CBB Reporting
Appendix BR-3
Guidelines for Completion of PIRFM

FORM PIRFM
CENTRAL BANK OF BAHRAIN
PRUDENTIAL INFORMATION REPORT FOR
FINANCING COMPANIES AND MICROFINANCE INSTITUTIONS
GUIDANCE

General:

1. Form "PIRFM" is to be used by all financing companies and microfinance institutions, which are mainly engaged in providing credit, in Bahrain when preparing the supervisory return to the CBB based on the consolidated financial statements of the entity using accounting policies that are consistent with International Financial Reporting Standards (IFRS) or AAOIFI, as applicable.

2. All financing companies and microfinance institutions operating in Bahrain must complete Form PIRFM. This form is intended to be a financial report of the company on an consolidated basis.

3. Financing companies and microfinance institutions should complete the form in Bahraini Dinars (BD). Amounts should be reported to the nearest one thousand.

4. A major purpose of the form is to assess the financing companies' and microfinance institutions' financial performance including asset quality, earnings, operational losses and liquidity in accordance with international best practice.

5. The PIRFM is required from all financing companies and microfinance institutions showing the financial position and related data as at the end of each calendar quarter. The completed return should be sent no later than 20 days after the relevant quarter end to:

Conventional Firms:	**Islamic Firms**
Director of Retail Banking Supervision Directorate	Director of Islamic Financial Institutions Supervision Directorate

Central Bank of Bahrain
P.O. Box 27
Manama

Statement of Financial Position

1. The statement of financial position provides the CBB with information about the financing company's or microfinance institution's financial position. Figures provided should reconcile with the financial statements as of the end of each quarter. This section is intended for reporting purposes only.

2. The statement of financial position is presented in three sections as follows:-

   a) Capital: Represents the shareholders' equity.
   b) Liabilities: Represents all liabilities.
   c) Assets: Represent all assets (monetary and non-monetary assets).

3. For financing companies only, interim profits must be reviewed to be included on line 1.6.

Cumulative Profit and Loss Account Statement for the Current Year

4. The cumulative profit and loss account statement represents the cumulative income and expenses of the financing company or microfinance institution as of the respective quarter-end. Figures provided should be reconcilable with the financial statements.

Capital Requirements as per Module CA

5. Capital items should tally with the statement of financial position line item 1.7 and assets should tally with line 3.10.

Classification of Financing and other Credit Facilities

6. This section provides financial information about the firm's credit facilities, past dues, non-performing credit facilities, rescheduled credit facilities as well as the market value of the collaterals held against such credit facilities (if any).

7. 'Standard facilities' are those, which are 'performing' as the contract requires. These facilities are not past due and there is no reason to suspect that the customer's financial condition or the adequacy of collateral has deteriorated in any way.

8. ‘Watch-list facilities’ are those which show some weaknesses in the customer’s (or counterparty’s) financial condition or creditworthiness, requiring more than normal attention but not necessarily requiring the allocation of specific provisions (or impairment allowances). ‘Watch’ could include ‘performing’ facilities which are not regular in repayment or are regular but there is minor deterioration in the financial position of the customer or counterparty or the underlying collateral. ‘Watch’ must include any facilities which are less than 90 days overdue and which are not (yet) included in ‘sub-standard’, ‘doubtful’ or ‘loss’ (i.e. the facility can be regarded as overdue but not yet ‘impaired’ according to IFRS).

9. ‘Sub-standard facilities’ are those where interest/profit or principal is 90 days or more overdue. ‘Sub-standard facilities’ also include those where full repayment (collectability) is in doubt due to inadequate protection by the impaired paying capacity of the customer or by impairment of the collateral pledged. Sub-standard facilities are characterised by the distinct possibility of loss if observed weaknesses are not corrected and may therefore be viewed as, ‘impaired’ or non-performing. Sub-standard may therefore include facilities that are not yet overdue, or are less than 90 days overdue.

10. ‘Doubtful facilities’ are those where interest/profit or principal is 180 days or more overdue. ‘Doubtful facilities’ have all the weaknesses inherent in a facility classified as ‘substandard’ with the added characteristic that observed weaknesses make full collection (or liquidation), on the bases of currently existing facts and valuations highly questionable or improbable. The probability of loss is extremely high, but total loss may not necessarily occur because some pending factors may strengthen the asset quality.

11. Loss facilities’ are those where interest/profit or principal is 360 days or more overdue. ‘Loss facilities’ are considered uncollectible or of such little value that their continuance at any material value is not warranted. The category ‘loss’ means that it is not considered practical or desirable to give a positive valuation to this facility, even though partial recovery may be effected in the future.

12. Rescheduled credit facilities are those on which the firm has provided concessions and amended the terms of the original credit facility/facilities in order to accommodate the situation of the borrower.

Movement of Provisions

13. Report in this sheet the movement of the provisions for credit facilities and other assets during the quarter.

14. The specific provision is the amount that is required to write down the asset to its cash equivalent value, i.e. amount expected to be collected. Collective impairment provisions are unencumbered provisions. They must not be ascribed to a particular asset or group of assets and must be freely available to meet any losses which are identified after the reporting date.

Liquidity

I. Liquidity Profile

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

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

17. Qualifying Liabilities include all obligations to other parties involving cash transfer and/or rendering of other services within a one month window.

18. Stable Funds include core capital, financings from bank as well as other financings and bonds, notes and other debt papers less fixed assets of the financing company.

19. Microfinance institutions must only complete the expenditure requirements section.

II. Liquidity Maturity Mismatch (For Financing Companies Only)

Assets

20. The cash flow from assets should be inserted into the appropriate maturity band according to their maturities, i.e. in terms of the period remaining to contractual maturity date.

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

22. Assets known to be of doubtful value (non-performing assets) should normally be excluded from the maturity ladder.

23. Contractual standby facilities made available to the financing company by financial institutions should be included in the "up to one month" band, and should also be reported as a note to the profile.

24. Items in the course of collection, if material, could be netted off (if applicable) for the purpose of this maturity profile. The balance should be reported under "up to one month" band.

Liabilities:

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

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

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

28. Contingent liabilities should not be included in the maturity profile, unless they are likely to be fulfilled.

Twenty Five Largest Creditors and Exposures (For Financing Companies Only)

29. For purposes of the largest creditors, all liabilities to the same counterparty should be aggregated. Similarly, all exposures to the same counterparty should be aggregated.