



CENTRAL BANK OF THE BAHAMAS

GUIDANCE NOTES FOR THE COMPLETION OF THE CONSOLIDATED CREDIT QUALITY RETURNS *for DOMESTIC SUPERVISED FINANCIAL INSTITUTIONS*

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1. Overview Of The Consolidated Credit Quality Returns


The Consolidated Credit Quality Returns submitted to the Central Bank of The Bahamas (“the Central Bank”) is used to (i) monitor the loan portfolio and provisioning, (ii) analyze trends and (iii) evaluate emerging risks of domestic supervised financial institutions (DSFIs) in order to make informed decisions on the vulnerability of the financial system.

The guidance notes serve as a companion tool to the Consolidated Credit Quality Returns and provide DSFIs with an overview of the filing and reporting instructions.

A copy of the Consolidated Credit Quality Returns and Guidance Notes are placed on the Central Bank's website for ease of access and reference by DSFIs. These documents may be located on the website as follows:

Log onto: www.centralbankbahamas.com

- Click on **Bank Supervision**
- Select **Regulatory Framework**
- Select **Downloadable Forms**

The guidance notes give a brief description of the forms that make up the returns. The guidance notes also provide clarification on the data that is to be entered in the various rows and columns. In some cases, a line item may be self-explanatory. Throughout the guidance notes, this symbol  has been placed against key information that DSFIs must take into account in completing the forms.

The submission of the Consolidated Credit Quality Returns (“the returns”) is a requirement of **all DSFIs**. They are expected to have appropriate procedures in place to ensure that all returns are completed with accuracy and submitted on a timely basis. Breakdowns in internal controls, staff shortages and vacations are not considered compelling reasons for late and/or erroneous filings. Therefore, it is imperative that DSFIs ensure that all applicable sections of the returns are fully completed in a timely manner to avoid any unnecessary penalties.

2. Filing Instructions For The Consolidated Credit Quality Returns

All DSFIs are required to upload the completed returns to the ORIMS Portal at <https://orimsportal.centralbankbahamas.com>.

Submission Protocols

- All DSFIs are required to complete, upload and submit the Consolidated Credit Quality Returns no later than **eight business days** after the month end.
- Only submissions **sent via the ORIMS Portal will be accepted**.
- Attestations sent via e-mail are to properly state the bank's name, code and date of the report.
- Data is required to be rounded to the **nearest thousands of dollars (no decimals)**.
- **Any and all amendments** to be made to subsequent submissions are to be requested via the ORIMS portal. Please ensure that the reason for re-submission is clearly stated or articulated and aligns with messaging provided to the Central Bank, from time to time by Senior Management.
- Late and erroneous filings will incur a penalty of \$250 per day until such time that the Guidelines have been amended to reflect the proposed change to erroneous filings, a fixed penalty of \$500 or \$1,000 as determined by the Central Bank ¹.

¹ Refer to the Central Bank's Guidelines for the Administration of Monetary Penalties.

3. Form Overview

a. General Information

Certification

Two senior officers of the licensee are required to sign the top section of the Attestation Form and in doing so, certify that,

“We certify that the figures in these forms present a true and fair view of the licensee’s position as at the above reporting date. We undertake that if there are further material facts affecting the licensee’s affairs, which, in our judgment, should be disclosed, that we will promptly advise the Central Bank of The Bahamas.”

A scanned copy of the signed form should be emailed to RegReports@centralbankbahamas.com.

Should there be a need to re-submit the returns, the senior officers are required to sign the bottom section of the Attestation Form and email a scanned copy of same to the Central Bank confirming that,

*“We certify that the **re- submission** of figures in these forms present a true and fair view of the licensee’s position as at the above reporting date. We undertake that if there are further material facts affecting the licensee’s affairs, which, in our judgment, should be disclosed, that we will promptly advise the Central Bank of The Bahamas.”*

b. Credit Quality Report Form

This form provides a breakdown of DSFI’s specific and general provisions for bad and doubtful debts (and other claims). Data should only be entered in the white cells; all other cells contain formulas and are protected. Although there have been recent changes to the regulatory treatment of general provisions, DSFI’s must continue to report same until such further time².

The following line items provide a guide to users by (i) item number (ii) description of the information (as it appears on the form), and (iii) additional guidance on reporting where necessary. Categories that do not require direct input are shaded.

1. Previous Balance as of end of previous month

- Represents the previous month’s balance of money allocated for specific and general provisions. Specific provisions must be reflective of the expected loss on any loan facility while general provisions are held against possible or latent loss, but where the losses have not as yet been identified. The general provisions amount must also represent 1.00 percent of the DSFI’s on and off balance sheet credit risk portfolio.

2. Charge (Release) to (from) profit and loss account

- The amount of specific and general provisions charged (or released) to (or from) the profit and loss account for the reporting period.

3. Appropriation from retained earnings

- The amount of general provisions taken from retained earnings for the reporting period.

² Refer to the Central Bank’s Notice dated 9th February 2018 regarding the implementation of IFRS 9.

4. Amounts written off

- The amount of the asset, in full or in part, which is deemed unrealizable for the reporting period.

5. Recoveries of amounts previously written off

- Self-explanatory.

6. Current Balance as of end of previous month

- Automated calculation of adding items 1 through 4, and subtracting item 5.

7. Gross value of credit facilities against which specific provisions have been made

- Self-explanatory.

8. Analysis of Provisions included in current balance

- a) Consumer - Includes credit cards and all other consumer loans, including lending for private cars, taxis or rented cars, commercial vehicles, furniture and appliances, education, medical, home improvement, land, credit cards, and consolidated debt.
- b) Consumer mortgage - The amount of specific and general provisions set aside for home mortgage loans for the reporting period.
- c) Commercial/Corporate - Includes hypothecation loans and all other commercial loans.
- d) Commercial/Corporate – Mortgage - The amount of specific and general provisions set aside for mortgage loans secured by commercial property/income generating property for the reporting period.
- e) Government - The amount of specific and general provisions set aside for government borrowings.
- f) Other/If any - All other amounts of specific and/or general provisions set aside for loans not classified under items a – e.

9. Total Provisions

- Automated calculation of items a) through f).

c. Credit Quality Report Assessment & Debt Service Ratio Form 

This form provides an aging of DSFI's total arrears by sector and provisions. It also captures the debt service ratio for personal loans and is divided into three main sections: **Sector** (current performing balance and aging of arrears), **Memoranda and Provisions**. DSFI's must also refer to the Central Bank's **Guidelines for the Measurement, Monitoring and Control of Impaired Assets** ("Impaired Guidelines") to complete the return. Data should only be entered in the white cells; all other cells contain formulas and/or are protected.

The following line items provide a guide to users by (i) item number (ii) description of the information (as it appears on the form), and (iii) additional guidance on reporting where necessary. Categories that do not require direct input are shaded or cell protected.

Sector (current performing balance and aging of arrears)

The form will automatically calculate total arrears and the arrears for all categories in each time bucket. You need only to input data in the white cells. Do not offset loans and advances with deposits even where a legal right of set-off exists under a hypothecation agreement. Do not deduct provisions for loan loss, but show the total outstanding. A breakdown of each sector is provided below.

The data on this form by sector breakdown must align with the data reported on the Financial Return (formerly Excel Reporting System). More specifically, the aggregate amount for Total Credit Portfolio (item 17 - Total Current Loans, Aging of Past Dues and Non-Performing Loans by Sector) must be equivalent to item 17 - Total Resident, reported in Bahamian dollars on the Form: Analysis of Loans and Overdrafts Classified by Sector, Currency & Maturity.

1. Agriculture

Lending to owners and operators for agricultural production, including dairying and livestock raising, food crops and other agriculture should be included under this heading.

Lending to firms specializing in the processing of meat and dairy products should be reported under manufacturing.

2. Fisheries

Canning, preserving, or processing of fish and other sea products should be reported under the manufacturing items "Food and Nonalcoholic Beverage."

3. Mining and quarrying

Lending to firms and individuals directly engaged in extracting and dressing materials occurring naturally. Include extraction from the earth of building and monumental stones, clays, sands, and gravels.

4. Manufacturing

Lending granted to individuals or businesses engaged in the physical or chemical transformation of inorganic or organic products into new products irrespective of whether the work is done manually or mechanically. More specifically, food and non-alcoholic beverages; alcoholic beverages and tobacco; building materials and metal products; furniture and other wood products; textiles, clothing and accessories, petro-chemicals, chemicals and plastic products; and, other manufacturing products not classifiable.

Do NOT include lending for oil exploration or production.

5. Distribution

Lending to companies or individuals engaged primarily in the import and export of goods or in the local distribution of goods by commission agents, wholesalers, retailers, and others.

6. Tourism

Lending to owners and operators of hotels, apartments, guest houses, and other lodging places should be classified under this heading, whether the credit is for financing of construction, equipment, furniture, food, etc.

Restaurant facilities operated only in connection with the provision of lodging are included in this category and NOT under Entertainment and Catering.

7. Entertainment and Catering

Lending to owners and operators of cinemas, night clubs, yacht and sporting clubs, amusement parks, professional musicians and theater groups, restaurateurs, and to other eating and drinking establishments, art galleries, museums, bowling, renting of pleasure boats, cycles, or horses or any other recreational services.

8. Transport

Lending to operators of bus and taxi services, trucking and removal companies, shipping and air freightage, storage, and warehousing.

9. Public Corporations

Lending to public corporations. These include loans and advances to corporations providing services such as electricity and water as well as loans to all other public corporations.

See **Appendix I** for a list of all public corporations.

Total Public Corporations loans plus total Public Financial Institutions loans should be equivalent to the sum of Asset Item, Section 7(a)(ii) Public Corporations and Section 7(a)(iii) Public Financial Institutions on Form 2 of the financial return.

10. Construction

Lending to **building contractors or development companies** for construction involving:-

- i. the development of land for commercial, industrial, or residential purposes; and,
- ii. the construction of buildings and other structures above ground level whether of stone, steel, or wood, as well as underground storage, parking, or other facilities.

11. Personal

Lending to individuals for the benefit of themselves and of their households; i.e. lending for personal as opposed to business uses.

- i. Residential Mortgages

Lending to individuals secured by mortgages on residential properties (both freehold and leasehold) which are or will be occupied by the borrower, or which are rented, where such loans are fully secured by a first property charge.

- ii. Land Purchase

Lending for the purchase of property for personal use.

12. Government

Lending granted directly to the central government.

13. Public Financial Institutions

Lending to all public financial institutions, i.e., Bahamas Development Bank, and the Bahamas Mortgage Corporation.

See [Appendix I](#) for a listing of these institutions. Also see Note to Item 9 above.

14. Private Financial Institutions

Lending to insurance companies, investment finance companies, mortgage finance companies, credit unions, thrift or friendly societies, stock brokers, hire purchase companies, etc.

15. Professional and Other Services

Lending to individuals and partnerships providing the services of attorneys-at-law, accountants, auditors, consulting engineers, architects, medical doctors, dental surgeons, real estate agents, data processing, and public relations. Marketing and management consulting are included, as are lending to businesses engaged in repairs, maintenance, laundering and cleaning, and also lending to nonprofit organizations such as churches, schools, and welfare associations.

Lending for the purchase of offices, equipment, and for working or other fixed capital purposes should be included under "Professional and Other Services".

The reporting bank should take care to determine the purpose of the loan, ascertaining that the financing is for professional services and not for personal use. Personal lending is reported under that heading.

16. Miscellaneous

Lending which cannot fit in the various economic and financial sectors included elsewhere in this report, e.g. lending for purchase of new shares and other financial assets, insurance (life and non-life), refinancing etc.

17. Total Current Loans, Aging of Past Dues and Non-Performing Loans by Sector

Automated calculation of items (1) through (16)

18. Restructured Consumer Loans

Total amount of refinanced consumer loans outstanding to date.

19. Restructured Mortgages

Total amount of refinanced mortgage loans outstanding to date.

20. Restructured Commercial Loans

Total amount of refinanced commercial loans outstanding to date.

21. Total Restructured Loans (outstanding)

Automated calculation of items (18) through (20).

Regarding restructured loans (*assets*), DSFIs must be reminded of the following:-

- i. accurately classify and report restructured loans (*assets*); and,

- ii. consider the **financial difficulty** of a counterparty specifically spurred by **economic downturns** (i.e. loss of job or cash flow impairment) as the key driver for determining and reporting a restructured loan (*asset*), irrespective of whether it remains on commercial terms or not³.

22. The buckets for the aging of arrears are as follows:

- 31-60 days (past-due);
- 61-90 days (past-due);
- 91-180 days (non-performing/impaired); and
- Over 180 days (non-performing/impaired).

Past-due – an asset is ‘past due’ when a contracted payment (principal and interest) has not been met when due or it is otherwise outside contracted arrangements.

Non-performing/ impaired – refers to an asset where there is no longer reasonable assurance of timely collection of the full amount of principal and interest due to a deterioration in the credit quality of the counterparty.

23. Total Credit Portfolio

Automated calculation of the current loans, aging of arrears and non-performing loans for each sector. Also, see Note to subheading ‘Sector (current performing balance and aging of arrears)’ above.

24. Exceptions to Debt Service Ratio (DSR)

The value of personal loans (and residential mortgages) extended must not exceed 45% of a household’s income, **except** in the following instances⁴:

- i. Each new facility that is extended to a borrower, who is already at the maximum DSR, is for debt consolidation purposes only.
- ii. The total credit to the borrower is not to be increased. That is, the borrower may only consolidate existing credit obligations from within the institution or from all the institutions from which it is borrowing, without any fresh funds being advanced.
- iii. Banks must maintain documentation in respect of each facility, to evidence that the above requirements (i) and (ii) have been met.
- iv. Debt service continues to be defined as the scheduled total monthly payment of principal and interest as a percentage of verifiable monthly income from wages and other sources (*including a maximum of 50% of tips earned, as applicable*).

³ Refer to the Central Bank’s Guidance Notice to DSFI’s dated 26th October 2009 on the reporting on restructured assets.

⁴ Refer to the Central Bank’s letter dated 30th October, 2008 to commercial banks regarding same.

Memoranda

Provides automatic calculations from information entered in the Current Loans and Aging of Past Dues and Non-Performing Loans section of the form. This section reflects the proportion of the total arrears, that is, past due, and non-performing loans in relation to the total loans portfolio, as well as total restructured loans.

Total unsecured and total secured loans represents the value of loans which are covered by collateral and the value of loans not covered by collateral, respectively. These values are required to be inputted for items 21a and 21b.

Total restructured loans (**month only**) represents the amount of consumer, mortgages and commercial loans which were restructured within that given month only.

Provisions

This section allows DSFIs to provide an aging of the general and specific provisions to coincide with the aging of total outstanding loans. Additionally, DSFIs are required to provide the breakdown/aging of its recoveries and charge-offs, as applicable. If a DSFI is unable to provide the breakdown by aging buckets for items within section, then **the total** for each item is required to be entered into the first column.

4. Appendix I⁵

Public Non-Financial Institutions

- Airport Authority
- Antiques Monuments and Museum Corporation
- Bahamasair
- Bahamas Agricultural and Industrial Corporation
- Bahamas Broadcasting Corporation
- Bahamas Electricity Corporation
- Bahamas Maritime Authority
- Bahamas Resolve Corporation
- Bahamas Water and Sewerage Corporation
- Clifton Heritage Authority
- University of The Bahamas
- Deposit Insurance Corporation
- Educational Loan Authority
- Financial Intelligence Unit
- Gaming Board
- Health Facilities
- Hotel Corporation of The Bahamas (in liquidation)
- Insurance Commission
- Nassau Airport Development Company
- Nassau Flight Services
- National Insurance Board
- Paradise Island Bridge Authority
- Public Hospitals Authority
- Securities Commission
- Utilities Regulation and Competition Authority

Public Financial Institutions

- Bahamas Development Bank
- Bahamas Mortgage Corporation

⁵ As at December 31, 2017

5. Appendix II

Credit Quality Report Form

PROVISIONS FOR B\$ BAD AND DOUBTFUL DEBTS (and Other Claims)

	Specific	General
Previous Balance as of end of previous month		
Charge (Release) to (from) profit and loss account		
Appropriation from retained earnings		
Amounts written off		
Recoveries of amounts previously written off		
Current Balance as of end of current month	0	0
Gross value of credit facilities against which specific provisions have been made		

	Specific	General
Analysis of Provisions Included in Current Balance		
Consumer - Includes credit cards and all other consumer loans		
Consumer Mortgage		
Commercial/Corporate		
Commercial/Corporate - Mortgage		
Government		
Other/If any		
Total Provisions	0	0

[Credit Quality Report Assessment & Debt Service Ratio Form](#)

SUMMARY OF CURRENT & RESTRUCTURED LOANS, ARREARS and PROVISIONS

SECTOR		Current Loans	Total Arrears				Total Credit Portfolio	Debt Service Ratio		
			31-60 Days	61-90 Days	91-180 Days	Over 180 Days		No. of Facilities	Value (B\$ 000s)	Avg. DSR
1.	AGRICULTURE						0			
2.	FISHERIES						0			
3.	MINING & QUARRYING						0			
4.	MANUFACTURING						0			
5.	DISTRIBUTION						0			
6.	TOURISM						0			
7.	ENTERTAINMENT & CATERING						0			
8.	TRANSPORT						0			
9.	PUBLIC CORPORATIONS						0			
10.	CONSTRUCTION						0			
10a.	of which: Other Construction						0			
11.	PERSONAL						0			
11a.	of which: Residential Mortgages						0			
11b.	of which: Land Purchases (Real Estate)						0			
12.	GOVERNMENT						0			
13.	PUBLIC FINANCIAL INSTITUTIONS						0			
14.	PRIVATE FINANCIAL INSTITUTIONS						0			
15.	PROFESSIONAL & OTHER SERVICES						0			
16.	MISCELLANEOUS						0			
17.	Total Current Loans, Aging of Past Dues and Non-Performing Loans by Sector	0	0	0	0	0	0	0	0	#DIV/0!
18.	RESTRUCTURED CONSUMER LOANS						0			
19.	RESTRUCTURED MORTGAGES						0			
20.	RESTRUCTURED COMMERCIAL LOANS						0			
21.	Total Restructured Loans (outstanding)	0	0	0	0	0	0			

MEMORANDA:		
21.	TOTAL LOANS	0
21a.	<i>Total Unsecured Loans</i>	
21b.	<i>Total Secured Loans</i>	
22.	TOTAL ARRERS	0
22a.	<i>Total Arrears/Total Loans</i>	#DIV/0!
23.	TOTAL PAST DUE LOANS	0
23a.	<i>Total Past Due Loans/Total Loans</i>	#DIV/0!
24.	TOTAL NON-PERFORMING LOANS	0
24a.	<i>Total Non-Performing Loans/Total Loans</i>	#DIV/0!
25.	TOTAL RESTRUCTURED LOANS (<i>month only</i>)	0
25a.	<i>Consumer</i>	
25b.	<i>Mortgages</i>	
25c.	<i>Commercial</i>	

PROVISIONS			Please Insert Total in this Column if Aging is unavailable	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total Arrears
26.	Specific Provisions		0					0
27.	Ratio Coverage of Specific		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
28.	General Provisions		0					0
29.	Total Provisions		0	0	0	0	0	0
30.	Charge-Offs							0
31.	Recoveries							0
32.	Recoveries to Charge-Offs		#DIV/0!					0