شـركــة البــحـريــن للتســهـيـلات التجــارية ش.م.ب
BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

THROUGH CHALLENGES WITH HOPE AND DEDICATION

ANNUAL REPORT | 2021

CONTENTS

Bahrain Commercial Facilities Company BSC was established on August 29, 1983 under Bahrain's Commercial Companies Law 1975 (Legislative Decree No 28 of 1975), as a closed company with an authorized capital of BD 10,000,000 and issued capital of BD 5,000,000 with an objective to act as a specialist finance company in Bahrain. In April 1993, the Company was registered as a Public Shareholding Company. In 2003, the Company's Memorandum and Articles of Association were amended in accordance with the Commercial Companies Law (21) of 2001 and its duration became indefinite, following a resolution of the shareholders passed at the Extraordinary General Assembly Meeting on 10 March 2003. The Company has an authorized capital of BD 50,000,000 and an issued capital of BD 20,418,750.

Effective 26th June 2005, the Company became licensed and regulated by the Central Bank of Bahrain to operate as a Financing Company.

CONSUMER FINANCE
Bahrain Credit is the leading provider of short, medium and long-term consumer finance for residents of the Kingdom of Bahrain, including vehicle finance, personal finance, mortgage finance, cheque discounting, corporate finance and credit card.

AUTOMOTIVE
National Motor Company WLL (NMC), established in 1988, is one of the leading companies in Bahrain for the sale and service of vehicles. The company has the exclusive national franchises for Honda, General Motors (Chevrolet, GMC and Cadillac) and Mack Defense. In 2013, the company's wholly owned subsidiary Tasheelat for General Trading and Cars WLL (TGTC) was incorporated in Kurdistan, Iraq with the purpose of selling Honda vehicles in Erbil, Kurdistan Region.

The Group established a fully owned subsidiary Tasheelat Automotive Company WLL (TAC) in 2015 and has introduced GAC Motor, Foton, Haval and Great Wall brands to the Bahrain market.

The Group established a fully owned subsidiary Tasheelat Car Leasing Company WLL (TCL) in 2017 to provide car leasing and rentals services.

INSURANCE
Tasheelat Insurance Service Company WLL (TISCO) was established in 1997 to arrange a wide range of insurance products and services that include motor, home, medical, life and travel insurance.

REAL ESTATE
Tasheelat Real Estate Services Company WLL (TRESCO) was established in 2002, and is actively involved in the acquisition, sales, marketing, valuation, property development, rental services of lands and properties within the Kingdom of Bahrain.

HIS ROYAL HIGHNESS PRINCE SALMAN BIN HAMAD AL KHALIFA

Crown Prince, Deputy Supreme Commander and Prime Minister

HIS MAJESTY KING HAMAD BIN ISA AL KHALIFA

The King of the Kingdom of Bahrain

OUR VISION

"Through creating

DELIGHTFUL SOCIAL MOBILITY

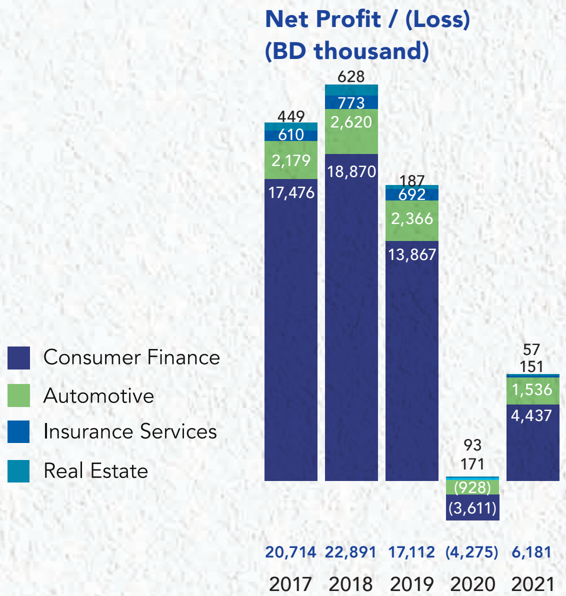
We shall be the most respected and admired company in the eyes of all we serve."

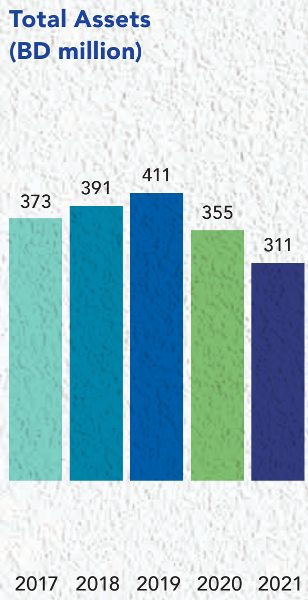
OUR MISSION

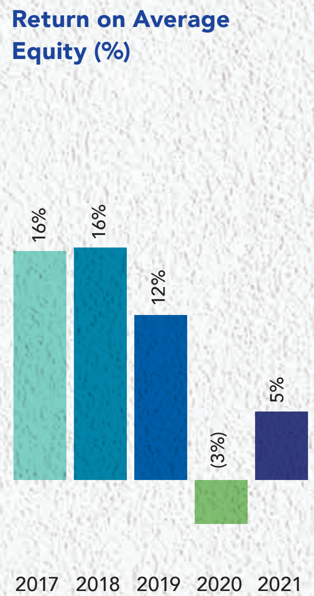
WE ARE A DYNAMIC AND INNOVATIVE COMPANY THAT EMBODIES THE SPIRIT OF ENTREPRENEURSHIP. WE STRIVE TO:

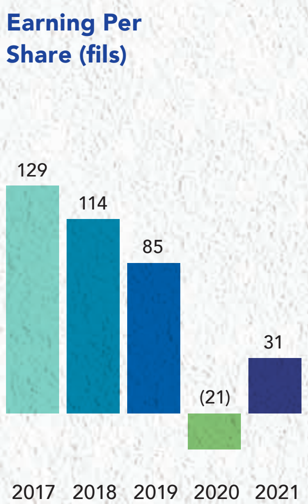
- Contribute to the development of the markets we choose to operate in;
- Be the first choice of our customers by providing excellent products, services and solutuions;
- Be the preferred place of work, and inspiring our people to be the best they can be;
- Enrich our communities and be a good neighbour;
- Produce rewarding returns for our shareholders.

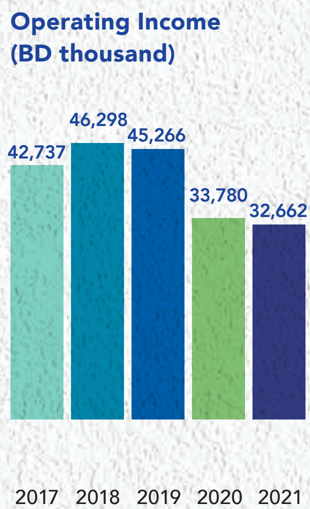
FINANCIAL HIGHLIGHTS

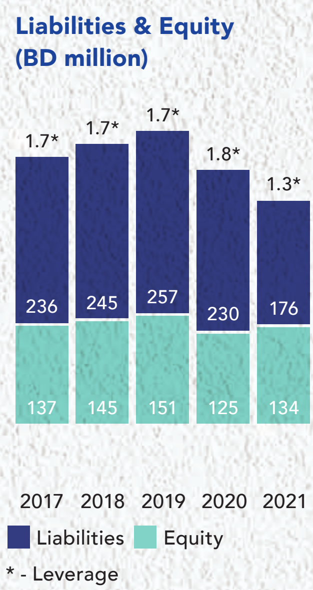












BCFC BOARD OF DIRECTORS

AbdulRahman Yusuf Fakhro
Chairman of the Board and Member of the Audit Committee

Director since 12 November 1989 (Independent and Non-executive); has more than 57 years of extensive and diversified experience in business, trade, investment and insurance. Member of the Institute of Directors, London, 2016.

• Chairman of Yusif Bin Yusif Fakhro B.S.C. (c), Bahrain
• Partner at Yusif Fakhro Technical Services W.L.L., Bahrain
• Board Chairman and Member of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

Dr. AbdulRahman Ali Saif
Vice Chairman of the Board, Chairman of the Executive Committee and Vice Chairman of the Nomination and Remuneration Committee - Nominee of Bank of Bahrain and Kuwait B.S.C.

Director since 24 April 2016 (Executive in shareholder bank "BBK"); has more than 39 years of extensive and diversified experience in economics, finance, treasury operations, investment, corporate and international business; holds a Ph.D. in Economics from University of Leicester, UK, 1992; an MSc. in Economics from University of Lancaster, UK, 1986; a Post-graduate Diploma in Economics from University of Warwick, UK, 1985; a BSc in Economics from University of Poona, India, 1982. Member of the Institute of Directors, London, 2016.

• Group Chief Executive - BBK B.S.C., Bahrain
• Chairman of Credimax B.S.C. (c), Bahrain
• Vice Chairman of the Board, Chairman of the Executive Committee and Vice Chairman of the Nomination and Remuneration Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
• Chairman of Aegila Capital Management Limited, London, UK

Reyadh Yusuf Hasan Sater
Board Member, Chairman of the Automotive Board and Vice Chairman of the Executive Committee

Director since 18 March 2014 to 31 March 2020 (Executive in shareholder bank "BBK" then); subsequently elected as Director (Non-executive) effective from 31 March 2020; and later on (Independent and Non-executive) effective from 01 April 2021; has more than 43 years of extensive and diversified experience in banking and auditing; holds an Executive Management Diploma from University of Bahrain, 1996; an MBA in Business Administration from University of Glamorgan, UK, 2001; CIA from the Institute of Internal Auditors, USA, 2002; fulfilled the requirements of The Gulf Executive Development Program at University of Virginia - Darden-USA, 2003. Member of the Institute of Directors, London, 2016.

• Board Member and Vice Chairman of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
• Chairman of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain
• Chairman of Tasheelat Insurance Services Company W.L.L. (TISCO)., Bahrain
• Chairman of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain
• Chairman of the Executive Committee of Tasheelat Automotive Company W.L.L. (TAC), Bahrain
• Chairman of the Executive Committee of Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain

BCFC BOARD OF DIRECTORS

Nader Karim Al-Maskati
Board Member and Chairman of the Audit Committee

Director since 31 March 2020 (Independent and Non-executive); a professional banker who has more than 39 years of extensive and diversified experience in banking, financial services, investment, business, trade, audit and risk management; fulfilled the requirements of The Gulf Executive Management Certificate – University of Virginia – Darden Business School, USA, 2001; holds a Master's Degree in Business Administration (MBA in Finance) from University of Bahrain, 1992; holds a Certificate in Operations and Credit - Citi Bank Training Centre, Greece, 1983; a Bachelor's Degree of Science (BSc) in Economics – Cairo University, Egypt, 1978; and a Post- Graduate Diploma in Marketing- University of Bahrain, 1990. Member of the Institute of Directors, London, 2020.

- Board Member and Chairman of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Board Member and Member of the Audit & Risk Committee of the Future Generation Reserve, Ministry of Finance and National Economy, Bahrain

Ebrahim Abdulla Buhindi
Board Member, Member of the Nomination and Remuneration Committee and Member of the Automotive Board

Director from 15 March 1988 to July 2004 (Executive in shareholder bank "BBK" then); subsequently reappointed as Director since March 2007 (Independent and Non-executive); has more than 46 years of extensive and diversified experience in banking; holds an MBA in Management Consultancy from Sheffield Hallam University, UK, 1999. Member of the Institute of Directors, London, 2016.

- Board Member and Member of the Nomination and Remuneration Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain

AbdulAziz Abdulla A.Aziz Al-Ahmed
Board Member, Chairman of the Nomination and Remuneration Committee, Vice Chairman of the Automotive Board and Member of the Executive Committee - Nominee of National Bank of Bahrain B.S.C.

Director since 28 March 2011 (Executive in shareholder bank "NBB"); has more than 48 years of extensive and diversified experience in Management and Banking; fulfilled the requirements of The Gulf Executive Development Program at University of Virginia - Darden-USA, 2001 - 2002; attended numerous management and business-related courses held locally and internationally. Member of the Institute of Directors, London, 2016.

- Chief Executive, Strategic Accounts - National Bank of Bahrain B.S.C., Bahrain
- Board Member, Chairman of the Nomination and Remuneration Committee and Member of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Vice Chairman of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain
- Member of the Board of Trustees - Primary Healthcare of Supreme Council of Health, Bahrain
- Board Member of Infonas W.L.L., Bahrain

Abdulla Mohamed Al-Mahmood
Board Member and Member of the Corporate Governance, Risk and Compliance Committee - Nominee of Social Insurance Organization, Bahrain

Director from 18 March 2014 (Non-executive); has more than 33 years of extensive and diversified experience in information technology, human resources and administration, accounting and finance, benefits and customer services; holds a Diploma in Actuarial Science from Mohanna Foundation, Cyprus, 1998; an MSc in Management Technology from Arabian Gulf University, Bahrain, 1997; BSc in Statistics from Kuwait University, Kuwait, 1988. Member of the Institute of Directors, London, 2016.

- Executive Director of Customer Service Department – Social Insurance Organisation (SIO), Bahrain
- Board Member and Member of the Corporate Governance, Risk and Compliance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

Mohamed Abdulla Isa
Board Member, Chairman of the Corporate Governance, Risk and Compliance Committee, Vice Chairman of the Audit Committee, and Member of the Automotive Board - Nominee of Bank of Bahrain and Kuwait B.S.C.

Director since 31 March 2020 (Executive in shareholder bank "BBK"); has more than 29 years of extensive and diversified experience in finance, treasury operations, financial accounting and management accounting. University of Bahrain Graduate 1992. He is a Certified Public Accountant (CPA), State of Delaware - USA, 2000, and member of American Institute of Certified Public Accountant. He has fulfilled the requirements of The Gulf Executive Development Program at University of Virginia – Darden, USA, 2007. Member of the Institute of Directors, London, 2020.

- Group Chief Financial Officer, Financial Planning & Control – Bank of Bahrain and Kuwait B.S.C., Bahrain
- Board Member and Chairman of the Remuneration and Nomination, SICO Bank, Bahrain
- Board Member, Chairman of the Corporate Governance, Risk and Compliance Committee and Vice Chairman of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain
- Board Member of the Deposit and Unrestricted Investment Accounts Protection Scheme, The Central Bank of Bahrain, Bahrain

Yusuf Saleh Sultan Khalaf
Board Member and Vice Chairman of the Corporate Governance, Risk and Compliance Committee

Director since April 2018 (Independent and Non-executive); served as chief executive officer of banks; has more than 41 years of experience in the banking and financial services sector; a member of the Association of Chartered Certified Accountants (ACCA) since 1980; and holds a Higher National Diploma in Business Studies from Salford College of Technology, UK. Member of the Institute of Directors, London, 2018.

- Board Member and Vice Chairman of the Corporate Governance, Risk and Compliance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

BCFC BOARD OF DIRECTORS

Mohamed Jehad Bukamal, CFA

Board Member, Member of the Executive Committee and Member of the Automotive Board - Nominee of Social Insurance Organization, Bahrain

Director from 25 December 2018 (Non-executive); has more than 13 years of extensive and diversified experience in Investment Management and Corporate Finance; holds a BA (Honours) in International Business from Leeds Metropolitan University, 2008. Member of the Institute of Directors, London, 2019. Holds the Investment Representative Certificate (Series 7), 2011. Mohamed is a Chartered Financial Analyst.

On 15 December 2021, the BCFC Board approved the NRC's recommendation to appoint Mr. Bukamal as BCFC Deputy CEO, subject to the CBB's regulatory approval.

- Head of Public Investments at Osool Asset Management Company B.S.C.(c) (Osool), a subsidiary of SIO, Bahrain
- Board Member and Chairman of the Executive Committee of Delmon Poultry B.S.C., Bahrain
- Board Member in Bukamal Holdings Co. B.S.C (c), Bahrain
- Board Member and Chairman of the Audit Committee of Bahrain Livestock Company B.S.C (c), Bahrain
- Board Member and Member of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain

Sayed Jalal Jaafar Al-Mousawi

Vice President, Board Secretary - Bahrain, Commercial Facilities Company B.S.C.

Joined on 02 May 2007; has more than 21 years of accumulated and diversified experience in providing professional and administrative support to the General Assemblies, Boards, Board Committees and Members; and assuming various corporate governance responsibilities and other relevant corporate issues at Group level; managing the overall affairs and administration of Group Board Secretariat in compliance with the regulatory and statutory requirements as a qualified company secretary; well-versed in law, compliance, corporate governance, specialised translations, public and media relations, legal drafting, journalistic, specific and general purpose writings. Holds a BSc in Law from Kingdom University, 2019; a BA in English Literature and Translation from University of Bahrain, 2002; a First Diploma in Instrumentation and Control Engineering, Bahrain Training Institute, 1997; and a Certificate in Board Secretarial Practice, Informa Connect Middle East, 2013. Attended a number of courses in accounting, corporate governance, anti-money laundering, information cyber security, sustainable development and environmental, social and governance training, BIBF, 2021. An associate of the GCC Board Directors Institute, 2020.

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC (BCFC) is licensed by CBB as a 'financing company' regulated under Rule Book Volume 5 'specialized licenses' category. BCFC is also a listed company on Bahrain Bourse and the provisions of rule book Volume 6 apply to as a capital market participant. The corporate governance provisions relate to the HC modules of the respective rule books.

Bahrain Commercial Facilities Company BSC is committed to best practices of corporate governance in line with legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities. These Guidelines highlight the areas the Company has to comply in relation to the corporate governance and disclosure requirements, particularly with reference to Corporate Governance Code of the Ministry of Industry, Commerce and Tourism, applicable regulatory requirements under HC modules of rule books 5 and 6 and the Memorandum and Articles of association of the Company.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 16 to the Consolidated Financial Statements for the year ended 31 December 2021.

B. Board of Directors

The Board is constituted of ten directors, divided into independent, non-executive and executive members. The members are appointed and elected for a three-year term and terminated as per the Company's Memorandum and Articles of Association and the Board of Directors Charter. The Board represents a mix of high-caliber professional skills and expertise. Any newly appointed/elected director undergoes a comprehensive, formal and tailored induction to ensure the director's fiduciary responsibilities are well understood and appreciated. In this regard, it is worth mentioning that training of the Board Members, as approved persons holding controlled functions in the company, has always been at the forefront of the responsibilities of the Company, which ensures proper Continuous Professional Development ("CPD") Training is extended to all Directors as per the CBB Training and Competency Module. To fulfill some of its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee, a Nomination and Remuneration Committee and a Corporate Governance, Risk and Compliance Committee, whose compositions consist of members with adequate professional background and experience. The Board annually reviews its own composition and Charter and conducts an evaluation of its performance, the performances and contributions of all Committees vis-à-vis their respective charters and the performance, effectiveness and contribution of each board member. The performance appraisals are in the form of written forms or reports made at the last scheduled meeting of the calendar year. The final performance appraisal report is recommended by the Nomination and Remuneration Committee and approved by the BCFC Board of Directors at the first meeting of the calendar year where the Company's year-end results are approved for publication. The overall rating of the Boards, Board Committees and Boards of the portfolio companies and the Executive Committees of the Automotive Companies was 3.90 out 4.

The Board is responsible for the preparation and fair representation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors of Bahrain Commercial Facilities Company BSC exercises their individual and collective business judgment objectively, transparently and in good faith in what they reasonably believe to be in the best interest of the Company, its shareholders and stakeholders. The Board of Directors oversees the process of disclosure and communications to internal and external stakeholders. The Board of Directors ensures that disclosure is fair, transparent, and comprehensive; and reflects the character of the Company and the nature and complexity of risks inherent in the business activities of the Company. The Board of Directors and senior management oversee and ensure that information and cyber security controls are periodically evaluated for adequacy.

In compliance with the local statutory requirements, the Board of Directors oversees the exercise of corporate powers and ensures that the Company's business and affairs are well managed to meet its stated goals and objectives. Maintenance of the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards, receives considerable attention by the Board of Directors.

The types of material transactions that require the Board of Directors approval cover a wide area ranging from credit approvals, approval of policies, strategies, donations to signing and investment authorities.

CORPORATE GOVERNANCE

The Company strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community). The Board has approved a Code of Conduct that applies to the Directors and another one dedicated for the Executive Management and staff that includes "whistle-blowing" procedures. It is in the best interest of the company and shareholders to bind all the concerned to the highest standards of professionalism and due diligence in discharging their duties. The codes include areas pertaining to conflict of interest, related parties' transactions, obligations of integrity and loyalty, confidentiality and the responsibilities of all those concerned to adhere to best practices and high standards in ethical norms and values.

Furthermore, directors as approved persons abide by their fiduciary duties of care and owe loyalty not to use property of the Company for their personal needs as though it was their own property, not to disclose confidential information or use it for their personal profit, not to take business opportunities for themselves that constitute direct and material conflicts of interest, not to compete in business with the Company; and to serve the Company's interest in any transaction with a company in which they have personal interests.

In compliance with the regulatory requirements, below is the number of shares held by the Company's directors, in their capacity as approved persons, and the connected persons as at 31st December 2021 as follows:

Directors *	Type of Shares	31 December 2021	31 December 2020
AbdulRahman Yusuf Fakhro	Ordinary	945,449	801,718
Dr. AbdulRahman Ali Saif	Ordinary	Nil	Nil
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Nader Karim Al-Maskati	Ordinary	Nil	Nil
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
AbdulAziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Mohamed Abdulla Isa	Ordinary	Nil	Nil
Mohamed Jehad Hasan Bukamal	Ordinary	Nil	Nil
Yusuf Saleh Khalaf	Ordinary	Nil	Nil

* The Board of Directors and their connected persons, with the exception of Mr. AbdulRahman Yusuf Fakhro, did not trade in the shares of the Company during the financial year ended 31st December 2021

Annual confirmations regarding the profiles, directorships, conflicts and personal interests of the Board of Directors (as defined below) are sought from the Board of Directors. The process of declaration of interests takes place on an annual basis and as part of the public disclosure requirements in the Company's Annual Report. The Board Secretary writes to all the Directors, requesting them to confirm and/or update their existing directorships and profiles. Upon receiving their responses, the profiles, directorships, conflicts and personal interests of the Board of Directors are disclosed in the annual report at the end of each financial year. Similar confirmations and declarations are also applied at the time of election and nomination of a new Board of Directors, when candidates fill in and submit the CBB forms together with their declarations of their interest in other enterprises and these declarations are refreshed thereafter with necessary information on an annual and regular basis to fully adhere to the applicable CBB Rulebook provisions.

The Board of Directors meets at least four times in each financial year upon the summons of the Chairman of the Board or his Deputy (in case of absence or disability) or at least two of its members. A quorum shall be attained if one half plus one of the members are present. In 2021, the Board of Directors convened five ordinary meetings and two unscheduled meetings. The meetings were attended as follows:

Board of Directors	26 Jan. <1>	28 Feb.	30 Mar.	8 Aug.	10 Aug. <2>	26 Oct.	15 Dec.	Total	Attendance Percentage
AbdulRahman Yusuf Fakhro, Chairman	✓	✓	✗	✓	Virtual	✓	✓	6	86%
Dr. AbdulRahman Ali Saif, Vice Chairman	✓	Virtual	✓	Virtual	Virtual	✓	Virtual	7	100%
Reyadh Yusuf Hasan Sater, Director	✓	✓	✓	✓	Virtual	✓	✓	7	100%
Nader Karim Al-Maskati, Director	✓	✓	✓	✓	Virtual	✓	Virtual	7	100%
Ebrahim Abdulla Buhindi, Director	✓	✓	✓	✓	Virtual	✓	✓	7	100%
AbdulAziz Abdulla Al-Ahmed, Director	✓	✓	✓	✓	Virtual	✓	Virtual	7	100%
Abdulla Mohamed Al-Mahmood, Director	✓	Virtual	✓	Virtual	Virtual	✓	✓	7	100%
Mohamed Abdulla Isa, Director	✓	Virtual	Virtual	Virtual	Virtual	✓	Virtual	7	100%
Mohamed Jehad Hasan Bukamal, Director	✓	✓	✓	✓	Virtual	✓	✓	7	100%
Yusuf Saleh Khalaf, Director	✓	Virtual	Virtual	Virtual	Virtual	✓	✓	7	100%

1. To discuss different agenda items.
2. To discuss the approval of the half year financials and Press Release.

Additionally, where there is a need for impartiality in relation to a subject or proposed transaction where a conflict of interest exists, the Board shall form ad hoc Board sub-committees, comprising of a sufficient number of non-banking Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. In 2021, the Board formed three different Board ad hoc committees to review and consider different matters. The Board ad hoc committees convened and the meetings were attended as follows:

Board Sub-committee	17 March
Dr. AbdulRahman Ali Saif, Chairman	Virtual
Reyadh Yusuf Hasan Sater, Member	✓
Ebrahim Abdulla Buhindi, Member	✓
Yusuf Saleh Khalaf, Member	✓
Nader Karim Al Maskati, Member	Virtual
Mohmed Abdulla, Member	Virtual

Board Sub-committee	22 March
AbdulRahman Yusuf Fakhro, Chairman	✓
Dr. AbdulRahman Ali Saif, Vice Chairman	Virtual
Reyadh Yusuf Hasan Sater, Member	✓
AbdulAziz Abdulla Al-Ahmed, Member	Virtual
Nader Karim Al Maskati, Member	Virtual
Mohmed Abdulla, Member	Virtual

CORPORATE GOVERNANCE

Board Sub-committee	5 September
AbdulRahman Yusuf Fakhro, Chairman	✓
Dr. AbdulRahman Ali Saif, Vice Chairman	✓
Reyadh Yusuf Hasan Sater, Member	✓
AbdulAziz Abdulla Al-Ahmed, Member	✓

C. Key Persons Dealing Policy

The Company has in place a Key Persons Dealing Policy to ensure that insiders are fully aware of the regulatory requirements regarding dealing with BCFC shares, with the objective of preventing abuse of inside information. A Key Person is defined as a natural person or a juristic person that possesses or has access to price-sensitive information, from time to time, by nature of their duties performed. Key persons are Board of Directors, senior management and other persons or third parties as decided by the Company's Board. The Group's Head of Compliance maintains at all times an updated Register of Key Persons and makes immediate notification to Bahrain Bourse of their dealings in the Company's shares.

D. Board of Directors Committees

1. Executive Committee

In accordance with Article (19) and (20) of the Company's Articles of Association and Article (1.6) Paragraph (1) of the Board of Directors Charter, the Executive Committee is delegated with a defined scope of duties and authorities in relation to Bahrain Credit, TRESCO and TISCO and to review and make recommendations to the whole Board on pre-defined matters as per the Executive Committee Charter.

The Committee is comprised of a minimum of three members, who are not members of the Board Audit Committee, appointed by the Board of Directors for a three-year term. At least one member shall be independent. In accordance with its charter, the Executive Committee has the role of reviewing reports and activities, taking decisions on issues within its defined authorities and recommending to the Board of Directors on other issues that are above its authorities, where applicable. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, donations, signing and investment authorities.

To ensure full discharge of duties, the Executive Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. In 2021, the Executive Committee held six ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Committee Member	20 Jan.	30 Mar.	28 Apr.	8 Jun. <1>	29 Jun.	29 Sept.	23 Nov.	Total	Attendance Percentage
Dr. AbdulRahman Ali Saif, Chairman	✓	✓	✓	Virtual	Virtual	✓	✓	7	100%
Reyadh Yusuf Hasan Sater, Vice Chairman	✓	✓	✓	✓	✓	✓	Virtual	7	100%
AbdulAziz Abdulla Al-Ahmed, Member	✓	✓	Virtual	Virtual	Virtual	✓	Virtual	7	100%
Mohamed Jehad Hasan Bukamal, Member	✓	✓	✓	✓	✓	Virtual	✓	7	100%

1. To discuss different agenda items.

2. Board Audit Committee

The Board Audit Committee assists the Board of Directors, as per its charter, in overseeing the responsibilities for the financial reporting process, the system of internal control and the audit process, Consistent with this function, the Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and sound practices at all levels.

The Board Audit Committee consists of at least three members appointed by the Board of Directors for a three-year term. The majority of the Committee members, including the Chairman, will be independent directors under the criteria stated in the Corporate Governance Code. All the members are financially literate and independent of the management and free of any business or other relationships (including, without limitations, day to day involvement in the management of the business) which could interfere with the exercise of their independent judgment. The Committee directs the role and assesses the performance of the Internal Audit Department.

The Board Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility and has full access to all information required to discharge its functions.

The Committee shall hold a minimum of four meetings a year, with authority to convene additional meetings, as circumstances require. On each occasion, the Board Audit Committee will meet on a quarterly basis with the External Auditor in the presence of members of management of the parent company and its subsidiaries, Internal Auditors or others, as necessary. During 2021, the Board Audit Committee held seven ordinary meetings and six unscheduled meetings. The meetings were attended as follows:

Committee Member	11 Feb. <1>	21 Feb.	25 Apr.	30 Jun. <1>	28 Jul.	22 Aug.	22 Sep. <1>	05 Oct. <1>	19 Oct. <1>	25 Oct.	07 Nov.	24 Nov. <2>	14 Dec.	Total	Attendance Percentage
Nader Karim Al-Maskati, Chairman	✓	✓	✓	Virt.	✓	✓	Virt.	Virt.	Virt.	✓	✓	Virt.	✓	13	100%
Mohamed Abdulla Isa, Vice Chairman	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	Virt.	13	100%
AbdulRahman Yusuf Fakhro, Member	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	Virt.	✓	12	92%

1. To discuss different agenda items.
2. Joint Corporate Governance, Risk & Compliance Committee & Board Audit Committee Meeting to discuss the CBB Examination Report of AML and Combating the Finance of Terrorism

Additionally, the Chief Executive Officer and Group Head of Finance shall certify in writing to the Audit Committee and the Board as a whole the Company's interim and annual financial information / statements.

At the proposal of some shareholders in one of the previous General Meetings to consider the possibility of changing the external auditor, who spent many years auditing the company's accounts and in line with best accounting practices and sound corporate governance, the Board reviewed this matter through the Audit Committee, which made a request for proposal from a number of audit firms and received their offers. After full consideration, the Audit Committee gave its final recommendation to the Board and then to the Ordinary General Meeting, which in turn approved the appointment of Ernst & Young as external auditor for 2021 and authorized the Board of Directors to determine their remuneration, subject to the approval of the Central Bank of Bahrain on this appointment.

3. Nomination and Remuneration Committee

Comprised of at least three directors, appointed by the Board for a three-year term, the Nomination and Remuneration Committee provides advice and makes recommendations to the Board on matters related to the nomination and appointment of Directors, memberships to all Committees of the Board, Directors to the Boards and Executive Committees of the Company's subsidiaries, the Chief Executive Officer or his Delegate and controlled functions under Bahrain Credit, the General Managers or their Delegates of all the

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subsidiaries of the Group and the Secretary to the Board. The Committee's composition is partially compliant as it currently has in place one independent member and two executive members. The latter represent major shareholders, of whom are the Chairman and Vice Chairman of the Committee based on the CBB's approval.

The Committee reviews and makes recommendations to the Board on all matters of remuneration and compensation of Directors and the remuneration of the Chief Executive Officer or his Delegate, General Managers or their Delegates of the subsidiaries and the Secretary to the Board, the bonus, share option, redundancy and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer or his Delegate, all the General Managers or their Delegates of the subsidiaries, and Secretary to the Board. Moreover, the Committee reviews and approves the salary and bonus payments for the CEO's Direct Reports. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The Committee shall meet as necessary to ensure full discharge of duties based upon a request of the Chairman, Vice-Chairman or the Chief Executive Officer. The Committee shall convene not less than two meetings each year. The Nomination and Remuneration Committee convened two ordinary meetings and four unscheduled meetings during 2021. The meetings were attended as follows:

Committee Member	25 Jan. <1>	23 Feb	23 Mar. <1>	27 Jun. <2>	19 Jul. <2>	13 Dec.	Total	Attendance Percentage
AbdulAziz Abdulla Al-Ahmed, Chairman	✓	✓	Virtual	✓	Virtual	✓	6	100%
Dr. AbdulRahman Ali Saif, Vice Chairman	✓	✓	Virtual	✓	Virtual	Virtual	6	100%
Ebrahim Abdulla Buhindi, Member	✓	✓	✓	✓	✓	✓	6	100%

1. To discuss matters related to the appointment of a new CEO and other agenda items.
2. To review different agenda items.

4. Corporate Governance, Risk and Compliance Committee (CGRC)

In accordance with Article (19) and (20) of the Company's Articles of Association, and with the objective of assisting the Board of Directors (the Board) in fulfilling its responsibilities and duties, the Corporate Governance, Risk and Compliance Committee (CGRC) is delegated with defined scope of roles and authorities related to corporate governance matters, review of policies and procedures, monitoring compliances with the Group's risk management policies and procedures, and the process for monitoring compliance with laws and regulations and the Company's code of conduct.

The Committee is comprised of a minimum of three members appointed by the Board for a three-year term. The majority of the Committee members, including the Chairman, will be independent directors under the criteria stated in the Corporate Governance Code. However, the Committee's composition is partially compliant with this guidance as it currently has in place one independent member, one non-executive member and one executive member. The latter represents a major shareholder and chairs the Committee based on the CBB's approval.

The Committee directs the role and assesses the performance of the Risk Management, Compliance and Anti-Money Laundering Departments and is responsible for developing and recommending to the Board corporate governance guidelines and the company risk management framework reviewing those guidelines at least once a year in compliance with the regulatory requirements. The Committee reviews and recommends any amendments to the Company's policies after balancing risks management, rewards, practical efficiencies and compliance with regulatory rules if applicable. The Committee reviews and recommends any amendments to the Company's Memorandum and Articles of Association in consultation with a legal counsel.

The Committee is authorized by the Board to seek appropriate professional advice inside and outside of the Company as and when it considers this necessary at the Company's expense.

To ensure full discharge of duties, the Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. During 2021, the Corporate Governance, Risk and Compliance Committee held four ordinary meetings and two unscheduled meetings. The meetings were attended as follows:

Committee Member	10 Feb.	6 May	25 Jul. <1>	5 Aug.	24 Nov. <2>	7 Dec.	Total	Attendance Percentage
Mohamed Abdulla Isa, Chairman	Virtual	Virtual	Virtual	Virtual	Virtual	Virtual	6	100%
Yusuf Saleh Khalaf, Vice Chairman	Virtual	Virtual	Virtual	Virtual	Virtual	✓	6	100%
Abdulla Mohamed Al-Mahmood, Member	Virtual	Virtual	Virtual	Virtual	Virtual	Virtual	6	100%

1. To review the Company's Policies.
2. Joint Corporate Governance, Risk & Compliance Committee & Board Audit Committee Meeting to discuss the CBB Examination Report of AML and Combating the Finance of Terrorism.

E. Risk Management

Bahrain Commercial Facilities Company BSC is fully aware of its responsibilities toward implementing the international best practices on risk management as reflected by the regulatory requirements of the Central Bank of Bahrain. The overall responsibility for risk management in the Group remains with the Board of Directors. The Board approves appropriate credit, liquidity, market, and operational risk policies based on the advice of the Board Corporate Governance, Risk and Compliance Committee.

The Company has a Head of Risk Management which is independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function.

The Head of Risk Management Department reports directly to the Board Corporate Governance, Risk and Compliance Committee and administratively to the Chief Executive Officer. The Group's risk management policies are in place to identify and analyze risks, to establish appropriate limits and controls, and to monitor risk and compliance with limits. Risk management policies are reviewed on a regular basis to ensure they remain relevant in light of changing market conditions and the Group's activities. The Group strives to create a disciplined and constructive control environment in which all employees understand their roles and responsibilities through its training and management standards and procedures.

F. Compliance and Anti-Money Laundering

Bahrain Commercial Facilities Company BSC is fully aware of its responsibilities in observing all regulatory provisions and best international practices in relation to its functioning. It is committed to complying with international best practices on compliance and anti-money laundering as reflected by the regulatory requirements of the Central Bank of Bahrain.
The Company has a Head of Compliance and Money Laundering Reporting Officer (MLRO). These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, the Head of Compliance and Money Laundering Reporting Officer reports administratively to the Chief Executive Officer and directly to the CGRC Committee and has full access to the Board of Directors.

The Company has in place clear strategies, frameworks and risk-based plan for compliance to identify, monitor and test compliance and money laundering risks, and put right controls on a regular and in an ongoing basis. The Company also retains an approved Compliance and Anti-Money Laundering Policies, which contain Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation, which are reviewed annually and approved by the Board of Directors.

The Group Compliance and MLRO ensures implementation of applicable regulatory requirements on a group-wide level to the subsidiaries and branches.

The Compliance and AML function is subject to periodic independent review and examination by External Audit/ independent third party, Internal Audit, and Central Bank of Bahrain.

G. Management Committees:

a. **The Assets and Liabilities Committee ("ALCO")** shall be comprised of at least three members, headed by the Chief Executive Officer, CFO and Head of Risk Management as permanent members. CEO may appoint any other member as needed. The Head of Compliance and Money Laundering Reporting Officer (MLRO) and Head of Internal Audit shall attend ALCO meetings as observer. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset

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and liability management; (2) capital planning; (3) liquidity adequacy; and (4) contingency planning and (5) approving product programmes (which shall form part of consumer finance and mortgage loans & corporate finance policy framework) with respect to the foregoing. It is also mandated to fix and review the overall portfolio yield, periodically review the provisioning and write off policies, reviews and take appropriate action with regard to the CBB consultation papers, guidelines and new rules and follow up on all matters reported in regulatory inspection reports, review and approve rates, administration charges, business terms, and acceptance criteria of existing and new loan products. ALCO shall meet at least once a Quarter or more frequently as circumstances dictate. A resolution is deemed passed if more than half the members present at the meeting vote "for" such a resolution. The Management Secretary will take minutes of ALCO meetings. The Committee periodically reviews its own composition and Charter and conducts an evaluation of its performance and the performances of its members.

b. **The Credit Committee** is set up with the objective of overseeing all aspects of credit exposures within its limits or above so as to ensure that proper due diligence is established before sanctioning any credit exposure and that credit risk arising from a credit exposure is closely monitored throughout the tenor. To fulfill this objective, the Credit Committee is delegated with a defined scope of responsibilities and authorities, as per the charter. To ensure that the Credit Committee possesses the right skills and expertise to professionally discharge its responsibilities, membership to this Committee is not appointed based on seniority but exclusively based on the skills of the appointed member. The credit approval authorities of the Credit Committee are arranged into two tiers, each of which is delegated with a definite credit authority level. The members of Tier 1 and Tier 2 of the Credit Committee are appointed by the BCFC Board upon the recommendation of the Chief Executive Officer. The details including the members and their approval authorities are given in the policy manual approved by the Board.

c. **The Risk Management Committee** is an integral part of the Company's strategic directions to drive efforts of enhancing the risk management culture and to provide oversight across the company for all categories of risk in order to ensure that proper practices are in place to manage priority risks for Bahrain Credit, TISCO and TRESCO. The main responsibilities of the Committee are to institutionalize the good practices of risk management across all the levels of the Companies, oversee all the Companies' efforts, decision and actions that will have implication on the Companies' risk management culture, align the Companies' business objectives with the sound practices of risk management as per the CBB guidelines and rules, and to review departmental compliance with risk management framework. The Committee shall be chaired by the CEO, the Vice Chairman shall be elected by the Chairman, the membership of the Risk Management Committee shall include the Chief Executive Officer, Head of Credit and Marketing, Head of Risk Management, Head of Operation & Human Resources, Head of Finance, Head of Information Business Technology, and Head of Compliance & MLRO. The Committee shall meet at least quarterly or more frequently as circumstances dictate.

H. Remuneration Policy:

a. Board Remuneration:

The Company's remuneration practices are aligned with the guidelines and rules of the CBB High-Level Controls, HC-5 Remuneration of Approved Person and Material Risk Takers duly prescribed under Volume 1: Conventional Banks.

The Company has in place policies and guidelines for the attendance and sitting fees payable to all the Directors in consideration of attending one or more of Board and Committee meetings in a financial year. The Policy reflects the Company's commitment to best practices of corporate governance in line with the legal and regulatory requirements and is intended to remunerate its Board and Committee members fairly and responsibly. The Policy ensures that the remuneration of Board and Committee members are sufficient to attract, retain and motivate persons of the quality and desired competencies needed to run the Company successfully.

The Remuneration Policy of the Company applies to all the Boards of Directors of the Parent Company, its Committees, the Boards of its Subsidiaries and any other Committee of a subsidiary formed from time to time.

The structure and level of the compensation for the Board and Committee Members are as follows:

- A fixed amount representing an annual remuneration fee approved by the Shareholders at the AGM; and
- Attendance fees payable to members attending different Board-related committees' meetings.

b. CEO and Management Remuneration:

The performance and remuneration of the CEO is reviewed by the Nomination and Remuneration Committee and approved by the Board. The remuneration of the Chief Executive Officer's direct reports is reviewed and approved by the Nomination and Remuneration Committee. Furthermore, the Board takes into consideration the following dimensions to remunerate the CEO:

1. The bonus is discretionary and decided by the board depending on the profitability of the Company, i.e. the bottom line not the top line.
2. The strength of internal controls and risk management practices.
3. Lending growth in each product.
4. Meeting all the funding requirement needed to ensure the growth of the Company.
5. Quality of loan portfolio and levels of non-performing loans.
6. Meeting agreed upon strategic objectives both financial objectives and non-financial objectives.

I. Related Party Policy

The Company has in place a policy which is set out to define the related parties, related transactions and how the Company discloses information related to conflict of interest, loans and credit facilities. The policy applies to the Directors, Key Management Personnel and Approved Persons and Staff. It also covers within its scope credit facilities granted to, purchases made from, joint ventures and business agreements.

J. Communication Strategy/Policy:

The Company has a clear policy in relation to communication with its stakeholders, shareholders, and employees, customers, Government bodies, Regulator and society and has approved Corporate Communication Policy Guidelines. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit Committee Chairman, the Nomination and Remuneration Chairman, Corporate Governance, Risk and Compliance Committee Chairman, the Chairmen of subsidiaries' boards and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company. Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial corporate information is provided by the Company on all events that merit announcement, either on its website: www.bahraincredit.com.bh or through local newspapers, Bahrain Bourse website or other means of communication. The financials and annual reports of the Company; the Charters of the Board and its Committees are made available on the Company's website. The website features a specific section that is related to investors' and shareholders' relations in general and describes shareholders' rights to participate and vote at each shareholders' meeting that include documents relating to meetings with full text of notices and minutes. Internally, electronic mail and departmental portals are used for communicating with the Company's staff on general matters and sharing information of common interest and concern. At board level, there is an easy-to-use electronic web-based portal that is aimed at automating all board works and providing Board Members with secure, real-time access to the Board's and Committees' materials and archive.

K. Approved Persons Policy

The Company adheres to all the CBB requirements regarding the "approved persons'" "fit and proper" conditions. Approval of the CBB is obtained prior to the appointment for controlled functions. Controlled functions (i.e Approved Persons) are those of:

1. Board Member
2. Chief Executive Officer or General Manager;
3. Head of Function;
4. Compliance Officer; and
5. Money Laundering Reporting Officer.

a. Employment of Relatives

The Company has in place a board approved policy on the employment of relatives of approved persons that are embedded in various policies. The Chief Executive Officer of the company shall disclose to the Board of Directors, on an annual basis, relatives of any approved persons occupying controlled functions within the company, if any.

L. Code of Conduct

BCFC strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community) including 10 Principles of Business detailed in Volume 5 of CBB Rule book. Such ethical values include but are not limited to:

1. Maintaining an open and cooperative relationship with the CBB and other regulatory bodies and taking reasonable care to ensure that activities comply with all applicable laws and regulations

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2. Maintaining adequate resources, whether human, financial or otherwise, sufficient to run the business in an orderly manner.
3. Taking reasonable care to ensure that affairs are managed effectively and responsibly, with appropriate Management, Systems and Controls in relation to the size and complexity of operations.
4. deal, written contracts and agreements should be provided to all parties involved.
5. BCFC should ensure that all approved persons submit their conflict of interest declarations on an annual basis. Further, the annual declarations by the approved person pertaining to conflict of interest other than dealing in shares must be updated in the Code of Conduct.
6. Observing proper standards of Market Conduct and avoiding action that would generally be viewed as improper.
7. Taking reasonable care to safeguard the Assets of Customers.
8. Paying due regard to the legitimate Interests of Customers and communicating with them in a fair and transparent manner and, when dealing with customers who are entitled to rely on advice or discretionary decisions, taking reasonable care to ensure the suitability of such advice or decisions.
9. Committed to achieve customer excellence. Complaint handling procedures are in place and the results are continuously reviewed.
10. Maintaining an open and cooperative relationship with the CBB and other regulatory bodies and taking reasonable care to ensure that activities comply with all applicable laws and regulations.
11. Maintaining adequate resources, whether human, financial or otherwise, sufficient to run the business in an orderly manner.
12. Taking reasonable care to ensure that affairs are managed effectively and responsibly, with appropriate Management, Systems and Controls in relation to the size and complexity of operations.
13. For the protection of all parties with whom the company deal, written contracts and agreements should be provided to all parties involved.
14. BCFC should ensure that all approved persons submit their conflict of interest declarations on an annual basis. Further, the annual declarations by the approved person pertaining to conflict of interest other than dealing in shares must be updated in the Code of Conduct.

M. Whistleblowing Policy

This Policy details the procedures for a whistleblower to escalate a complaint to the designated authority and procedures that are to be followed by the Audit Committee to ensure that a valid whistleblowing complaint is investigated properly, and action taken appropriately, while protecting the whistleblower from any adverse reaction due to their complaint.

N. General Guidlines

a. Business Plans

The strategic planning exercise for the Company is conducted every three years. Operating plans are created on an annual basis. The strategic plan is approved by the BCFC Board and the operating plans are reviewed by the Executive Committee/subsidiary Boards and approved by the BCFC Board the strategy to be reviewed by the Board on an annual basis.

b. Board Members

The Board and its members shall continually educate themselves as to the Company's business and corporate governance. At a minimum, they individually and collectively should:

1. Act with honesty, integrity and in good faith, with due diligence and care, with a view to the best interest of the Company and its shareholders and other stakeholders;
2. Act within the scope of their responsibilities and not participate in the day-to-day management of the Company;
3. Have a proper understanding of, and competence to deal with the affairs and products of the Company and devote sufficient time to their responsibilities; and
4. To independently assess and question the policies, processes and procedures of the Company, with the intent to identify and initiate management action on issues requiring improvement. (i.e. to act as checks and balances on management).

c. Maintenance of the Guidelines

The Board shall annually review, approve and amend, if it sees necessary as part of the regulatory requirements, its Corporate Governance Guidelines at the first scheduled meeting of the new calendar year.

d. Controllers

The Company shall obtain prior approval from the CBB in respect of any changes in the Company's controllers as defined by the CBB's guidelines.

e. Financial Penalties

Any financial penalty resulted from violating any of the CBB rules and regulations or as part of the rulebook shall be duly disclosed in the annual report in line with the regulatory requirements.

f. Disclosure of Write off

Any written-off exposures equal to or in excess of BHD 100,000 should be notified to the CBB as per the specified rules and regulations.

g. Remuneration of Board Members, Senior Management and Fees Paid to External Auditors

The detailed remuneration paid to the Board Members individually and aggregate remuneration paid to top six senior management personnel are disclosed in the Chairman's Report which is also published on the website of Bahrain Bourse. Ernest & Young was the Company's external auditor for the financial year ended 31 December 2021. Details of the audit fee paid to the auditor during the year 2021 as well as the details of non-audit services and fees paid are held at the Company's premises, which are available to eligible shareholders upon a specific request.

h. Others

1. Besides fulfilling the compliance/licensing requirements, the Company strives to adopt related best practice standards issued by the Central Bank of Bahrain, local and/or international organizations.
2. A summary of the Guidelines shall be produced by the Board and incorporated in the Company's annual report.

EXECUTIVE MANAGEMENT

Abdulla Abdulrazaq Abdulla Ali Bukhowa
Chief Executive Officer - Bahrain Commercial Facilities Company B.S.C.

Joined on 1 July 2021; holds a Bachelor of Business Administration with a concentration in Marketing from University of Texas, Arlington,1995. Holds the Investment Representative Certificate (Series7), 2007. Mr. Bukhowa has more than 25 years of local and regional, extensive and diversified experience in financial services and telecommunication services.

Mr. Bukhowa brings with him a wealth of experience after having held several leadership roles and had been serving the following roles:

- Chief Executive Officer, Standard Chartered Bank, Bahrain
- Chief Executive Officer and Head of Global Banking, Standard Chartered Bank, Qatar
- Head of Corporate & Institutional Clients (CIC) and Head of Financial Markets (FM), Standard Chartered Bank – Bahrain
- Co-Head of Wholesale Banking and Head of Global Markets, Standard Chartered Bank, Bahrain
- Head of Portfolio Management, Central Bank of Bahrain, Bahrain
- Independent and Non-Executive Director and Vice Chairman of the Audit Committee of Bahrain Telecommunication Company B.S.C. (Batelco), Bahrain (as a representative of the Social Insurance Organization (SIO), Bahrain).
- Board Member of the Future Generation Reserve, Bahrain
- Board Member of the Bahrain Association of Banks, Bahrain
- Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain.
- Board Member of Tasheelat Insurance Services Company W.L.L. (TISCO), Bahrain.
- Director of Tasheelat Real Estate Services Company W.L.L. (TRESCO), Bahrain.

Vishal Purohit
Senior Vice President, Group Head of Finance - Bahrain Commercial Facilities Company B.S.C.

Joined on 16 September 2007; has more than 23 years of extensive and diversified experience in finance, audit, corporate and business strategies and treasury operations; has a Bachelor of Commerce and holds a Chartered Accountant Degree from the Institute of Chartered Accountants of India. Attended a number of executive education / training programs at well-known, top business schools such as: Strategy-Building and Sustaining Competitive Advantage, 2012; and Authentic Leadership Development, 2014 at Harvard Business School; and Scenarios Programme at University of Oxford, 2015; and Creating and Implementing Strategy for Competitive Advantage at the Wharton School of the University of Pennsylvania, 2018.

- Member of the Executive Committee of Tasheelat Automotive Company W.L.L. (TAC), Bahrain
- Member of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain
- Member of the Executive Committee of Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain

Ramzi Barakat
General Manager - National Motor Company W.L.L.

Joined on 1 February 2016; has more than 23 years of extensive and diversified experience in the automotive industry in which time he has fulfilled a number of roles. Prior to NMC, he has worked in multiple Brands holding various senior positions; holds a BSc in Business Administration (Management) from University of Texas at Arlington, USA, 1997. Attended a number of executive education / training programs at well-known, top business schools such as: Applied Neuroscience and Creating High Velocity Organisations at Massachusetts Institute of Technology, 2016; and Leading Change and Organisational Renewal at Harvard Business School, 2018.

- Member of the Executive Committee of Tasheelat Automotive Company W.L.L. (TAC), Bahrain
- Member of the Executive Committee of Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain
- Vice Chairman of Tasheelat Insurance Services Company W.L.L. (TISCO), Bahrain
- Franchise Board Member of General Motors Middle East and Africa

Hussain Al-Madhi
Vice President, Acting Head of Credit and Marketing - Bahrain Credit, Acting General Manager - Tasheelat Insurance Services Company W.L.L.

Joined on 3 May 1997; has more than 25 years of extensive and diversified experience in financial and banking services; holds a BSc in Banking and Finance, University of Bahrain, 2004. Attended a number of executive education / training programs at well-known, top business schools such as: Negotiation Program, Saeed Business School, University of Oxford, 2018; Strategy-Building and Sustaining Competitive Advantage at Harvard Business School, 2015; and General Management Programme at Cambridge Judge Business School, 2016. Member of the Institute of Directors, London, 2016. He was appointed as Acting Head of Credit and Marketing after the retirement of his predecessor Mr. Fadhel Al Mahoozi effective from 28 July 2020.

- Member of the Executive Committee of Tasheelat Automotive Company W.L.L. (TAC), Bahrain
- Member of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain

Ali Ebrahim Al-Marzooq
Vice President, Head of Information Technology & Operations - Bahrain Credit

Joined on 4 June 2006; has more than 29 years of extensive and diversified experience in IT; holds an MBA in Information Technology Management from Sunderland University, UK, 2010. Attended a number of executive education / training programs at well-known, top business schools such as: Prepare to shape the future in a rapidly changing world at Singularity University, 2019; Competing on Business Analytics and Big Data at Harvard Business School, 2014; and Making Your Organisation Innovative at Cambridge Judge Business School, 2015.

EXECUTIVE MANAGEMENT

Ali Aburwais

Vice President, Group Head of Compliance and Money Laundering Reporting Officer (MLRO) - Bahrain Commercial Facilities Company B.S.C.

Joined on 1 August 1995; has more than 30 years of extensive and diversified experience in finance, risk management, compliance and anti-money laundering; holds an MBA in Business Administration from Strathclyde University, UK, 2006 and has an International Diploma in Compliance (ICA), UK. Member of the International Compliance Association (ICA), UK. Member of GCC Board Directors Institute. Attended a number of executive education / training programs at well-known, top business schools such as: High Performance People Skills for Leaders at London Business School, 2016; and obtained a Certified Anti-money Laundering Officer Certificate from The Global Academy of Finance and Management, 2016.

Mohamed Ahmed Al-Mutawa

Chief Internal Auditor - Bahrain Commercial Facilities Company B.S.C.

Joined on 15 April 2018; has more than 14 years of extensive and diversified experience in the field of Internal and External Audit covering multiple sectors which includes Banking, Financial Services, Insurance, and Investment. Mohamed holds an MBA degree from Colorado State University, USA, 2016. He is a Certified Internal Auditor (CIA) licensed by the Institute of Internal Auditors (IIA) in New York; a Certified Public Accountant (CPA) licensed by the New York Board of Accountancy and the California Board of Accountancy; and a Certified Management Accountant (CMA) licensed by the Chartered Institute of Management Accountant in New Jersey. He is also a Certified Information System Auditor (CISA) licensed by ISACA, USA.

- Member of the Professional Advisory Committee - MSc. Accounting, University of Bahrain

Aysha AlSinan

Vice President, Head of Human Resources - Bahrain Commercial Facilities Company B.S.C.

Joined on 2 July 2006, has more than 15 years of extensive and diversified experience in Human Resources Management in the banking sector; holds a BSc Degree in Banking & Finance from University of Bahrain, 2004; has a Certificate in Personnel Practice (CPP) from Chartered Institute of Personnel Development (CIPD), UK.

Huda Janahi
Head of Risk Management - Bahrain Commercial Facilities Company B.S.C.

Joined on 21 July 2019, has more than 17 years of extensive and diversified experience in internal audit and risk management in both Conventional and Islamic sectors; holds a B.Sc. Degree in Accounting from University of Bahrain, 2004; has an Associate Professional Risk Management (APRM) Certificate and a member of the Professional Risk Manager's International Association (PRMIA), USA; and has a Certified Islamic Professional Accountant (CIPA) Certificate from the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI).

Sami Abbas Mohammed Buhasan
Acting General Manager - Tasheelat Automotive Company W.L.L.

Joined in July 2015; has more than 19 years of extensive and diversified experience in automotive industry in the Kingdom of Bahrain, 10 years in showroom administration at National Motor Company W.L.L. He was appointed as Acting General Manager after the departure of his predecessor Mr. Bareer Jassim with effect from 23 December 2021. Holds a Diploma in Bookkeeping from Bahrain Training Institute and Association of Accounting Technician (Intermediate Level).

EXECUTIVE MANAGEMENT

Najib Hussain
Acting General Manager - Tasheelat Car Leasing Company W.L.L.

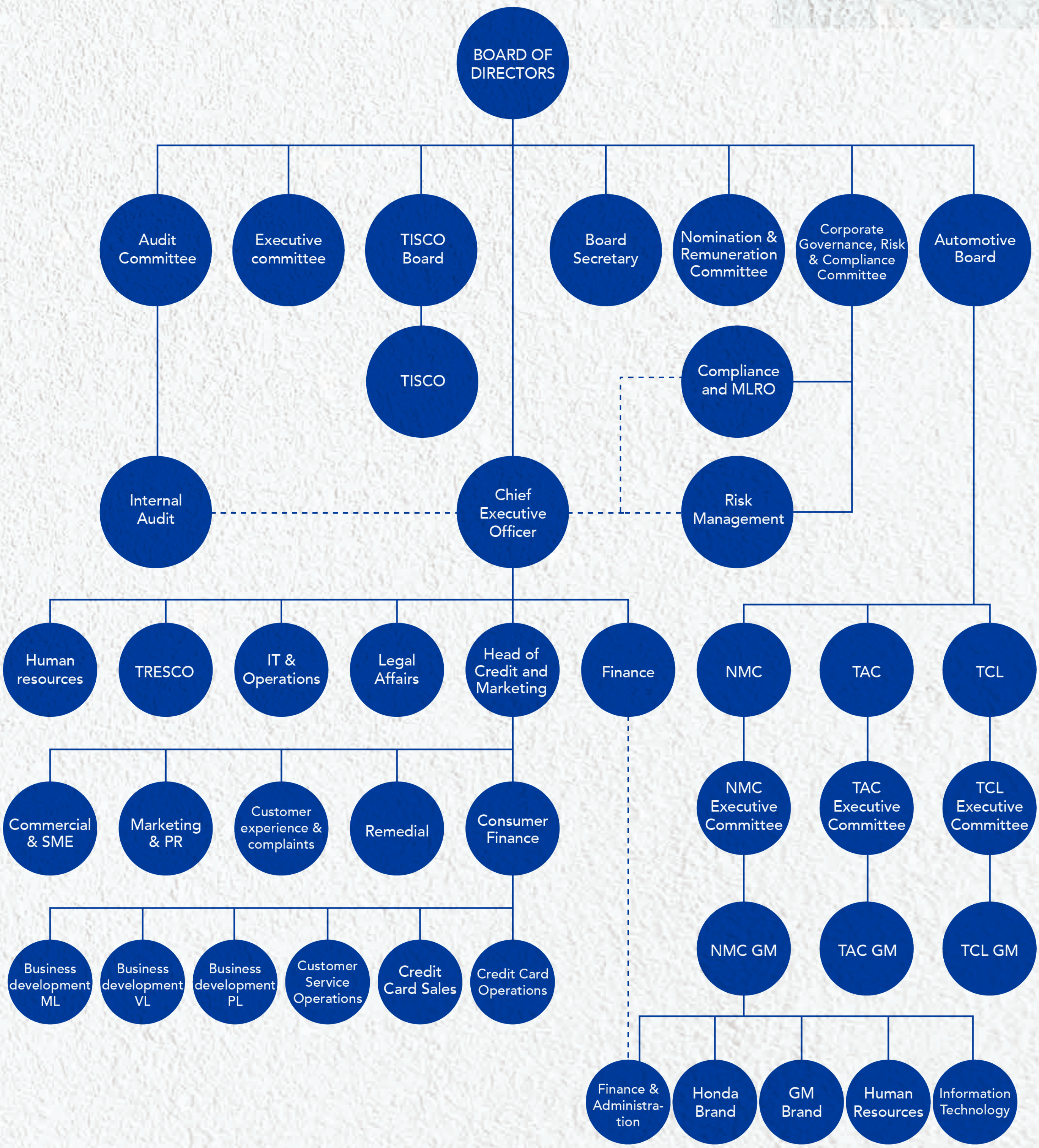
Joined on 13 January 2020; has more than 12 years of extensive and diversified experience in the Automotive, Car Rental and Leasing Industry in Bahrain and UAE. He was appointed as Acting General Manager after the departure of his predecessor Mr. Ripin Mehta with effect from 20 September 2021. Holds a Diploma in Automobile Engineering from Acharya Institute of Technology, India, 2010. Having worked with one of Europe's largest Car Rental companies in Bahrain and Yamaha & Suzuki Marine and Land Products in UAE, have attended various trainings and workshops related to Pricing, Rate & Yield Management, Customer Service and certified by Yamaha Technical Academy (YTA).

Mohamed Alawami
Assistant Manager - Tasheelat Real Estate Services Company W.L.L.

Joined on 1 April 2013; has more than 8 years of extensive and diversified experience in real estate investment, development, valuation, real estate brokerage business, property management, facilities management and building services; holds a BSc in Engineering Informatics from AMA International University of Bahrain, 2012; Fulfilled the requirements of Leading Strategic Projects at Cambridge Judge Business School, March 2017; and Leadership Development Programme at EMIC Training Bahrain, July 2018.

* Executive Management Members and their connected persons did not hold or trade in the shares of the company during the financial year ended 31st December 2021.

ORGANIZATION CHART



CHAIRMAN'S REPORT

"The economic activities in Bahrain that were impacted due to the pandemic have started showing early signs of recovery. The government has clinically managed the vaccination drives to contain the spread of coronavirus and won global accolades. These initiatives have gradually improved business confidence towards the year end and recovery is expected to take place in coming years."

On behalf of the Board of Directors, it gives me immense pleasure to present to you the Annual Report of Bahrain Commercial Facilities Company BSC (BCFC), for the financial year ended 31 December 2021. The annual report includes the consolidated financial statements of Bahrain Credit and the Company's subsidiaries: National Motor Company WLL, Tasheelat Real Estate Services Company WLL, Tasheelat Insurance Services Company WLL, Tasheelat Automotive Company WLL, Tasheelat Car Leasing Company WLL and Tasheelat for General Trading Company WLL.

In 2021, the change in intensity of the pandemic defines the trendline of the world economy. The mutations of COVID-19 variants continue to pose challenges to the global markets and has put the economies of emerging countries on a back burner. The deadly Delta variant at the start of the year with a high mortality rate evolved into a highly infectious yet less deadly Omicron variant. With over 5.9 million recorded deaths, the pandemic has completely disrupted the global supply chains and flow of trade and commerce.

The economic activities in Bahrain that were impacted due to the pandemic have started showing early signs of recovery. The government has clinically managed the vaccination drives to contain the spread of coronavirus and won global accolades. These initiatives have gradually improved business confidence towards the year end and recovery is expected to take place in coming years.

BCFC, operating in such difficult market conditions, has performed well and registered a net profit of BD 6.2 million for the year ended 31 December 2021 (2020: net loss of BD

4.3 million). The Company as a prudent measure continues to maintain high impairment provisions against the customers expected liquidity challenges. These earnings translate into an average return on equity of 5%. Your Board recommends a cash dividend to shareholders at the rate of 25 fils per share (25 % of paid-up capital) (2020: Nil).

Bahrain Credit recorded a net profit of BD 4.4 million (2020: net loss of BD 3.6 million). The company continues to practice caution in new loan underwriting. Total new loans worth BD 18 million (2020: BD 28 million) were advanced during the year. The company has continued to accommodate customers by offering them concessionary measures including instalment deferrals and rescheduling their loan liabilities to match their current monthly income. Based on the CBB directives, the company has provided up to 12 months deferral of loan instalments in the current year to eligible customers and local businesses to overcome the negative consequences of the pandemic.

The Company continued its emphasis on reinforcing its risk management practices and further invested into areas of credit and operational risk and engaged independent consultants, added new resources and reviewed most of policies and procedures. The company continued its investments into digital technologies to enhance its customer relation touchpoints. To provide more convenience to its customers for loan and credit card repayments, the company has introduced Fawateer and Apply Pay services. The company shall continue to invest into digital technologies to address the aspirations and needs of its next generation of customers.

National Motor Company (NMC) has reported a net profit of BD 1.7 million (2020: net loss of BD 0.4 million). The profit includes government support of BD 250 thousand (2020: BD 841 thousand recorded in retained earnings). 2021 was a volatile year for the automotive industry with semi-conductor chip shortages and supply chain disruptions. From oversupply of vehicles when the pandemic struck in Q1 2020, to virtually less than two months inventory at the end of 2021 due to massive production cuts by the manufacturers, the business models of car distributors worldwide has been put to a huge test. Thanks to strong internal controls, efficient processes and forward-looking management team, the company has achieved a strong and remarkable result. The company converted the challenges of shortage of inventory across the model spectrum to its advantage by retaining higher margins and shifting customers to its new product platforms. The company's aftersales department also continued to perform well thanks to its customer relationship centric polices and processes.

Tasheelat Automotive Company (TAC) reported a net loss of BD 197 thousand (2020: net loss of BD 587 thousand). The financial results are after government support of BD 75 thousand (2020: BD 188 thousand recorded in retained earnings). During the year the company has significantly improved its performance. With a growing customer base looking for affordable, feature rich and efficient cars, the company's offerings from Chinese OEM's have started to show positive results in the Group's long-term strategy. Overall, the market share of Chinese sourced cars in Bahrain is increasing year on year. All the Chinese brands (GAC, Haval, Great Wall and Foton) the company represents are reputable and their cars are futuristic, fuel efficient and durable. The Board shall continue to invest into this important venture to retain and improve its market share.

Tasheelat Insurance Services Company (TISCO) achieved a net profit of BD 151 thousand (2020: BD 171 thousand). The noticeable shift of customers moving towards lower value cars and increasing competition amongst the insurance companies to offer insurance cover at very competitive rates have led to contraction in the company's motor insurance commission income. The reduction in sales volume among the sister companies have also impacted the company's sale of motor polices. The company is working with insurance companies to expand its customer reach and product portfolio through its digital initiatives.

Tasheelat Real Estate Services Company (TRESCO) registered a net profit of BD 57 thousand (2020: net profit BD 93 thousand). The profit includes government support of BD 12 thousand (2020: BD 84 thousand recorded in retained

CHAIRMAN'S REPORT

earnings). The real estate market in Bahrain showed sluggish activity. The reduction in disposable income of tenants, mostly expatriate, had a detrimental impact on the occupancy and rental rates. The reduction in the occupancy and rental prices on the investment properties has affected the company's income. The management is working towards balancing the rental yield with healthy occupancy rates. During the year, the company has profitably sold one investment property and reduced its real inventory. The company is left with limited inventory of plots and apartments, which it expects to sell profitably in coming year.

Tasheelat Car Leasing Company (TCL) registered a net profit of BD 75 thousand (2020: net loss of BD 27 thousand). The profit includes government support of BD 11 thousand (2020: BD 38 thousand recorded in retained earnings). The gradual opening of Bahrain borders for visitors has slowly improved the demand for the car rentals. The company continued to work on improving effectiveness of its fleet, quality of its customer servicing and efficiency of operations. The performance achieved in a very difficult operating environment was through maximising profitable lease and rental opportunities and retaining healthy profit on disposal of ex-lease fleet units. As the market continue to recover from the corona virus impact, the expected growth in the car rental market shall take the company to new heights.

BCFC Group remained in a healthy liquidity position. Despite Bahrain Credit offering its customers 12-month loan instalment deferrals, as mandated by the CBB, the Group maintained a robust liquidity position throughout the year and currently operates at a low leverage of 1.3 multiples. The Group has early settled certain loans due to its health liquidity. During the year, the Company repaid a BD 10 million term loan, the remaining balance of BD 16.6 million from a BD 33.2 million syndicated loan, USD 27 million from USD 125 million syndicated loan and USD 10 million from an amortising USD 40 million amortizing loan. Thanks to proactive management of its borrowings and liquidity requirements, the Group has a well-defined and staggered maturity profile with no concentration of maturities.

During the year, the Board has appointed Mr. Abdulla Abdulrazaq Bukhowa as Chief Executive Officer. Mr. Bukhowa comes with a rich and extensive experience in executive management, having held many leadership positions with local and regional banks and financial institutions. The Board of Directors extends Mr. Bukhowa their best wishes for achieving success in fulfilling the Group's goals and objectives. The Board also extend its appreciation to fellow director Mr. Reyadh Sater for managing the affairs of the Company as Managing Director during the interim period.

In accordance with the requirement of Bahrain's Commercial Company Law 2001, the aggregate amount paid/accrued to directors during 2021 was BD 384 thousand. As required by Article 188 of the Company Commercial Law, all the details in respect of fees and subsidiary Board and Committees' attendance allowances are included in the annexure with this report. The total shareholding of the directors (Elected and Nominee) in the Company is 134.04 million shares (65.6% of paid-up capital).

On behalf of the Board, I express our appreciation to our customers and shareholders for their continuing loyal support and confidence and to all our employees for their commitment and hard work that would continue to drive the business towards growth in coming years.

Finally, on behalf of the Board, I extend appreciation to His Majesty the King Hamad Bin Isa Al Khalifa and His Royal Highness the Prime Minister Prince Salaman Bin Hamad Al Khalifa. I also extend thanks to the government ministries and organizations of Bahrain for the continued support and co-operation received, particularly to the Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism and the Bahrain Bourse.

Abdulrahman Yusuf Fakhro
Chairman
28 February 2022

BOARD OF DIRECTORS

REMUNERATION DETAILS

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD***	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: INDEPENDENT DIRECTORS													
1- AbdulRahman Yusuf Fakhro	60,000	6,000	-	-	66,000	-	-	-	-	-	-	66,000	-
2- Reyadh Yusuf Hasan Sater	30,000	4,000	200,800#	-	234,800	-	-	-	-	-	7,500##	242,300	-
3- Nader Karim Al-Maskati	30,000	8,600	-	-	38,600	-	-	-	-	-	-	38,600	-
4- Ebrahim Abdulla Buhindi	30,000	2,800	-	-	32,800	-	-	-	-	-	-	32,800	-
5- Yusuf Saleh Sultan Khalaf	30,000	2,800	-	-	32,800	-	-	-	-	-	-	32,800	-

BOARD OF DIRECTORS

REMUNERATION DETAILS

Second: NON-EXECUTIVE DIRECTORS													
1. Abdulla Mohamed Al-Mahmood	30,000****	2,400	-	-	32,400	-	-	-	-	-	-	32,400	-
2. Mohamed Jehad Bukamal	30,000****	2,800	-	-	32,800	-	-	-	-	-	-	32,800	-
Third: EXECUTIVE DIRECTORS													
1. Dr. Abdul Rahman Ali Saif	30,000	8,000	-	-	38,000	-	-	-	-	-	-	38,000*****	-
2. Abdulaziz Abdulla A.Aziz Al-Ahmed	30,000	7,200	-	-	37,200	-	-	-	-	-	-	37,200	-
3. Mohamed Abdulla Isa	30,000	9,600	-	-	39,600	-	-	-	-	-	-	39,600*****	-
Total	**330,000**	**54,200**	**200,800**	**-**	**585,000**	**-**	**-**	**-**	**-**	**-**	**7,500**	**592,500**	**-**

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory work (if any).
** It includes the board member's share of the profits - Granted shares (value is added if any).
# As a result of the sudden resignation of the former CEO of the Company, the Board of Directors decided to assign all the responsibilities and duties of the CEO to a member of the Board of Directors as a Managing Director on a full-time basis duty with full executive powers until a new CEO is selected, in addition to his responsibilities and duties as a member of the Board of Directors. The said amount includes salaries and benefits received for carrying out this responsibility, which are in line with what the CEO receives.
***Subject to the Ordinary General Meeting's Approval on 29 March 2022.
Includes end of service indemnity payable in accordance with the Employment Contract concluded with the Company.
**** It includes Nomination/Representation Remuneration to be paid to the entity (shareholder) represented by these Board members.
***** It includes Nomination/Representation Remuneration and Allowance to be paid / paid to the entity (shareholder) represented by these Board members.

EXECUTIVE MANAGEMENT

REMUNERATION DETAILS

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	499,099	94,250*	-	593,349

* Subject to the Board of Directors' approval.

MANAGEMENT REVIEW OF OPERATIONS

For the year ended 31 December 2021

The turmoil brought by the COVID-19 pandemic which started in 2020 continues to impact industries and commerce globally. The pandemic has triggered financial stress, and certain industries are still working through the challenges. Supply chains were disrupted, and lockdowns negatively affected different parts of the world. This difficult environment had an overarching impact on consumer and business confidence. However, vaccination efforts and various fiscal and monetary measures were able to eventually alleviate the impact of the pandemic. In the second half of 2021, economic activities gradually started to get some traction, as social distancing measures and restricted international travel were eased, and business and social activities resumed at improved rates. Although new COVID variants posed a challenge to the return to normalcy, lower hospitalization rates were noticeable around the world, and covid-related restrictions were slowly reversed, raising hopes Global economies will stabilize sooner than later.

The recent challenges affected BCFC customers and Group operations. However, despite the uncertain and challenging economic environment, BCFC Group has registered a net profit of BD 6.2 million (2020: net loss of BD 4.3 million). This reported net profit is registered after considering BD 13,230 thousand as impairment provision on loans, advances and receivables taken by the company prudently to protect its portfolio from the potential challenges our customers are facing. The operating income though reduced, remained healthy.

2021 was the final year of the Company's approved three-year strategic plan for 2019-2021. The Company has gone through a leadership change at the CEO and top management level. The Company continued with the implementation of a wide range of initiatives identified in the plan specifically in the field of more robust risk management and governance. The group invested significantly into strengthening its risk management policies and framework and introduced new controls into its underwriting processes. These initiatives have helped the company to continue serving its customers effectively. Management prepared the new strategic plan for 2022 and is looking forward to executing the plan with the objective to maximize value for shareholders.

BAHRAIN CREDIT

Bahrain Credit reported a net profit of BD 4.4 million (2020: net loss of BD 3.6 million). The financial results are promising despite the company's prudent impairment policy. New lending activities indicate signs of improving conditions and the company is well positioned to assume its position within the economy. The company practiced caution in extending new credits and tightened its underwriting policies given recent market challenges.

The CBB, in line with the government's direction to alleviate the harsh impact of the pandemic on customers, extended the loan instalment deferrals over all 12 months of 2021. These concessionary measures were opted by a significant portion of the company's customers. The company remains vigilant and continues to prioritize its healthy liquidity position over short-term profitability. These instalment deferrals along with increased delinquencies have impacted the company's regular cashflows. Total new loans worth BD 17.7 million were advanced during the year which were lower than BD 27.8 million offered in 2020. The company continues to remain cautious in the issuance of new credit cards as well. Overall, the total portfolio has reduced by BD 35.6 million during the year (2020: BD 50 million). On 31 December 2021, the total portfolio was at BD 263.1 million, 12% lower than at the start of the year of BD 298.7 million.

The company continues to proactively manage the level of Stage 3 loans with customers from certain segments not able to service their instalments due to difficult market circumstances. Collection and recovery activities have resumed but remained challenging due to pandemic related restrictions. The Remedial team has managed to stabilize stage 3 loans at BD 44.6 million in 2021-year end (2020: BD 45.9 million). Pandemic related concessionary measures have created a unique challenge on determining the adequacy of impairment provisions. The company remained conservative and stressed its ECL model to reflect current market conditions. The impairment provision stands at BD 33.8 million, representing coverage of 12.8% on the portfolio, compared to 11.6% at the end of 2020.

NATIONAL MOTOR COMPANY

National Motor Company recorded a net profit of BD 1.7 million (2020: Net loss of BD 0.4 million). The company's performance has been exceptional considering the variety of challenges the automotive industry is going through. Retail operations came under pressure as consumers opted social distancing as fear of contagion spread throughout the country which affected both sales and aftersales operations. In addition, the semiconductor chip shortage brought the global production of vehicles to almost standstill. The shortage of containers and shipments to facilitate transportation of produce further affected the supply of vehicles. Major car manufacturers have adjusted their pricing across most model lineups to absorb their increased overheads. The company managed these circumstances and was able to proactively manage its inventory levels. In consultation with principal manufacturers of all brands, the company managed to stock an adequate level of inventory to meet customer demands. Whilst managing through pandemic related challenges, the company was able to improve its profitability, retained its competitiveness in the market, and focused on creating efficiencies which unlocked value for its shareholders.

TASHEELAT AUTOMOTIVE COMPANY

The company reported a net loss of BD 197 thousand (2020: 587 thousand). The automotive industry challenges have affected the performance of the company although it has significantly reduced its losses when compared to 2020. BCFC

MANAGEMENT REVIEW OF OPERATIONS

For the year ended 31 December 2021

Group has incorporated the company with the objective of actively participating in growing Chinese automotive industry which provide unique proposition of buying cars which offers excellent designs, advance technologies, good fuel economy, high safety ratings and reliability at attractive prices. The company currently have exclusive distributorship of GAC Motor, Great Wall, Haval and Foton. All these brands are highly reputable. The company through its new brands have created a market niche with more than 3,500 cars on the road since its incorporation. As the company matures and operations gathers momentum, management is confident that the company will add value to the overall group. With a unique value proposition, the company is well positioned to a post pandemic era.

TASHEELAT CAR LEASING COMPANY

The company recorded a net profit of BD 75 thousand (2020: net loss of BD 27 thousand). The company continues to adapt to shifting market conditions. At the start of the pandemic, people's mobility reduced as social distancing measures & safety lockdowns affected the sector. Restrictions imposed significantly reduced air traffic resulting in the reduction of short-term leasing. The company adapted to these unique challenges and improved on its efficiencies. The company has rationalized its fleet, renegotiated contracts with its major suppliers, optimized deployment of human resources and focused on business with higher margins. The company continues to create value through milestones achieved by its capable team. The vehicle fleet at the end of 2021 has good mix of long-term lease and short-term contracts at a healthy 65:35 ratio. The company continues to serve its customers from multiple strategic locations.

TASHEELAT REAL ESTATE SERVICES COMPANY

The company has earned a net profit of BD 57 thousand (2020: 93 thousand). The ongoing pandemic has reduced the exchange of real estate between buyers and sellers. The pandemic has led to many expatriate employees facing a reduction in their salaries and some losing their jobs. These challenges have led to many customers shifting towards affordable accommodations, affecting rental rates and occupancy levels. The company's investment properties are not isolated from these economic challenges and has adopted a new pricing strategy to maintain an adequate occupancy level. The company continues to offer its customers attractive real estates for sale. During the year, the company has reduced its inventory through sale of apartments and plots with total gross profit of BD 156 thousand. The company remains cautious in rebuilding its inventory levels for the time being and continues its efforts to proactively offer its inventory at attractive pricing points.

TASHEELAT INSURANCE SERVICES COMPANY

The company has reported a net profit of BD 151 thousand (2020: BD 171 thousand). The company's performance has been impacted due to reduction in demand for retail insurance products. The reduction in new vehicle lending activities by Bahrain Credit and lower unit sales of cars in the automotive sister companies have affected the company's sales of motor insurance policies. Blessed by a strong customer base the company saw a high rate of renewal, and uninterrupted provision of services thanks to its digital outreach. The company maintained its market share, but due to overall reduction in the insured car values, the company's commission income decreased. The medical and life insurance commission income was also impacted.

Despite all challenges, the company has continued to focus on retaining its customer base and reaching out to a new base of customers, thanks to its digital platform and various customer friendly initiatives. The company shall continue to introduce new innovative products and facilities in close coordination with partner companies.

2022 OUTLOOK

The mass roll-out of vaccinations has helped contain the severity of pandemic by 2021 year-end. However, the damage it created on global growth trajectory might take a longer time to heal. Large corporates were first to bring their houses in order and rebalance their business models. Small and medium size businesses continue to deal with the ramifications. The positive but lagging effect of higher oil prices and improved fiscal revenues is expected to re-ignite growth in the region in the second half of 2022. Geopolitical risks remain elevated as the Company starts to navigate 2022. BCFC's management is optimistic on the company's growth prospects and shall continue to take initiatives on strengthening the quality of the Company's assets, diversifying revenue streams, digitizing the company's services and processes, and efficiently managing impaired accounts, to increase shareholders' value.

CORPORATE SOCIAL RESPONSIBILITY

Like a good tree that has been producing its fruit for 40 years

Out of the belief that corporate social responsibility is one of the most important pillars upon which the company operates, Bahrain Commercial Facilities Company, since its establishment nearly 40 years ago, has played an effective and leading role in fulfilling its obligations towards the community. This is out of a commitment to manage the social, environmental, and economic effects of its operations in line with expectations of the public, stakeholders, and shareholders.

Leadership and Precedence

The Bahrain Commercial Facilities Company (BCFC) has taken the lead in charity and humanitarian work since its establishment in 1983. It made social responsibility an asset of its long-term work that serves the public interest, advances national economy, and enhances social, charitable and voluntary realities, embodying the most wonderful ethical theories that believe that the sustainability of commercial harmony and success is manifested in maintaining a balance between the economy and social and environmental systems as the pillar of institutional success is to find a balance between the economy and the social and environmental systems. Maintaining balance and harmony between economic development on one hand and the welfare of the society, environment, health and education soundness is of extreme significance for corporate success.

New Millennium Initiatives

The past years - especially at the beginning of the new millennium - have witnessed many community and voluntary support projects in which the Company doubled its contributions in various sectors and charity social projects to foster the culture of moral and human responsibility through various initiatives that had their mark and remarkable impact on developmental, economic, social, environmental, educational, voluntary, healthy, cultural advancement, even at the practical and functional level within the framework of a single family entity within the Company.

Looking quickly at such qualitative initiatives and vital projects that our Company was keen to contribute and support, one can find that they included many aspects and various social sectors. In the year 2000, the orientation was mostly focused on supporting official and civil institutions in the health, social and childhood care sectors, such as supporting the activities and projects of: Bahrain Red Crescent Society, Bahrain Cancer Society, UCO Parents Care Centre, Child Welfare Home, Bahrain Down Syndrome Society, Friendship Society for the Blind, Hope Institute for Disabled Children, Muharraq Social Welfare Center, Mohammed bin Khalifa bin Salman Al Khalifa Specialist Cardiac Centre, and others in support of organizations and sectors concerned with social and health care. We adopted the slogan of (We grow with our society), which had an important impact in contributing to building our society and the country's renaissance and development.

Redoubling of efforts and Support

The social and moral values in which we believe necessitate that we continue and redouble our benevolent efforts every year in various initiatives that serve human and society. Realizing that media has a prominent, awareness and educational role in enhancing such values, the Bahrain Commercial Facilities Company, in the year 2005, granted University of Bahrain, an amount of BD 420,000 to establish the first academic media center in the Kingdom of Bahrain. This reflects the Company's belief in the importance of the media's role in contemporary life, and the rapid growth of this role in all aspects of life, so that this center becomes a media edifice that serves the academic and training aspects for students in addition to developing media performance in Bahrain, using the best available means. There is no doubt that this project is an actual translation of the Company's orientation towards supporting and carrying out vital projects in the Kingdom of Bahrain.

In the years 2006 and 2007, the Company also expanded its supportive role in many other fields such as: health, institutions with special needs, education, culture, sport and all other services that contribute to serving the country and the citizen, in order to provide a safer and more luxurious life in the future. This was as part of the efforts to highlight desired aspirations and goals in building a strong base of social responsibility that works on achieving the main goal of developing of a nation that provides prosperity and decent living for its citizens.

Therefore, the Company supported vital initiatives and projects in the Ministry of Health, Bahraini Association for Mental Retardation, Bahrain Disabled Sports Federation, Al Rahma Center, Zakat Fund, Child Day Care Center, Center for Hearing and Speech Development, Azhar Al-Harak Kindergarten, Bahrain Centre for Studies and Research, Bahrain Training Institute, Bahrain Red Crescent Society, Bahrain Writers Association and the Supreme Committee for the Advocacy of the Lebanese People.

Continuity and Expansion

Coinciding with the celebration of Bahrain Commercial Facilities Company's Silver Jubilee, the Company has expanded its charitable initiatives and contributions in order to continue supporting those associations and institutions that provide the needs of citizens. Therefore, 17 societies and institutions received generous donations, including fully equipping the laboratory of the Bahrain Down Syndrome Society with the latest information technology equipment. The Company's tireless efforts to ensure that its contributions reach the largest segment of society were crystal clear through the support of 78 registered and active charities and funds in social affairs. The total support provided by the Company to the local community during the year 2009 amounted to over BD 188,000 as the donations covered 26 non-profit organizations working in several humanitarian, social and voluntary fields.

In the years 2010 and 2011, as part of the Company's strategy to cover wider sectors and more fields, it was keen to direct support to national projects through Bahrain Culture and Heritage Authority, as it continued to support the construction of the Bu Maher Fort Center to receive visitors within the Pearling Path Project under the auspices of the Bahrain Culture and Heritage Authority, which is one of the vital projects in Bahrain as it records live clips from the history of the pearl trade in Bahrain, from which the national identity was formed. In addition, giving and support continued to various non-profit charitable institutions and their various activities. In the year 2012, support was directed to over 80 charitable institutions and entities in Bahrain as well as to provide the special needs of needy families and citizens. The total amount spent on all charitable and voluntary projects in the year 2013 exceeded BD 271,000. While in 2014 alone, support for non-profit charitable organizations and funds amounted to BD 317,000. The Company also allocated an amount of BD 282,000 to build a second floor for UCO Parents Care Centre, as well as the nursery and kindergarten building of the Bahraini Mobility International Centre.

Culture, Heritage and Renaissance

In the year 2017, we continued our support for charitable work and social welfare in our country as well as our contribution to improving people's lives. We also directed our efforts towards contributing to the reconstruction and restoration of the burial hall at the Bahrain National Museum, the renewal of its historical and archaeological facilities. We also continued financing the cultural activities of Sheikh Ibrahim bin Mohammed Al Khalifa Center for Culture and Research, provided a number of smart tablets to the Department of Training and Development at the Ministry of Health in addition to other vital projects. In 2018, the Company agreed to offer a contribution of BD 180,000 to build a full extension to Al-Hidd Special Needs Rehabilitation Centre for the purpose of building additional classrooms and other facilities to meet the Centre's needs.

The Company's support for the society peaked in 2019 as this year represented a milestone in the history of the Company's social responsibility. Through its product, the (IMTIAZ for Her) Card, which is the first credit card for women in the Kingdom of Bahrain, it organized and sponsored the "Female Pioneers in the Renaissance of Bahrain" ceremony and conference where twenty-five Bahrain female pioneers who made outstanding contributions to the renaissance of the Kingdom of Bahrain were honored in light of their most prominent achievements for the sake of serving the country. This is in addition to the numerous support programs provided by the Company in the framework of charity work aimed at strengthening the pillars of society.

Despite the challenges of the pandemic

At the beginning of the year 2020 and despite its difficulty and accompanying difficult exceptional circumstances that hit the economy and other sectors, and despite the challenges and repercussions caused by the Coronavirus pandemic (Covid-19) and the additional costs incurred by all institutions, the Company remained committed to social responsibility programs tirelessly. It spared no efforts to instill the values of a responsible social sense in the individual and society out of the principle of concern for the public interest as the Company continued its efforts to combine major charity campaigns with community projects, in which it enhances the value of the deep social responsibility of the Company and the social work strategy. The Company also participated in the efforts of the national campaign of "Feena Khair" launched by the Royal Humanitarian Foundation by His Highness Sheikh Nasser bin Hamad Al Khalifa, representative of His Majesty the

CORPORATE SOCIAL RESPONSIBILITY

King for Humanitarian Works and Youth Affairs and National Security Advisor and the President of the Supreme Council for Youth and Sports. This is the initiative that has taken place in co-ordination with the National Taskforce for Combating the Coronavirus (Covid-19) under the leadership of HRH Prince Salman bin Hamad Al Khalifa Crown Prince, Deputy Supreme Commander and Prime Minister of the Kingdom of Bahrain.

2030 Agenda for Sustainable Development

As part of its compliance to the international standards and future plans in pursuit of sustainable development in countries, Bahrain Credit was keen on following the plan adopted by the United Nations in 2015, which provides the best path forward to reduce poverty and improve the lives of people everywhere, as this helps to build a more sustainable global economy by reducing greenhouse gas emissions that cause climate change. There is no doubt that sustainable development and climate action are closely related, and both are essential to the well-being of humanity now and in the future.

Here, we briefly review the 17 sustainable development goals and their 169 targets through the use of a set of global indicators approved by the Statistical Committee. In 2015, 193 countries including the Kingdom of Bahrain agreed to the following 17 goals:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life On Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

Despite the 17 goals are integrated in their content and indicators to achieve the required balance for the purpose of sustainable development, the seven goals listed below are directly related to environmental issues:

Goal 6: Ensure the availability and sustainable management of water and sanitation services for all.
Goal 7: Ensure universal access to affordable, modern, reliable and sustainable energy services.
Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.
Goal 12: Responsible use of resources and ensuring sustainable consumption and production patterns.
Goal 13: Take urgent action to address climate change and its impacts.
Goal 14: Conserve and sustainably use of the oceans, seas and marine resources for sustainable development.
Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems.

Facing Climate Change

From this standpoint, we felt that it is highly important to implement qualitative initiatives to confront climate change based on such a plan, through:

a. Sustainable finance or green finance and its role in the economic and social affairs or in providing green loans that are used to finance environmentally friendly projects (green projects) and in a manner that motivates customers to commit to the optimum use of natural resources, preserving them from destruction, recycling them appropriately and helping governments, companies and individuals to obtain environmentally friendly devices, equipment and supplies.
b. Investing in the treatment and recycling of plastic waste in collaboration with the relevant authorities and allocating its proceeds to finance the activities of charitable societies. Example: Cooperating with the Bahrain Association for Parents and Friends of the Disabled (with the aim of providing devices and motor aids with special specifications for children with disabilities).
c. Recycling of ink cartridges, office waste of plastics, cartons, etc.
d. Cleaning beaches and conducting awareness campaigns to urge the public not to pollute the environment, seas and beaches and to refrain from using perfumes and pesticides containing gases harmful to the environment and the ozone layer.
e. Afforestation, increasing and expanding green spaces in Bahrain, and maintaining environmental diversity
f. Investing in solar power system projects and installation of solar panels.

g. Providing and financing electric cars to reduce emissions of gases harmful to the ozone layer.
h. Rationalizing the consumption of water and electricity.
i. Increasing the number of recycling bins in populated areas to encourage the public to separate household waste.
j. Improving working conditions for employees.

General Motors Program

Here, it is necessary to appreciate the role played by the National Motor Company (a subsidiary of Bahrain Credit) in preserving the environment and how to dispose of waste resulting from the operations of car companies, such as (General Motors' program) for recycling, saving money, and protecting our planet in general, and our country, Bahrain in particular. The National Motor Company is continuously working to mitigate the negative effects on the environment, through the "General Motors Recycling Program" as it provides people and customers with the opportunity to play their role towards the planet and the country through deals that exchange their used General Motors spare parts with new or recycled spare parts in order to preserve the environment and for more saving. Through this program, the customer can exchange used parts for recycled parts at competitive prices. Recycling is a comprehensive, intensive manufacturing process performed by GM-certified recyclers, or OEMs, who have previously sold products, used or inoperable components, or components that have been returned to their best condition and were guaranteed to deliver performance and quality.

Empowering women and providing opportunities

The Company has not lost sight of or shied away from its commitment and role in providing Bahraini women with the opportunity to assume leading positions by creating the appropriate environment and various initiatives that inspire the spirit of competition and development among women in the reality of work. During the five-year plan developed by the Company during the period (from 2017 to 2021), the Company worked on increasing the percentage of its female employees as their percentage was 14% of the Company's total employees in 2017, but this percentage increased within five years to reach 22% by the end of 2021.

The women empowerment strategy and policy on which the Company worked on in addition to providing opportunities for women's component and their equality with counterparties played a prominent role in making women assume management and leadership positions at the Company. The percentage of women occupying management positions reached 25% and we are proud of this percentage as well as of our female employees who have proven their ability to undertake various positions as they had the privilege for promotion as well as career and administrative development.

Commitment to Governance

In a similar vein, the Company continues to affirm its full commitment to the governance framework in accordance with the directives and requirements of the Central Bank of Bahrain and the Corporate Governance Law issued by the Ministry of Industry, Commerce and Tourism, and the great strides made by the Company in this regard for over 10 years ago.

It is noteworthy here that the Company is in the process of formulating a clear plan to adopt the principles of Environmental, Social and Governance, which will revolve around the centralization of information collection, the appointment of a consultant to formulate the principles of Environmental, Social and Governance, the automation of the issuance of reports on the principles of Environmental, Social and Governance, and the formation of a task force comprising of various departments and sections at the group level to submit reports on the application of these principles across the board, and to develop a strategic plan to apply such principles with the guidance of the ESG Reporting Guide issued by the Bahrain Bourse, in addition to the Company's plan to create a section concerned with investor relations, in accordance with the best practices guide in the area of investor relations issued by Bahrain Bourse so as to develop work and promote the visions and goals that are in the best interest of the Company, shareholders and community service.

Last but not least, we affirm our continued efforts, support and responsible participation in the development of our society by following the highest ethical standards as this represents the core of our social and humanitarian work of which we are proud since the Company's inception.

We will follow this path and always strive to redouble those efforts in order to strengthen our position as a leading commercial financial company in the region that

CORPORATE SOCIAL RESPONSIBILITY

does not forget giving and supporting the community on the philanthropic, voluntary, economic, educational, environmental and cultural levels to contribute to sustainable development and build a homeland of which its people are proud to belong, called the Kingdom of Bahrain.

SUSTAINABLE DEVELOPMENT GOALS

GENERAL INFORMATION

Bahrain Commercial Facilities Company BSC is a Bahraini Public Shareholding Company. Initially the Company was registered on 29 August 1983 as a B.S.C. (closed). In April 1993, the Company was registered as a Public Shareholding Company following the public offering of its shares.

The Company wholly owns National Motor Company WLL, which was established in March 1988, Tasheelat Insurance Services Company WLL, which was established in April 1997, Tasheelat Real Estate Service Company WLL, which was established in May 2002. In December 2013, the Group geographically expanded its presence and established Tasheelat for General Trading Company WLL in Erbil, Kurdistan, Iraq, to sell Honda vehicles. The Company incorporated fully owned Tasheelat Automotive Company WLL in March 2015 and Tasheelat Car Leasing Company WLL in April 2017.

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Banks	:	Bank of Bahrain and Kuwait B.S.C.	National Bank of Bahrain B.S.C.
		Ahli United Bank B.S.C.	Gulf International Bank
		Arab Bank PLC	Mashreq Bank
		Standard Chartered Bank	Al Salam Bank
		BNP Paribas	The National Bank of Ras Al-Khaima
		Arab Banking Corporation B.S.C.	HBL (Habib Bank Ltd)
		HSBC Bank	Kuwait Finance House
External auditors	:	Ernst & Young	

CONSOLIDATED

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TO THE SHAREHOLDERS OF
BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as modified by the Central Bank of Bahrain (CBB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 28 February 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Impairment of loans and advances

Refer to notes 3, 4 & 10

Key audit matter / risk	How the key audit matter was addressed in the audit
The process for estimating Expected Credit Loss ("ECL") on credit risk associated with loans and advances in accordance with IFRS 9 – Financial Instruments ("IFRS 9") is a significant and complex area. IFRS 9 requires use of the ECL model for the purposes of calculating loss allowances. The key areas of judgement applied by the management in the determination of the ECL include: • Determining whether the risk of default on a customer has increased significantly, specifically as a result of regulatory payment holidays due to COVID-19 provided by the Group;	Our approach included understanding the relevant processes for estimating the ECL and performing audit procedures on such estimates. We assessed the Group's IFRS 9 based ECL policy including the Group's determination of the significant increase in credit risk and its impact on the staging criteria with the requirements of IFRS 9 and regulatory guidelines issued in relation to COVID-19. We assessed the basis of determination of the management overlays considering the impact of the COVID-19 pandemic against the requirements of the Group's ECL policy.

1. Impairment of loans and advances	
Refer to notes 3, 4 & 10	
Key audit matter / risk	**How the key audit matter was addressed in the audit**
• Choosing appropriate models and assumptions for the measurement of ECL, including the changes in forward-looking macroeconomic variables; and • Qualitative adjustments (overlays) made to the ECL results to address model limitations or emerging risks and trends in the underlying portfolio which are inherently judgmental, especially considering the current impact of the COVID-19 pandemic. Due to the complexity of the requirements under IFRS 9, the significance of judgments and estimations applied in the ECL calculations, in addition to the impact of the COVID-19 pandemic and the Group's exposure to loans and advances, which account for 74% of the Group's total assets, the audit of ECL for loans and advances is a key area of focus. As at 31 December 2021, the Group's gross loans and advances amounted to BD 263.1 million and the related ECL amounted to BD 33.8 million, comprising BD 11.1 million of ECL against Stage 1 and 2 exposures and BD 22.7 million against exposures classified under Stage 3.	For a sample of exposures, we checked the appropriateness of the Group's staging. For Probability of Default ("PD") used in the ECL calculations we checked the Through the Cycle ("TTC") PDs with internal historical data and checked the appropriateness of conversion of the TTC PDs to Point in Time PDs. We checked the appropriateness of the Loss Given Default used by the Group's management in the ECL calculations. For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations. We checked the completeness of loans and advances to customers and credit related contingent items included in the ECL calculations as of 31 December 2021. We involved Financial Services Risk Management and Information System specialists to verify the appropriateness of the model. We evaluated the key management assumptions related to the determination of the future macroeconomic scenarios including forward looking information and assigning probability weights, incorporating management overlays for the impact of COVID-19. We considered the adequacy of the disclosures in the consolidated financial statements in relation to ECL on loans and advances as per the applicable financial reporting standards.

Other information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Chairman's Statement which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement, of this other information, we are required to report the fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

EY Building a better working world

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as modified by the CBB and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 5), we report that:

a. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b. the financial information contained in the Chairman's Statement is consistent with the consolidated financial statements;
c. we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association having occurred during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Company or on its financial position; and

d. satisfactory explanations and information have been provided to us by management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's is

Essa Al-Jowder

Auditor's Registration No: 45
28 February 2022
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

At 31 December 2021

	Note	31 December 2021 BD '000	31 December 2020 BD '000
ASSETS			
Cash and balances with banks		28,354	25,530
Loans and advances to customers	10	229,325	264,006
Trade receivables	11	3,569	4,495
Inventories	12	11,479	18,706
Investment properties	13	10,787	12,563
Property and equipment	14	24,945	27,650
Other assets		2,442	2,594
TOTAL ASSETS		**310,901**	355,544
LIABILTIES AND EQUITY			
LIABILITIES			
Trade and other payables	15	19,484	23,955
Bank term loans		156,497	205,956
TOTAL LIABILITIES		**175,981**	229,911
EQUITY			
Share capital	16	20,419	20,419
Treasury shares	16	(599)	(599)
Statutory reserve		10,210	10,210
Share premium		25,292	25,292
Other reserves		25,190	22,084
Retained earnings		54,408	48,227
TOTAL EQUITY		**134,920**	125,633
TOTAL LIABILITIES AND EQUITY		**310,901**	355,544

AbdulRahman Yusuf Fakhro	**Dr. AbdulRahman Ali Saif**	**Abdulla Abdulrazaq Bukhowa**
Chairman	Vice Chairman	Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 BD '000	2020 BD '000
Interest income		28,915	34,366
Interest expense		(8,749)	(10,861)
Net interest income		**20,166**	23,505
Automotive revenue	17	43,408	39,855
Cost of sales		(38,020)	(35,964)
Gross profit on automotive revenue		**5,388**	3,891
Fee and commission income	18	6,357	5,276
Profit from sale of real estate inventory	19	156	220
Rental and evaluation income		595	888
Total operating income		**32,662**	33,780
Other income	20	1,129	1,027
Salaries and related costs		(7,001)	(7,730)
Operating expenses	21	(9,642)	(10,880)
Profit before allowance on financial instruments		**17,148**	16,197
Allowance on loans and receivables, net of recoveries	22	(10,967)	(20,472)
Profit / (loss) for the year		**6,181**	(4,275)
Basic and diluted earnings per 100 fils share	28	31 fils	(21) fils
Proposed cash dividend per 100 fils share		**25 fils**	-

AbdulRahman Yusuf Fakhro
Chairman

Dr. AbdulRahman Ali Saif
Vice Chairman

Abdulla Abdulrazaq Bukhowa
Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 BD '000	2020 BD '000
Profit / (loss) for the year	**6,181**	(4,275)
Other comprehensive income:		
Items that are or may be reclassified to profit or loss		
Net change in cash flow hedge reserve	3,332	(3,723)
Total comprehensive income / (loss) for the year	**9,513**	(7,998)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital		Reserves and retained earnings						
					Other reserves				
	Share Capital	Treasury shares	Statutory reserve	Share Premium	Cash flow hedge reserve	Donation reserve	General reserve	Retained earnings	Total equity
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
As at 1 January 2021	20,419	(599)	10,210	25,292	(5,445)	529	27,000	48,227	125,633
Comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	-	6,181	6,181
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	3,332	-	-	-	3,332
	20,419	(599)	10,210	25,292	(2,113)	529	27,000	54,408	135,146
Utilization of donation reserve	-	-	-	-	-	(226)	-	-	(226)
At 31 December 2021	**20,419**	**(599)**	**10,210**	**25,292**	**(2,113)**	**303**	**27,000**	**54,408**	**134,920**

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital		Reserves and retained earnings						
					Other reserves				
	Share Capital	Treasury shares	Statutory reserve	Share Premium	Cash flow hedge reserve	Donation reserve	General reserve	Retained earnings	Total equity
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
As at 1 January 2020	20,419	(599)	10,210	25,292	(1,722)	693	26,250	71,819	152,362
2019 appropriations (approved by shareholders):									
- Donations approved	-	-	-	-	-	300	-	(300)	-
- Dividend to equity holders declared	-	-	-	-	-	-	-	(5,036)	(5,036)
- Transfer to general reserve	-	-	-	-	-	-	750	(750)	-
Balance after appropriations	20,419	(599)	10,210	25,292	(1,722)	993	27,000	65,733	147,326
Comprehensive (loss) / income for the year:									
Loss for the year	-	-	-	-	-	-	-	(4,275)	(4,275)
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	(3,723)	-	-	-	(3,723)
	20,419	(599)	10,210	25,292	(5,445)	993	27,000	61,458	139,328
Modification loss (Note 2.1(a))	-	-	-	-	-	-	-	(15,191)	(15,191)
Government grant	-	-	-	-	-	-	-	1,960	1,960
Utilisation of donation reserve	-	-	-	-	-	(464)	-	-	(464)
At 31 December 2020	20,419	(599)	10,210	25,292	(5,445)	529	27,000	48,227	125,633

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

CASH FLOWS

For the year ended 31 December 2021

	2021 BD'000	2020 BD'000
OPERATING ACTIVITIES		
Loan repayments, interest received and other credit related receipts	211,318	211,631
Cash receipts from automotive sales	44,731	42,097
Insurance commission received	713	924
Proceeds from sale of real estate inventory	2,302	2,158
Rental and evaluation income received	627	819
Loans and advances to customers	(152,638)	(146,970)
Payments to suppliers	(34,673)	(34,379)
Payments for operating expenses	(11,056)	(13,902)
Payment for real estate inventory	-	(578)
Direcotrs' fees paid	(335)	(626)
Interest paid	(8,396)	(10,940)
Net cash generated from operating activities	**52,593**	50,234
INVESTING ACTIVITIES		
Capital expenditure on property and equipment	(2,093)	(2,956)
Addition to investment properties	-	(263)
Proceeds from sale of property and equipment	1,231	1,215
Proceeds from sale of investment properties	1,200	-
Net cash generated from / (used in) investing activities	**338**	(2,004)
FINANCING ACTIVITIES		
Bank term loans availed	2,000	169,283
Bank term loans paid	(52,170)	(193,279)
Dividends paid	(16)	(5,179)
Government grant received	347	1,960
Donations paid	(226)	(464)
Net cash used in financing activities	**(50,065)**	(27,679)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,866**	20,551
Cash and cash equivalents at 1 January	25,435	4,884
CASH AND CASH EQUIVALENTS AT 31 December	**28,301**	25,435
Cash and cash equivalents comprise:		
Cash and balances with banks	28,354	25,530
Less:		
Restricted cash	(53)	(95)
	28,301	25,435

The attached notes 1 to 32 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. REPORTING ENTITY

Bahrain Commercial Facilities Company BSC ("the Company") is a public shareholding company incorporated and registered in the Kingdom of Bahrain. It provides short-term, medium-term, long-term loans and issues credit cards. Since 26th June 2005, the Company has been licensed and regulated by the Central Bank of Bahrain ("the CBB"). The consolidated financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company, its subsidiaries and its branches (together referred to as "the Group").

The consolidated financial statements of the Group comprise the results of the Company and its subsidiaries. Significant subsidiaries are set out below:

Name of subsidiary	Country of incorporation	% holding by Group	Principal activities
National Motor Company WLL	Bahrain	100%	Exclusive distributor for General Motors (GMC, Chevrolet and Cadillac) and Honda vehicles and represents Mack Defence in the Kingdom of Bahrain
Tasheelat Real Estate Company WLL	Bahrain	100%	Real estate related services
Tasheelat Insurance Services Company WLL	Bahrain	100%	Insurance brokerage services
Tasheelat for General Trading Company WLL	Kurdistan, Iraq	100%	Sale of Honda vehicles in Erbil, Kurdistan, Iraq (established through NMC)
Tasheelat Automotive Company WLL	Bahrain	100%	Exclusive distributor for GAC, Foton, Haval and Great Wall vehicles in the Kingdom of Bahrain
Tasheelat Car Leasing Company WLL	Bahrain	100%	Car rentals, long and short term leasing services

2. BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB"). These rules and regulations require the application of all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for:

a. recognition of modification losses on financial assets, arising from payment deferrals provided to customers impacted by COVID-19 without charging additional interest and fees, in statement of equity instead of the statement of profit or loss as required by IFRS 9: Financial Instruments. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9. For the current year, the Company has not recorded any modification loss (2020: BD 15.19 million).

b. recognition of financial assistance received from the government and/or regulators in response to COVID-19 that meets the government grant requirement, in statement of equity for 2020, instead of the statement of profit or loss as required by the International Accounting

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

Standard (IAS 20): Government Grant, to the extent of any modification loss recognised in equity as a result of (a) above. In case this exceeds the modification loss, the balance amount is recognised in the profit or loss. In 2021, any financial assistance received from the Government of the Kingdom of Bahrain ("Government") has been recognised in the statement of profit or loss in accordance with the requirements IAS 20.

The above framework for the basis of preparation of the consolidated financial statements is hereinafter referred to as 'IFRS as modified by the CBB'.

For the purpose of these consolidated financial statements, the financial statements of subsidiaries have been adjusted to align with the above framework.

2.2. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are carried at fair value.

2.3. Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars ("BD"), which is also the Group's functional currency. All financial information presented in BD has been rounded to the nearest thousand, except when otherwise indicated.

2.4. New standards, interpretations and amendments

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for adoption of new standards or certain amendments to existing standards that have become applicable to the Group effective from 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have any impact on the consolidated financial statements of the Group.

2.4.1. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ('RFR').

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.5. New standards, interpretations and amendments issued but not yet effective

Standards, interpretations and amendments to existing standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group reasonably expects these issued standards, interpretations and amendments to existing standards to be applicable at a future date. The Group intends to adopt these standards, interpretations and amendments to existing standards, if applicable, when they become effective:

2.5.1. Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has received Covid-19-related rent concessions, the Group hasn't early adopted the amendment and hence it has been treated as lease modification.

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3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied by the Group to all periods presented in these consolidated financial statements except as described in Note 2.1.

3.1. Basis of consolidation

3.1.1. Subsidiaries:

"Subsidiaries" are investees controlled by the Group. The Group "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.1.2. Loss of control:

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.3. Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Revenue recognition

3.2.1. Interest income and expense:

Interest income and expense is recognised in the statement of profit or loss, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not Expected Credit loss ("ECL").

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying amount of a financial assets" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3.2.2. Income from sale of goods and provision of services

Revenue from sale of goods (motor vehicles and spare parts) is recognised at a point in time when the control of the goods is transferred to the customer, i.e. when the goods have been delivered to and accepted by the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises revenue from car maintenance and repair and warranty services. Revenue is recognised over time as the services are rendered, provided pervasive evidence of an arrangement exists, tariff / rates are fixed or are determinable and collectability is reasonably certain.

Revenue from investment property and cars leased out under an operating lease are recognised over the tenure of the lease / service agreement on a straight line basis over the term of the lease, except where the rentals are structured to increase in line with expected general inflation, and except where there is uncertainty of ultimate collection.

Specific criteria for each of the Group's activities are as follows:

- **a.** income from sales of motor vehicles and spare parts is recognised when an invoice is raised, and the customer becomes entitled to take possession of the goods.
- **b.** income from maintenance and repair services is recognised when the service is rendered.
- **c.** revenue from warranty claims is recognised when these services have been rendered to the customers under warranty obligations.
- **d.** rental income from car hire is recognised on a straight-line basis over the lease term.
- **e.** Income from sale of land inventory is recognised when the customer becomes entitled to take possession of the land which is normally when the title deed passes to him; and
- **f.** Rental income from investment property is recognised as revenue on a straight-line basis over the rental agreement term.

3.2.3. Income from maintenance and repairs

Revenue from car maintenance and repair and warranty services is recognised over time as the services are rendered, provided pervasive evidence of an arrangement exists, tariff / rates are fixed or are determinable and collectability is reasonably certain.

3.2.4. Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and income is recognised when such services are performed.

Insurance commission income is recognised when the insurance cover is issued, and the customer becomes entitled to the insurance policy.

3.3. Foreign currency transactions

Transactions in foreign currencies are translated to Bahraini Dinars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Bahraini Dinars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognised in the statement of profit or loss.

3.4. Financial instruments

3.4.1. Recognition and initial measurement

The financial instruments of the Group consist primarily of cash and balances with banks, loans and advances to customers, trade receivables, derivative financial instruments, trade and other payables, and bank term loans. The Group initially recognises loans and advances and trade receivables on the date on which they originated. All other financial instruments are initially recognised on the trade date, which is the date when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.2. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt security; FVOCI – equity security; or FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)
3.4. Financial instruments (continued)
3.4.2. Classification and subsequent measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual interest rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Modifications of financial assets
If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective

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interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of profit or loss, except for modification of loans and advances due to the CBB concessionary measures where modification loss was recognised in equity (Note 2.1(a)).

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on de-recognition is recognised in the statement of profit or loss.

3.4.3. De-recognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or canceled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss.

3.4.4. Offsetting
Financial assets and liabilities are set off and the net amount presented in the statement of financial position, when and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.4.5. Impairment
The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, unless there has been no SICR since origination in which case the allowance is based on 12 months ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

Based on the CBB directives, the Group has assumed that the credit risk on a financial asset has increased significantly if it is more than 74 days past due for the loan portfolio.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 90 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs - Loans and advances
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive)

ECLs are discounted at the effective interest rate of the financial asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4. Financial instruments (continued)

3.4.5. Impairment (continued)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

Measurement of ECLs - Trade receivables (simplified approach):

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures based on the customer's common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is considered 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties; and
- Liquidation of collaterals.

Stage 1, 2 and 3 - Collectively assessed loans

The Group applies a three-stage approach to measure expected credit losses (ECL) on financial assets carried at amortised cost. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

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- Stage 1: 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date;
- Stage 2: lifetime ECLs - not credit impaired: these are ECLs that result from all possible default events over the expected life of a financial instrument. Includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; and
- Stage 3: lifetime ECLs - credit impaired: these are ECLs that result from all possible default events over the expected life of a financial instrument. Includes financial instruments that have objective evidence of impairment at the reporting date.

Stage 3 – Specifically assessed loans
- The Group considers evidence of impairment for all individually significant loans and advances which are assessed for impairment on a specific basis.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.5. Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit loss.

3.6. Inventories
Vehicle inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis for spare parts and on a specific identification basis for motor vehicles. Cost includes purchase price, freight, customs duty and other incidental expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Land and property inventory is stated at the lower of cost and net realisable value. A property is subsequently reclassified from inventory to investment property if there is an actual change in use and reclassified from inventory to property and equipment upon change in use or vice versa.

3.7. Property, equipment and right of use assets

Recognition:
Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its residual amount if the carrying amount of the asset is greater than its estimated recoverable amount.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability

Depreciation
Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful life of items of property and equipment. No depreciation is charged on freehold land. The estimated useful life are as follows:

Buildings	15 to 35 years
Furniture, fixture and equipment	3 to 6 years
Owned Vehicles	4 to 6 years
Leased Vehicles	4 to 6 years
Right of Use	Over lease period

3.8. Investment properties
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less depreciation and impairment if any.

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

Depreciation
Depreciation on investment property is charged to the statement of profit or loss on a straight-line basis over the

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Investment properties (continued)

estimated useful life of property. The land component is not depreciated. The estimated useful life of the investment is as follows:

Buildings	15 to 35 years
Furniture, fixture and equipment	3 to 6 years

3.9. Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset is capitalised. Other borrowing cost is recognised in the statement of profit or loss in the year in which it arises.

3.10. Dividends

Dividends and other proposed appropriations are recognised as a liability in the period in which they are approved by the shareholders.

3.11. Statutory reserve

In accordance with the Company's Articles of Association and in compliance with the Commercial Companies Law, a minimum of 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital (excluding share premium). This reserve is not normally distributable except in circumstances stipulated in the law.

3.12. General reserve

In accordance with the Company's Articles of Association and the recommendations of the Board of Directors, specific amounts are transferred to the general reserve. The reserve carries no restriction on its distribution.

The appropriations are subject to the approval of the shareholders at the Annual General Meeting.

3.13. Donations reserve

Based on the recommendations of the Board of Directors, an amount is transferred from the profit for the year to this reserve. The reserve represents the uncommitted amount of the donations and charities approved by the Shareholders.

3.14. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Treasury shares

Where the Company purchases its own equity share capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

3.15. Cash flow hedges

The Group uses interest rate swaps and foreign exchange forward contracts to hedge its exposures to the variability of future cash flows. Derivative financial instruments are contracts, the value of which, are derived from one or more underlying financial instruments or indices, and include foreign exchange contracts, forwards and swaps in the interest rate and foreign exchange markets. All derivative financial instruments are initially recognised at cost, being the fair value at contract date, and are subsequently re-measured at their fair values. Changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and presented in a hedge reserve as a separate component of equity. The corresponding effect of the unrealised gains or losses recognised in other comprehensive income is recognised as other assets or other liabilities in the statement of financial position. The effective portion of the gain or loss on derivative instruments recognised in other comprehensive income is removed and included in the statement of profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting or are determined to be ineffective are recognised directly in the statement of profit or loss. Fair value gains and losses on trading derivatives are recognised in the statement of profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the statement of profit or loss.

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If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to the statement of profit or loss in the same period that the hedged item affects the profit or loss.

3.16. Impairment of non-financial assets

The carrying amounts of the Group's assets other than financial assets (Note 3.4) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the statement of profit or loss.

3.17. Retirement benefits cost

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organization scheme to which employees and the Group contribute monthly on a fixed-percentage-of salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees on limited-term contracts are entitled to leaving indemnities payable under the Bahrain Labour Law, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits, has been made by calculating the notional liability had all such employees left at the reporting date.

3.18. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

3.19. Lease Liability

At the date of initial application, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3.20. Bank term loans

Interest bearing bank term loans and bonds are initially measured at fair value plus any transaction costs and subsequently measured at their amortised cost using the effective interest rate method.

3.21. Cash and balances with banks

Cash and balances with banks comprise cash on hand, unrestricted balances and deposits with banks with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of restricted cash and bank overdrafts.

3.22. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the Group. All operating results of the operating segments are regularly reviewed by the executive management to make decisions about resource allocation and assess its performance, and for which discrete financial information is available.

3.24. Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle such obligation.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1. Judgements

4.1.1. Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether contracted terms of the financial asset are SPPI and the principal amount outstanding (Note 3.4.2).

4.1.2. Classification of derivative financial instruments

In the process of applying the Group's accounting policies, management decides on the transaction date the purpose of the derivative financial instrument acquired and based on the management purpose the accounting treatment is determined in accordance with the IFRS 9.

4.1.3. Potential impact of COVID-19

COVID-19 was declared a worldwide pandemic by the World Health Organization in March 2020. COVID-19 and related measures to slow the spread of the virus, have since had a significant impact on the local and global economy, supply chains and financial markets.

The Group has considered the impact of COVID-19 and related market volatility in preparing these consolidated financial statements. The methodologies and assumptions applied in the measurement of various items within the consolidated financial statements remain unchanged from those applied in the 2020 consolidated financial statements, as well as the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties arising from COVID-19 and required use of management judgements.

Expected credit Losses

The economic uncertainties caused by COVID-19, and the volatility in oil prices impacting the Middle East economic forecasts have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs").

Scenario analysis has been conducted taking into consideration various expected changes as a result of COVID-19 that can impact all model parameters i.e. probability weighting of economic scenarios, macroeconomic factors, probability of default, loss given default, exposure at default, rating downgrades, staging migrations and period of exposure. Management judgment is used in determining the probability weighting assigned to each scenario.

In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are based on judgment and, as a result, actual results may differ from these estimates.

Significant increase in credit risk (SICR)

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporation, forward looking information into measurement of ECL and selection and approval of models used to measure ECL (Note 3.4.5).

Judgment is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a financing facility, which would result in the financial asset moving from 'stage 1' to 'stage 2'. The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or longer term.

During the year, and in accordance with the CBB relief measures, the Group has granted a total of 12 months loan deferral to its eligible customers, with fees and interest. The Group considers both qualitative and quantitative information in the assessment of significant increase in credit risk. The utilisation of a payment deferral program was considered for affected customer segments due to the pandemic as a trigger for a significant increase in credit risk ("SICR") or a staging migration for the purposes of calculating ECL.

Reasonableness of forward-looking information

Judgment is involved in determining which forward looking information variables are relevant for particular financing portfolios and for determining the sensitivity of the parameters to movements in these forward-looking variables.

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Due to macro economic variables being not statistically acceptable, the Group has used Vasicek- Merton single factor model for conversion of TTC PD to PIT PD instead of the regression methodology as per the Group's approved policy. Vasicek Based Analysis method has been used to forecast the forward-looking PIT PDs by developing composite index oil prices as macro-economic variables. The Oil price for base scenario has been considered.

Probability weights

Management judgment is involved in determining the probability weighting of each scenario considering the risks and uncertainties surrounding the base case scenario. Considering the current uncertain economic environment, the Group has continued the scenario weighting to reflect the impact of current uncertainty in measuring the estimated credit losses for the year ended 31 December 2021.

The increase in the downturn weighting of the macro economic scenario and the management overlays result in an additional ECL for the Group. The impact of such an uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

4.2. Estimates

4.2.1. Impairment of financial instruments

- Determining inputs into the ECL measurement models, including incorporation of forward looking information (Note 5.1).
- Key assumptions used in estimating recoverable cash flows.

4.2.2. Impairment on trade receivables

The Group measures expected credit loss for trade receivables using a 'roll rate' (net flow) method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. The Group estimates the loss rates based on historical loss experience, which are adjusted to reflect future economic and business conditions (Note 3.4.5 and Note 11).

4.2.3. Provision on inventory

The Group reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Group identifies the inventories, which have been impaired based on the age of the inventory and their estimate of the future demand for the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience relating to disposal of such inventory (Note 3.6 and Note 12).

5. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

5.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Group is principally exposed to credit risk on cash and cash equivalents, loans and advances to customers, and trade receivables. The maximum credit risk is the carrying value of the assets.

COVID-19 impact

The uncertainties due to COVID-19 and resultant economic volatility has impacted the Group's financing operations and is expected to affect most of the customers and sectors to some degree. Although it is difficult to assess at this stage the degree of impact faced by each sector, the main industries impacted are hospitality, tourism, leisure, airlines/transportation and retailers. In addition, some other industries are expected to be indirectly impacted such as contracting, real estate and wholesale trading.

Considering this evolving situation, the Group has taken pre-emptive measures to mitigate credit risk by adopting a more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors. Installments deferral has been extended to customers, including private and SME sector, in line with the instructions of the CBB. These measures has led to lower disbursement of financing facilities, resulting in lower net financing income and decrease in other revenue.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

The risk management department has also enhanced its monitoring of the financing portfolio by reviewing the performance of exposures to sectors expected to be directly or indirectly impacted by COVID-19 to identify potential SICR on a qualitative basis.

The Group has updated its inputs and assumptions for computation of ECL (Note 4).

Management of credit risk

The Group's credit risk management framework includes:

- Authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;
- Diversification of lending activities; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties and reviewing limits in accordance with risk management strategy and market trends.

5.1.1. Loans and advances to customers

All loans and advances are with local individuals and locally incorporated entities. The credit risk on these loans and advances is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The creditworthiness of each borrower is evaluated prior to lending and with a comprehensive review of information which includes the Credit Bureau report, financial position of the customer, market position, tangible security where applicable. The Group is also subject to single obligor limits as specified by the CBB.

Regular Credit review procedures are in place to identify at early stage exposures which require more detailed monitoring and review. Appropriate remedial procedures for follow-up and recovery (including recourse to legal action) are in place to monitor the credit risk on loans and advances.

Exposure to credit risk

The Group is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Regular audits of business units and the Group credit processes are undertaken by the Internal Audit department.

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less interest suspended and impairment losses, if any. The maximum credit risk exposure of the loans and advances is the carrying value amount net of the deferred income and net of impairment allowance reported at year end.

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts:

	31 December 2021 BD '000	31 December 2020 BD '000
Stage 3 – Specifically assessed loans		
Gross amount	9,124	7,925
Expected credit loss	(3,834)	(3,103)
Net amount	**5,290**	4,822
Stage 1, 2 and 3 - Collectively assessed loans		
Stage 1 - 12 month	130,236	186,819
Stage 2 - lifetime - not credit impaired	88,248	65,943
Stage 3 - lifetime - credit impaired	35,507	38,016
Expected credit loss	(29,956)	(31,594)
Net amount	**224,035**	259,184
Net loans and advances to customers	**229,325**	264,006

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Monitoring of credit risk

Generating the term structure of PD

Aging buckets based on days past due ("Aging buckets") are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by aging buckets.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators include: GDP growth, benchmark interest rates, unemployment and oil prices. Considering the extraordinary circumstances and the variations in the forward looking data for these variables, the company has used Vasicek-Merton methodology using oil prices as a factor to determine the PDs.

Based on consideration of a variety of external actual and forecast information, the Group formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of PDs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. For the purpose of calculating ECL for the year ended 31 December 2021, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 74 days as against 30 days, in line with the CBB concessionary measures. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 74 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.1. Loans and advances to customers (continued)

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behavior over a period of 3 months before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL based on regulatory guidance.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on economic experts and consideration of a variety of external actual and forecast information, the Group formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

Past due but not impaired loans and advances include those for which contractual interest and principal payments are past due, but the Group believes that impairment is not appropriate on the basis of level of security and collateral available and/ or in the process of collecting the amounts owed to the Group.

Aging analysis of loans and advances to customers as follows:

2021	**Stage 1 BD '000**	**Stage 2 BD '000**	**Stage 3 BD '000**	**Total BD '000**
Current	118,160	77,779	11,082	**207,021**
Past due:				
1-30 days	8,162	4,772	2,165	**15,099**
31-60 days	3,618	3,589	2,089	**9,296**
61-89 days	296	2,108	1,816	**4,220**
90 days - 1 year	-	-	12,578	**12,578**
1 year - 3 years	-	-	13,337	**13,337**
More than 3 years	-	-	1,564	**1,564**
Expected credit loss	(3,912)	(7,201)	(22,677)	**(33,790)**
Carrying value	**126,324**	**81,047**	**21,954**	**229,325**

2020	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Current	156,973	49,599	10,257	216,829
Past due:				
1-30 days	17,022	2,837	2,356	22,215
31-60 days	11,359	2,243	1,558	15,160
61-89 days	1,465	11,264	1,264	13,993
90 days – 1 year	-	-	22,114	22,114
1 year – 3 years	-	-	7,686	7,686
More than 3 years	-	-	706	706
Expected credit loss	(5,668)	(5,522)	(23,507)	(34,697)
Carrying value	181,151	60,421	22,434	264,006

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2021	Retail BD '000	Corporate BD '000	Total BD '000
Current	191,495	15,526	207,021
Past due:			
1-30 days	14,364	735	15,099
31-60 days	8,482	814	9,296
61-89 days	4,022	198	4,220
90 days – 1 year	10,881	1,697	12,578
1 year – 3 years	11,897	1,440	13,337
More than 3 years	1,010	554	1,564
Gross loans and advance	**242,151**	**20,964**	**263,115**
Collectively assessed ECL	(28,292)	(1,664)	(29,956)
Specifically assessed ECL	(2,032)	(1,802)	(3,834)
Net loans and advances	**211,827**	**17,498**	**229,325**

2020	Retail BD '000	Corporate BD '000	Total BD '000
Current	199,486	17,343	216,829
Past due:			
1-30 days	20,251	1,964	22,215
31-60 days	13,496	1,664	15,160
61-89 days	12,947	1,046	13,993
90 days – 1 year	20,007	2,107	22,114
1 year – 3 years	6,643	1,043	7,686
More than 3 years	706	-	706
Gross loans and advance	273,536	25,167	298,703
Collectively assessed ECL	(29,788)	(1,806)	(31,594)
Specifically assessed ECL	(2,000)	(1,103)	(3,103)
Net loans and advances	241,748	22,258	264,006

The company's exposure to customers who are less than 90 days at the reporting date are related to customer accounts which are either serving their cooling off period, the customers where collateral offered at the time of original underwriting has been liquidated or customers which are having financial difficulties which may lead them to default. The company has classified them in Stage 3 on a conservative basis.

Credit risk concentration

All loans are made to borrowers that are Bahraini residents. Credit risk concentration of loans at the reporting date represents 92% (2020: 92%) retail loans and 8% (2020: 8%) to corporate customers.

By geographical region

All loans and advances are geographically located in Bahrain.

The unutilised credit limit for credit cards at 31 December 2021 amounted to BD 27,140 thousand (2020: BD 30,145 thousand). Off balance sheet exposures are converted into on balance sheet equivalents by applying a credit conversion factor (CCF). During the year ended 31 December 2021, the average gross credit exposure for loans and advances to customers is BD 240,265 thousand (2020: BD 287,332 thousand) and average unutilised credit limit is BD 28,557 thousand (2020: BD 31,243 thousand). Such amounts are calculated based on the average of the last four quarterly results.

Management estimates the fair value of collaterals and other security enhancements held against individually impaired customers loans are reasonably sufficient to cover the value of such loans at the reporting date. The Group monitors concentrations of credit risk by product.

At the reporting date, the loans and advances to customers represent 37% vehicle (2020: 39%), 20% mortgage (2020: 20%), 33% personal loan (2020: 30%) and 10% credit card lending (2020: 11%).

Impaired loans and advances

Impaired loans and advances are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements. The Group's exposure to credit risk from loans and trade receivables is influenced mainly by the individual characteristics of each customer. Loans which are past due 90 days are considered as non-performing.

At 31 December 2021, the total gross amount of non-performing loans as defined by the CBB, as accounts with

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.1. Loans and advances to customers (continued)

days past due 90 days or more, was BD 27,479 thousand (2020: BD 30,506 thousand). The stage 3 accounts were BD 44,631 thousand (2020: BD 45,941 thousand). In compliance with the CBB requirements, interest on stage 3 is suspended and is accounted for on a cash basis.

Loans with renegotiated terms and the Group's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situation where the debtor is currently in default on its debt, or where there is a high risk of default, there is evidence that the debtor made all the reasonable effort to pay under the original contractual terms and it is expected to be able to meet the revised terms.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. During the year ended 31 December 2021, loans and advances amounting to BD 5,978 thousand (2020: BD 11,605 thousand) were restructured.

Collateral

The Group generally holds collateral against loans which may be in the form of mortgage interests over property with custody of title deeds, joint registration of vehicles and personal guarantees.

As at 31 December 2021, loans amounting to BD 105,433 thousand (2020: BD 128,545 thousand) were fully collateralised and loans amounting to BD 46,155 thousand (2020: BD 45,414 thousand) were partly collateralised with a collateral value of BD 29,908 thousand (2020: BD 35,215 thousand).

5.1.2. Credit risk related to trade receivables

Credit risk related to trade receivables arises from the potential for a counterparty to default from repayment of their dues. The Group has established an appropriate authorisation structure with limits for the approval and renewal of credits.

During the year ended 31 December 2021, the average gross exposure for trade and other receivables is BD 3,674 thousand (2020: BD 5,826 thousand). Such amounts are calculated based on the average of the last four quarterly results.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Geographically the concentration of credit risk is in the Kingdom of Bahrain as majority of the Group's customers are based in Bahrain.

5.1.3. Credit risk related to cash and cash equivalents

Credit risk from cash and cash equivalents is managed by the Group's finance department in accordance with the Group's policy. Placement of surplus funds are made only with approved banks and within credit limits assigned to each bank. The Group's cash and cash equivalents are placed with banks of good credit ratings, therefore, are considered to be low credit risk placements.

During the year ended 31 December 2021, the average gross credit exposure for cash and balances with banks is BD 27,565 thousand (2020: BD 19,474 thousand). Such amounts are calculated based on the average of the last four quarterly results.

5.1.4. Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed.

5.1.5. Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favorable to the Group which are included in other assets. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. The Group's derivative contracts are entered into with other financial institutions.

5.2. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Group.

Management of liquidity risk

The Group's approach to managing liquidity risk is to ensure that the Group secures funding significantly larger than present and future requirements. The Group continuously monitors the extent to which contractual receipts exceed contractual payments and the levels of new advances are correlated to the levels of liquidity. Liquidity risks are closely monitored by the risk management and finance departments and reported to the Assets and Liabilities Committee (ALCO) and the Board.

The Group monitors CBB requirements for liquidity ratios and ensures that those ratios remain within the CBB limits.

COVID-19 impact

The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and are subject to ongoing monitoring and evaluation. The CBB has announced various measures to combat the effects of COVID-19 and to ease liquidity in the banking sector. The installment deferments for 12 months during 2021 to eligible customers as per the CBB instructions have an impact on the liquidity risk of the Group.

The management has enhanced its monitoring of the liquidity and funding requirements. Board and senior management meetings are convened more frequently in order to carry out granular assessment of funding requirements with the objective to explore available lines of funding and to draw down the existing funding lines as and when necessary to maintain enough liquidity at a reasonable cost of funding.

The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in the current extreme stress environment. As at the reporting date, the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of this disruption.

The residual future contractual maturity of financial assets and liabilities are summarised in the table on the next page. The future contractual undiscounted cash flows of financial assets and financial liabilities have been disclosed at the carrying value and prevailing interest rates at the reporting date until their final maturities.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.2. Liquidity risk (continued)

2021	Carrying amount BD '000	Gross contractual cash flows BD '000	Within 1 Year BD '000	1 year to 5 years BD '000	Over 5 years BD '000
Assets					
Cash and balances with banks	28,354	28,354	28,354	-	-
Loans and advances to customers	229,325	372,931	97,360	191,948	83,623
Trade receivables	1,775	1,775	1,775	-	-
Other assets	1,794	1,794	1,794	-	-
	261,248	**404,854**	**129,283**	**191,948**	**83,623**
Liabilities					
Trade and other payables	13,345	13,345	13,345	-	-
Derivative financial instruments	2,113	2,113	430	1,683	-
Lease liabilities	1,163	1,315	524	626	165
Bank term loans	156,497	166,704	40,889	125,815	-
	173,118	**183,477**	**55,188**	**128,124**	**165**
Unutilised credit limits	27,140	27,140	27,140	-	-

2020	Carrying amount BD '000	Gross contractual cash flows BD '000	Within 1 Year BD '000	1 year to 5 years BD '000	Over 5 years BD '000
Assets					
Cash and balances with banks	25,530	25,600	25,600	-	-
Loans and advances to customers	264,006	408,150	108,387	222,413	77,350
Trade receivables	4,495	4,495	4,495	-	-
Other assets	763	763	635	128	-
	294,794	439,008	139,117	222,541	77,350
Liabilities					
Trade and other payables	8,553	8,553	8,553	-	-
Derivative financial instruments	5,537	5,537	100	5,437	-
Lease liabilities	1,801	1,822	600	977	245
Bank term loans	205,956	224,413	51,483	172,930	-
	221,847	240,325	60,736	179,344	245
Unutilised credit limits	31,487	31,487	31,487	-	-

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5.3. Market risk

Market risk is the risk that the Group's income and / or value of a financial instrument will fluctuate because of changes in market prices such as interest rates.

Management of market risks

Market risks are closely monitored by the risk management and finance departments and reported to the Assets and Liabilities Committee (ALCO) and the Board.

Interest rate risk

Interest rate risk is the risk that the Group's earnings will be affected as a result of movements in interest rates. The Group's interest rate exposures arise from its interest earning assets and interest-bearing liabilities i.e. balance with banks, loans and term loans. The distribution of financial instruments between interest rate categories is summarised further:

At 31 December	Fixed rate		Floating rate		Non-interest earning		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Assets								
Cash and balances with banks	25,648	19,914	-	-	2,706	5,616	28,354	25,530
Loans and advances to customers	228,940	263,617	-	-	385	389	229,325	264,006
Trade receivables	-	-	-	-	3,569	4,495	3,569	4,495
Other assets	-	-	-	-	1,794	764	1,794	764
	254,588	283,531	**-**	-	**8,454**	11,264	**263,042**	294,795
Liabilities								
Trade and other payables	-	-	-	-	13,345	8,553	13,345	8,553
Derivative financial instruments	-	-	1,955	5,537	158	-	2,113	5,537
Lease liabilities	1,163	1,801	-	-	-	-	1,163	1,801
Bank term loans	-	-	156,497	205,956	-	-	156,497	205,956
	1,163	1,801	**158,452**	211,493	**13,503**	8,553	**173,118**	221,847

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2021 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 679 thousand (2020: BD 1,098 thousand).

Bank term loans extended have floating interest rates, which are subject to re-pricing on a quarterly or half-yearly basis. The effective interest rate on term loans inclusive of the effect of the interest rate swaps and FX hedge contracts was 4.85% p.a. (2020: 4.92% p.a.).

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposure to IBORs on its financial instruments and interest rate swaps that will be reformed as part of this market-wide initiative. The Group is in the process of amending or preparing to amend contractual terms in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition.

The Company currently having long term borrowings amounting to BD 87,841 thousand which shall be maturing beyond June 2023. The Company have IRS contracts of BD 39,858 thousand maturing beyond June 2023. The Company is currently working with the relationship banks and loan agencies to include the appropriate fall back language into the existing agreements. The Company don't see any major impact on its interest cost or contractual maturities due to this reform.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.4. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group had the following significant net exposures denominated in foreign currency as of 31 December.

	2021	2020
	BD '000	BD '000
US Dollars	136,985	145,795

The Bahraini Dinar is effectively pegged to the US Dollar. The Company has entered into BD 40 million forward rate contracts (2020: BD 45 million) to hedge against any future changes in the peg rate.

5.5. Capital management

The Group's policy is to maintain a strong capital base. The Central Bank of Bahrain sets and monitors capital requirements for the Group. The conventional financing company license granted by the Central Bank of Bahrain limits borrowings to five times the capital and reserves (shareholders' equity) of the Company. Such rate for the Group was 1.3 as at 31 December 2021 (2020: 1.8).

6. DERIVATIVES AND HEDGING

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments.

The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

At 31 December 2021 interest rate risk attributable to the term loans of BD 88.6 million (USD 235 million) (2020: BD 96.14 million, USD 255 million) has been hedged. The fair value of these hedge instruments is BD 1,956 thousand liability (2020: BD 5,537 thousand liability).

At 31 December 2021 foreign exchange forwards attributable to the term loans of BD 40 million (2020: BD 45 million) has been hedged. The fair value of these hedge instruments are BD 157 thousand liability (2020: BD 92 thousand liability).

Derivatives are carried at fair value using valuation techniques based on observable market inputs.

Derivative product types

Foreign exchange forwards are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Interest rate swaps are contractual agreements between two parties to exchange interest based on a specific notional amount. Counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favorable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions and there is no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty at the date of the consolidated statement of financial position.

Derivatives held or issued for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates (currency risk) and interest rates through asset and liability management. It is the Group's policy to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors. The Board has established levels of currency risk by setting limits on currency position exposures. Positions are monitored on an ongoing basis and hedging strategies used to ensure positions are maintained within established limits. The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies are used to reduce the interest rate gaps within the limits established by the Board of Directors.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified borrowings

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bearing floating interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

The Group's installment loans receivables are predominantly of a fixed rate nature (the Group has, however, reserved the right under the terms of the agreement with customers to vary the rate at its discretion after giving a customer one month notice) while its bank borrowings are of a floating rate nature. To hedge this risk, the Group uses interest rate swap contracts to convert floating rate of interest on bank term loans to fixed rate of interest.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the fixed rate loans and advances arising solely from changes in floating rate benchmark. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a cash flow hedge and its effectiveness is assessed by a hypothetical derivative method and comparing the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the bank term loans (i.e., notional amount, maturity, payment and reset dates). The Group has established a portfolio hedge for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. Possible sources of ineffectiveness are as follows:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument; and
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

The hedge relationships have been assessed to be fully effective, accordingly, fair value changes of the interest rate swaps and forward contracts are recognised in equity (pages 53-54).

The following table sets out the maturity profile of the hedging instruments used in the Group's hedging strategies:

	Within 1 months	1-3 months	3-6 months	6-12 months	1-5 years	Total
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
Notional						
2021	**27,540**	**10,000**	**15,080**	**21,310**	**54,665**	**128,595**
2020	-	7,540	-	15,000	118,595	141,135

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7. OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, fraud and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group manages the operational risk by policies and procedures to identify, assess, control, manage and report risks. Additionally, prior to the implementation of new products and services, it's reviewed and assessed for operational risks. The Group's risk management division employs clear internal policies and procedures and the Risk Control Self-Assessment (RCSA) methodology to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

COVID-19 impact

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with the customers. The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted.

8. MATURITY PROFILE

The maturity profile of the Group's financial assets and liabilities based on the expected repayment arrangements is given below. The contractual maturities of assets and liabilities are not significantly different from the expected repayment dates.

At 31 December	Within 1 year		1 year to 5 years		5 years to 10 years		More than 10 years		Total	
	2021 BD '000	2020 BD '000	**2021 BD '000**	2020 BD '000	**2021 BD '000**	2020 BD '000	**2021 BD '000**	2020 BD '000	**2021 BD '000**	2020 BD '000
Assets										
Cash and balances with banks	28,354	25,530	-	-	-	-	-	-	28,354	25,530
Loans and advances to customers	73,985	95,099	110,154	133,042	38,293	32,850	6,893	3,015	229,325	264,006
Trade receivables	3,569	4,495	-	-	-	-	-	-	3,569	4,495
Other assets	1,794	764	-	-	-	-	-	-	1,794	764
	107,702	125,888	**110,154**	133,042	**38,293**	32,850	**6,893**	3,015	**263,042**	294,795
Liabilities										
Trade and other payables	13,345	8,553	-	-	-	-	-	-	13,345	8,553
Derivative financial instruments	430	100	1,683	5,437	-	-	-	-	2,113	5,537
Lease liabilities	477	561	563	967	83	231	40	42	1,163	1,801
Bank term loans	35,071	42,485	121,426	163,471	-	-	-	-	156,497	205,956
	49,323	51,699	**123,672**	169,875	**83**	231	**40**	42	**173,118**	221,847

The maturity profile is monitored by the management to ensure adequate liquidity is maintained.

9. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's financial assets and financial liabilities are measured at amortised cost except for derivative financial instruments, which are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Except for derivative instruments which are classified as at fair value, all of the Group's other financial assets and liabilities are classified as at amortised cost.

Fair value hierarchy

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities measured at fair value

The fair value of the derivatives, which are not exchange traded, is estimated at the amount the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current credit worthiness of the counterparties. The Group's exposure to derivatives, whose fair value as of 31 December 2021 is BD 2,113 thousand (2020: BD 5,445 thousand) are categorised under Level 2. There were no transfers between Level 1 and Level 2 during 2021.

Financial assets and liabilities not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value analysed by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December.

2021	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
	BD '000	BD '000	BD '000	BD '000	**BD '000**
Loans and advances to customers	-	-	229,325	229,325	**229,325**
Bank term loans	-	-	156,497	156,497	**156,497**

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9. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

2020	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
	BD '000	BD '000	BD '000	BD '000	BD '000
Loans and advances to customers	-	-	264,006	264,006	264,006
Bank term loans	-	-	205,956	205,956	205,956

In case of loans and advances to customers, the average interest rate of the loan portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the carrying value would not be materially different to fair value of these assets. The fair value of bank term loans and bonds issued approximate their carrying value since they are at floating interest rates.

The fair values of all other financial instruments approximated their respective book values due to their short-term nature.

10. LOANS AND ADVANCES TO CUSTOMERS

(a) Exposure by staging

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	BD '000	BD '000	BD '000	**BD '000**
Loans and advances	130,236	88,248	44,631	**263,115**
Less: expected credit loss	(3,912)	(7,201)	(22,677)	**(33,790)**
Loans and advances	**126,324**	**81,047**	**21,954**	**229,325**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	BD '000	BD '000	BD '000	BD '000
Loans and advances	186,819	65,943	45,941	298,703
Less: expected credit loss	(5,668)	(5,522)	(23,507)	(34,697)
Loans and advances	181,151	60,421	22,434	264,006

During 2020, the initial modification loss recorded by the Group amounted to BD 16,125 thousand, of which BD 934 thousand was reversed to equity due to early settlements of loans and repayment of credit card balances for the year ended 31 December 2020 (2021: NIL).

During 2020, the modification loss has been calculated for the loan portfolio as the difference between the net present value of the modified cash flows calculated using the original effective profit rate and the current carrying value of the financial assets on the date of modification. The modification loss for credit card is calculated as normal interest at applicable rate for the six months holiday given from repayment of credit card balances. The Group provided Installments deferral on financing exposures amounting to BD 281,906 thousand as part of its support to impacted customers during the initial deferral required by the CBB from March to September 2020.

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(b) Expected credit loss movement

2021	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Specifically assessed	
	BD '000	BD '000	BD '000	BD '000	BD '000
Expected credit loss at 1 January 2021	5,668	5,522	20,404	3,103	**34,697**
Net transfer between stages	(1,000)	627	(176)	549	**-**
Net reversal / charge for the year	(756)	1,052	12,149	395	**12,840**
Write off during the year	-	-	(13,534)	(213)	**(13,747)**
Expected credit loss at 31 December 2021	**3,912**	**7,201**	**18,843**	**3,834**	**33,790**

2020	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Specifically assessed	
	BD '000	BD '000	BD '000	BD '000	BD '000
Expected credit loss at 1 January 2020	3,282	4,923	13,197	1,984	23,386
Net transfer between stages	1,315	(36)	(3,063)	1,784	-
Charge for the year	1,071	635	19,807	46	21,559
Write off during the year	-	-	(9,537)	(711)	(10,248)
Expected credit loss at 31 December 2020	5,668	5,522	20,404	3,103	34,697

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11. TRADE RECEIVABLES

	31 December 2021 BD '000	31 December 2020 BD '000
Trade receivables	5,608	6,221
Less: expected credit loss	(2,039)	(1,726)
	3,569	4,495

Expected credit loss movement	**2021 BD '000**	2020 BD '000
At beginning of the year	1,726	1,489
Net charge for the year	391	237
Write off during the year	(78)	-
At end of the year	**2,039**	1,726

12. INVENTORIES

	31 December 2021 BD '000	31 December 2020 BD '000
Automotive stock:		
- Vehicles	3,030	9,940
- Spare parts	5,875	4,641
Real Estate inventory	3,325	5,195
	12,230	19,776
Provision on vehicles and spare parts	(751)	(1,070)
	11,479	18,706

Movement on provisions (vehicles and spare parts)	**2021 BD '000**	2020 BD '000
At beginning of the year	1,070	655
Net charge for the year	123	646
Utilisation	(442)	(231)
At end of the year	**751**	1,070

13. INVESTMENT PROPERTIES

	31 December 2021 BD '000	31 December 2020 BD '000
Cost		
At 1 January	14,536	14,273
Additions during the year	-	263
Disposal during the year	(1,152)	-
Transfer from investment property to inventory	(360)	-
At 31 December	**13,024**	14,536

	2021 BD '000	2020 BD '000
Accumulated depreciation and impairment losses		
At 1 January	1,973	1,632
Charge for the year	289	316
Reversal / charge of impairment provision	(25)	25
At 31 December	**2,237**	1,973
Net book value at 31 December	**10,787**	12,563

The fair value of investment properties as at 31 December 2021 is BD 12,917 thousand (2020: BD 14,764 thousand) were determined by independent external property valuers with the appropriate recognised qualification and experience in the location and category of the property being valued.

All such valuers are approved by the Bahrain Real Estate Regulatory Authority to carry out such valuations. The fair value was determined based on a sales comparison approach that reflect recent transaction prices for similar properties and accordingly categorized as level 3 in the fair value hierarchy.

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14. PROPERTY AND EQUIPMENT

						2021	2020
	Land and buildings	Furniture, fixtures & equipment	Vehicles	Work in Progress	Right of Use	Total	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Cost							
At 1 January	26,463	10,909	8,459	342	4,018	**50,191**	49,734
Additions	7	122	1,354	303	307	**2,093**	2,956
Disposals	(89)	(67)	(2,106)	(2)	(715)	**(2,979)**	(2,499)
Reclassified	12	392	-	(404)	-	**-**	-
At 31 December	**26,393**	**11,356**	**7,707**	**239**	**3,610**	**49,305**	50,191
Depreciation							
1 January	8,884	9,384	2,949	-	1,324	**22,541**	20,142
Charge for the year	492	944	1,130	-	596	**3,162**	3,672
Disposals	(17)	(22)	(964)	-	(340)	**(1,343)**	(1,273)
At 31 December	**9,359**	**10,306**	**3,115**	**-**	**1,580**	**24,360**	22,541
Net book value							
At 31 December 2021	**17,034**	**1,050**	**4,592**	**239**	**2,030**	**24,945**	
At 31 December 2020	17,579	1,525	5,510	342	2,694		27,650

The cost of fully depreciated assets still in use at 31 December 2021 was BD 10,743 thousand (2020: BD 9,368 thousand).

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15. TRADE AND OTHER PAYABLES

	31 December 2021 BD '000	31 December 2020 BD '000
Derivative financial instruments	2,113	5,537
Lease liabilities (note 15.1)	1,163	1,801
Others	16,208	16,617
	19,484	23,955

15.1. Lease liabilities

	31 December 2021		31 December 2020	
	Minimum lease payments BD '000	Present value of lease payments BD '000	Minimum lease payments BD '000	Present value of lease payments BD '000
Within one year	523	478	625	561
After one year but not more than five years	626	563	1,085	967
More than five years and less than 10 years	94	83	252	232
More than 10 years	72	39	75	41
Total minimum lease payments	**1,315**	**1,163**	2,037	1,801
Less: finance charges	(152)		(236)	
Net lease liability	**1,163**	**1,163**	1,801	1,801

The movement in lease liabilities is as follows:

	2021 BD '000	2020 BD '000
Lease liabilities as at 1 January	1,801	1,725
Additions	281	779
Termination	(340)	(114)
Finance cost	69	103
Payments made	(648)	(692)
Lease liabilities as at 31 December	**1,163**	1,801

16. SHARE CAPITAL

	31 December 2021 BD '000	31 December 2020 BD '000
Authorised share capital		
500,000,000 (2020: 500,000,000) shares of 100 fils each	**50,000**	50,000
Issued and fully paid 204,187,500 (2020: 204,187,500) shares of 100 fils each		
At 1 January	20,419	20,419
At 31 December	**20,419**	20,419

	31 December 2021 BD '000	31 December 202 BD '000 0
Treasury shares 2,759,029 shares (2020: 2,759,029 shares)	**599**	599

The Company's memorandum of association allows it to hold up to 10% of its own issued shares as treasury shares.

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Additional information on shareholding pattern

I. Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of issued and fully paid shares.

	Nationality	No. of shares	% holding
Social Insurance Organisation*	Bahrain	63,165,039	30.93%
Bank of Bahrain and Kuwait	Bahrain	47,023,363	23.03%
National Bank of Bahrain	Bahrain	22,910,775	11.22%

* Shareholding under Social Insurance Organization represents holding of shares by Social Insurance Organization (GOSI) and Social Insurance Organization (Pension) which is a government organization.

II. The Company has only one class of equity shares and the holders of these shares have equal voting rights. Out of the total shareholders, 98% are Bahraini individuals or corporates and 2% are other nationalities.
III. The shareholding of Directors, other than nominee directors representing major shareholders, is 945,449 shares (2020: 801,718 shares).
IV. Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

2021	Number of Shares	Number of shareholders	% of total issued
Categories*			
Less than 1%	47,292,684	1,265	23.16%
1% up to less than 5%**	23,795,639	7	11.65%
5% up to less than 20%	22,910,775	1	11.22%
20% up to less than 50%	110,188,402	2	53.96%
Total	**204,187,500**	**1,275**	**100.00%**

2020	Number of Shares	Number of shareholders	% of total issued
Categories*			
Less than 1%	47,922,264	1,286	23.47%
1% up to less than 5%**	23,166,059	7	11.35%
5% up to less than 20%	22,910,775	1	11.22%
20% up to less than 50%	110,188,402	2	53.96%
Total	204,187,500	1,296	100.00%

* Expressed as a percentage of total issued and fully paid shares of the Company
** Includes 2,759,029 treasury shares (2020: 2,759,029 shares)

17. AUTOMOTIVE REVENUE

	2021 BD '000	2020 BD '000
Sale of cars and accessories	37,764	34,343
Car repair and maintenance services	4,050	3,626
Car leasing revenue	1,594	1,886
	43,408	39,855

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18. FEE AND COMMISSION INCOME

	2021 BD '000	2020 BD '000
Loan administration and other credit card related fees	5,662	4,438
Insurance commission income	695	838
	6,357	5,276

19. PROFIT FROM SALE OF REAL ESTATE INVENTORY

	2021 BD '000	2020 BD '000
Revenue	2,392	2,131
Cost of Sales	(2,236)	(1,911)
Profit from sale of real estate inventory	**156**	220

20. OTHER INCOME

	2021 BD '000	2020 BD '000
Incentives from automotive principals	521	508
Miscellaneous income	608	519
	1,129	1,027

21. OPERATING EXPENSES

	2021 BD '000	2020 BD '000
General and administration costs	5,426	5,214
Depreciation	2,504	2,777
Selling and promotion costs	1,419	1,784
Operating expenses relating to investment properties	91	174
Allowances for inventory	123	646
Allowances for investment properties	(25)	25
Automotive finance cost	104	260
	9,642	10,880

22. ALLOWANCE ON LOANS AND RECEIVABLES, NET OF RECOVERIES

	2021 BD '000	2020 BD '000
Allowances on loans and advances to customers, net (Note 10 (b))	12,840	21,559
Allowances on trade receivables, net (Note 11)	391	237
Recoveries from written off balances	(2,264)	(1,324)
	10,967	20,472

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23. DISTRIBUTION OF ASSETS AND LIABILITIES

The geographic distribution of all assets and liabilities of the Group is predominantly in Bahrain. The assets and liabilities of the Group are not concentrated in any particular industry sector.

24. SEGMENTAL INFORMATION

For management purposes, the Group is organised into four operating segments based on products and services as follows:

- Customer lending - principally providing consumer loans and credit card facilities;
- Automotive - trading in motor vehicles and spares and the provision of after sales services and leasing services;
- Real estate - include buying, selling and renting of properties and providing property evaluation services; and
- Insurance - provision of insurance brokerage services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 and 2020. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments

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24. SEGMENTAL INFORMATION (continued)

At 31 December	Customer lending		Automotive		Real estate		Insurance		Total	
	2021 BD '000	2020 BD '000	**2021 BD '000**	2020 BD '000	**2021 BD '000**	2020 BD '000	**2021 BD '000**	2020 BD '000	**2021 BD '000**	2020 BD '000
Operating income	**25,814**	27,932	**5,402**	3,902	**751**	1,108	**695**	838	**32,662**	33,780
Inter segment revenue	(18)	97	325	404	213	290	115	161	**635**	952
Operating costs	(10,260)	(10,726)	(3,891)	(4,995)	(704)	(1,034)	(659)	(828)	**(15,514)**	(17,583)
Impairment, net of recoveries	(10,579)	(20,239)	(282)	(203)	(106)	(30)	-	-	**(10,967)**	(20,472)
Inter segment expenses	(520)	(675)	(18)	(36)	(97)	(241)	-	-	**(635)**	(952)
Profit for the year	**4,437**	(3,611)	**1,536**	(928)	**57**	93	**151**	171	**6,181**	(4,275)
Assets (Liabilities)										
Cash and balances with banks	13,203	21,259	14,993	4,051	4	93	154	127	**28,354**	25,530
Loans and advances to customers	229,325	264,006	-	-	-	-	-	-	**229,325**	264,006
Trade and other receivables	140	19	2,972	4,126	91	122	366	228	**3,569**	4,495
Intercompany balances	(2,429)	1,844	(174)	(300)	(1,047)	(4,896)	3,650	3,352	**-**	-
Inventories	-	-	8,153	13,511	3,326	5,195	-	-	**11,479**	18,706
Investment properties	-	-	-	-	10,787	12,563	-	-	**10,787**	12,563
Property and equipment	9,029	9,675	15,916	17,975	-	-	-	-	**24,945**	27,650
Other assets	228	264	2,202	2,287	11	44	1	-	**2,442**	2,595
Trade and other payables	(11,529)	(16,990)	(7,300)	(6,423)	(162)	(253)	(493)	(290)	**(19,484)**	(23,956)
Bank term loans	(156,497)	(205,956)	-	-	-	-	-	-	**(156,497)**	(205,956)
Equity	**81,470**	74,121	**36,762**	35,227	**13,010**	12,868	**3,678**	3,417	**134,920**	125,633
Capital expenditure	491	901	1,602	2,055	-	-	-	-	**2,093**	2,956
Depreciation charge for the property and equipment	1,097	1,203	2,065	2,469	-	-	-	-	**3,162**	3,672

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. BALANCES AND TRANSACTIONS WITH RELATED AND ASSOCIATED PARTIES

Related parties comprise major shareholders, directors, and key management personnel of the Company and entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Company.

The Group has banking relationships and obtains term borrowings and has unutilised credit facilities with certain of its shareholder banks (Bank of Bahrain and Kuwait and National Bank of Bahrain). All such transactions are in the ordinary course of business and on terms agreed between the parties.

	2021 BD '000	2020 BD '000
Major shareholders:		
As at 31 December		
Term loans	29,753	50,160
Bank balances	1,129	1,302
For the year ended 31 December		
Interest expense	1,413	2,086

Key management personnel:
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the Board of Directors, the Chief Executive Officer, the Managing Director, the President, the General Managers and the Senior Vice Presidents.

	2021 BD '000	2020 BD '000
As at 31 December		
Loans and advances to customers	904	339
For the year ended 31 December		
Salaries and short term employee benefits	1,738	1,833
End of service benefits	77	595
Directors remuneration and attendance fees	335	626
Sales, service and lease of vehicles	108	70
Purchase of materials	6	20

An impairment loss of BD 160 thousand (2020: BD 59 thousand) have been recorded against balances outstanding during the period with related parties.

26. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini for the year amounted to BD 678 thousand (2020: BD 698 thousand) respectfully. The Group's provision for expatriate employees' leaving indemnities at 31 December 2021 was BD 970 thousand (2020: BD 1,053 thousand). The Group employed 764 staff at 31 December 2021 (2020: 849).

The movement in the employees end of service benefits is as follows:

	2021 BD '000	2020 BD '000
At 1 January	1,053	1,457
Provided during the year	306	347
Paid during the year	(389)	(751)
At 31 December	**970**	1,053

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. STAFF SAVING SCHEME

The scheme is a contribution saving fund between the Company and the employees of the Company. The objective is to provide employees with cash benefits upon resignation, retirement or death. Participation is discretionary and employees can contribute any amount up to 10% of the salary. The Company contributes the same percentage.

The Employee becomes eligible for the full amount of the Company's contribution once the employee has completed 10 years of service. Otherwise, it will be calculated proportionately based on the number of years of services.

As at 31 December 2021, the total contribution of the Group under the savings plan stand at BD 2,482 thousand (2020: BD 2,486 thousand). The Fund is invested within a reputable bank in Bahrain.

28. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2021 BD '000	2020 BD '000
Profit / (loss) for the year	6,186	(4,275)
Weighted average number of equity shares (in 000's) (note 16)	201,429	201,429
Basic earnings per share	**31 fils**	(21) fils

Diluted earnings per share is the same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

29. OUTSTANDING COMMITMENTS

As at reporting date, the Group has standby letters of credit issued in the normal course amounting to BD 8,862 thousand (2020: BD 8,800 thousand) and unutilised credit limits of BD 27,140 thousand (2020: BD 31,487 thousand) to its customers.

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Derivatives (assets)/ liabilities borrowings	Equity			
	Trade and other payables BD '000	Bank Term loans BD '000	Interest rate swap and forward exchange contracts used for hedging – liabilities BD '000	Share capital BD '000	Reserves BD '000	Retained earnings BD '000	**Total BD '000**
Balance at 1 January 2021	**18,418**	**205,956**	**5,537**	**19,820**	**57,586**	**48,227**	**355,544**
Proceeds from loans and borrowings	-	2,000	-	-	-	-	**2,000**
Repayment of borrowings	-	(52,170)	-	-	-	-	**(52,170)**
Dividend paid	(16)	-	-	-	-	-	**(16)**
Donation paid	-	-	-	-	(226)	-	**(226)**
Total changes from financing cash flows	**(16)**	**(50,170)**	**-**	**-**	**(226)**	**-**	**(50,412)**
Changes in fair value	-	-	(3,424)	-	3,332	-	**(92)**
Other changes	-	-	-	-	-	6,181	**6,181**
Liability-related changes	(1,384)	-	-	-	-	-	**(1,384)**
Borrowing upfront cost	-	711	-	-	-	-	**711**
Interest expense	8,749	-	-	-	-	-	**8,749**
Interest paid	(8,396)	-	-	-	-	-	**(8,396)**
Total liability-related other changes	**(1,031)**	**711**	**(3,424)**	**-**	**-**	**-**	**(3,744)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**3,332**	**6,181**	**9,513**
Balance at 31 December 2021	**17,371**	**156,497**	**2,113**	**19,820**	**60,692**	**54,408**	**310,901**

31. PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2021. These appropriations are subject to approval by the shareholders at the Annual General Meeting

	2021 BD '000	2020 BD '000
Proposed dividends	5,036	-
Donations	150	-
General reserve	500	-
	5,686	-

32. COMPARATIVES

The corresponding figures have been reclassified where necessary to conform to the current year's presentation. The reclassification did not affect previously reported profit for the year or total equity.

UNAUDITED SUPPLEMENTARY

INFORMATION ON IMPACT OF COVID-19

For the year ended 31 December 2021

As per the Central Bank of Bahrain ('the CBB') directions through their circular OG/259/2020 dated 14th July 2020 with the objective to maintain transparency amidst the current implications of Coronavirus (COVID-19), the BCFC Group is providing following additional information in relation to the financial impact of COVID-19 on its financial statements.

The coronavirus ("COVID-19") outbreak earlier in 2020 has had multiple implications on the Group, from stressed market conditions, significant reduction in sales of its product and services, reduction in cashflows from the loan book and disruption of its normal operations due to social distancing norms and restricted commercial activities.

The table below summarizes the impact of the various measures and market conditions on the Group as at 31 December 2021:

	Net Profit	Total Equity (Excluding Net Profit)	Total Assets
	BD '000	BD '000	BD '000
Estimated balances at 31 December 2021 excluding COVID-19 impact	**15,277**	**128,739**	**317,045**
Impact due to Changed Market Conditions:			
Additional impairment provisions due to Covid-19	(6,144)	-	(6,144)
Lower income from lending activities	(1,360)	-	-
Lower income in automotive businesses	(941)	-	-
Lower income in insurance services business	(242)	-	-
Lower income in real estate business	(409)	-	-
	(9,096)	**-**	**(6,144)**
Closing balances as per the financial statements	**6,181**	**128,739**	**310,901**

The above information is prepared based on certain assumptions and should not be considered as an indication of the results of the full year or relied upon for any other purposes. Since the unfolding of events due to Covid-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be not relevant. In addition, this information does not represent a full comprehensive assessment of Covid-19 impact on the Group. This information has not been subject to a formal review by external auditors.