CBB Reporting
Appendix BR-5
Guidelines for Completion of PIRCC

FORM PIRCC
CENTRAL BANK OF BAHRAIN
PRUDENTIAL INFORMATION REPORT (CREDIT CARDS)

GUIDANCE

General:

1. Form "PIRCC" is to be used by all credit card companies in Bahrain when preparing the supervisory return to the CBB based on the separate financial statements of the entity using accounting policies that are consistent with International Financial Reporting Standards (IFRS).

2. All credit card companies operating in Bahrain must complete Form PIRCC. This form is intended to be a financial report of the company as a separate legal entity. Credit card companies should therefore include all assets and liabilities in relation to business undertaken in and from the Kingdom of Bahrain. In case of locally incorporated entities, it should cover assets, liabilities and results of operations in overseas branches, if any. Separate figures in respect of the head office or "Bahrain operations" are not required.

3. Credit card companies should complete the form in the currency in which their share capital is denominated. Amounts should be reported to the nearest one thousand.

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

5. PIRCCs are required from all credit card companies showing the financial position and related data as at the end of each calendar quarter. It should be sent no later than 20 days after the relevant quarter end to:

   The Director of Retail Banking Supervision Directorate
   Central Bank of Bahrain
   P.O. Box 27
   Manama

Section A

1. Outstanding liabilities and assets should be reported at the value in the reporting credit card company's books (i.e. book value) in accordance with the reporting credit card company's normal accounting practices.

2. (PIRCC 3.4 – A(III)) – Investments are financial assets as defined by IAS 32/IFRS 7 except for loans and receivables.

3. (PIRCC 3.5 – A(III)) – Investment in subsidiaries/associates should be based on the separate financial statements in accordance with IAS 27.

4. (PIRCC 3.8 – A(III)) – Capitalised software costs should not be included in tangible fixed assets.

5. In case of positive fair values, derivatives exposure should be reported on-balance sheet in “Other assets” (PIRCC 3.9 – A (III)). Otherwise, such exposures should be reported in “Other liabilities” (PIRCC 2.6 – A (III)).

Section B

6. (PIRCC 3) –Annual card fees recognised net of income should be included in “Card fees”. All other fees and commissions should be included under PIRCC 6(c) “Other fees and commissions”.

7. (PIRCC 6) – Net gains (losses) on fair value hedges should be included in “Other Operating Income – Other Income (PIRCC 6(d))”.

8. (PIRCC 9) – Changes in accounting estimates that increases/(decreases) the carrying amount of the related asset/(liability)– in accordance with IAS 8 – or reversals of impairment losses – under the provisions of IAS 39 or other related authoritative standards – should be reported under “Write backs”.

Section D (I)

9. Marketable securities should include those securities that can be readily sold/liquidated. The amount should be reported at current market values.

10. Term loans should be reported as stable funds in D (3) provided they are not maturing in less than two years, and excluding repayments during the period.

Section D (II)

The following features should be incorporated when preparing the liquidity profile:

Assets:

11. Value of assets should be inserted into the appropriate liquidity band according to their maturities, i.e. in terms of the period remaining to contractual maturity date. Overdrafts should be reported according to the period remaining to the next review dates.

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

13. Marketable assets[*] should be included in the "up to one month" band for the purpose of this liquidity profile.

14. Assets known to be of doubtful value (non-performing assets) should normally be excluded from the liquidity ladder but it could be included on a case by case basis.

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

Liabilities

16. All card members' margins, by whatever name called, should be reported in terms of the period remaining to the contractual maturity date (or under no fixed maturity period therefore). Set off, for the purpose of this maturity profile, may be allowed if an appropriate agreement exists between the parties involved.

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

Section E (I)

18. Other loss events: represent damage to physical assets, due to internal/external factors not covered by the other categories of losses under Section E (I) and also reasons attributable to clients, products and business safety, etc.

[*] Marketable means that there is an active market from which a market value (or some indicator that enables a market value to be calculated) is available.

Section E (II)

19. Interest accrued on non-performing credits may not be recognised as income and included in column 1 without the agreement of the credit card company's external auditors. Accrued interest on non-performing credits not recognised as income must be reported as a memorandum item. This item excludes interest accrued but not yet due on the reporting date.

20. "Standard" credits or balances are performing credits.

    "Substandard" credits are those non-performing credits, which are inadequately protected by the current paying capacity or net assets of the customer. Such credits must have a definite weakness, which jeopardises the liquidation of the credit or balance.

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

    "Loss" credits are facilities or balances where the prospects of recovery are remote, where the balance amount has little true value and where writing-off (in accordance with the CBB's procedures) should not be postponed.

21. Non performing credits: are those on which payments of interest or repayments of principal are 90 or more days past due.

22. Restructured credits: are those that during the subject quarter, where the entity for economic and legal reasons related to the concerned cardholder's financial difficulties grants concessions to the cardholder that it would not otherwise consider.

23. Secured cards require the cardholder to deposit a sum of money with the credit card issuer or are collateralised by a savings account or certificate of deposit.

Section E (IV)

24. Specific provisions are those created against an identified loss or demonstrable in the value of a particular asset or group of assets.

25. Collective impairment provisions are unencumbered provisions. The total of collective provisions is also the figure to be reported in Section A item 1.8.

26. Estimates of credit losses should account for all significant factors that affect the collectability of the credit portfolio as at the evaluation date. The level of collective and specific provisions should be reviewed regularly to ensure that the amount of provisioning is consistent with current expectations of credit losses.

27. Provision against operational risk losses includes any doubtful operational receivable items or operational recoveries and/or known lapses.

Section G

28. The twenty five largest exposures should be reported under this section. Exposures to connected counterparties must be aggregated.