expected, the restructured credit need not be disclosed in this section after satisfactory performance for a period of six months in accordance with the modified terms.</p>	Annual and semi-annual	<p>We found that the Group has disclosed:</p> <ul style="list-style-type: none"> • the balance of any restructured credit facilities; • the magnitude of any restructuring activity; and • The basic nature of concessions on all credit relationships that are restructured, including loans, derivatives and other on- and off-balance sheet activities <p>Based on the samples tested, we found that the balances as per the accounting system as at 31 December 2023 agree to the working provided by the Group.</p> <p>Based on our inquiries with the management, we were informed that restructured credit facilities provided by the Group do not have a significant impact on present and future earnings.</p> <p>Refer Table 13 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>
45	<p>For a sample of 15 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working for disclosure made by the Group for the amount of past due loans, separately broken down by significant geographic areas, including the amounts of specific and collective impairment provisions related to each geographical area (as defined under PD-1.3.23(b)). (PD-1.3.23(i))</p> <p>We have also checked whether for specific, collective and other impairment provisions, the portion of collective impairment provisions not allocated to specific geographical areas are shown separately. (PD-1.3.24(c))</p>	Annual and semi-annual	<p>Based on the samples tested, we found that the Group's disclosure of past due loans, separately broken down by significant geographic areas, including the amounts of specific and collective impairment provisions (ECL allowances for Stage 1 & 2 and 3) related to each geographical area, agree to the Group's accounting system for the year ended 31 December 2023.</p> <p>Refer Table 12 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
46	For a sample of 5 items, we have agreed the balances as per the accounting system as at 31 December 2023 to the working provided by the Group for quantitative information (including amount of assets sold and any unexpected losses) disclosed by the Group concerning the obligations with respect to recourse transactions, i.e. where the asset has been sold, but the Group retains responsibility for repayment if the original counterparty defaults or fails to fulfil their obligations. (PD-1.3.23(k))	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group does not have any obligations with respect to recourse transactions as stated in PD-1.3.23(k). Therefore, this disclosure was not made.
	Credit Risk Mitigation: Disclosure Requirements (PD-1.3.26(a))		
47	<p>We have checked, whether the Group has made the following qualitative disclosures with respect to the credit risk mitigation:</p> <ul style="list-style-type: none"> i. Policies and processes for, and an indication of the extent to which, the Group makes use of on- and off-balance sheet netting; ii. Policies and processes for collateral valuation and management; iii. A description of the main types of collateral taken by the Group; iv. The main types of guarantor/credit derivative counterparty and their credit worthiness; and v. Information about (market or credit) risk concentrations within the credit risk mitigation taken. 	Annual / Semi-annual (optional)	<p>The Group has made qualitative disclosures with respect to credit risk mitigation as required by PD 1.3.26(a), except for PD 1.3.26(a) (i) as based on our inquiries with the management, we were informed that the Group does not have exposures (after on or off-balance sheet netting where applicable) that is covered by eligible guarantees of credit derivatives.</p> <p>Refer Table 14 to Table 16 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
48	<p>We have agreed to the Form PIR, the disclosure made by the Group, for each standard portfolio described in PD-1.3.20 or PD-1.3.25(g), the total exposure (after on or off-balance sheet netting) that is covered by:</p> <ul style="list-style-type: none"> • Eligible financial collateral; • Other eligible IRB collateral after the application of haircuts (PD-1.3.26(b)). <p>For a sample of 10 items, from the computation provided by the Group, we have agreed the balances to the accounting system as at 31 December 2023.</p>	Annual and semi-annual	<p>We found that the Group has disclosed the total exposure for each standard portfolio that is covered by eligible financial collateral after the application of haircuts.</p> <p>Refer Table 15 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>Based on the samples tested from the computation provided by the Group, the balances agree to the Group's accounting system as of 31 December 2023.</p>
49	<p>We have agreed the disclosure made by the Group, with respect to the total exposure (after on or off-balance sheet netting where applicable) that is covered by eligible guarantees or credit derivatives (refer module CA-4) for each separately disclosed standard portfolio to the Form PIR. (PD-1.3.26(c)).</p>	Annual and semi-annual	<p>Based on our inquiries with the management, we were informed that the Group does not have exposures (after on or off-balance sheet netting where applicable) that is covered by eligible guarantees or credit derivatives.</p>
50	<p>For exposures after risk mitigation subject to the standardised approach, we have agreed to the Form PIR, the disclosure made by the Group regarding the amount of exposure (rated and unrated) in each standard portfolio after risk mitigation, as well as any exposures which are deducted. (PD-1.3.26(d)).</p>	Annual and semi-annual	<p>We found that the Group's disclosure of exposures after risk mitigation, subject to the standardised approach, agree to the Form PIR.</p> <p>Refer Table 15 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
51	<p data-bbox="271 225 1059 252">Disclosures related to counterparty credit risk (CCR)</p> <p data-bbox="271 256 1059 320">We have checked whether the Group has made the following disclosures with respect to counterparty credit risk:(PD-1.3.27(a))</p> <p data-bbox="271 352 1059 416">a) General qualitative disclosures with respect to derivatives and CCR, including:</p> <ul style="list-style-type: none"> <li data-bbox="293 448 1059 512">(i) Discussion of methodology used to assign economic capital and credit limits for counterparty credit exposures; <li data-bbox="293 544 1059 608">(ii) Discussion of policies for securing collateral and establishing credit reserves; and <li data-bbox="293 639 1059 703">(iii) Discussion of the impact of the amount of collateral the Group would have to provide if given a credit rating downgrade. 	Annual / Semi-annual (optional)	<p data-bbox="1350 256 2105 376">The Group has made qualitative disclosures with respect to counterparty credit risk as required by PD 1.3.27(a), except for the discussion of the impact of the amount of collateral the Group would have to provide if given a credit rating downgrade.</p> <p data-bbox="1350 408 2105 472">Refer Table 2 and Table 14 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
52	<p>We have agreed to the Form PIR, the following disclosures made by the Group with regard to the counterparty credit risk: (PD-1.3.27(b) & PD-1.3.27(c))</p> <ul style="list-style-type: none"> <li data-bbox="271 352 1064 667">i. Gross positive fair value of contracts, netting benefits, netted current credit exposures, collateral held (including type: e.g. cash, government securities, etc.), and net derivatives credit exposure. Also measures for exposure at default or exposure amount under the Standard Method or Current Exposure Method, whichever is applicable, and the notional value of credit derivative hedges, and the distribution of current credit exposure by type of credit exposure (e.g. interest rate contracts, FX contracts, equity contracts, commodity contracts, etc.). <li data-bbox="271 703 1064 895">ii. Credit derivative transactions which create exposures to CCR (notional value), segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivative products used, broken down further by protection bought and sold within each product group. <p>For a sample of 10 items from the computation provided by the Group, we have agreed the balances to the accounting system as at 31 December 2023.</p>	Annual / Semi-annual	Based on our inquiries with the management, we were informed that the Group does not have exposures (after on or off-balance sheet netting where applicable) that is covered by eligible guarantees or credit derivatives.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
	Securitisation – Qualitative Disclosure Requirement (PD-1.3.28)		
53	<p>We have checked whether the Group has made the following disclosures with respect to securitisation activities:</p> <p>a) The general qualitative disclosure requirement with respect to securitisation (including synthetics), including a discussion of:</p> <ul style="list-style-type: none"> • The Group's objectives in relation to its securitisation activities, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the Group to other parties; • The nature of other risks (e.g. liquidity risk) inherent in securitised assets; • The roles played by the Group in the securitisation process (for example, is the Group the originator of the underlying risks, is it an investor, is it a servicer, is it a provider of credit enhancement, is it a sponsor of an asset-backed commercial paper facility, is it a liquidity provider, or is it a swap provider?) and an indication of the Group's involvement in each of them; • A description of the processes in place to monitor changes in the credit and the market risk of securitisation exposures (for example how the behaviour of the underlying assets impacts securitisation exposures) including how these processes differ for re-securitisation exposures; • A description of the bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation and re-securitisation exposures; and • The regulatory capital approaches (e.g. Ratings Based Approach, Internal Assessment Approach or Supervisory Formula Approach) that the Group follows in its securitisation activities. 	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group does not have any securitisation activities or exposures that are covered by eligible guarantees or credit derivatives as referred to in module (CA-4), where a bank transfers a portion of the risk of an exposure in one or more tranches to a protection seller or sellers and retains some level of risk of the loan. Hence, this procedure is not applicable.

	Procedure	Frequency	Findings based on our inquiries and procedures performed
	<p>b) A list of:</p> <ul style="list-style-type: none"> ▶ The types of SPVs that the bank, as a sponsor, uses to securitise third-party exposures. The bank must indicate whether it has exposure to these SPVs, either on or off-balance sheet; and ▶ Affiliated entities that the bank manages or advises and that invest in the securitisation exposures that the bank has securitised or in SPVs that the bank sponsors. <p>c) A summary of the Group's accounting policies for securitisation activities, including:</p> <ul style="list-style-type: none"> ▶ Whether transactions are treated as sales or financings; ▶ Recognition of gain on sale; ▶ Key assumptions for valuing retained interests, including any changes since the last report and the impact of such changes; and ▶ Treatment of synthetic securitisations if not covered by other accounting policies (e.g. derivatives); ▶ How exposures intended to be securitised (e.g. in subsidiary, associate or SPV or on balance sheet) are valued and whether they are recorded in the banking book or the trading book; and ▶ Policies for recognising liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitised assets; <p>d) The names of ECAs used for securitisations and the type of securitisation exposure for which each agency is used.</p>	<p>As noted above.</p>	<p>As noted above.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
53	<p>e) Description of the IAA process should include:</p> <ul style="list-style-type: none"> ▶ Structure of the internal assessment process and relation between internal assessment and external ratings, including information on ECAs referenced in PD-1.3.28(d). ▶ Use of internal assessments other than for IAA capital purposes; ▶ Control mechanisms for the internal assessment process including discussion of independence, accountability and internal assessment process review; ▶ The exposure type (such as credit cards, home equity, auto and securitisation exposures detailed by underlying type and security type e.g. RMBS, CMBS, ABS, CDOs) to which the internal assessment process is applied; ▶ Stress factors used for determining credit enhancement levels, by exposure type. <p>f) An explanation of significant changes to any of the quantitative information (e.g. amounts of assets intended to be securitised, movement of assets between banking book and trading book) since the last reporting date.</p>	As noted above.	As noted above.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
	Securitisation – Quantitative Disclosure Requirements for Banking Book PD–1.3.29		
54	<p>For a sample of 5 items, we will agree the balance as per the accounting system as at 31 December 2023 to the working provided by the Group for securitisation:</p> <p>a) The total outstanding exposures securitised by the Group and subject to the securitisation framework (broken down into traditional and synthetic), by exposure type and categorised under bands such as credit cards, home equity, etc. Further, we will check whether the Group has separately disclosed any securitisation transactions for the year of inception where they do not retain any exposure and whether the Group has identified any securitisations, where they are acting purely as sponsors.</p> <p>b) Securitisations broken down by exposure type showing:</p> <ul style="list-style-type: none"> ▶ The amount of impaired or past due assets securitised; and ▶ Losses recognised by the Group during the current period. <p>c) The aggregate amount of securitisation exposures retained or purchased, broken down by exposure type.</p> <p>d) The aggregate amount of securitisation exposures retained or purchased broken down into a meaningful number of risk weight bands along with the associated (standardised) capital charges (where applicable). We will also check whether the exposures that have been entirely deducted from capital are disclosed separately by the type of underlying asset.</p> <p>e) Aggregate amount of:</p> <ul style="list-style-type: none"> ▶ On- balance sheet securitisation exposures retained or purchased broken down by exposure type; and ▶ Off- balance sheet securitisation exposures broken down by exposure type. 	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group does not have any securitisation activities or exposures that are covered by eligible guarantees or credit derivatives as referred to in module (CA-4), where a bank transfers a portion of the risk of an exposure in one or more tranches to a protection seller or sellers and retains some level of risk of the loan. Hence, this procedure is not applicable.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
54	<p>f) Summary of current year's securitisation activity, including the amount of exposures securitised (by exposure type) and recognised gain or loss on sale by asset type.</p> <p>g) For securitisation subject to the early amortisation treatment, the following items should be disclosed by underlying asset type;</p> <ul style="list-style-type: none"> ▶ The aggregate drawn exposures attributed to the seller's and investors' interests; ▶ The aggregate (IRB or standardized) capital charges incurred by the Group against its retained shares of the drawn balances and undrawn lines; ▶ The aggregate (IRB or standardized) capital charges incurred by the Group against the investors' shares of drawn balances and undrawn lines. <p>h) Aggregate amount of re-securitisation exposures retained or purchased broken down according to:</p> <ul style="list-style-type: none"> ▶ Exposures to which credit risk mitigation is applied and those not applied; and ▶ Exposures to guarantors broken down according to guarantor credit worthiness categories or guarantor name. 	As noted above.	As noted above.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
	Securitisation – Quantitative Disclosure Requirements for Trading Book PD–1.3.29A		
55	<p>For a sample of 5 items, we will agree the balance as per the accounting system as at 31 December 2023 to the working provided by the Group for securitisation:</p> <p>a) The total amount of outstanding exposures securitised by the bank and defined under the securitisation framework (broken down into traditional/synthetic) by exposure type, separately for securitisations of third-party exposures for which the Group acts only as sponsor;</p> <p>b) The total amount of outstanding exposures intended to be securitised, broken down by exposure type;</p> <p>c) Summary of current period's securitisation activity, including the total amount of exposures securitised (by exposure type), and recognised gain or loss on sale by exposure type;</p> <p>d) Aggregate amount of exposures securitised by the Group for which the Group has retained some exposures and which is subject to the market risk approach (broken down into traditional/ synthetic), by exposure type;</p> <p>e) Aggregate amount of:</p> <ul style="list-style-type: none"> • On-balance sheet securitisation exposures retained or purchased broken down by exposure type; and • Off-balance sheet securitisation exposures broken down by exposure type; <p>f) Aggregate amount of securitisation exposures retained or purchased separately for:</p> <ul style="list-style-type: none"> • Securitisation exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and • Securitisation exposures subject to the securitisation framework for specific risk broken down into a meaningful number of risk weight bands for each regulatory capital approach). 	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group does not have any securitisation activities or exposures that are covered by eligible guarantees or credit derivatives as referred to in module (CA-4), where a bank transfers a portion of the risk of an exposure in one or more tranches to a protection seller or sellers and retains some level of risk of the loan. Hence, this procedure is not applicable.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
55	<p>g) Aggregate amount of:</p> <ul style="list-style-type: none"> • The capital requirements for the securitisation exposures subject to Comprehensive Risk Measure, broken down into appropriate risk classifications (e.g. default risk, migration risk and correlation risk). • The capital requirements for the securitisation exposures (re-securitisation or securitisation), subject to the securitisation framework broken down into a meaningful number of risk weight bands for each regulatory capital approach (e.g. SA, RBA, SFA and concentration risk approach). • Securitisation exposures that are deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital should be disclosed separately by exposure type. <p>h) For securitisations subject to the early amortisation treatment, the following items by exposure type for securitised facilities:</p> <ul style="list-style-type: none"> • The aggregate drawn exposures attributed to the seller's and investors' interests; • The aggregate capital charges incurred by the bank against its retained shares (i.e. the seller's) shares of drawn balances and undrawn lines; and • The aggregate capital charges incurred by the bank against the investors' shares of drawn balances and undrawn lines. <p>i) Aggregate amount of re-securitisation exposures retained or purchased broken down according to:</p> <ul style="list-style-type: none"> • Exposures to which credit risk mitigation is applied and those not applied; and • Exposure to guarantors broken down according to guarantor credit worthiness categories or guarantor name. 	As noted above.	As noted above.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
	Market Risk Disclosures for Group's using the Standardised Approach (PD-1.3.30)		
56	In case the Group uses standardised approach, we have checked whether the Group has disclosed the general qualitative disclosures, with respect to market risk, identifying the portfolios covered by the standardised approach; (PD-1.3.30(a))	Annual / Semi-annual (optional)	We found that the Group disclosed the general qualitative disclosures, with respect to market risk, identifying the portfolios covered by the standardised approach. Refer Table 2 and Table 17 of Risk and Capital Management Disclosures for the year ended 31 December 2023.
57	In case where the Group uses standardised approach, we have agreed the disclosure of the following items to the Form PIR: (PD-1.3.30(b)) a) The capital requirements on an end period basis, as well as showing the maximum and minimum values during the period for each category of market risk as follows: <ul style="list-style-type: none"> • Interest rate risk; • Equity position risk; • Foreign exchange risk; • Commodity risk. b) For a sample of 15 items, we have agreed the balance as per the accounting system as at 31 December 2023 matches to the working provided by the Group for detailed quantitative information about the nature and extent of interest-rate sensitive assets and liabilities and off-balance sheet exposures (e.g. breakdown of fixed and floating rate items and the net interest margin earned, and the duration and effective interest rate of assets and liabilities) have been made by the Group. We have also checked whether these disclosures are made for each portfolio identified in PD-1.3.30 (a), showing their related gains and losses and also their effect on the value of assets, liabilities and capital for a 200 basis points (bps) change in interest rates.	Annual and semi-annual	We found that the Group has disclosed the capital requirements relating to market risk category of Interest rate risk and foreign exchange risk. Refer Table 16 and Table 17 of Risk and Capital Management Disclosures for the year ended 31 December 2023. Based on our inquiries with the management, we were informed that the Group is not exposed to any market risk in equity and commodity markets. Based on the samples tested, we found that the balances agree to the accounting system and to the working provided by the Group. Refer Table 16 of Risk and Capital Management Disclosures for the year ended 31 December 2023.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
	Market Risk Disclosures for banks using the Internal Models Approach (IMA) for trading portfolios		
58	<p>In case the Group uses internal models for its trading portfolios, we have checked whether the Group has made the following disclosures: (PD-1.3.31)</p> <p>a) The general qualitative disclosures requirement for market risk identifying the portfolios covered by the IMA, the extent of, and methodologies for, compliance with the "Prudent valuation guidance" for positions held in the trading book.</p> <p>b) An explanation and articulation of the internal criteria on which the Group's internal capital adequacy assessment is based including a description of the methodologies used to achieve a capital adequacy assessment that is consistent with the soundness standard.</p> <p>c) Description of the models used for each portfolio covered by the IMA, including assumptions used in calculating (e.g. confidence level, holding period, etc.).</p> <ul style="list-style-type: none"> - Description of stress testing applied to each IMA portfolio. - Description of the approach used for back-testing /validating the accuracy and consistency of the internal models and modelling processes. <p>d) Disclosure of the scope of model acceptance by the supervisor.</p> <p>e) For the incremental risk capital charge and the comprehensive risk capital charge the methodologies used and the risks measured through the use of internal models. Included in the qualitative description should be:</p> <ul style="list-style-type: none"> • The approach used by the bank to determine liquidity horizons; • The methodologies used to achieve a capital assessment that is consistent with the required soundness standard; and • The approaches used in the validation of the models; 	Annual / Semi-annual (optional)	Based on our inquiries with the management, we were informed that the Group does not use Internal Model Approach (IMA) to compute the capital requirements of market risk hence, this procedure is not applicable.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
59	<p>In case the Group uses internal models for its trading portfolios, we will select a sample of 15 items and agree the balance as per the accounting system as at 31 December 2023 to the working provided by the Group for: (PD-1.3.31)</p> <p>a) Summarised quantitative information about price-related market risk to equity and commodity markets where the Group use the IMA. These disclosures will include the magnitude of the exposure on a weekly or monthly basis (during the reporting period).</p> <p>b) The high, mean and low VaR values over the reporting period and period end VaR amounts for each portfolio covered by the IMA, and a comparison of VaR estimates with actual gains/losses experienced by the Group, with analysis of significant "outliers" in back-testing results.</p> <p>c) A presentation of the overall daily profits or exposures for aggregate market risk over the reporting period at an absolute minimum, summarised aggregate quantitative information relating to monthly VaR, giving an overview of the extent of market risk-related activities;</p> <p>d) Information showing the actual performance of the VaR models for the period, giving the number of times actual losses exceeded VaR estimates; and</p> <p>e) Summarised quantitative information for significant concentrations of foreign exchange exposure by currency, broken down by hedged and un-hedged exposures.</p>	Annual and semi-annual	Based on our inquiries with the management, we were informed that the Group does not use IMA to compute the capital requirements of market risk hence, this procedure is not applicable.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
60	<p data-bbox="271 225 645 252">Operational Risk Disclosures</p> <p data-bbox="271 256 1064 384">We have checked whether the Group has made general qualitative disclosures and the approach for operational risk the Group employs to control such risk, and disclosures of any issues considered to be individually significant. (PD-1.3.32)</p> <p data-bbox="271 416 1064 512">We have checked whether the Group has made the following operational risk qualitative disclosures with respect to operational risk (PD-1.3.33):</p> <ul style="list-style-type: none"> <li data-bbox="271 544 1064 639">a) Policies to incorporate operational risk measures into the management framework- for example budgeting, target-setting, and performance review and compliance; <li data-bbox="271 644 1064 799">b) Policies and processes: <ul style="list-style-type: none"> <li data-bbox="331 676 981 703">(i) To help track loss events and potential exposures; <li data-bbox="331 708 1064 767">(ii) To report to these losses, indicators and scenarios on a regular basis; and <li data-bbox="331 772 1016 799">(iii) To review the reports jointly by risk and line managers; <li data-bbox="271 804 1064 927">c) Policies on the loss mitigation process via contingency planning, business continuity planning, staff training and enhancement of internal controls, as well as business processes and infrastructures; and <li data-bbox="271 932 1064 991">d) A statement of how banks manage and control operational risks arising from pending legal actions. <p data-bbox="331 1023 1064 1118">Further, we have checked whether the Group has made the following operational risk qualitative disclosures with respect to operational risk (PD-1.3.33A):</p>	Annual / semi-annual (optional)	<p data-bbox="1352 256 2112 344">We found that the Group has made qualitative disclosures for the operational risk and the approach the Group employs to control such risk, as required by PD-1.3.32.</p> <p data-bbox="1352 376 2112 464">We found that the group has made additional qualitative disclosures (to Paragraph PD-1.3.21) for operational risk, as required by PD-1.3.33 (a) to (d).</p> <p data-bbox="1352 496 2112 679">The Group has made the operational risk quantitative disclosures with respect to operational risk (PD-1.3.33A) except for (PD-1.3.33A) (c) as, based on our inquiries with the management, we were informed that the Group does not have material legal contingencies including pending actions which require disclosure under operational risk.</p> <p data-bbox="1352 711 2112 775">Refer Table 21 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
60	a) The calculation of the capital charge or RWA equivalent for operational risk; b) Indicators of operational risk exposures, such as gross income; and c) Material legal contingencies including pending legal actions and a discussion and estimate of the potential liabilities.	As noted above.	As noted above.
	Disclosure Requirements for Equity Positions in the Banking Book (PD-1.3.34)		
61	We have checked whether the Group has made the following general qualitative disclosures with respect to equity risk: <ul style="list-style-type: none"> • Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This will include the accounting policies and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. 	Annual / Semi-annual (optional)	We found that the Group has made the qualitative disclosures with respect to equity risk as required by PD-1.3.34. Refer Table 17 , Table 18 and Table 19 of Risk and Capital Management Disclosures for the year ended 31 December 2023.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
62	<p>For a sample of 10 items, we have agreed the balance as per the accounting system as at 31 December 2023 to the working provided by the Group for any equities held in the banking book: (PD-1.3.34(b) to (f))</p> <p>a) The types and nature of investments, including the amount that can be classified as quoted on an active market or privately held.</p> <p>b) The cumulative realised gains (or losses) arising from sales or liquidations in the reporting period.</p> <p>c) Total unrealised gains and losses recognised in the balance sheet but not through the P&L and any unrealised gains and losses included in Tier One and Tier Two capital.</p> <p>d) Capital requirements broken down by appropriate equity groupings, consistent with the methodology, as well as the aggregate amounts and type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirement.</p>	Annual and semi-annual	Based on our inquiries with the management, we were informed that none of the equity investments of the Group are subject to any supervisory or grandfathering provisions regarding regulatory capital requirement (PD-1.3.31 (f)). Thus, this procedure is not applicable.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
	Disclosures concerning interest rate risk in the Banking book (IRRBB) (PD-1.3.35)		
63	<p>We have checked whether the Group has made disclosures concerning interest rate risk in the banking book:</p> <p>a) general qualitative disclosure requirement (PD-1.3.21), outlining the nature of IRRBB and key assumptions, including assumptions concerning loan prepayments and the behaviour of deposits without a fixed maturity, and the frequency of IRRBB measurement.</p> <p>b) the increase (or decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (where applicable).</p>	<p>Annual / Semi-annual (optional)</p> <p>Annual and semi-annual</p>	<p>The Group has made qualitative disclosures with respect to interest rate risk in the banking book.</p> <p>Refer Table 17 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p> <p>We found that the working provided by the Group in respect of measuring IRRBB, agrees to the accounting system as at 31 December 2023.</p> <p>Refer Table 16 of Risk and Capital Management Disclosures for the year ended 31 December 2023.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
64	<p>We have checked whether the Annual Report includes a declaration by the external auditor that it did not come across any violations of the requirements below during the course of its audit work that would have any material negative impact on the financial position of the bank (PD-1.3.36):</p> <ul style="list-style-type: none"> (a) The Bahrain Commercial Companies Law (as amended); (b) The CBB Law where a violation might have had a material negative effect on the business of the bank or on its financial position; (c) The Regulations and Directives issued by the CBB; and (d) The Rulebook of the licensed exchange and associated Resolutions, Rules and Procedures. 	Annual	The audit report on the Group's consolidated financial statements for 2023 issued by the external auditors includes a declaration that the external auditors have not come across any violations of the requirements stated under PD-1.3.36 that would have any material impact on the financial position of the Group.
65	We have checked whether the Annual Report discloses the amount of any penalties paid to the CBB during the period of the report together with a factual description of the reason(s) given by the CBB for the penalty (see Section EN-1.3). Failure to comply with this requirement will mean that the concerned bank will be required to make the disclosure in the annual report of the subsequent year and will be subject to an enforcement action for non-disclosure.	Annual	The Group has made disclosures with respect to the penalties which were paid to the CBB during the year ended 31 December 2023.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
66	<p>We have checked whether the Directors' Report Section of the annual report of the Group contain details of the interests of Approved Persons in the shares of such banks. Such details should include:</p> <p>(a) Total interests in the shares of such banks by individual persons mentioned above; and</p> <p>(b) Changes in such interests from the previous financial year to the current financial year.</p> <p><i>Note: For the purpose of the disclosure required under Paragraph PD-1.4.3, any interests in the shares of a bank held by the spouse(s) or children of an Approved Person, or any other person the control of whose interests in such shares lies ultimately with the Approved Person, shall be deemed to be the interests of the relevant Approved Person. For a definition of, interest in the shares, see Paragraph PD-1.1.2(b).</i></p>	Annual	This procedure is not applicable as the Group is not listed.
67	We have checked where the Group chooses to issue a narrative press release in conjunction with or in relation to the publication of its audited annual financial statements as required under Paragraph PD-1.2.3, the press release must indicate the net income for the last quarter.	Annual	This procedure is not applicable as the Group chose not to issue a narrative press release in conjunction with or in relation to the publication of its audited annual financial statements as required under Paragraph PD-1.2.3.
	Publication of Reviewed (Unaudited) Quarterly Financial Statements (PD-3.1)		
68	<p>We have checked whether the Group has prepared its reviewed (unaudited) quarterly financial statements in accordance with IFRS for the first three quarters of the financial year. (PD-3.1.2)</p> <p>We have checked whether the Group's unaudited quarterly financial statements were reviewed by the external auditor and whether the results of such review were made in accordance with the applicable International Standards on Review Engagements 2410. (PD-3.1.3)</p>	Semi-annual	<p>The Group has prepared its reviewed quarterly consolidated financial statements in accordance with IFRS, for the first three quarters of the financial year ended 31 December 2023.</p> <p>The Group's unaudited quarterly condensed consolidated financial statements were reviewed by the external auditor and the results of such review were made in accordance with the applicable International Standards on Review Engagements 2410.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
69	We have checked whether the Group has published extracts from the reviewed quarterly financial statements (including at least the statement of financial position (balance sheet), the statement of income, cash flows and changes in equity as required by IFRS) in one Arabic and one English daily newspaper widely available in Bahrain and on the Group's website within forty-five calendar days of the end of the quarter to which such statements relate. (PD-3.1.4)	Semi-annual	The Group has published extracts from their quarterly condensed consolidated financial statements (including at least the interim condensed consolidated statement of financial position (balance sheet), the interim condensed consolidated statements of income, cash flows and changes in equity for the year ended 31 December 2023 as required by IFRS and IAS 34 in one Arabic and one English daily newspaper widely available in Bahrain and on the Group's website within forty-five days of the end of the period to which statements relate.
70	We have checked whether the Group has submitted a newspaper copy of the reviewed quarterly financial statements to the CBB within two days of publication in the concerned newspaper. Note: The copy must be accompanied by a letter clearly showing on which date and in which publications the statements were published. (PD-3.1.5)	Semi-annual	We found that the Group has submitted a newspaper copy of the published quarterly condensed consolidated financial statements to the CBB within two days of publication in the concerned newspaper. We found that the above newspaper copy submitted to the CBB was accompanied by a letter clearly showing on which date and in which publication the statements were published.
71	We have checked whether the Group has published the disclosure required by Appendices PD-1 to PD-4 (as mentioned in Section PD-A.2) on the Group's website in accordance within the deadline required by section PD- 3.1.4 (PD- 3.1.5A)	Annual and semi annual	We found that the Group has published the disclosures required by Appendices PD-2 to PD-4 (as mentioned in Section PD-A.2) on the Group's website within the deadline required by section PD- 3.1.4.

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
72	<p>We have checked whether the Group considered all quantitative disclosures required by section PD-1.3 with the half yearly financial statements and posted on the Group's website within the deadline required by section PD- 3.1.6, but the qualitative disclosures of the paragraphs listed below may be dispensed at the option of the Group in their half yearly statements: (PD-3.1.6)</p> <p>(a) PD-1.3.7 (a) to (b); (b) PD-1.3.8 and PD-1.3.8A to PD-1.3.8G; (c) PD-1.3.14; (d) PD-1.3.21 – PD-1.3.22; (e) PD-1.3.26 (a); (f) PD-1.3.27 (a); (g) PD-1.3.28 (a) to (c); (h) PD-1.3.30 (a); (i) PD-1.3.31 (a) to (d); (j) PD-1.3.34 (a); and (k) PD-1.3.35 (a).</p>	Semi-annual	We found that the Group has posted the half yearly interim condensed consolidated financial statements and the quantitative disclosures required by section PD-1.3 for the year ended 31 December 2023 on the Group's website within the deadline required by section PD- 3.1.6.
73	We have checked whether the Group has retained the ongoing archive (minimum period of five years) of all applicable public disclosures required by Sections PD-1 and PD-3, including the required appendices on the Group's website. (PD 3.1.7).	Annual and Semi-annual	We found that Bank has retained the ongoing archive (minimum period of five years) of all applicable public disclosures required by Sections PD-1 and PD-3, including the required appendices on the Bank's website.
	Disclosure to Commercial Customers of Base Rate of Interest on Overdrafts and Short-Term Loans (PD 4.2)		
74	<p>We have checked that the Group has displayed, by a conspicuous notice, their base rate of interest on BD overdrafts and short-term revolving facilities to commercial customers. (PD 4.2.2)</p> <p>We have checked that the Group has displayed a list of current charges including any standard charges and commissions that will be applied by the Group to individual services and transactions. See Section BC-4.3 for further details. (PD 4.2.4)</p>	Annual / Semi-annual	<p>Based on our inquiries with the management, we were informed that the Bank has displayed in the branches, by a conspicuous notice, their base rate of interest on BD overdrafts and short-term revolving facilities to commercial customers.</p> <p>We were further informed that the Bank has displayed in the branches a list of current charges including any standard charges and commissions that will be applied by the Bank to individual services and transactions.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
75	<p>Disclosure Relating to Deposit Protection Scheme (PD 4.3)</p> <p>We have checked if the Group is referring (directly or indirectly) to the protection of deposits in related marketing materials and in general notices featured within banking halls and in account documentation, including the annual report, to prominently disclose the following statement:</p> <p><i>“Deposits held with the Group in the Kingdom are covered by the Regulation Protecting Deposits and Unrestricted Investment Accounts issued by the Central Bank of Bahrain in accordance with Resolution. (PD-4.3.2)”</i></p> <p>We have checked that the Group must, in discussions and/or correspondence with new and prospective customers, bring the Deposit and Unrestricted Investment Accounts Protection Scheme and the protection afforded by it to the customer’s notice. (PD 4.3.3)</p>	Annual / Semi-annual	<p>Based on our inquiries with the management, we were informed that the Bank refers to the protection of deposits in marketing materials; in general notices featured in the branches; in account documentation and in its annual audited consolidated financial statements.</p> <p>Our inquiries further revealed that the Bank brings to its new and prospective customers, in discussions and / or correspondence, the Deposit Protection Scheme and the protection afforded by it to the customer’s notice in accordance with PD 4.3.3.</p>
76	<p>Press Releases Concerning Financial Statements (PD 4.4)</p> <p>We have checked whether the Group obtained the CBB’s prior approval before issuing any press releases regarding interim or annual financial statements. Conventional bank licensees must not publish or cause to be published, any media statements until such times as CBB approval has been granted.</p>	Annual / Semi-annual	<p>The Group has obtained CBB’s approval before issuing press releases regarding the reviewed quarterly consolidated financial statements for the year ended 31 December 2023.</p>
77	<p>Public disclosure via the internet</p> <p>We have checked whether the Group has received approval from the CBB to disclose their quarterly financial statements by way of their website instead of by way of the local press. (PD 5.1.2)</p>	Semi Annual	<p>The Group publishes the quarterly consolidated financial statements for the year ended 31 December 2023 in the local newspapers and has not opted for any exemption to publish the quarterly consolidated financial statements for the year ended 31 December 2023 only on the website instead of the local newspapers.</p>

Sr. No.	Procedure	Frequency	Findings based on our inquiries and procedures performed
78	<p>General Requirements (PD-6.1)</p> <p>We have checked whether in addition to the corporate governance disclosure required under PD-1.3.8, the Group has disclosed the following information to the shareholders:</p> <ul style="list-style-type: none"> (a) Names of shareholders owning 5% or more and, if they act in concert, a description of the voting, shareholders' or other agreements among them relating to acting in concert, and of any other direct and indirect relationships among them or with the bank licensee or other shareholders; (b) Information on the directorships held by the directors on other boards; (c) Audit fees charged by the external auditor; (d) Non-audit services provided by the external auditor and fees; (e) Reasons for any switching of auditors and reappointing of auditors; and (f) Conflict of Interest – any issues arising must be reported, in addition describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest. 	Annual	<p>The Group has made corporate governance disclosures as required under PD-1.3.8 and PD-6.1.1.</p> <p>Management represented to us that the Bank's shareholders are government entities therefore disclosure requirement under PD-1.3.8 (a) is not applicable.</p>
79	We have checked whether the Group has disclosed in the annual report any abstention from voting motivated by a conflict of interest and whether the Group has disclosed to its shareholders any authorisation of a conflict of interest contract or transaction in accordance with the Company Law. (PD-6.1.2).	Annual	The Group has disclosed the requirement of PD 6.1.2 relating to disclosure of any abstention from voting motivated by a conflict of interest in its Annual Report for the year ended 31 December 2023.
80	We have checked whether the Group has published a summary of their internal corporate governance policies on their website, (PD-6.1.3)	Annual	The Group has published a summary of their internal corporate governance policies on their website.

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Risk and Capital Management Disclosures
For the year ended 31 December 2023

These disclosures have been prepared in accordance with the Public Disclosure Module (“PD”), CBB Rule Book, Volume I for Conventional banks.

These disclosures have been reviewed by the Bank’s external auditors Ernst & Young - Middle East, based on agreed-upon procedures as required under Para PD-A.2.4 of the PD Module.

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1 EXECUTIVE SUMMARY

This report has been prepared in accordance with Pillar 3 disclosure requirements prescribed by the Central Bank of Bahrain, herein referred to as "CBB". The report has been designed to provide Bahrain Development Bank B.S.C. (c) ("BDB" or the "Bank") and its subsidiaries (together, the "Group"), stakeholders with detailed information on the Bank's approach in managing capital and risk, having due regard to the operating environment.

The Bank applies the Basel framework in the measurement of its capital adequacy, and in its capital management strategy and risk management framework. CBB's Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision's (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

BDB has adopted the Standardized Approach for Credit Risk, Market Risk and the Basic Indicator Approach for Operational Risk to determine the capital requirement.

The disclosures in this report are in addition to the disclosures set out in the consolidated financial statements for the year ended 31 December 2023 presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2 INTRODUCTION TO THE BASEL III FRAMEWORK

The CBB's capital adequacy framework is based on three pillars consistent with the Basel III framework developed by the Basel Committee, as follows:

- Pillar 1: calculation of the Risk Weighted Assets (RWAs) and capital requirement.
- Pillar 2: the supervisory review process, including the Internal Capital Adequacy Assessment Process
- Pillar 3: rules for the disclosure of risk management and capital adequacy information.

CBB CAPITAL ADEQUACY RULES:

CBB minimum required total capital adequacy ratio (including Capital Conservation Buffer "CCB") increased from 12 percent to 12.5 percent, compared to 10.5 percent recommended by the Basel Committee. Moreover, the CCB is newly introduced limits and minima by Basel III, such as minimum Common Equity Tier 1 Capital Ratio "CET1" of 9 percent (including CCB) and minimum T1 Capital Ratio of 10.5 percent (including CCB).

The table below summarizes the approaches available for calculating RWAs for each risk type in accordance with the CBB's capital adequacy framework:

Credit Risk	Market Risk	Operational Risk
Standardised Approach	Standardised Approach Internal Models Approach	Basic Indicator Approach Standardised Approach

i) Credit Risk

Credit Risk represents the potential financial loss as a consequence of a customer's inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items. The Bank has credit risk management architecture in place which is further explained in Section 5 within this document.

2 INTRODUCTION TO THE BASEL III FRAMEWORK (continued)

CBB CAPITAL ADEQUACY RULES: (continued)

i) Credit Risk (continued)

The Bank does not use any external credit assessment institutions and the risk rating for the exposures are based on the internal credit framework and policy guidelines of the Bank.

For regulatory reporting purposes, BDB is using the Standardised Approach for credit risk.

ii) Market Risk

Market Risk is the risk of potential losses arising from movements in market prices of financial instruments as a result of changes in market rates (such as interest rates and foreign exchange rates).

For the regulatory market risk capital requirement, BDB is using the Standardised Approach for the calculation of regulatory market risk capital.

iii) Operational Risk

Operational Risk is the risk of monetary loss on account of human error, fraud, systems failures or the failure to record transactions. In order to manage and mitigate such risks, the Bank ensures that proper systems and resources (financial and personnel) are available to support the Bank's operations. Proper segregation of duties and other controls (including reconciliation, monitoring and reporting) are implemented to support the various operations and activities.

For the regulatory operational risk capital requirement, BDB is using the Basic Indicator Approach for the calculation of regulatory operational risk capital.

Regulatory Reforms

The Bank is operating as a retail bank with special waivers under a license issued by the Central Bank of Bahrain ("CBB"), with headquarters and branches in Bahrain. The Bank's capital adequacy requirements are computed on a consolidated basis.

3 GROUP STRUCTURE

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRSs. As at 31 December 2023, the Group consists of the Bank and its following subsidiaries:

Name	Country of Incorporation	Principal activity
Bahrain Business Incubator Centre W.L.L.	Kingdom of Bahrain	Development and assistance to emerging Bahraini entrepreneurs
Al-Waha Venture Capital Fund Company B.S.C.	Kingdom of Bahrain	Trusts, Funds and Similar Financial Entities - Fund Company
Neotech W.L.L.	Kingdom of Bahrain	Management consultancy activities

Restrictions on capital and transfer of funds within the Group

Since the Bank's subsidiaries are not regulated financial institutions, there is no regulatory impediment to the transfer of retained earnings to the Bank. However, as a separate legally incorporated entity, the transfer of paid in capital and mandatory reserves would require shareholder action. As the major shareholder (either direct or indirect) in the entity, the Bank has the power to undertake the legal processes for the transfer of such capital. The Bank's subsidiaries are registered and domiciled in Bahrain and there are no exchange controls or other restrictions on the transfer of funds.

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4 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The Bank's regulatory capital base comprises of (a) CET 1 capital which includes share capital, reserves and retained earnings. (b) Tier 2 capital which consist of general loan loss provisions.

Capital structure, minimum capital and capital adequacy

The Bank's paid up capital consists only of ordinary shares and does not have any other type of capital instruments.

The Bank's shareholders are Government of Kingdom of Bahrain (89.53%), Social Insurance Organisation (5.23%) and Pension Fund (5.24%, together).

The Bank's regulatory capital base is as detailed below:

	<u>As at 31 December</u>
Common Equity Tier 1 (CET1)	
Issued and full paid ordinary shares	63,669
Legal / Statutory reserve	1,186
Accumulated losses	(2,000)
Current year Profit	596
Cumulative fair value changes on FVOCI investments (Debt)	274
Intangibles	(1,919)
Total Common Equity Tier 1 (CET1) (A)	<u>61,806</u>
Additional Tier 1 (AT1)	-
Total Tier 1 (T1)	<u>61,806</u>
Tier 2 Capital (T2)	
Expected Credit Losses (ECL)	949
Total Tier 2 (T2) (B)	<u>949</u>
Total Capital Base (Tier 1 + Tier 2) (C=A+B)	<u><u>62,755</u></u>

Capital Requirement for Risk Weighted Exposure	Credit Exposure before credit risk mitigant	Eligible financial collateral	Credit Exposure after risk mitigant	Risk weighted exposure	Capital Requirement at 12.5%
As at 31 December 2023					
Cash items	235	-	235	-	-
Sovereigns	106,372	-	106,372	-	-
Banks	9,163	-	9,163	7,441	930
Corporates	95,948	28,815	67,133	28,341	3,543
Past due exposures	20,891	17,293	3,598	3,599	450
Investment in securities	6,557	-	6,557	10,233	1,279
Holding of Real Estate	9,459	-	9,459	18,625	2,328
Others assets	7,691	-	7,691	7,691	961
Total Credit Risk Exposure	<u>256,316</u>	<u>46,108</u>	<u>210,208</u>	<u>75,930</u>	<u>9,491</u>
Market Risk				475	59
Operational Risk				16,705	2,088
Total Risk Weighted Assets (D)				<u>93,110</u>	<u>11,638</u>
Capital Adequacy Ratio (C)/(D)				67.40%	
CET1 Capital Adequacy Ratio (A)/(D)				66.38%	

5 CREDIT RISK – PILLAR 3 DISCLOSURES

This section describes BDB's exposure to credit risk, and provides detailed disclosures on credit risk in accordance with the CBB's Basel III framework, in relation to Pillar 3 disclosure requirements.

Definition of exposure classes

The Bank has a diversified funded and unfunded credit exposure. These exposures are classified as standard portfolio per CBB's capital adequacy requirements.

Brief description of applicable standard portfolio is as follows:

a. Claims on sovereigns:

These pertain to exposures to governments and their central banks. Claims on Bahrain and GCC sovereigns are risk weighted at 0%. Claims on all other sovereigns are given a risk weighting of 0% where such claims are denominated and funded in the relevant domestic currency of that sovereign. Claims on sovereigns, other than those mentioned above are risk weighted based on their credit ratings.

b. Investment in securities and sukuk:

Investments in listed equities are risk weighted at 100% while unlisted equities are risk weighted at 150%.

c. Claims on banks:

Claims on banks are risk weighted based on external rating agencies (S&P, Moody's, Fitch and Capital intelligence). Short-term claims on locally incorporated banks are assigned a risk weighting of 20% where such claims on the banks are of an original maturity of three months or less and the claims are denominated and funded in either Bahraini Dinars or US Dollar.

Preferential risk weighting that is one category more favourable than the standard risk weighting is assigned to claims on foreign banks licensed in Bahrain of an original maturity of three months or less denominated and funded in the relevant domestic currency. Such preferential risk weight for short-term claims on banks licensed in other jurisdictions are allowed only if the relevant supervisor also allows this preferential risk weighting to short-term claims on its banks.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

d. Claims on corporates:

Claims on corporates are risk weighted based on credit ratings. Risk weighting for unrated (corporate) claims are assigned at 100%.

e. Impairment of assets:

The Bank assesses at each reporting date whether there is any objective evidence that a specific financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'impairment event') and that impairment event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

f. Restructured financing facilities:

Where possible, the Bank seeks to restructure facilities. This may involve extending the payment arrangements and the agreement of new financing facility conditions. Management continuously reviews renegotiated financing facilities to ensure that all criteria are met and that future payments are likely to occur. The financing facilities continue to be subject to impairment assessment, calculated using the facility's original effective interest rate.

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5 CREDIT RISK – PILLAR 3 DISCLOSURES (continued)

g. Past due exposures:

This includes claims, for which the repayment is overdue for more than 90 days. The risk weighting for such loans is either 100% or 150% that is applied depending on the level of provisions maintained against the assets.

h. Equity Portfolio:

Investment in securities and financial entities are risk weighted at a minimum risk weight of 100% for listed entities or 150% for unlisted entities, unless such investments exceed 10% of the eligible capital of investee entity, in which case they are deducted from the Bank's capital.

i. Other assets:

These are risk weighted at 100%.

j. Holding of real estate:

All other holdings of real estate by banks (i.e. owned directly, subsidiaries or associate companies or other arrangements such as trusts, funds or REITs) are risk-weighted at 200%. Investment in listed real estate companies and investment in unlisted real estate companies are risk-weighted at 300% and 400% respectively. Premises occupied by the Group are risk-weighted at 100%.

k. Related party transactions and balances:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank. Such related parties in the ordinary course of business at commercial interest and commission rates (Refer note 15 of the consolidated financial statements as at 31 December 2023). All related party transactions are approved by Board of Directors.

Amounts due from related parties are unsecured.

l. Highly leveraged counterparties:

The Bank does not lend to highly leveraged and other high risk counterparties as defined in PD-1-3-24(e).

6 Funded and Unfunded Total Credit Exposure

	Total funded credit exposure	Total un- funded credit exposure	Average quarterly credit exposure
Sovereigns	100,169	6,203	99,449
Banks	3,293	5,870	7,866
Corporates	94,270	1,678	108,284
Past due exposures	20,891	-	18,140
Other assets and Cash items	7,644	-	7,014
Total credit risk	226,267	13,751	240,753

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7 CONCENTRATION OF CREDIT RISK BY INDUSTRY & REGION (EXPOSURES SUBJECT TO RISK WEIGHTING)

	31 December 2023								
	Government & public sector	Banks and financial institutions	Trading and manufacturing	Educational institutions and healthcare	Hospitality, media and transportation	Fisheries, agriculture and dairy	Food processing	Others	Total
2023									
Assets									
Balances with Central Bank of Bahrain	50,027	-	-	-	-	-	-	-	50,027
Balances with banks and other financial	-	3,293	-	-	-	-	-	-	3,293
Islamic financing and loans to customers	38,995	-	24,564	4,550	9,485	6,281	9,609	21,677	115,161
Investment securities	50,142	-	-	-	-	-	-	-	50,142
Other assets and Cash items	570	106	-	-	-	-	-	6,968	7,644
Total funded credit exposures	139,734	3,399	24,564	4,550	9,485	6,281	9,609	28,645	226,267
Unfunded credit exposures	6,203	5,870	829	16	3		26	804	13,751
Total credit risk *	145,937	9,269	25,393	4,566	9,488	6,281	9,635	29,449	240,018

*All the above exposures are located in Bahrain

8 CREDIT CONCENTRATION GREATER THAN 15% INDIVIDUAL OBLIGOR LIMIT

Total credit exposures in excess of 15% individual obligor limit

31 December 2023

Sovereigns

153,783

9 SEGMENT WISE BREAKDOWN OF NON PERFORMING LOANS AND IMPAIRMENT PROVISIONS

	Gross impaired loans (Balance)	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and Stage 2 : Lifetime ECL not credit-impaired	Stage 3: net remeasurement of loss allowance for the year	Write offs
Manufacturing	11,065	5,238	120	668	(1,316)
Fisheries and Agriculture	3,704	450	10	841	(391)
Construction	4,643	597	52	(312)	(4)
Trade	5,859	206	262	(1,636)	(755)
Personal / Consumer finance	132	80	-	2	(55)
Government	-	-	-	-	-
Technology, media and telecommunications	13	1,731	4	1,731	-
Transport	1,778	1,326	20	(102)	-
Other sectors	5,011	1,686	1,808	(400)	(614)
	32,205	11,314	2,276	792	(3,135)

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10 RESIDUAL CONTRACTUAL MATURITY

Maturity analysis of assets

The table below summarises the residual contractual maturity profile of the Group's assets as at 31 December 2023:

	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Total
2023									
Assets									
Balances with Central Bank of Bahrain	50,027	-	-	-	-	-	-	-	50,027
Balances with banks and other financial institutions	3,293	-	-	-	-	-	-	-	3,293
Islamic financing and loans to customers	2,007	645	2,067	7,262	32,331	19,492	47,845	3,512	115,161
Investment securities	50,142	-	-	-	-	-	-	-	50,142
Other assets and Cash items	676	-	6,968	-	-	-	-	-	7,644
Total funded credit exposures	106,145	645	9,035	7,262	32,331	19,492	47,845	3,512	226,267
Unfunded credit exposures	730	12,266	225	458	66	6	-	-	13,751
Total credit risk	106,875	12,911	9,260	7,720	32,397	19,498	47,845	3,512	240,018

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11 PAST DUE AND IMPAIRED LOANS (NET) - AGE ANALYSIS

i) By Geographical area

	31 Decemebr 2023			Total
	Three months to one year	One to three years	Over three years	
Past due loans but not credit impaired				
Bahrain	4,930	-	-	4,930
TOTAL	4,930	-	-	4,930
Impaired Loans				
Bahrain	13,712	6,124	1,055	20,891
	13,712	6,124	1,055	20,891

ii) Segment Wise Impaired Loans (NET)

	Three months to	One to three years	Over three years	Total
Manufacturing	4,356	1,219	251	5,826
Fisheries and Agriculture	2,787	140	327	3,254
Construction	1,773	2,237	35	4,045
Trade	2,288	1,400	233	3,921
Personal / Consumer finance	-	3	50	53
Transport	265	201	-	466
Other sectors	2,243	924	159	3,326
TOTAL	13,712	6,124	1,055	20,891

12 GEOGRAPHICAL DISTRIBUTION OF COLLECTIVE AND SPECIFIC IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS

The Bank and its subsidiaries operate and grant loans / financing facilities locally to Bahrain entities and persons only.

	31 December 2023
Bahrain	
Collective impairment ECL - Stage 1	2,052
Collective impairment ECL - Stage 2	224
Specific impairment provision - Stage 3	11,314
TOTAL	13,590

13 RECONCILIATION OF CHANGES IN EXPECTED CREDIT LOSSES

	31 December 2023		Total
	Stage 3: Lifetime ECL credit impaired	Stage 1: 12-month ECL and Stage 2 : Lifetime ECL not credit-impaired	
Balance at 1 January 2022	13,616	2,650	16,266
Amounts written off during the period	(3,135)	-	(3,135)
Transfers for the period	41	(41)	-
Charge for the period	2,078	303	2,381
Recoveries / write-backs during the period	(1,286)	(636)	(1,922)
At 31 December 2023	11,314	2,276	13,590

Restructured Credit Facilities

As at 31 December 2023, the Bank has a total gross balance of BD 17,685 thousand with an ECL of BD 6,982 thousand relating to restructured credit facilities. During the year ended 31 December 2023, the Bank has restructured credit facilities amounting to BD 2,180 thousands with ECL of BD 244 thousand. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash crunch situations or to realign the repayment with the borrower's revised cash flow projections.

The above restructuring did not have a significant impact on the present or future earnings and were primarily extensions of the loan / financing tenor.

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14 CREDIT RISK MITIGATION

The reduction of the capital requirement attributable to credit risk mitigation is calculated in different ways, depending on the type of credit risk mitigation. The main collaterals taken for risk mitigation on credit exposures are deposits held by customers, residential / commercial property mortgage, investment securities, counter-guarantees from other banks, Tamkeen guarantees etc. However, for purposes of capital adequacy computation, only eligible collateral recognized under Basel III is taken into consideration.

15 ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

Eligible financial collateral, and guarantees, presented by standard portfolio are as under:

	Gross credit exposure	Financial collateral	Credit exposure after credit risk mitigant
As at 31 December 2023			
Sovereigns	106,372	-	106,372
Banks	9,163	-	9,163
Corporates	95,948	28,815	67,133
Past due exposures	20,891	17,293	3,598
Investments in equities/funds	6,557	-	6,557
Holding of real estate	9,459	-	9,459
Other assets and cash items	7,926	-	7,926
	256,316	46,108	210,208

Tamkeen guarantees a percentage of the outstanding balance of Islamic financing in accordance with the agreement between the Bank and Tamkeen. Moreover, agriculture and fisheries loans are guaranteed by the Government of Bahrain through Ministry of Finance and National Economy.

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 Basel III Pillar 3 Disclosures
 For the year ended 31 December 2023
 (Expressed in Thousands Bahrain Dinars)

16 SENSITIVITY ANALYSIS - INTEREST RATE RISK (IRRBB)

Impact on net interest income for the period ended 31 December 2023

	2023
Bahraini Dinar	
Assets	230,078
Liabilities	(159,440)
	<hr/>
(+) 200 basis points	7,790
(-) 200 basis points	(7,790)
US Dollar	
Assets	34,306
Liabilities	(41,366)
	<hr/>
(+) 200 basis points	1,513
(-) 200 basis points	(1,513)
Kuwaiti Dinar	
Assets	14
Liabilities	(5)
	<hr/>
(+) 200 basis points	-
(-) 200 basis points	-
Saudi Riyals	
Assets	10
Liabilities	(467)
	<hr/>
(+) 200 basis points	10
(-) 200 basis points	(10)

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17 MARKET RISK, INTEREST RATE GAP

Market risk

Market risk is defined as potential adverse changes in the fair value or future cash flows of a trading position or portfolio of financial instruments resulting from the movement of market variables, such as interest rates, currency rates, equity prices and commodity prices, market indices as well as volatilities and correlations between markets. As its primary tool, the Bank measures its market risk exposure using the Standardised Approach under Basel III.

The Bank uses the Standardised Approach for calculating market risk capital charges for the following market risk components:

- Equity exposure risk
- Interest rate exposure risk
- Foreign currency exposure risk
- Commodity risk

The Bank's market risk capital charge is largely composed of foreign currency risk arising from the Bank's foreign exchange exposure on investments denominated mainly in Kuwaiti dinars, Saudi riyals and United States Dollars, and interest rate risk arising on the bond portfolio. The capital requirement for market risk using the Standardised Approach as at 31 December 2023 was as follows:

Risk Type	Capital requirements		
	2023	Maximum	Minimum
Foreign exchange risk capital	38	50	38
		31 December 2023	
Total Risk Weighted Exposure for Market Risk			475

Interest rate risk

Interest rate risk arises from the possibility that changes in the interest rates will affect future profitability or the fair values of the financial instruments. The Bank is exposed to interest rate risks due to mismatches of interest rate repricing on maturity of assets and liabilities. Positions are monitored periodically to ensure that this is maintained within the established limits. The Bank's assets and liabilities reprice only on maturity.

The Bank's interest rate sensitivity position is based on the maturity dates, as follows:

	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
2023								
Assets								
Balances with Central Bank of Bahrain	45,700	-	-	-	-	-	4,327	50,027
Placements with banks and other financial institutions	3,293	-	-	-	-	-	-	3,293
Islamic financing and loans to customers	2,007	645	2,067	7,262	51,823	51,357	-	115,161
Investment and other assets	50,818	-	-	-	-	-	6,968	57,786
Total assets	56,118	645	2,067	7,262	51,823	51,357	56,995	226,267
Liabilities								
Term loans	-	3,493	-	2,739	13,972	5,155	-	25,359
Deposits	36,806	2,709	273	396	-	105,724	-	145,908
Other liabilities	29	103	-	592	-	-	4,341	5,065
Total liabilities	36,835	6,305	273	3,727	13,972	110,879	4,341	176,332
Net liquidity gap	19,283	(5,660)	1,794	3,535	37,851	(59,522)	52,654	49,935

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18 EQUITY POSITION IN THE BANKING BOOK

	31 December 2023	
	Net exposure	Capital requirement
Privately held	7,312	914
TOTAL	7,312	914

19 GAINS ON EQUITY INVESTMENTS

The Bank does not have any equity investments subject to supervisory transition or grandfathering provisions.

20 DERIVATIVES

	Foreign exchange contracts
Positive Fair Value	24
Negative Fair Value	-
Notional – Banking book (Balance)	12,072

21 OPERATIONAL AND LEGAL RISKS

Operational risk is the risk of loss arising from errors that can be made in instructing payments or settling transactions, breakdown in technology and internal control systems. The Bank uses the Basic Indicator Approach under the capital adequacy framework for measuring and managing its operational risk. Currently, the Bank conducts its business from a single location. BDB is a retail bank with some restrictions and accordingly, the number of client relationships and volume of transactions at BDB are moderate on average.

BDB's operations are conducted according to well-defined procedures. These procedures include a comprehensive system of internal controls, including segregation of duties and other internal checks, which are designed to prevent either inadvertent staff errors or malfeasance prior to the release of a transaction. The Bank also engages in subsequent monitoring of accounting records, daily reconciliation of cash and securities accounts and other checks to enable it detect any erroneous or improper transactions which may have occurred. Specific limits are set up to mitigate and monitor the Bank's exposure.

Operational risk is managed by the Operational risk management unit in the Risk management department. The scope of the Internal Audit department encompasses audits and reviews of all business units, support services and branches. The internal audit process focuses primarily on assessing risks and controls and ensuring compliance with established policies, procedures and delegated authorities. Products and services are reviewed by the Internal Audit department and assessed for operational risks. The Internal Audit department is operationally independent and reports significant internal control deficiencies to the Audit Committee.

The Bank has a Business Continuity Plan (BCP) to ensure that the critical activities are supported in case of an emergency. The BCP is approved by the Board of Directors.

Bank's ICAAP limit of 16% has been fixed to absorb any unforeseen event as compared to regulatory capital requirement of 12.5%.

Legal risk is the risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments can disrupt or otherwise negatively affect the operations of the group. The Group has developed controls and procedures to identify legal risks and believes that losses will not be material.

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For the year ended 31 December 2023

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22 Fines and Penalty

**Amount in
BD Actual
2023**

Penalty paid to Central Bank of Bahrain

9

23 Liquidity Coverage Ratio (LCR)

According to LM-11.1.2 under the “Liquidity Risk Management Module” in the CBB Rulebook, The Bank has calculated the Liquidity Coverage Ratio, which is at 442% as on 31 December 2023.

24 Leverage Ratio (LR)

According to CA-15.5.1 under the “Leverage Ratio & Gearing Requirements” Module in the CBB Rulebook, The Bank has calculated the Leverage Ratio, which is at 23.97% as on 31 December 2023.



**Composition of capital disclosure requirements
As at 31 December 2023**

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Step 1: Balance sheet under the regulatory scope of consolidation

This step is not applicable to the Bank since the scope of regulatory consolidation and accounting consolidation is identical.

Step 2: Reconciliation of published financial balance sheet to regulatory reporting as at 31 December 2023

	Balance sheet as in published financial statements	Consolidated PIR data	Reference
BD 000's			
Assets			
Cash and balances at central banks	3,972	3,972	
Placements with banks and other financial institutions	48,994	48,994	
Investment securities	57,456	57,456	
Investments in associates	397	397	A
As at 31 December 2023	57,853	57,853	
of which:			
Significant investments in capital of financials institutions exceeds the 10% of CET1	-	-	
Amount in excess of 10% of CET1 to be deducted	-	-	
Amount in excess of 10% of CET1 to be deducted in year 1	-	-	
Investment properties	8,012	8,012	
Islamic financing and loans	112,885	115,161	
of which: General loan loss provision which qualify as capital	2,276	-	
Prepayments, accrued income and other assets	5,315	5,320	
Property and equipment	3,282	3,282	
Total assets	240,313	242,594	
Liabilities			
Deposits from banks and other financial institutions	23,456	23,456	
Customer accounts	122,452	122,452	
Term Loans	25,359	25,359	
Repurchase agreements and other similar secured borrowing			
Derivative financial instruments			
Accruals, deferred income and other liabilities	5,065	4,961	
Total liabilities	176,332	176,228	
Equity			
Paid-in share capital	63,669	63,669	
Shares under employee share incentive scheme	-	-	
Total share capital	63,669	63,669	
of which amount eligible for CET1	-	63,669	C
of which amount eligible for AT1	-	-	
Accumulated losses	(1,404)	(1,404)	D
Statutory reserve	1,186	1,186	
Other Reserve	-	-	
General reserve	-	-	
Share premium	-	-	
Donations and charity reserve	-	-	
General loan loss provision which qualify as capital	-	2,385	B
Available for sale revaluation reserve	274	274	
Share of Available for sale revaluation reserve relating to associates not considered for regulatory	-	-	
Minority interest in subsidiaries' share capital	256	256	
Total equity	63,981	66,366	
Total liabilities and equity	240,313	242,594	

Step 3: Composition of Capital Common Template as at 31 December 2023

	Composition of Capital and mapping to regulatory reports	Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	63,669	C
2	Accumulated losses	(1,404)	D
3	Accumulated other comprehensive income (and other reserves)	1,460	
4	Not Applicable	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	63,725	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,919	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable.	-	
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	-	
29	Common Equity Tier 1 capital (CET1)	61,806	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	61,806	

Step 3: Composition of Capital Common Template as at 31 December 2023

Composition of Capital and mapping to regulatory reports		Component of regulatory capital	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	949	
	Tier 2 capital before regulatory adjustments	949	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH: ...	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	949	
59	Total capital (TC = T1 + T2)	62,755	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT		
60	Total risk weighted assets	93,109	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	66.38%	
62	Tier 1 (as a percentage of risk weighted assets)	66.38%	
63	Total capital (as a percentage of risk weighted assets)	67.40%	
64	institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement (N/A)	0.00%	
67	of which: D-SIB buffer requirement (N/A)	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	66.38%	
National minima including CCB (if different from Basel 3)			
69	CBB Common Equity Tier 1 minimum ratio	9.00%	
70	CBB Tier 1 minimum ratio	11.00%	
71	CBB total capital minimum ratio	12.50%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	3,538	
73	Significant investments in the common stock of financials	397	A
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2,385	B
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of Credit Risk weighted Assets)	949	
78	NA	-	
79	NA	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2020 and 1 Jan 2024)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Disclosure template for main feature of regulatory capital instruments

1	Issuer	Bahrain Development Bank
2	Unique identifier (Bahrain Bourse ticker)	BDB
3	Governing law of the instrument	All applicable laws and regulations of the Kingdom of Bahrain
	<i>Regulatory treatment</i>	
4	Transitional CBB rules	Common Equity Tier 1
5	Post-transitional CBB rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group
7	Instrument Type	Common Equity shares
8	Amount recognized in regulatory capital (currency in Millions, as of most recent reporting date)	63,669.00
9	As at 31 December 2023	BD1.00
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	Not Applicable
12	Perpetual or dated	Not Applicable
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	<i>Coupons / dividends</i>	Not Applicable
17	Fixed or floating dividend/coupon	Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Non-cumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable