NAME: Bahrain Commercial Facilities Company BSC

SUBJECT: Annual Report

YEAR: 2019

STICKING TO BUSINESS FUNDAMENTALS...
GROWING AND EVOLVING...

شـركـة البـحريـن للتسـهيلات التجـارية ش.م.ب
BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

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 financial institution.

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) 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 SPC (TAC) to introduce 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) to introduce 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 SPC (TRESCO) was established in 2002, and is actively involved in the acquisition, sales, marketing, valuation, property development, rental and brokerage services of lands and properties within the Kingdom of Bahrain.

CONTENTS

His Royal Highness Prince Khalifa Bin Salman Al Khalifa
The Prime Minister of the Kingdom of Bahrain

His Majesty King Hamad Bin Isa Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness Prince Salman Bin Hamad Al Khalifa
The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister 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 preffered 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.

OPERATIONAL HIGHLIGHTS

BCFC Group financial performance remained robust and rewarding for the shareholders despite very difficult market conditions. All the group companies continued the implementation of their key strategic initiatives to augment customers experience and increase its reach to new market segments.

The Company has earned a net profit of BD 17.1 million for the year ended 31 December 2019 (2018:BD 22.9 million). The reduction is predominantly due to higher impairment provisions taken to safeguard the company against the increase in expected credit losses.

Credit: Bahrain Credit registered a net profit of BD 13.9 million (2018: BD 18.9 million). The company advanced new credit facilities of BD 151 million (2018: BD 171 million). Maintaining portfolio quality remained a top priority, the non-performing loans had increased but were controlled at 5.77% of the total portfolio.

Automotive: National Motor Company registered a net profit of BD 2.1 million (2018: BD 2.4 million). The new vehicle sales in the Country witnessed a contraction of 35% in 2019. Operating in such adverse conditions, the company took many steps for cost optimization across the organization and introduced new revenue streams. The company launched Bahrain's first private inspection center. The company has also introduced its first quick service center in Hamala and second location for certified pre-owned vehicles in Sanad. The company continued its focus on enhancing customer delight through superior quality of customer service.

Tasheelat Automotive Company reported a net profit of BD 0.3 million (2018: BD 0.2 million). The company continued its leadership amongst all the Chinese brands. In 2019, GAC Motor became the seventh largest automotive brand in the country. To increase its market penetration, the company has introduced two new brands. 'Haval' is the specialist manufacturer of premium sport utility vehicles and 'Great Wall Motor' is one of the most trusted commercial vehicle brand from China. Both new brands have received a warm reception from the customers.

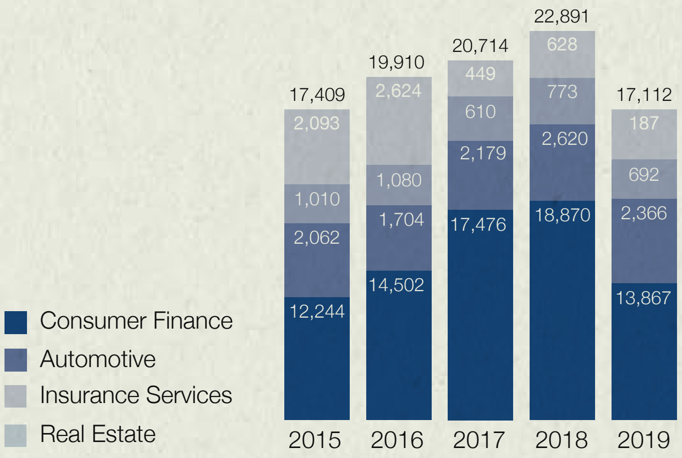
Tasheelat Car Leasing Company continued to penetrate the leasing market and became one of the top three dominant players. The company with a large fleet of over 1000 cars, has registered a net profit of BD 101 thousand (2018: net loss BD 63 thousand). During the year, the company had won many prestigious and significant lease tenders both in the government and corporate segments. The company is leveraging on the existing BCFC infrastructure to add new customers to the group portfolio.

Insurance: Tasheelat Insurance Services Company reported a net profit of BD 0.7 million (2018: BD 0.8 million). The company has beautifully remodeled itself as a multi-product company to reduce its dependency on motor insurance. The company is offering exclusive tailored insurance products to its customers in partnership with major insurance companies. In addition, the company continues to maintain its leadership in motor insurance and arranged more than twenty-seven thousand policies despite double digit reduction in the new vehicle sales.

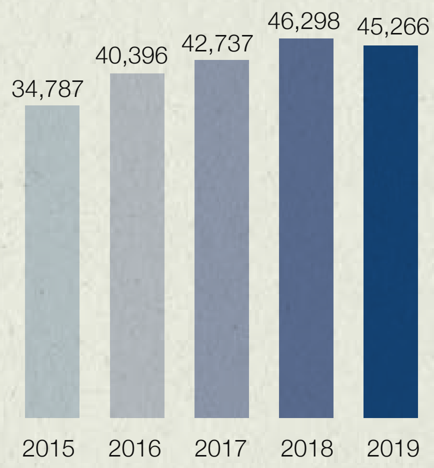
Real Estate: Tasheelat Real Estate Company has recorded a net profit of BD 0.2 million (2018: BD 0.6 million). Due to acute shortage of liquidity, the real estate was one of the most affected market segments. These uninspiring market conditions have affected the company's land sale. However, the company's investment property portfolio continued to enjoy high demand and provided healthy annuity type returns.

FINANCIAL HIGHLIGHTS

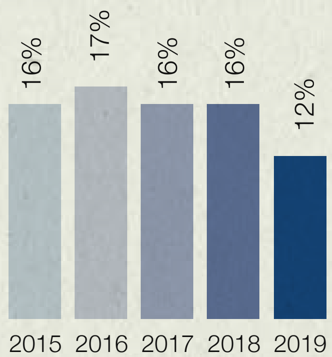
Net Profit (BD thousand)



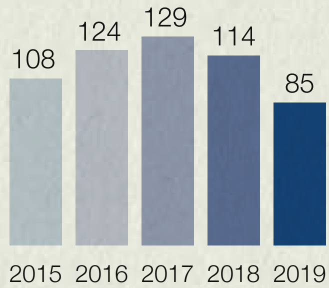
Operating Income (BD thousand)



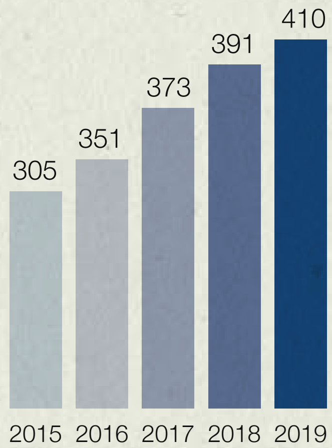
Return on Average Equity (%)



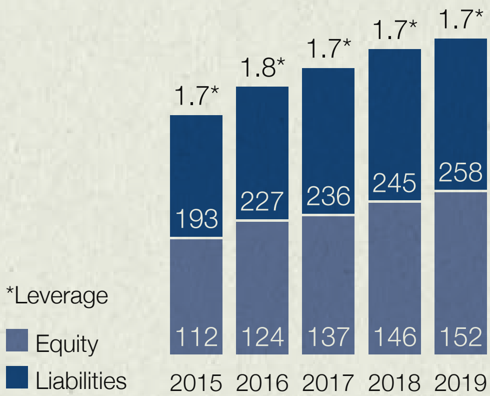
Earnings Per Share (fils)



Total Assets (BD million)



Debt Equity (BD million)



CHAIRMAN'S REPORT

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, for the financial year ended 31 December 2019. 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 SPC, Tasheelat Insurance Services Company WLL, Tasheelat Automotive Company SPC and Tasheelat Car Leasing Company WLL.

2019 proved to be an extremely difficult year. The strong headwinds continued to challenge growth for the world economy. The broad-based slowdown downgraded the global growth to its slowest pace since the global financial crisis. This subdued growth is a consequence of rising trade barriers; elevated uncertainty surrounding trade and geopolitics; idiosyncratic factors causing macroeconomic strain in several emerging market economies; and structural factors, such as low productivity growth and ageing demographics in advanced economies. For the GCC countries, in addition to some significant security events in the region, the economic challenges resulted from structural changes and volatile oil prices continue to shake investors' confidence.

In Bahrain, with every quarter of 2019, the economic environment turned more challenging with reduction in liquidity and slowing down of consumer consumption. The government's initiatives to embrace more fiscal discipline to improve its financial health has resulted in new tax reforms and reduced spending. The introduction of VAT at the start of the year and increase in fees for certain government services have affected consumers' disposable income. The real estate and automotive industry are amongst the worst affected. The business community is taking longer than what was initially expected to readjust its fundamentals to the new norm.

In such an unprecedented environment, your Company cannot be insulated from these acute market realities and consequences. The Company has earned a net profit of BD 17.1 million for the year ended 31 December 2019 (2018: BD 22.9 million). The reduction is predominantly due to higher impairment provisions taken as prudent measures to safeguard the Company against expected customers' liquidity challenges. These earnings translate into an average return on equity of 12%. Your Board recommends a cash dividend to shareholders at the rate of 50 fils per share (50% of paid up capital) (2018: 45 fils per share, 25% bonus shares).

Bahrain Credit achieved a net profit of BD 13.9 million (2018: BD 18.9 million). The company practiced further caution in extending new credits and tightened its underwriting policies to adapt to the difficult market conditions. Total new loans worth BD 151 million (2018: BD 171 million) were advanced during the year. The company continued its emphasis on reinforcing its risk management practices through offering products which clearly demarcate risk and rewards per customer segments. The company continued its forward-looking investments into technology driven initiatives to accommodate demands of contemporary customers and augment its customer relation touchpoints.

The unprecedented 35% contraction in the new vehicle sales, the overall reduction in the used cars trading and customers' shift towards smaller engine and low-price cars had affected our volume aspirations in our core product vehicle lending. The company continued its investments in new initiatives to stimulate automotive market in partnership with auto dealers and sub dealers. The company remained very selective in extending new mortgage loans considering reduction in real estate activities and prices. The overall increase in costs of living infused higher demand for personal loans amongst existing and new customer profiles. The company's credit card offerings under 'Imtiaz' continue to reach wider segments of the society. The business fundamental remains very sound with respect to cards acquisition, growth in receivables and foreign currency spend.

The company remained extremely cautious to maintain and manage the quality of its portfolio. However, 2019 witnessed a new reality where customers who never experienced cashflow challenges in the past have reached out to us seeking help in rescheduling their commitments to manage the current market realities and challenges. The company remained flexible to deserving customers and at the same time has taken higher impairment provisions to safeguard its portfolio. The company continues to update its underwriting policies through active feedback between the underwriters and collection agents to ensure that the company's underwriting practices and risk appetite remain sensitive to the prevailing market circumstances.

National Motor Company WLL earned a net profit of BD 2.1 million (2018: BD 2.4 million). These results are particularly remarkable considering the significant decline in the new vehicle sales during the year and substantial erosion of margins due to accumulation of vehicle supplies in the country. This supply exceeds customers' demands. It is to be noted that the fortunes of the global automotive industry are under huge disruptions. Factors ranging from new safety and intelligent technologies to fuel efficient engines to aggressive fight over reducing costs of ownership for customers are casting a negative shadow on the revenue structure of a distributorship business model. In this changing environment, the company has focussed its energy on efficient inventory controls with correct mix of vehicles, lean and skilled deployment of workforce, strong focus on customer satisfaction and emphasis on cost optimisation. The company continued its strong focus on meeting and exceeding customer expectations in the after sales operations.

The disruptions mentioned above are being capitalized on through Tasheelat Automotive Company SPC. The growth trajectory of the company, despite the contracting automotive market, remain exciting. The company has achieved a net profit of BD 271 thousand (2018: BD 207 thousand). GAC Motor continued its leadership in the Chinese brands, at the same time it became overall the seventh largest automotive brand in the country due to its high reliability, cutting edge technologies, safety features, fuel efficiency and very attractive price points. To take advantage of changing customers preferences, the company has recently introduced Haval, another well-known car brand known for its sports utility vehicles. The initial feedback received has been excellent. Your Board will continue to invest in new and aspiring brands and the setup for the automotive businesses.

Tasheelat Car Leasing Company WLL continued to scale at the right pace and registered a net profit of BD 101 thousand (2018: net loss BD 63 thousand). In current market circumstances when customers disposable income is significantly constrained, car leasing is emerging as a good option for vehicle needs. The company is reaching out to retail and corporate customers to offer leasing as an alternative option for mobility. The company has achieved significant increase in its fleet of vehicles. The company has unique advantage of having largest strategically located branch network with vast range of vehicles, efficiently sourced from sister companies to appeal to all types of customer profiles.

Tasheelat Insurance Services Company WLL achieved a net profit of BD 0.7 million (2018: BD 0.8 million). The company continued to perform well despite the difficult market conditions due to its strategy of diversifying its revenue streams. The contraction in the new vehicle sales and noticeable shift of customers to lower price vehicles have resulted in the reduction of the company's gross insurance premium income. This is despite the fact that the company sold higher number of policies during the year. The company continued to offer unique products through leveraging on BCFC Group core competencies to address new market segments that are currently not well served.

Tasheelat Real Estate Services Company SPC registered a net profit of BD 0.2 million (2018: BD 0.6 million). The introduction of new infrastructure fees and general contraction in liquidity has stagnated the real estate market in Bahrain. Customers overall demand remained uninspiring with marginal correction in real estate prices in certain areas. Such market conditions have affected the company's plans to liquidate available inventory in the existing projects. The company continues to chase steady and annuity type of returns and have further invested in multiple new investment properties. All such properties continue to maintain healthy occupancy rate throughout the year and have generated steady and reliable rental yield.

BCFC Group continues to enjoy a strong and healthy liquidity position with a well-defined, spaced out maturity profile for its borrowings. During the year, the Company had successfully arranged a USD 125 million syndicated loan. The loan proceeds were used to repay USD 53 million bonds and USD 50 million towards the first tranche of USD 125 million syndicated loan on their respective maturities. The Group is currently operating at a low and healthy leverage of 1.7 multiples. The Group shall explore expansion opportunities, as and when they are presented themselves, which have the potential to increase the shareholders' value.

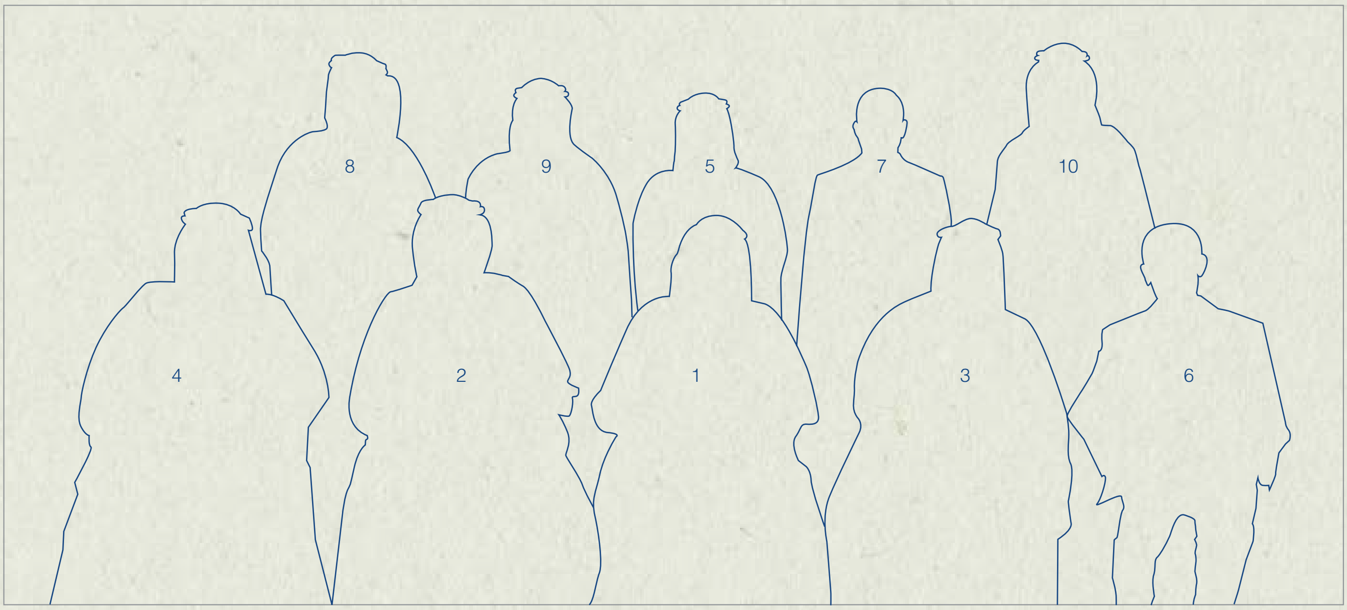
During the year, there were no changes in the composition of the Board of Directors. In accordance with the requirement of Bahrain's Commercial Companies Law 2001, we report the aggregate amount paid to directors during 2019 was BD 767 thousand (2018: BD 726 thousand) in respect of fees and subsidiary Board and Committees' attendance allowances. The total shareholding of the directors in the Company is 137.3 million shares (67.26% 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 has resulted in this excellent performance.

Finally, we also gratefully acknowledge the guidance of our nation's wise leadership and the continuing support and co-operation received from the government ministries and organizations of Bahrain, most particularly the Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism.

Abdulrahman Yusuf Fakhro
Chairman
26 February 2020

BOARD OF
DIRECTORS



1. Abdulrahman Yusuf Fakhro
Chairman of the Board and Chairman of the Remuneration and Nomination Committee

Director since 12 November 1989 (Independent and Non-executive); has more than 55 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
- Board Chairman and Chairman of the Remuneration and Nomination Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

2. Reyadh Yusuf Hasan Sater
Vice Chairman of the Board and Vice Chairman of the Executive Committee - Nominee of Bank of Bahrain and Kuwait B.S.C.

Director since 18 March 2014 (Executive in shareholder bank "BBK"); has more than 41 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.

- Chief Executive – BBK B.S.C., Bahrain
- Chairman of Credimax B.S.C. (c), Bahrain
- Member of the Executive Committee of BBK B.S.C.
- Board Member and Member of the Executive Committee of Naseej B.S.C., Bahrain
- Vice Chairman of the Board and Vice Chairman of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

3. Khalid Mohammed Ali Mattar
Board Member and Chairman of the Executive Committee and Automotive Board

Director since 15 May 1996 (Independent and Non-executive); has more than 38 years of extensive and diversified experience in business, trade, investment, manufacturing, marine services and contracting; holds a BSc in Economics and Business Administration from the Arab University of Beirut, Lebanon, 1975. Member of the Institute of Directors, London, 2016.

- Chairman and Managing Director of Awal Contracting and Trading Co. W.L.L. (AWALCO), Bahrain
- Chairman and Managing Director of Awal Marine Services Est. W.L.L., Bahrain
- Chairman of Awalco Investment Co. W.L.L., Bahrain
- Board Member of Awal Gulf Manufacturing Co. B.S.C. (c), Bahrain
- Board Member and 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 S.P.C. (TAC), Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tasheelat for General Trading and Cars W.L.L. (TGTC), Erbil- Kurdistan, Republic of Iraq

4. Ebrahim Abdulla Buhindi
Board Member and Chairman of the Audit Committee

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 44 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 Chairman of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

BOARD OF DIRECTORS (Continued)

5. Abdulaziz Abdulla A.Aziz Al-Ahmed

Board Member, Vice Chairman of the Remuneration and Nomination Committee and Vice Chairman of the Automotive Board - Nominee of National Bank of Bahrain B.S.C.

Director since 28 March 2011 (Executive in shareholder bank "NBB"); has more than 46 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 and Vice Chairman of the Remuneration and Nomination 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 S.P.C. (TAC), Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tasheelat for General Trading and Cars W.L.L. (TGTC), Erbil- Kurdistan, Republic of Iraq
- Board Member of Infonas W.L.L., Bahrain
- Board Member of Trustees – Primary Healthcare of Supreme Council of Health.

6. Sayed Abdulghani Hamza Qarooni

Board Member and Member of the Executive Committee

Director since 15 March 2008 (Independent and Non-executive); has more than 54 years of extensive and diversified experience in the field of law as a Lawyer, Legal Advisor and Accredited Arbitrator in GCC Commercial Arbitration Centre; holds an LL.B. in Law from Damascus University, 1965. Member of the Institute of Directors, London, 2016.

- Legal Advisor – A.Ghani Qarooni and Associates Attorneys and Legal Consultants, Bahrain
- Chairman of Strand Property Management and Maintenance S.P.C., Bahrain
- Board Member and Member of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

7. Dr. Abdulrahman Ali Saif

Board Member and Member of the Automotive Board - Nominee of Bank of Bahrain and Kuwait B.S.C.

Director since 24 April 2016 (Executive in shareholder bank "BBK"); has more than 37 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.

- Deputy Group Chief Executive, Wholesale Banking Group, BBK B.S.C.
- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company S.P.C. (TAC), Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tasheelat for General Trading and Cars W.L.L. (TGTC), Erbil- Kurdistan, Republic of Iraq
- Board Member of Bahrain Kuwait Insurance Company B.S.C. (BKIC), Bahrain
- Chairman of Aegila Capital Management Limited, London, UK

8. Abdulla Mohamed Al-Mahmood

Board Member, Vice Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee - Nominee of Social Insurance Organization, Bahrain

Director from 18 March 2014 (Non-executive); has more than 31 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; a 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, Vice Chairman of the Audit Committee and Member of the Remuneration and Nomination Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

9. Yusuf Saleh Sultan Khalaf

Board Member and Member of the Audit Committee

Director since 01 April 2018 (Independent and Non-executive); has more than 37 years of extensive and diversified experience in banking and financing services; holds an ACCA Professional Examinations from Trent Polytechnic, UK, 1980; a Higher Diploma in Business Studies from Salford College of Technology, UK, 1978; and National Diploma in Business Studies from Fielden Park College, UK; 1976. Member of the Institute of Directors, London, 2018.

- Board Member of Bahrain and Kuwait Bank (BBK), Bahrain.
- Board Member and Member of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

10. Mohamed Jehad Bukamal, CFA

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

Director from 25 December 2018 (Non-executive); has more than 11 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.

- 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 Member of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

Sayed Jalal Jaafar Al-Mousawi

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

Joined on 02 May 2007; has more than 19 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 issues at Group level; managing the overall affairs and administration of Group Board Secretariat as a qualified company secretary, who is well-versed in law, compliance, corporate governance, specialised translations, public and media relations, legal drafting, journalistic, specific and general purpose writings; an authorised signatory and attorney-in-fact, legal and tax representative acting under the Group Companies' authority on their behalves before Courts of Justice and all other authorities in different affairs, legal and general matters for various purposes of execution as and when validity and probativity is required to be achieved; handling a wide range of the Group Companies' undertakings and corporate affairs' formation, registration and authorisation formalities to fulfill regulatory, statutory, governance and business requirements; holds a BSc (Honours) in Law from Kingdom University, 2019; holds a BA in English Literature and Translation from University of Bahrain, 2002; and attended a number of courses in accounting, corporate governance, anti-money laundering and information security.

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC is committed to the best practices of corporate governance in line with legal and regulatory requirements. Maintenance of the high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities. These guidelines cover the high-level controls aspects of corporate governance of the Company. They highlight the areas with which the Company complies in relation to the corporate governance and disclosure requirements, particularly in compliance with the approved Corporate Governance Code Principles of the Ministry of Industry, Commerce and Tourism and the updated regulatory requirements and in particular the High-Level Controls of the Central Bank of Bahrain.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 15 to the Consolidated Financial Statements for the year ended 31 December 2019.

B. Board of Directors Information

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. An executive director refers to any director, who sits on board, without executive responsibilities in the Company, and represents a shareholder with a controlling interest in the Company, while directors who are nominees of a governmental body are considered non-executive. Any newly appointed/elected director undergoes a comprehensive, formal and tailored induction. This is 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. In addition, all the Board Members are Members of the Institute of Directors, a United Kingdom-based professional institute, which provides membership privileges to each member like an online access library and other resources that will keep each member informed of and updated on recent Board and Corporate Governance trends. To fulfill some of its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee and a Remuneration and Nomination 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 Remuneration and Nomination 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 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 exercise 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 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.

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, 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 2019 as follows:

Directors *	Type of Shares	31 December 2019	31 December 2018
Abdulrahman Yusuf Fakhro	Ordinary	764,218	611,374
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Khalid Mohammed Ali Mattar	Ordinary	1,568,613	1,254,891
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
Abdulaziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Sayed Abdughani Hamza Qarooni	Ordinary	1,912,387	1,529,910
Dr. Abdulrahman Ali Saif	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Yusuf Saleh Khalaf	Ordinary	Nil	Nil
Mohamed Jehad Hasan Bukamal **	Ordinary	Nil	Nil

* The Board of Directors and their connected persons did not trade in the shares of the Company during the financial year ended 31st December 2019. However, there were changes in the numbers of shares of board shareholding due to the distribution of Bonus Shares.

** Appointed as BCFC Board Member in place of the outgoing nominee of SIO, Mr. Mohammed Ahmed Abdulla Al Khaja, effective from 25th December 2018.

CORPORATE GOVERNANCE (Continued)

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 of the members are present. In 2019, the Board of Directors convened five ordinary meetings and four unscheduled meetings. The meetings were attended as follows:

Board of Directors	15 Jan. (2)	12 Feb. (3)	26 Feb.	26 Mar.	8 May	30 Jul.	29 Oct.	24 Nov.	24 Dec.	Total
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	✓	✓	✓	x	✓	✓	✓	8
Reyadh Yusuf Hasan Sater, Vice Chairman	✓	✓	✓	✓	✓	✓	✓	x	✓	8
Khalid Mohammed Ali Mattar, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Ebrahim Abdulla Buhindi, Director	✓	By phone	✓	✓	✓	✓	✓	✓	✓	9
Abdulaziz Abdulla Al-Ahmed, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Sayed Abdughani Hamza Qarooni, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Dr. Abdulrahman Ali Saif, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdulla Mohamed Al Mahmood, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Yusuf Saleh Khalaf, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mohamed Jehad Hasan Bukamal, Director [1]	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

1. Joined the Board in place of outgoing Board Member Mr. Mohammed Ahmed Al Khaja.
2. An unscheduled meeting of the Board held to consider and approve the Strategic Plan 2019-2021.
3. Invitation to attend the meeting was served at short notice to discuss the Company's recommendations for 2018 net profit appropriations.

Additionally, where there is a potential for conflict of interest, or 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. Therefore, in order to avoid conflicts of interest, a Board Sub-Committee meeting was held to consider proposals for a syndicated loan in 2019. The meeting was attended as follows:

Board Sub-committee (To consider proposals for a syndicated loan)	14 April
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓
Mohamed Jehad Hasan Bukamal	✓

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) 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, the company's operational policies and practices, 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 2019, the Executive Committee held seven ordinary meetings. The meetings were attended as follows:

Committee Member	12 Feb.	26 Mar.	30 Apr.	21 May	25 Jun.	24 Sep.	26 Nov.	Total
Khalid Mohammed Ali Mattar, Chairman	✓	✓	✓	✓	✓	By phone	✓	7
Reyadh Yusuf Hasan Sater, Vice Chairman	✓	✓	✓	✓	By phone	✓	✓	7
Sayed Abdulghani Hamza Qarooni, Member	✓	✓	✓	✓	✓	✓	✓	7
Mohamed Jehad Hasan Bukamal, Member ‹1›		✓	✓	✓	✓	✓	✓	6

1. Appointed as Executive Committee Member in place of his predecessor Mr. Mohammed Ahmed Al Khaja effective from 26th March 2019.

2. Board Audit Committee

The Board Audit Committee assists the Board of Directors in overseeing the responsibilities for the financial reporting process, the system of internal control, the audit process, 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. 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.

CORPORATE GOVERNANCE (Continued)

The Board Audit Committee consists of at least three members appointed by the Board of Directors for a three-year term. 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 and 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 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 4 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, Head of Compliance and Money Laundering Reporting Officer, Head of Risk Management or others, as necessary. During 2019, the Board Audit Committee held seven ordinary meetings and two unscheduled meetings. The meetings were attended as follows:

Committee Member	23 Feb.	21 Mar.	29 Apr.	29 Jul.	29 Sep.	14 Oct	28 Oct.	11 Dec.	12 Dec.	Total
Ebrahim Abdulla Buhindi, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdulla Mohamed Al Mahmood, Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Yusuf Saleh Khalaf, Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

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.

3. Remuneration and Nomination Committee

Comprised of at least three directors, appointed by the Board for a three-year term, the Remuneration and Nomination Committee provides advice and makes recommendations to the Board on matters related to the nomination and appointment of Directors, Directors to the Boards of the Company's subsidiaries; membership to all Committees of the Board, the Chief Executive Officer, the General Manager of National Motor Company W.L.L. and the Secretary to the Board.

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, the General Manager of National Motor Company WLL 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, General Manager of National Motor Company W.L.L. 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 Remuneration and Nomination Committee convened two meetings during 2019. The meetings were attended as follows:

Committee Member	24 Feb.	24 Dec.	Total
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	2
Abdulaziz Abdulla Al-Ahmed, Vice Chairman	✓	✓	2
Abdulla Mohamed Al Mahmood, Member	✓	✓	2

E. Risk Management, 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 best international practices on risk management, compliance and anti-money laundering as reflected by the requirements of the Central Bank of Bahrain.

The Company has a Head of Compliance and Money Laundering Reporting Officer (MLRO) and a Head of Risk Management. 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 and the Head of Risk Management report directly to the Chief Executive Officer and Board Audit Committee and have full access to the Board of Directors.

The Company has in place a clear strategy and framework for both risk management and compliance to identify and monitor risks and put right controls on a regular basis. The Company also retains approved Compliance and Anti-Money Laundering Policies, which contains Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation. The Internal Audit Department and External Auditors regularly carry out an independent review of Anti-Money Laundering controls for the attention of the Central Bank of Bahrain.

F. Management Committees:

1. The Assets and Liabilities Committee ("ALCO") shall be comprised of at least three members appointed by the Chief Executive Officer who will also designate a Chairman. The Head of Compliance and Money Laundering Reporting Officer (MLRO) and the Head of Risk Management shall attend ALCO meetings as invitees. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset and liability management; (2) capital planning; (3) liquidity adequacy; and (4) contingency planning 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 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.

2. 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

CORPORATE GOVERNANCE (Continued)

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. 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.

3. The Risk Management Committee

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 culture 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 include the Chief Executive Officer, President - Bahrain Credit, Senior Vice President - Operations & Human Resources, Senior Vice President – Group Head of Finance, Vice President- Information Business Technology, Head of Compliance & MLRO and Risk Manager and shall meet at least quarterly or more frequently as circumstances dictate.

G. Remuneration Policy

a. Board Remuneration:

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

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.

H. 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 loans and credit facilities. The policy applies to the Company's Directors, Key Management Personnel and Staff. It also covers within its scope credit facilities granted to, purchases made from, joint ventures and business agreements. Details of related party transactions are disclosed under Note 23 of the Consolidated Financial Statements for the year ended 31 December 2019.

I. 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.

J. Communication Strategy

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 Remuneration and Nomination 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 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. 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 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 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

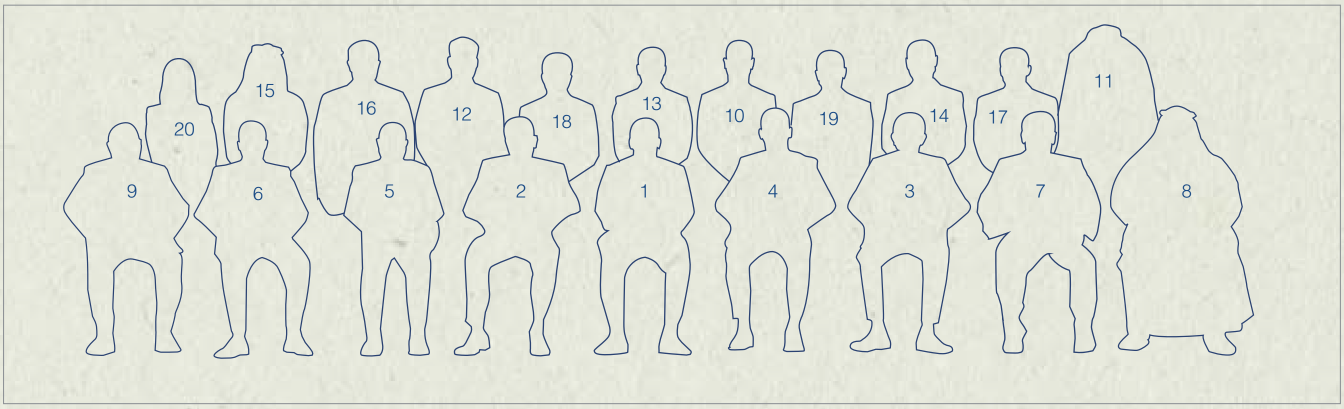
- Employment of Relatives

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. 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.

EXECUTIVE
MANAGEMENT



1. Dr. Adel Hubail

Chief Executive Officer - Bahrain Commercial Facilities Company B.S.C.

Joined on 1 September 2004; has more than 21 years of extensive and diversified experience in financial services, automotive business, real estate business, insurance brokerage business, corporate and business strategies, product development, human resources, marketing and sales and business processes; holds a PhD in Management Studies from University of Aberdeen, UK, 2005. Member of the Institute of Directors, London, 2016. Attended a number of executive education programs at Harvard Business School, MIT Sloan Business School of Massachusetts Institute of Technology, Saeed Business School, Wharton Business School, IESA Business School and China Europe International Business School.

- Chairman of Tasheelat Insurance Services Company W.L.L. (TISCO)., Bahrain
- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company S.P.C. (TAC), Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tasheelat for General Trading and Cars W.L.L. (TGTC), Erbil- Kurdistan, Republic of Iraq
- Chairman of the Executive Committee of Tasheelat for General Trading and Cars W.L.L. (TGTC), a subsidiary of NMC in Erbil – Kurdistan, Republic of Iraq
- Chairman of the Executive Committee of Tasheelat Automotive Company S.P.C. (TAC), Bahrain
- Chairman of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain
- Chairman of the Executive Committee of Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain

2. Fadhel Al-Mahoozi

President, Head of Credit and Marketing - Bahrain Credit

Joined on 1 January 1993; has more than 39 years of extensive and diversified experience in financial and banking services, credit and recoveries, Information Technology, marketing and strategic branding and human resources. Attended a number of executive education / training programs at well-known, top business schools such as: Powerful Communication for Business at Cranfield School of Management, 2013; and Strategic Branding at London Business School, 2015. Attended Mastercard MENA Leadership Forum 2019 in Munich, Germany. Member of the Institute of Directors, London, 2016.

- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company S.P.C. (TAC), Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tasheelat for General Trading and Cars W.L.L. (TGTC), Erbil- Kurdistan, Republic of Iraq
- Vice Chairman of the Executive Committee of Tasheelat for General Trading and Cars W.L.L. (TGTC), Erbil – Kurdistan, Republic of Iraq
- Vice Chairman of the Executive Committee of Tasheelat Automotive Company S.P.C. (TAC), Bahrain
- Vice Chairman of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain
- Vice Chairman of the Executive Committee of Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain

3. Vishal Purohit

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

Joined on 16 September 2007; has more than 21 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 Institute of Directors, London, 2016.

- Member of the Executive Committee of Tasheelat Automotive Company S.P.C. (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

4. Ramzi Barakat

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

Joined on 1 February 2016; has more than 21 years of extensive and diversified experience in the motor industry in which time he has fulfilled a number of roles. Prior to NMC, he has worked in different 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 for General Trading and Cars W.L.L. (TGTC), Erbil – Kurdistan, Republic of Iraq
- Member of the Executive Committee of Tasheelat Automotive Company S.P.C. (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

EXECUTIVE MANAGEMENT (Continued)

5. Ali Al-Daylami

General Manager - Tasheelat Insurance Services Company W.L.L.

Joined on 1 January 1993; has more than 34 years of extensive and diversified experience in insurance; holds a Post Graduate Diploma in Business & Management from Sheffield University, UK, 1999. Attended a number of executive education / training programs at well-known, top business schools and obtained a Diploma in Life Health Institute from Life Office Management Association, 2016. Member of the Institute of Directors, London, 2016.

- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company S.P.C. (TAC), Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain; and Tasheelat for General Trading and Cars W.L.L. (TGTC), ERBIL- Kurdistan, Republic of Iraq.

6. Hussain Ali Salman

Senior Vice President, Head of Human Resources and Operations - Bahrain Credit

Joined on 17 April 2004; has more than 18 years of extensive and diversified experience in human resources training and development, procurement and administration, project management and public relations; holds a BSc. in Business Information Systems and an Associated Diploma in Civil Engineering, University of Bahrain, 2001; and a Master's Degree in Human Resource Management from DePaul University, Chicago IL, USA, 2010. Holds an Executive Certificate in Strategy and Innovation from Massachusetts Institute of Technology (MIT), Cambridge MA, USA, 2018. Member of The Chartered Institute of Personnel and Development (CIPD), UK. Member of The Society for Human Resource Management (SHRM), USA. Attended a number of executive education / training programs at well-known, top business schools such as: Authentic Leadership Development at Harvard Business School, 2014; and Customer Focused Innovation Programme at Standford Business School, 2015.

7. Hussain Al-Madhi

Vice President, Head of Branch Network - Bahrain Credit

Joined on 3 May 1997; has more than 23 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.

- Board Member of Tasheelat Insurance Services Company W.L.L. (TISCO), Bahrain.
- Member of the Executive Committee of Tasheelat Automotive Company S.P.C. (TAC), Bahrain.
- Member of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain.

8. Majeed Hussain

Vice President, Head of Collection and Legal – Bahrain Credit

Joined on 1 April 2010; has more than 23 years of extensive and diversified experience in collection, recoveries and legal affairs management. Prior to his current post he was an Acting Principal at Ministry of Education; holds a B.A. in Education from University of Bahrain, 1996; attended a number of management, leadership, strategic thinking and planning and business-related courses.

9. Ali Ebrahim Al-Marzooq

Vice President, Head of Innovation and Business Technology - Bahrain Credit

Joined on 4 June 2006; has more than 27 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.

10. Abdulla Al-Wedaei

Senior Executive Manager, Head of Honda and GM Brands - National Motor Company W.L.L.

Joined in October 1991; has more than 28 years of extensive and diversified experience in the motor industry. Performed a number of roles during the service with NMC from Honda Sales Manager, Head of Sales of Honda, GM and Used Cars and now holds the position of Head of Brands, Honda and General Motors responsible for all the business aspect of Sales, Service and Spare Parts; holds a Diploma in Executive Management from University of Bahrain, 1999; and a Master's Degree in Business Administration from University of Hull, 2001. Board member in Car Dealer Association, Bahrain. Attended a number of executive education / training programs at well-known, top business schools such as: Aligning Strategy and Sales at Harvard Business School, 2012.

- Board Member of Tasheelat Insurance Services Company W.L.L. (TISCO), Bahrain

11. Mohamed Ahmed Al-Mutawa

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

Joined on 15 April 2018; has more than 12 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.

12. Manaf Ghareeb

Vice President, Head of Corporate and Mortgage Lending, Bahrain Credit

Joined Bahrain Credit in July 2002; has more than 24 years of extensive and diversified experience in financial and banking services; holds a BSc in Information Systems and Management from University of Bahrain, 2004; and a Master in Business Administration from University of Strathclyde, Glasgow, UK. 2013. Attended a number of executive education / training programs at well-known, top business schools such as: Wind River Wilderness Outdoor Leadership at National Outdoor Leadership School, 2015; and General Management Programme at Cambridge Judge Business School, November 2018.

13. Jaffar Al-Oraibi

Assistant Vice President, Head of Real Estate, Tasheelat Real Estate Services Company S.P.C.

Joined on 1 October 2011; has more than 14 years of extensive and diversified experience in real estate investment and development, real estate brokerage business, property management and facilities management and building services; holds a BEng (Hons) in Building Services Engineering from Northumbaria University, Newcastle Upon Tyne, United Kingdom, 2005. Fulfilled the requirements of The Leadership Development Programme VI at University of Virginia - Darden-USA, 2015; and General Management Programme at Cambridge Judge Business School, November 2017.

14. A. Rasool Al-A'ali

Assistant Vice President, Head of Credit Card – Bahrain Credit

Joined on 1 June 2009; has more than 24 years of extensive and diversified experience in credit card business in financial institutions; holds a BSc in Business Administration Systems from Arab Open University; a Diploma in Commercial Studies from University of Bahrain; attended a number of management, sales, marketing and business-related courses; attended a number of executive education / training programs at well-known, top business schools such as: various MasterCard programs given locally and abroad such as Digital Relaunch Program in Dublin, 2019; Sales Directors' Programme at Cranfield School of Management in London, 2015.

15. Bareer Jassim

General Manager - Tasheelat Automotive Company S.P.C.

Joined in May 2015; has more than 8 years of extensive and diversified experience in the motor industry as well as more than 9 years of experience in Industrial Engineering and Maintenance; holds a Diploma in Electronic Communications, College of Technological Studies, Kuwait, 2001; HND Electrical and Electronics, Bahrain Training Institute, 2009; and a BEng (Hons) in Electrical and Electronic Engineering – Teesside University, UK, 2010. Attended a number of executive education / training programs at well-known, top business schools such as: The 5 Day MBA at IIR Middle East, 2013; Level 3 Award in Leadership and Management at Institute of Leadership and Management, 2014; and Negotiating and Influencing Skills for Senior Managers Programme at London Business School, 2016.

16. Hamza Shehab

Assistant Vice President, Head of Insurance – Tasheelat Insurance Services Company W.L.L.

Joined on 24 December 2005; has more than 14 years of extensive and diversified experience in collection, recoveries, market research to set up companies, and insurance services; holds a BSc. in Marketing from Applied Science University, Jordan, 2004. Attended a number of executive education / training programs at well-known, top business schools such as fulfilling the requirements of The Leadership Development Programme VI at University of Virginia - Darden-USA, 2015; and Negotiation and Influencing Skills for Senior Managers at London Business School, 2016. Currently pursuing a Diploma in Insurance of the Chartered Insurance Institute (Dip CII).

17. Ali Aburwais

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

Joined on 1 August 1995; has more than 28 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. 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.

18. Ripin Mehta

General Manager – Tasheelat Car Leasing Company W.L.L.

Joined on 1 July 2017; has more than 26 years of extensive and diversified experience with 17 years in automotive sales and leasing. Prior to that, he has worked with leading automobile brands within GCC; holds a certificate in Cost Accountant Inter, 1990; and a post-graduate degree specializing in Marketing Management-MBA from University of Delhi, India, 1994.

19. Jamal Salman

Senior Executive Manager, Head of Human Resources, Health and Safety – National Motors Company W.L.L.

Joined in July 2007; has more than 24 years of extensive and diversified experience in automotive, heavy vehicles and construction heavy equipment industry as well as more than 6 years of experience in Aviation Maintenance and more than 7 years in human resources training and development, health and safety; Assuming responsibilities in other departments as Head of Mack Defense Brand; Head of Special Vehicles Design (ambulances, cranes, police vehicles, recovery vehicles etc); and Head of Government Sector Sales and Relations; holds a BEng (Hons) in Electrical and Electronic Engineering from Teesside University, UK, 2009.

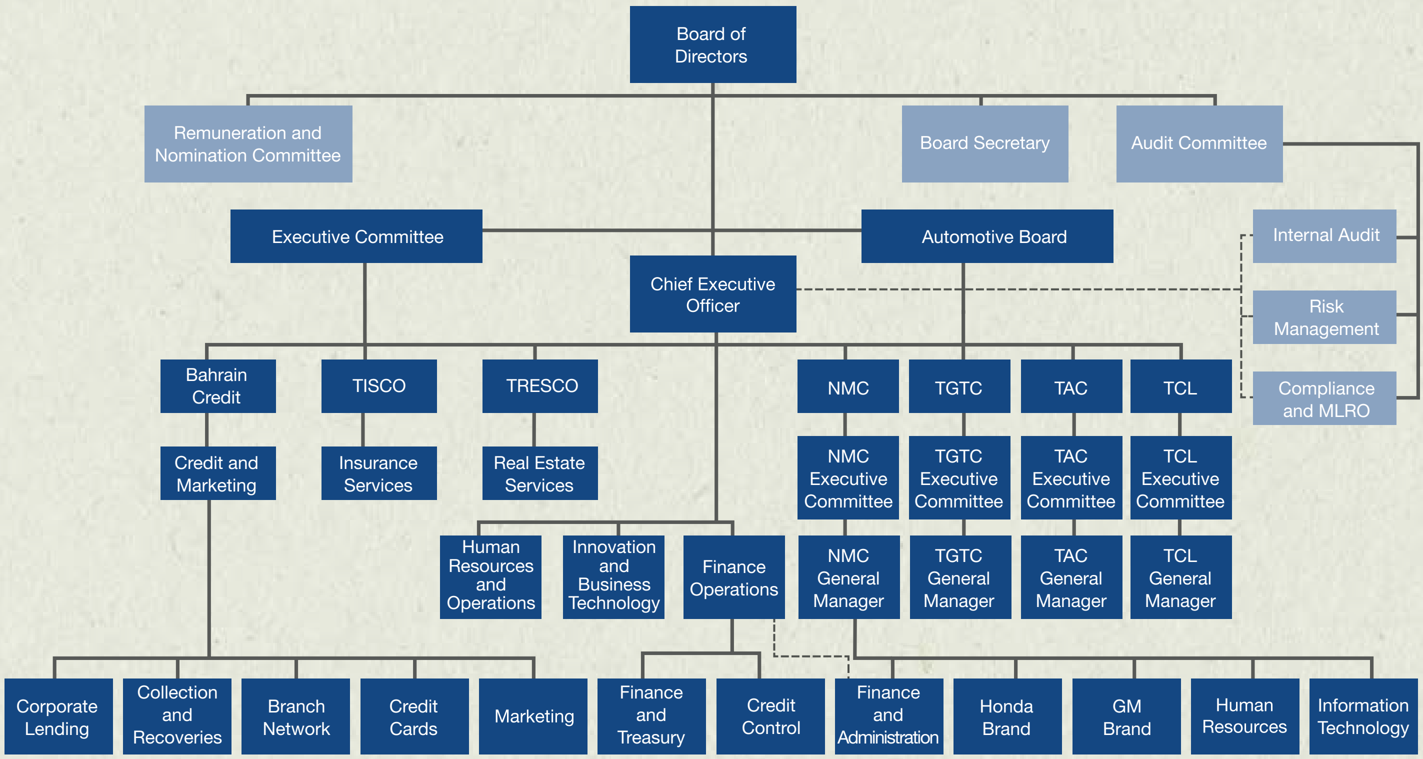
20. Huda Janahi

Manager, Head of Risk Management – Bahrain Commercial Facilities Company B.S.C.

Joined on 21 July 2019, has more than 15 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).

* 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 2019.

ORGANIZATION
CHART



MANAGEMENT'S REVIEW OF OPERATIONS

The global economy is in a broad-based slowdown, with growth for 2019 downgraded again to 3%; it is the slowest pace since the global financial crisis. This is a serious climbdown from 3.8 percent in 2017, when the world was in a harmonized upswing. The large, developed and advanced economies in the world have demonstrated reduction in their growth rates. For the United States, trade related uncertainty has had negative effects on investment, but employment and consumption continue to be robust and buoyed by policy stimulus. In the Euro area, growth has been downgraded due to weak exports, while pre and post Brexit-related uncertainties continue to weaken growth in the United Kingdom.

In the region, growth is expected to be 0.9% in 2019, the lowest since the financial crisis. Tensions between regional powers would continue to cast a negative shadow on the regional economic prospects. Low oil prices will pressurize all the GCC countries to diversify their respective funding sources. This is not tenable without scrapping major aspects within the social well-fare systems. The deal to reduce production between OPEC+ countries to control excess oil inventory to increase oil prices to respectable levels is yet to be tested in time. The current oil prices remained far from budgetary breakeven points of many regional governments.

The government has undertaken major reforms to enhance its fiscal position and maintain long-term economic stability. These fiscal reforms imply certain structural changes in the government policies. These reforms include the implementation of government spending rationalization measures in order to ease the pressure on the public finances and the introduction of VAT. The government has recently offered around 4,000 government employees the option of early retirement with generous end of service packages, to reduce government payroll. the unintended sequence of this decision is that this significant number of early retirees contributed to the decline of overall demands, hurting the overall economy. On the one hand, the VAT introduction has helped the government to reduce the gap of its fiscal deficit. On the other hand, it has brought many small and medium size businesses to their knees. The incremental investment into working capital to fund the VAT amount has squeezed the liquidity from the system and significantly reduced the trade volumes. It is expected that the government will continue to strive for more cuts in its spending and will continue to reduce subsidies and increase fees across wide spectrum of services. The current status of the economy and the challenging operating environment are precursors of challenges lying ahead. Consumers' disposable income further reduces impacting their private consumption resulting in disruption in trading volumes and provision of services.

The BCFC Group operating in such a challenging environment has recorded a net profit of BD 17.1 million, 25% lower than BD 22.9 million earned in 2018. Such performance translates into an average return on equity of 12%. The operating income remained healthy. 2019 was also the first year of the Company's approved three-year strategic plan for 2019-2021. The Company has identified a wide range of initiatives in the new plan which would further augment the BCFC Group's core competencies and value propositions. The Company has commenced the implementation of all the important qualitative and quantitative initiatives which would further enhance the Company's long-term shareholders' value.

* Chartered Institute of Personnel and Development Award for Best Employee Engagement Initiative

MANAGEMENT'S
REVIEW OF OPERATIONS (Continued)

PARENT COMPANY

- Vehicle loans
- Personal loans
- Mortgage loans
- Corporate loans
- Credit cards
- Cheque discounting

Bahrain Credit had recorded a net profit of BD 13.9 million (2018: BD 18.9 million). The reduction in net profit is predominantly due to higher impairment provisions which the company has made in anticipation of further economic challenges. During the year, the company has advanced BD 151 million of new credit facilities (2018: BD 171 million) which resulted in 5% growth in the loan portfolio. The loan portfolio net of impairment provisions at 31 December 2019 stands at BD 325 million.

The economic environment in Bahrain turned more precarious with significant challenges in liquidity and slowing down of consumer consumption. The government's initiatives to embrace more fiscal discipline to improve its financial health has resulted in lower capital spending along with the introduction of VAT and increase in multiple fees for government services have significantly affected consumers disposable income. Real Estate and Automotive Industry are amongst the worst affected. The company's performance cannot be insulated from these market realities.

The demand for vehicle loans remained lackluster with over 35% decline in new vehicle sales as per the data of Traffic Directorate. The demand for used cars also contracted after the introduction of VAT. These trends have affected our vehicle loan aspirations and the total portfolio declined during the year by 9%.

In real estate market, factors such as squeezed liquidity, higher supply of residential houses compared to demand and corrections of land prices in certain areas is impacting the whole sector. The company remained selective in providing new mortgage lending. The banking sector has witnessed an increase in the number of customers requesting for rescheduling mortgage loans due to challenges in receiving their cashflows as expected. The company remained flexible in accommodating genuine needs of customers by looking into each case separately before readjusting their loan commitments and at the same time book the right provisions accordingly.

The demand on personal loans continued to increase. Leveraging on its comprehensive lending guidelines and the strategically located branch network, the company has been able to grow personal loan portfolio to an acceptable level without compromising the quality of underwriting.

‘Imtiaz’ our flagship brand for the credit card product continued to achieve important milestones. The company has more than 90 thousand cards in the market. Imtiaz offers customers unique value and delightful experience through its partnership with major suppliers across Bahrain. Through its well established partnership with Mastercard, Imtiaz provides offers at international level to make traveling as enjoyable as possible. All these efforts have translated into growth of the credit card portfolio. In addition, we have achieved a 27% growth in the number of credit card transactions performed when compared to the number of transactions performed last year.

The Company's non-performing loans increased but controlled to 5.77% of the total loan portfolio. This level of non-performing loans is within the industry average. The company has adequately provided for all the expected credit losses.

NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Cadillac
• Mack Defence

National Motor Company achieved a net profit of BD 2.1 million (2018: BD 2.4 million). The company’s performance was impacted due to unprecedented decline in the automotive sales in 2019. To stimulate the market, all the dealers and sub-dealers introduced multiple offers including absorbing VAT from customers at the expense of their margins. Despite all such promotions, the market contraction continued. Both Honda Motor and General Motor vehicles registered contraction in the car sales. Honda Motor gained market share as the reduction in its sales was far less than the overall market drop. Honda brand is ranked the fourth largest by market share in the country. For General Motor vehicles, Cadillac registered a growth in sales, while Chevrolet and GMC showed decline due to discontinuance of certain models that are popular in the country. Aftersales operations have continued to be the largest contributor to the overall income of the organization which is in line with automotive industry standards. NMC continues its focus on increasing customer retention by providing superior services at all levels of the organization.

The whole automotive industry is struggling. The company is taking a pro-active approach to address and tackle future disruptions. The company focused its energy on diversifying its business. During the year the company had launched the country’s first private Vehicle Inspection Center. Additionally, the company launched its first Quick Service Center and a second location for Certified Pre-owned Vehicles. Simultaneously, the company continues to develop its process driven business culture built on superior customer service experience and retention with a keen eye on cost control.

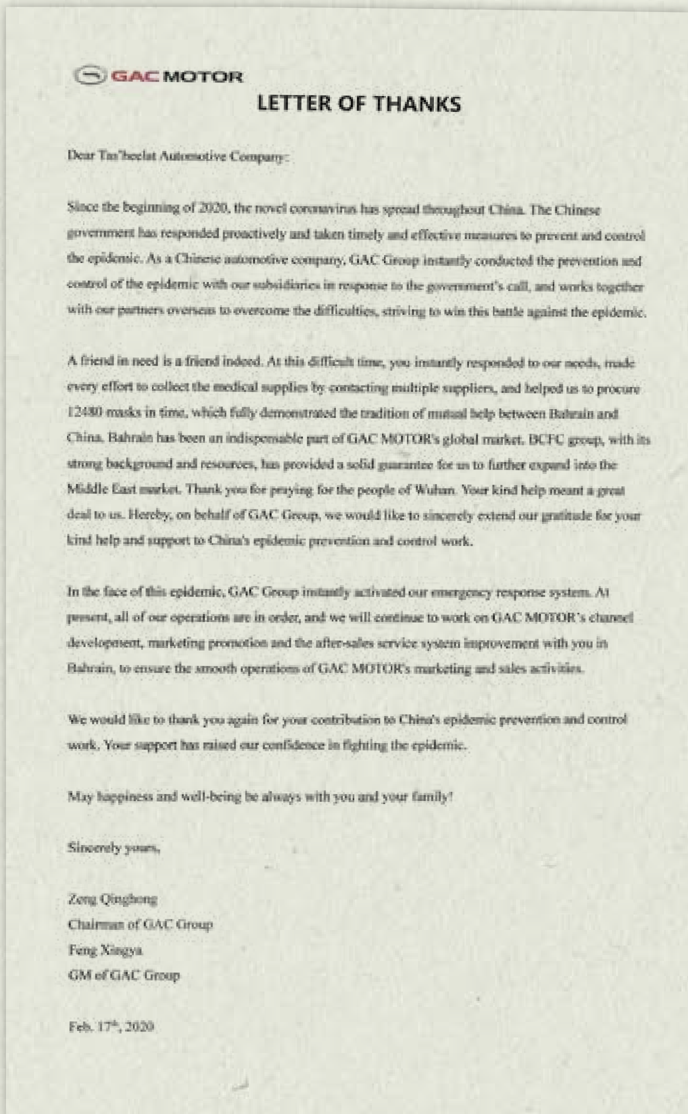
MANAGEMENT'S
REVIEW OF OPERATIONS (Continued)

TASHEELAT AUTOMOTIVE COMPANY

- GAC • Foton
- Haval • Great Wall

Tasheelat Automotive Company has performed extraordinarily well in very tough market conditions and reported a net profit of BD 271 thousand (2018: BD 207 thousand) and sold more than 1,000 cars. The automotive market continues to face multiple largescale disruptions where customers are moving towards value buying. This change came as a unique opportunity for the company where customers have shown very little resistance to shift to GAC brand. Leveraging on this change, the company has established GAC Motor as one of the top ten automotive brands in the country and positioned it as an undisputed leader amongst all the Chinese automotive brands over last four years. GAC Motor continues to provide innovatively designed, purpose made, beautifully sculpted, futuristic, fuel efficient and very competitively priced vehicles. The reliability of these vehicles is established through providing excellent after sale services and gaining customers from all segments of the society. In the commercial vehicle business, vehicles from Foton Motor have started building a good brand equity in the local market giving the company and the Group the ability to efficiently compete in this important segment both in retail and fleet business.

To continue to improve its product offering and increase its market share and after thorough market research, the company launched two new strong brands in Bahrain which are market leaders in their respective categories in China. 'Haval Motor' is a specialized manufacturer of premium sport utility vehicles which recently made foray in the international markets after tasting huge success in mainland China. 'Great Wall Motor' is an established commercial vehicles manufacturer. The latter brand has been listed among China's 500 Most Valuable Brands since 2004. Both the new brands have received good initial response. The company would continue its strategy of providing customers great options for vehicles by sourcing good quality and highly reliable cars from reputed manufacturers.


GAC MOTOR

LETTER OF THANKS

Dear Tas'heelat Automotive Company:

Since the beginning of 2020, the novel coronavirus has spread throughout China. The Chinese government has responded proactively and taken timely and effective measures to prevent and control the epidemic. As a Chinese automotive company, GAC Group instantly conducted the prevention and control of the epidemic with our subsidiaries in response to the government's call, and works together with our partners overseas to overcome the difficulties, striving to win this battle against the epidemic.

A friend in need is a friend indeed. At this difficult time, you instantly responded to our needs, made every effort to collect the medical supplies by contacting multiple suppliers, and helped us to procure 12480 masks in time, which fully demonstrated the tradition of mutual help between Bahrain and China. Bahrain has been an indispensable part of GAC MOTOR's global market. BCFC group, with its strong background and resources, has provided a solid guarantee for us to further expand into the Middle East market. Thank you for praying for the people of Wuhan. Your kind help meant a great deal to us. Hereby, on behalf of GAC Group, we would like to sincerely extend our gratitude for your kind help and support to China's epidemic prevention and control work.

In the face of this epidemic, GAC Group instantly activated our emergency response system. At present, all of our operations are in order, and we will continue to work on GAC MOTOR's channel development, marketing promotion and the after-sales service system improvement with you in Bahrain, to ensure the smooth operations of GAC MOTOR's marketing and sales activities.

We would like to thank you again for your contribution to China's epidemic prevention and control work. Your support has raised our confidence in fighting the epidemic.

May happiness and well-being be always with you and your family!

Sincerely yours,

Zeng Qinghong
Chairman of GAC Group
Feng Xingya
GM of GAC Group

Feb. 17th, 2020

* GAC MOTOR Letter of Thanks


CADILLAC XT4
THE NEW DEFINITION OF LUXURY

MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

TASHEELAT CAR LEASING COMPANY

• Car rental • Long term leasing
• Short term leasing

The company has performed well during 2019 and became profitable in its second full year of operations. The company has reported a net profit of BD 101 thousand (2018: net loss of BD 63 thousand). The company continues to pursue its vision of becoming a preferred supplier of alternative mobility solutions over vehicle ownership. Through expanding the leasing business and winning strong corporate deals, the company assists BCFC Group market share in new vehicle sales and penetrate new customer segments. The company also augmented its reach to customers through its 11 strategically located branch network. The company enhanced its footprint by winning prestigious government and corporate tenders for long term vehicle lease services.

The company is working towards developing specialized services and products for various industries. The company has recently won a contract for a large insurance company to provide their customers replacement vehicle when their own vehicles are not available due to accidents. The company has also partnered with large providers of roadside assist services to provide cars for customers in need.

The company has been successful in achieving its objective of enhancing the synergy between the Group companies. The company manages its operations without any major capital investments through leveraging on the existing infrastructure of National Motor Company. The company has recently invested into a state of the art information technology platform. The new system is expected to significantly increase management oversight over the company's operations, internal control environment and reporting to make its operations more efficient and customer oriented

TASHEELAT INSURANCE SERVICES COMPANY

• Motor insurance • Home insurance • Life insurance
• Travel insurance • Medical insurance

Tasheelat Insurance Services Company has registered a net profit of BD 692 thousand, 10% below same period last year (2018: BD 773 thousand). The company has achieved a good success in transforming its business model from being a one product company to serving its customers through bouquet of products and diversifying its revenue streams.

The company's performance was affected due to volatile automotive market. Despite reduction in new vehicle sales by over 35%, the company has performed well in this segment. The company had sold more than 27 thousand motor policies, which is a growth of 1% over the number of motor policies sold in 2018. This was achieved through focused efforts on retaining existing customers, leveraging on BCFC Group synergies and introduction of exclusive new motor policy products in partnership with insurance companies.

The company in partnership with certain insurance companies have introduced its own customized insurance products. After the successful launch of the medical insurance product "AMFIT", the company has launched the family insurance product "WEFIT" during 2019, a unique affordable annual medical insurance cover to provide customers with access to medical facilities at reasonable cost. The company would continue to look for opportunities in consultation with its partner insurance companies to introduce new products and services which are currently not available.

HAVAL H6
HITECH MODERN SUV

MANAGEMENT'S
REVIEW OF OPERATIONS (Continued)

TASHEELAT REAL ESTATE SERVICES COMPANY

• Rental and brokerage services
• Valuation • Property management and development • Investment

Tasheelat Real Estate Services Company has registered a net profit of BD 187 thousand in 2019 (2018: BD 628 thousand). The fundamentals of the real estate market have experienced unprecedented dislocations as a result of the government economic structural measures such as the infrastructure fees and increase in electricity prices. The income of expatriates population has come under pressure as the government redirected wide range of subsidies to Bahrainis. This resulted in expatriates rationalizing their living expenses. Vacancies in those luxury villas and apartments predominantly occupied by expatriates have become abundant. Delayed payments towards social housing scheme of Mazaya have reduced the cycle of real estate developers who are active in this investment segment.

The Bahrain real estate market has registered a negative growth of 16% in terms of value of transactions when compared to 2018. The company cannot be insulated from these trends; and land sale income has been impacted. Due to good locations and affordable plot sizes, the company has not faced any major price corrections for its land inventory. The company has worked very closely with its network of developers and sold 32 plots generating a gross profit of BD 334 thousand (2018: BD 909 thousand).

The company has completed its first property development ‘The Lake’ at a total cost of BD 2.1 million, which consists of 42 modern and spacious apartments. The project since its launch has received good reception from the customers living in the vicinity. The company has received advance bookings on certain apartments, but these bookings were not converted due to delay in the issuance of the title deeds. We expect to receive the title deeds by early of 2020. The company would continue to further develop this line of business.

The company maintained healthy occupancy rate throughout the year for all its investment properties. In a lackluster real estate market, the company remains adaptive to new challenges and focused on regular annuity type of income. Taking advantage of lower property prices, the company has increased its portfolio through acquisition of multiple new properties generating annuity type rental income. The company will continue to invest in new investment properties in areas of high demand.

BCFC GROUP LIQUIDITY

The Group remained in a healthy liquidity position with a low leverage of 1.7 multiples. The Company has successfully replaced matured USD 50 million being the first tranche of USD 125 million syndicated loan and USD 53 million bond in June and October respectively. These two matured facilities were replaced by a new 5-year USD 125 million syndicated loan.

2020 OUTLOOK

2020 is expected to be a year of challenges and dislocation rather than full-fledged recovery as a result of uncertainty in resolving acute geopolitical and economic dislocations. The old fundamentals that underpin the world economy are shaky. Global growth was projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020. Such forecasts are built on the foundations of a truce in US-China trade tensions, a turn in the global tech cycle and looser macro policies. However, these forecasts are under huge shadow of uncertainty caused by corona virus spread and its implications on the China and World economies. A prolonged spread of the virus and potential increase of death cases would disrupt global supply chain and possibly reduce demands on oil. In Bahrain, the government would still be focusing on balancing its fiscal health and encouraging higher participation of private sector in steering the country’s economy in the right direction. The government through Economic Development Board will continue to attract new foreign investments through wide range of initiatives including positioning Bahrain as a Fintech hub. These and other factors would be shaping the outlook of Bahrain’s economy for the coming years.

THE LAKE
NEW MODERN LIFESTYLE

CORPORATE SOCIAL RESPONSIBILITY

BCFC takes a real role in the community where it has proved that sustainability and Corporate Social Responsibility (CSR) have been growing in parallel and ultimately driving business value, as they are mutually inclusive. BCFC's commitment to Bahrain is a long-lasting one that goes beyond just being involved in the economy of granting loans. BCFC has been working for the common good and has been running and steering CSR programs for diversified business lines that powers the business of philanthropy, working in a setting that is all about giving back day-after-day.

Carroll, A. and Buchholtz, A., in their book titled "Business and Society: Ethics and Stakeholder Management" define CSR as “the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organisations at a given point in time”. According to this definition, the concept of CSR means that organisations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law.

BCFC, in essence, has wholeheartedly adopted this broader view of its responsibilities that encompasses not only stakeholders, but many other constituencies as well, including employees, suppliers, customers, the local community, governmental institutions, environmental groups, and many other special interest groups. BCFC has been efficiently meeting the local society's expectations and discharging its economic, legal, ethical, and discretionary responsibilities.

The said four-part definition makes explicit the multi-faceted nature of the Company's CSR, which is factually correct. The economic responsibilities refer to society’s expectation that BCFC supplies goods and services that are needed and desired by its customers and provides and sells those goods and services at price matching customers' expectation, while it remains efficient and profitable and takes into account shareholders' interests. The legal responsibilities refer to BCFC's commitment to complying with all the laws and regulations set down by various regulatory and other authorities. In fact, BCFC has hundreds of legal responsibilities governing almost every aspect of its operations to ensure the best interest of all its multiple stakeholders. The ethical responsibilities refer to societal expectations that go beyond the law, such as the expectation that BCFC conducts its affairs in a fair and just way. Whereby it is expected to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law, such as extending philanthropic support to society without being legally obligated to do so. The discretionary responsibilities refer to society’s expectation that BCFC becomes a good citizen. This has been clearly manifested in its involvement in quite many philanthropic support programs and activities, benefiting not only the community, but the entire nation (by focussing on broad measurable, worthwhile causes with social, economic, environmental, educational, volunteerism, health and cultural impacts) and even in donating employee expertise and time to worthy causes.

BCFC has been adequately dealing with a wide variety of social issues and problems that have far-reaching societal and ethical implications. It has pursued not only the goal of increased revenues and profits by offering products and services that fulfill their needs, but also the goal of community and societal betterment and upliftment that will profit and help the whole community. BCFC has developed a reputation as being socially responsive and ethical and prides itself in supporting different charities since its inception in 1983.

BCFC has prominently made CSR part of its DNA and has been acting responsibly through thick and thin and in a manner that is consistent with the law, the best practices of industry and community well-being and welfare. BCFC has spent the past

* Donation of van to Food Bank

* Organized blood donation camp

36 years passionately building a path in CSR and has been doing everything it can to scale its scope and widen it dramatically over time.

In 2019, we were able to continue combining flagship campaigns with a focus on community projects, marking the company's CSR strategy in intensifying our efforts to continue supporting our society for many years to come. To this effect, the Company approved to support the construction of an extension to the Hidd Rehabilitation Centre for Special Needs. Approvals of the project's concept design and building permit were obtained and construction work has started. It is expected that this extension will help the Centre meet the growing needs of the disabled children with special needs.

Additionally, supporting the society reached an important milestone in 2019. The Company's Imtiaz for Her, the Kingdom's first credit card for women, fully sponsored and organized the Bahraini Pioneer Ladies Event and Conference, where twenty-five prominent women were honoured at the awarding ceremony. In addition to other exciting support and philanthropy programs aimed at enhancing the pillars of the society.

Driven by "sustainability", BCFC has been concerned about society's welfare and thus has been making a considerable amount of time and efforts in creating new products that, in the long run, create improvement over time in society's ills and maintain a positive relationship with society as well as environment. In line with this strategy, the Company has introduced a green solution whereby it sells and finances internationally-approved, high-quality solar panels to support the Government's ongoing initiative for diversifying renewable energy sources to reduce power consumption and protect the environment. The Company is hopeful that the result of this sustainable living product will be striking going forward.

Another way BCFC embraces its CSR is through giving attention to every stakeholder in the entire Group, be it employees, customers, owners, suppliers, management or the community. The following is how each stakeholder would view CSR from their own perspectives; employees want to have secure jobs and excellent wages while management wants happy employees and profits; customer expect excellent customer services and high-quality products; the community wants sufficient support by offering its citizens good jobs and wages and benefiting the environment; suppliers want their business to remain plentiful and well-financed and supported; and owners want financial returns for an excellent profit.

Last but not least, it is important to remember that BCFC's social efforts have complemented the Company's vision and mission statements, prescribed in the Strategic Plan 2019-2021.

A YEAR
IN PHOTOS

JANUARY 2019
Imtiaz For Her Signing
Agreement with Al Rashid Group

JULY 2019
Launch of "The Sun", the Solar
Energy Financing Initiative

JANUARY 2019
Strategic Suppliers
and Partners Forum

MAY 2019
The Opening of the
Discount Center

OCTOBER 2019
Celebrating Ladies Pioneers
in Bahrain Development

NOVEMBER 2019
The Launch
of Haval Brand

NOVEMBER 2019
Imtiaz Grand Raffle

AUGUST 2019
Opening of the First Private
Inspection Center

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 1997, Tasheelat Real Estate Service Company SPC, 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 in Erbil, Kurdistan, Iraq. In March 2015, the Company incorporated Tasheelat Automotive Company and Tasheelat Car Leasing Company WLL was established in April 2017.

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Office	:	Bahrain Credit Building, Building 290, Road 111, Tubli 701
Website	:	www.bahraincredit.com.bh

Banks	BBK BSC	National Bank of Bahrain BSC
	Ahli United Bank BSC	BNP Paribas
	Gulf International Bank	Standard Chartered Bank
	Arab Banking Corporation (BSC)	Arab Bank PLC
	Ahli United Bank SAOG	Al Salam Bank
	HSBC Bank	Canara Bank
	Mashreq Bank	Bank of Baghdad, Erbil, Kurdistan
	IBL Bank, Erbil, Kurdistan	The National Bank of Ras Al-Khaimah
	Al Baraka Bank, Erbil, Kurdistan	

Auditors	:	KPMG Fakhro

CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2019

CONTENTS

KPMG

INDEPENDENT AUDITORS'

REPORT TO THE SHAREHOLDERS

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 2019. 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.

Impairment of loans and advances

(refer to the use of estimate and management judgement in note 6 impairment policy in note 3(d) and note 4 on disclosure of credit risk in the financial statements)

Description

We focused on this area because:

- Of the significance of loans and advances and the related estimation of uncertainty to the consolidated financial statements; and

- Impairment of loans and advances involves:

  - complex estimates and judgment over both timing and recognition of impairment;
  - use of statistical models and methodologies for determination of expected credit losses; and
  - complex disclosure requirements regarding credit quality of the portfolio including explanation of key judgments and material inputs used in determination of expected credit losses.

How the matter was addressed in our audit

Our audit procedures, amongst others, to address significant risks associated with impairment included:

- Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, our business understanding, and industry practice.
- Confirming our understanding of management's processes, systems and controls, including controls over the expected credit loss ("ECL") model.

Controls testing

We performed process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant General IT and applications controls over key systems used in the ECL process. Key aspects of our control testing involved the following:

- Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions elements into the IFRS 9 impairment models;
- Testing controls over the transfer of data between underlying source systems and the impairment models that the Group operates;
- Evaluating controls over the modelling process, including governance over model monitoring, validation and approval;
- Evaluating controls over the governance and assessment of model outputs and authorisation and review of post model adjustments and management overlays; and
- Testing key controls relating to selection and implementation of material economic variables and the controls over the scenario selection and probabilities.

Test of details

Key aspects of our testing involved:

- Sample testing over key inputs and assumptions impacting ECL calculations including economic forecasts and weights to confirm the accuracy of information used;
- Re-performing key aspects of the Group's significant increase in credit risk ('SICR') determinations and selecting samples of financial instruments to determine whether a SICR was appropriately identified;
- Re-performing key elements of the Group's model calculations and assessing performance results for accuracy;
- Selecting a sample of post model adjustments and management overlays in order to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to source data.

Use of specialists

For the relevant portfolios examined, we have involved KPMG specialists to assist us in assessing IT system controls and challenging key management assumptions used in determining expected credit losses. Key aspects of their involvement included:

- Involvement of Information Risk Management specialists to test controls over the IT systems, recording of data in source systems and transfer of data between source systems and the ECL models;

How the matter was addressed in our audit

- Involvement of our Financial Risk Management specialists to review the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling by reference to our own knowledge and external market data and economic conditions. This typically included challenging key assumptions/ judgements relating to, significant increase in credit risk, definition of default, probability of default, recovery rates, use of macro-economic variables and probability weighted outcomes.

Disclosures
We assessed the adequacy of the Group's disclosure related to expected credit losses by reference to the requirements of relevant accounting standards.

Provision on inventory (vehicles and spare parts)
Refer to Note 10 to the consolidated financial statements.

Description

We focused on this area because:

- The Group has significant amount of inventory, and a broad range of car models and spare parts; and
- Significant judgement and estimation is involved in the determination of the level of impairment needed to record the value of inventory at net realizable value, where such value is lower than cost.

How the matter was addressed in our audit

Our audit procedures included:
- testing the design and operating effectiveness of controls over the process of identification of slow moving items;
- testing the ageing of cars and spare parts inventory on a sample basis;
- testing sales subsequent to the year-end to check whether sale proceeds were sufficient to cover the net realisable value;
- challenging the Group's assumptions to arrive at net realisable value by assessing historical data and available market information; and
- evaluating the adequacy of the Group's disclosures related to provision on inventory by reference to the requirements of relevant accounting standards.

Impairment of trade receivables
Refer to Note 9 to the consolidated financial statements.

Description

We focused on this area because:

- The Group has significant receivables from customers in the automotive industry;
- Accounting policies for impairment include the need for making complex estimates and judgment over both timing and recognition of impairment; and
- Use of models and methodologies for determination of expected credit losses;

How the key audit matter was addressed in our audit

Our audit procedures included:
- Evaluating the appropriateness of the accounting policies based on the requirements of IFRS 9, our business understanding, and industry practice.

Controls testing
- Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions elements into the IFRS 9 ECL model;

- Evaluating controls over the governance and assessment of the output of the ECL model, authorisation and review of post model adjustments and management overlays.

Test of details
- Testing the ageing of receivables on a sample basis.

Evaluating the adequacy of the Group's disclosures related to IFRS 9 in the consolidated financial statements.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's report 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 and will 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 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 that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS, 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.

Auditors' 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 auditors' 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.

KPMG

INDEPENDENT AUDITORS'
REPORT TO THE SHAREHOLDERS (Continued)

- 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 auditors' 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 auditors' 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 the board of directors 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 the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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 regulatory requirements
As required by the Commercial Companies Law and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, 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 report is consistent with the consolidated financial statements;

c. We are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 5, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Company's memorandum and articles of association that would 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 engagement partner on the audit resulting in this independent auditors' report is Jaafar AlQubaiti.

KPMG Fakhro
Partner Registration No. 83
26 February 2020

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

as at 31 December 2019 | Bahraini Dinars Thousands

	Note	31 December 2019	31 December 2018
Assets			
Cash and balances with banks		5,040	5,171
Loans and advances to customers	8	325,289	314,803
Trade receivables	9	7,270	8,879
Inventories	10	26,322	22,842
Investment properties	11	12,641	6,757
Property and equipment	12	29,592	27,364
Other assets		3,673	5,266
Total assets		**409,827**	391,082
Liabilities and equity			
Liabilities			
Bank overdrafts		1	141
Trade and other payables		27,301	20,757
Bank term loans	13	230,163	204,292
Bonds issued	14	-	19,964
Total liabilities		**257,465**	245,154
Equity			
Share capital	15	20,419	16,335
Treasury shares	15	(599)	(599)
Statutory reserve		35,502	33,542
Other reserves		25,221	26,848
Retained earnings		71,819	69,802
Total equity (page 50-51)		**152,362**	145,928
Total liabilities and equity		**409,827**	391,082

The consolidated financial statements were approved by the Board of Directors on 26 February 2020 and signed on its behalf by:

Abdulrahman Yusuf Fakhro
Chairman

Reyadh Yusuf Hasan Sater
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

PROFIT OR LOSS

for the year ended 31 December 2019 | Bahraini Dinars Thousands

	Note	2019	2018
Interest income		39,505	37,218
Interest expense		(12,803)	(11,729)
Net interest income		**26,702**	25,489
Automotive revenue	16	48,183	60,406
Cost of sales		(41,803)	(53,236)
Gross profit on automotive revenue		**6,380**	7,170
Fee and commission income	17	10,988	12,016
Profit from sale of land inventory	18	334	909
Rental and evaluation income		862	714
Total operating income		**45,266**	46,298
Salaries and related costs		(9,522)	(9,027)
Other operating expenses	20	(12,248)	(11,557)
Other income	19	1,584	826
Profit before impairment allowance on loans and receivables		**25,080**	26,540
Impairment allowance on loans and receivables, net of recoveries		(7,968)	(3,649)
Profit for the year		**17,112**	22,891
Basic and diluted earnings per 100 fils share	25	85 fils	114 fils
Proposed cash dividend per 100 fils share		50 fils	45 fils

Abdulrahman Yusuf Fakhro
Chairman

Reyadh Yusuf Hasan Sater
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

for the year ended 31 December 2019 | Bahraini Dinars Thousands

	2019	2018
Profit for the year	17,112	22,891
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Net change in cash flow hedge reserve	(3,088)	184
Total other comprehensive income for the year	(3,088)	184
Total comprehensive income for the year	14,024	23,075

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

for the year ended 31 December 2019 | Bahraini Dinars Thousands

2019	Share capital: Share capital	Share capital: Treasury shares	Reserves and retained earnings: Statutory reserve*	Other reserves: Cash flow hedge reserve	Other reserves: Donation reserves	Other reserves: General reserve	Retained earnings	Total equity
As at 31 December 2018	16,335	(599)	33,542	1,366	732	24,750	69,802	145,928
2018 appropriations (approved by shareholders):								
- Donations approved	-	-	-	-	300	-	(300)	-
- Bonus share	4,084	-	-	-	-	-	(4,084)	-
- Dividend to equity holders declared	-	-	-	-	-	-	(7,251)	(7,251)
- Transfer to statutory reserve	-	-	1,500	-	-	-	(1,500)	-
- Transfer to general reserve	-	-	-	-	-	1,500	(1,500)	-
Balance after 2018 appropriations	**20,419**	**(599)**	**35,042**	**1,366**	**1,032**	**26,250**	**55,167**	**138,677**
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	17,112	17,112
Other comprehensive income:								
- Fair value loss on cash flow hedge reserve	-	-	-	(3,088)	-	-	-	(3,088)
Total comprehensive income for the year	**-**	**-**	**-**	**(3,088)**	**-**	**-**	**17,112**	**14,024**
Utilisation of donation reserve	-	-	-	-	(339)	-	-	(339)
- Transfer to statutory reserve	-	-	460	-	-	-	(460)	-
At 31 December 2019	**20,419**	**(599)**	**35,502**	**(1,722)**	**693**	**26,250**	**71,819**	**152,362**

**Includes BD 25,292 of share premium.*

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

for the year ended 31 December 2019 | Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings					
				Other reserves				
2018	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge reserve	Donation reserves	General reserve	Retained earnings	Total equity
As at 31 December 2017 (as previously reported)	16,335	(599)	33,542	1,182	680	23,250	63,018	137,408
Impact of adopting IFRS 9 as at 1 January 2018	-	-	-	-	-	-	(6,250)	(6,250)
Restated balance as at 1 January 2018	16,335	(599)	33,542	1,182	680	23,250	56,768	131,158
2017 appropriations (approved by shareholders):								
- Donations approved	-	-	-	-	300	-	(300)	-
- Dividend to equity holders declared	-	-	-	-	-	-	(8,057)	(8,057)
- Transfer to general reserve	-	-	-	-	-	1,500	(1,500)	-
Balance after 2017 appropriations	16,335	(599)	33,542	1,182	980	24,750	46,911	123,101
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	22,891	22,891
Other comprehensive income:								
- Fair value gain on cash flow hedge reserve	-	-	-	184	-	-	-	184
Total comprehensive income for the year	-	-	-	184	-	-	22,891	23,075
Utilisation of donation reserve	-	-	-	-	(248)	-	-	(248)
At 31 December 2018	16,335	(599)	33,542	1,366	732	24,750	69,802	145,928

**Includes BD 25,292 of share premium.*

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF

CASH FLOWS

for the year ended 31 December 2019 | Bahraini Dinars Thousands

	2019	2018
Cash flow from operating activities		
Loan repayments, interest received and credit card related receipts	328,399	313,822
Receipts from automotive sales	51,262	58,504
Insurance commission received	1,402	1,499
Proceeds from sale of land inventory	3,049	6,465
Rental received	849	698
Loans and advances to customers disbursed	(296,037)	(295,182)
Payments to automotive suppliers	(44,024)	(48,615)
Payment for real estate inventory	(696)	(784)
Payments for operating expenses	(20,524)	(19,739)
Directors' fees paid	(535)	(464)
Interest paid	(13,106)	(11,820)
Net cash generated from operating activities	10,039	4,384
Cash flow from investing activities		
Capital expenditure on property and equipment	(3,020)	(3,145)
Addition to / purchase of investment properties (net)	(6,165)	(669)
Proceeds from sale of property and equipment	708	804
Net cash used in investing activities	(8,477)	(3,010)
Cash flow from Financing activities		
Bank term loans availed	41,473	55,280
Bank term loans repaid	(15,593)	(28,775)
Bonds paid on maturity	(19,981)	(20,000)
Dividends paid	(7,205)	(8,020)
Donations paid	(339)	(248)
Net cash used in financing activities	(1,645)	(1,763)
Net decrease in cash and cash equivalents	(83)	(389)
Cash and cash equivalents at 1 January	4,967	5,356
Cash and cash equivalents at 31 December	4,884	4,967
Cash and cash equivalents comprise:		
Cash and balances with banks	5,040	5,171
Less:		
Restricted cash	(155)	(63)
Bank overdrafts	(1)	(141)
	4,884	4,967

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Bahrain Commercial Facilities Company BSC ("the Company") is a public shareholding company incorporated and registered in 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 2019 comprise the Company, its subsidiaries and its branches (together referred to as "the Group").

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries mentioned below:

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

2. BASIS OF PREPARATION

a. Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Commercial Companies Law.

b. 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. BASIS OF PREPARATION (Continued)

c. 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.

d. New standards, amendments and interpretations effective from 1 January 2019

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Group:

i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property.

C. As a lessor

The Group leases out its investment property, including right-of-use assets. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

D. Transition

Previously, the Group classified property leases as operating leases under IAS 17. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term or of low value assets.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

E. Impact on financial statements

i. Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities as summarised below:

	1 January 2019
Right-of-use assets presented in property, plant and equipment	2,095
Lease Liabilities	1,039

The Company has entered into a lease agreement with Right of use value of BD 1,050 thousand as of 1 January 2019, however the correspondent lease liability has been paid in advance at the initiation of the lease contract. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. On adoption of IFRS 16, there was no significant impact of retained earnings.

2. BASIS OF PREPARATION (Continued)

ii. Other standards

The following amended standards are not expected to have significant impact on the Group's Consolidated financial statements:

- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

e. Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in note 6.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however; the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material – Amendments to IAS 1 and IAS 8

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has initially adopted IFRS 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements (Note reference 3e).

Except for the changes related to the above standards, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

a. Basis of consolidation

(i) 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.

(ii) 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 profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) 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.

b. Revenue recognition

(i) Interest

Interest income and expense is recognised in consolidated 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 ECL.

The calculation of the effective interest rate includes transaction costs and fees and points 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 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 asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) 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 term of the lease.
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.
f) Rental income from investment property is recognised as revenue on a straight-line basis over the term of the rental agreement.

(iii) 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 commission income – including loan administration and account servicing fees – are recognised over time as the related services are performed.

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

c. Foreign currencies 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 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 amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year and the amortized 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 generally recognized in profit or loss statements.

d. Financial instruments

(i) Recognition and initial measurement

The financial instruments of the Group consist primarily of balances with banks, loans and advances to customers, trade and other receivables, derivative financial instruments, bank overdrafts, trade and other payables, bonds issued and bank term loans. The Group initially recognises loans and advances on the date on which they are 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.

(ii) 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 coupon 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.

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

(iii) 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 cancelled, 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 profit or loss.

(iv) 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 realise the asset and settle the liability simultaneously.

(v) Impairment
1. Non-derivative financial assets
Financial instruments
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, except for bank balances for which credit risk has not increased significantly since initial recognition.

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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 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 realising security (if any is held); or
- the financial asset is more than 90 days 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.
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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Where it is available, market data may also be used to derive the PD for large corporate counterparties. 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 modelling 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

Measurement of ECLs- Cash and bank balances (General approach)
Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

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 reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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.

Trade and other receivables
Trade receivable are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

e. Adoption of IFRS 16
The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – ie. It is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Changes in accounting policies
At the inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:
- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The new definition of a lease under IFRS 16 has been applied for contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

Measurement
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, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined based on the lease term.

Lease liability is measured as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Group's incremental borrowing rate. Lease liability comprises the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

f. Inventories
Vehicle inventories are stated at the lower of cost and net realisable 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 intention of use.

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

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

h. 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.

Depreciation:

Depreciation on investment property is charged to the profit or loss statement on a straight-line basis over the estimated useful lives 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	4 years

i. 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 profit or loss statement in the year in which it arises.

j. Dividends

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

k. Statutory reserve and share premium

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.

In accordance with the Commercial Companies Law the share premium of BD 4,282 collected as part of public floatation in 1993 and BD 21,010 net of expenses collected as a part of rights issues in October 2009, had been merged with statutory reserve.

l. 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.

m. 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.

n. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Cash flow hedges

The Group uses interest rate swaps 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 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 profit or loss. Fair value gains and losses on trading derivatives are recognised in the 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 profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised.

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

p. Impairment of non-financial assets

The carrying amounts of the Group's assets other than financial assets (note 3d) 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 profit or loss.

q. 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.

r. Employee saving plan

The Group provides a voluntary saving plan for its Bahraini employees that meet certain criteria. The Group contributes a matching amount limited to 10% of the employee salary to each employee's savings contribution. Annual interest rate of 4.5% is currently accrued on cumulative savings amount. In case of leaving, retirement or death, an employee receives his/her full contribution and the share of the Group's contribution and all earned interest based on years of service.

s. Trade, other payables and lease liability

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

t. Bank term loans and bonds issued

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.

u. Cash and cash equivalents

Cash and cash equivalents 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.

v. 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.

w. 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 Chief Executive Officer to make decisions about resource allocation and assess its performance, and for which discrete financial information is available.

x. 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. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational 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.

4. FINANCIAL RISK MANAGEMENT (Continued)

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.

Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework. The Group Audit Committee is assisted in these functions by the Internal Audit and Risk Management Department, which undertakes both regular and ad hoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee and the management.

a. 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, trade receivables and other assets. The maximum credit risk is the carrying value of the assets.

Management of credit risk
The Group's credit risk management framework includes:
- Establishment of 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;
- 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.

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. The Group is also subject to single obligor limits as specified by the Central Bank of Bahrain. Credit review procedures are in place to identify at early stage exposures which require more detailed monitoring and review. Appropriate 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 amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts:

	31 December 2019	31 December 2018
Stage 3 – Specifically assessed loans		
Gross amount	3,081	1,724
Expected credit loss	(1,984)	(967)
Net amount	**1,097**	757
Stage 1, 2 and 3 - Collectively assessed loans		
Stage 1 - 12 month	275,700	291,580
Stage 2 - lifetime - not credit impaired	41,626	17,117
Stage 3 – lifetime - credit impaired	28,268	22,212
Expected credit loss	(21,402)	(16,863)
Net amount	**324,192**	314,046
Net loans and advances to customers	**325,289**	314,803

Stage 3 - Specifically provided loans

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

Stage 1, 2 and 3 - Collectively assessed loans

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

- Stage 1: 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- 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.
- 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.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, 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 expert credit assessment including forward-looking information.

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).

4. FINANCIAL RISK MANAGEMENT (Continued)

Monitoring of credit risk

Generating the term structure of PD

Ageing buckets based on days past due ("Ageing 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 jurisdiction or region and by type of product and borrower as well as by ageing 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 macro-economic indicators include: GDP growth, benchmark interest rates and unemployment.

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 judgement 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 general criteria, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. 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. Due dates are determined without considering any grace period that might be available to the borrower.

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 30 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 maximise collection opportunities and minimise 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.

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 behaviour over a period of 12 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.

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.

Key macro-economic indicators include: Oil price, Consumers purchase index (CPI), Real GDP growth, Real interest rate (RIR), Unemployment rate, Domestic credit growth, Central Government revenue as percentage of GDP and Central Government expenditure as percentage of GDP.

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

Aging analysis of loans and advances to customers as follows:

	Stage 1	Stage 2	Stage 3	2019	2018
Current	247,937	11,701	5,850	265,488	273,551
Past due:					
1 - 30 days	27,763	2,979	1,562	32,304	24,011
31 - 60 days	-	16,466	1,244	17,710	15,270
61 - 89 days	-	10,480	2,560	13,040	9,766
90 days – 1 year	-	-	14,914	14,914	6,416
1 year – 3 years	-	-	4,664	4,664	2,974
More than 3 years	-	-	555	555	645
Expected credit loss	(3,282)	(4,923)	(15,181)	(23,386)	(17,830)
Carrying value	272,418	36,703	16,168	325,289	314,803

By industry or counterparty:

2019	Retail	Corporate	Total
Current	240,749	24,739	265,488
Past due:			
1-30 days	29,829	2,475	32,304
31-60 days	16,540	1,170	17,710
61-89 days	12,200	840	13,040
90 days – 1 year	14,603	311	14,914
1 year – 3 years	4,084	580	4,664
More than 3 years	317	238	555
Gross loans and advance	318,322	30,353	348,675
Collectively assessed ECL	(20,004)	(1,398)	(21,402)
Specifically assessed ECL	(1,216)	(768)	(1,984)
Net loans and advances	297,102	28,187	325,289

2018	Retail	Corporate	Total
Current	244,910	28,641	273,551
Past due:			
1-30 days	23,375	636	24,011
31-60 days	12,953	2,317	15,270
61-89 days	8,538	1,228	9,766
90 days – 1 year	6,352	64	6,416
1 year – 3 years	2,885	89	2,974
More than 3 years	645	-	645
Gross loans and advance	299,658	32,975	332,633
Collectively assessed ECL	(16,052)	(811)	(16,863)
Specifically assessed ECL	(681)	(286)	(967)
Net loans and advances	282,925	31,878	314,803

By geographical region:
Except for BD 13 (2018: BD 117) all loans and advances are geographically located in Bahrain

At 31 December 2019, the total gross amount of non-performing loans as defined by the CBB was BD 20,133 (2018: BD 10,035).In compliance with the CBB requirements, interest on non-performing loans is suspended and is accounted for on a cash basis. Suspended interest income relating to such past due loans is not material to the Group's net income.

During the year ended 31 December 2019, the average gross credit exposure for cash and balances with banks is BD 5,509 (2018: BD 4,570), loans and advances to customers is BD 326,146 (2018: BD 302,695), trade and other receivables is BD 7,648 (2018: BD 7,447) and unutilised credit limit is BD 29,502 (2018: BD 27,738). Such amounts are calculated based on the average of last four quarterly results.

At the reporting date, the loans and advances to customers represent 41% vehicle (2018: 47%), 20% mortgage (2018: 20%), 27% personal loan (2018: 23%) and 12% credit card lending (2018: 10%).

Except for balance with banks of BD 3 (2018: BD 2) and fully provided loans and advances to customers of BD 13 (2018: BD 117) located in Kurdistan, all remaining maximum exposure are located in Bahrain. The below table summarise the maximum exposure to credit risk without considering collateral and other credit enhancements as of 31 December:

	2019	2018
Balances with banks	5,040	5,171
Loans and advances to customers	325,289	314,803
Trade receivables	7,270	8,879
Other assets	1,335	3,332
Total	338,934	332,185
Unutilised credit limit	29,519	27,651

4. FINANCIAL RISK MANAGEMENT (Continued)

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.

The Group has established policies and procedures under which each customer is analysed individually for creditworthiness. At the year end, trade receivables of BD 3,449 (2018: BD 2,517) were past due against which BD 1,324 (2018: BD 912) was the impairment allowance. Substantially all commercial past due receivables are less than one year.

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 2019, loans and advances amounting to BD 10,348 (2018: BD 7,532) 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 2019, loans amounting to BD 157,873 (2018: BD 174,955) were fully collateralized and loans amounting to BD 45,886 (2018: BD 38,305) were partly collateralized with a collateral value of BD 33,947 (2018: BD 31,291).

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. As at 31 December 2019, the Group obtained assets for loans value of BD 2,463 (2018: BD 2,045) by taking possession of collateral held as security against loans and advances

Credit risk concentration

All loans are made to borrowers that are Bahraini residents. Credit risk concentration of loans at the reporting date represents 91% retail loans and 9% to corporate customers and trade receivables represent mainly corporate.

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 counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed.

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 favourable 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.

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.

b. 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.

4. FINANCIAL RISK MANAGEMENT (Continued)

The residual future contractual maturity of financial assets and liabilities are summarised in the table below. 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.

2019	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	5,040	5,040	5,040	-	-
Loans and advances to customers	325,289	453,270	144,924	245,598	62,748
Trade receivables	7,270	7,270	7,270	-	-
Other assets	1,335	1,335	1,335	-	-
	338,934	466,915	158,569	245,598	62,748
Liabilities					
Bank overdrafts	1	1	1	-	-
Trade and other payables	21,164	21,164	21,164	-	-
Bank term loans	230,163	257,590	97,243	160,347	-
Bonds	-	-	-	-	-
	251,328	278,755	118,408	160,347	-
Unutilised credit limits	29,519	29,519	29,519	-	-

2018	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	5,171	5,171	5,171	-	-
Loans and advances to customers	314,803	436,450	139,963	236,043	60,444
Trade receivables	8,879	8,879	8,879	-	-
Other assets	3,332	3,332	3,332	-	-
	332,185	453,832	157,345	236,043	60,444
Liabilities					
Bank overdrafts	141	141	141	-	-
Trade and other payables	16,910	16,910	16,910	-	-
Bank term loans	204,292	234,239	65,619	168,620	-
Bonds	19,964	20,856	20,856	-	-
	241,307	272,146	103,526	168,620	-
Unutilised credit limits	27,651	27,651	27,651	-	-

c. Market risks

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, bank overdrafts, bonds and term loans. The distribution of financial instruments between interest rate categories is summarised below:

At 31 December	Fixed Rate		Floating rate		Non-interest earning		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets								
Cash and balances with banks	-	-	-	-	5,040	5,171	5,040	5,171
Loans and advances to customers	324,676	314,302	-	-	613	501	325,289	314,803
Trade receivables	-	-	-	-	7,270	8,879	7,270	8,879
Other assets	-	1,349	2	1,439	1,333	544	1,335	3,332
	324,676	315,651	2	1,439	14,256	15,095	338,934	332,185
Liabilities								
Bank overdrafts	-	-	1	141	-	-	1	141
Trade and other payables	-	-	-	-	21,164	16,910	21,164	16,910
Bank term loans	-	-	230,163	204,292	-	-	230,163	204,292
Bonds issued	-	-	-	19,964	-	-	-	19,964
	-	-	230,164	224,397	21,164	16,910	251,328	241,307

The Group's instalment 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 swaps and caps to reduce exposure to fluctuations of interest rates. At 31 December 2019 interest rate risk attributable to the term loans of USD 290 million (BD: 109.33 million) (2018: USD 270 million, BD 101.79 million) has been hedged. The Group also have additional USD 20 million (BD 7.54 million) forward start interest rate swaps. Further, the Group has entered into BD 15 million forward contracts to partially hedge its BD-USD open position.

The fair value changes of the interest rate swaps and forward contracts are recognised in equity (pages 50-51). The Group does not enter into derivative financial instruments other than for economic hedging purposes.

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2019 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 1,208 (2018: BD 1,226).

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.

	2019	2018
US Dollars	213,862	212,123

The Bahraini Dinar is effectively pegged to the US Dollar.

4. FINANCIAL RISK MANAGEMENT (Continued)

d. 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, 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 behaviour. 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 has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Group's risk management division employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

e. 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 1.7 as at 31 December 2019 (2018:1.68).

5. 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		10 years to 20 years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets										
Cash and balances with banks	5,040	5,171	-	-	-	-	-	-	5,040	5,171
Loans and advances to customers	126,111	119,033	165,710	161,179	31,714	33,213	1,754	1,378	325,289	314,803
Trade receivables	7,270	8,879	-	-	-	-	-	-	7,270	8,879
Other assets	1,335	3,332	-	-	-	-	-	-	1,335	3,332
	139,756	136,415	**165,710**	161,179	**31,714**	33,213	**1,754**	1,378	**338,934**	332,185
Liabilities										
Bank overdrafts	1	141	-	-	-	-	-	-	1	141
Trade & other payables	21,164	16,910	-	-	-	-	-	-	21,164	16,910
Bank term loans	84,622	53,096	145,541	151,196	-	-	-	-	230,163	204,292
Bonds issued	-	19,964	-	-	-	-	-	-	-	19,964
	105,787	90,111	**145,541**	151,196	**-**	-	**-**	-	**251,328**	241,307

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

6. USE OF ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies management has made certain estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

(i) Impairment on Loans and advances

Impairment
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, 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 expert credit assessment and including forward-looking information.

Inputs, assumptions and techniques used for estimating impairment
The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures expected credit loss using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The Group employs statistical models to analyse the data collected and generate estimates of 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.

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.

(ii) 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.

(iii) 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.

(iv) Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

(v) Classification of derivatives financial instrument

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 IAS 39.

7. FAIR VALUE

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.

All financial assets of BD 338,9341 (2018: BD 332,185) are categorised under ‘loans and receivables’ and are measured at amortised cost. All the financial liabilities of BD 251,328 (2018: BD 241,307) are measured at amortised cost except derivatives which are measured at fair value.

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.

(i) 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 2019 is BD (1,722) (2018: BD 1,366) are categorised under Level 2.

(ii) 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 and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December.

2019	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Loans and advances to customers	-	-	325,289	325,289	325,289
Bank term loans	-	230,163	-	230,163	230,163

2018	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Loans and advances to customers	-	-	314,803	314,803	314,803
Bank term loans	-	204,292	-	204,292	204,292
Bonds issued	-	19,964	-	19,964	19,964

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.

(iii) Non-financial assets not measured at fair value but where the fair value is disclosed

The fair value of the Group's investment property as at 31 December 2019 and 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates. The fair value was determined based on market comparable approach that reflects recent transaction prices for similar properties. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 are as follows:

2019	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Investment properties	-	17,054	-	17,054	12,641

2018	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Investment properties	-	9,324	-	9,324	6,757

8. LOANS AND ADVANCES TO CUSTOMERS

(a) Exposure by staging

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances	275,700	41,626	31,349	348,675
Less: expected credit loss	(3,282)	(4,923)	(15,181)	(23,386)
Net loans and advances	272,418	36,703	16,168	325,289

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances	291,580	17,117	23,936	332,633
Less: expected credit loss	(3,116)	(3,708)	(11,006)	(17,830)
Net loans and advances	288,464	13,409	12,930	314,803

(b) Expected credit loss movement

2019	Stage 1	Stage 2	Stage 3 Collectively assessed	Stage 3 Specifically assessed	Total
Expected credit loss as 1 January 2019	3,116	3,708	10,039	967	17,830
Transfer to stage 1	1,257	(104)	(1,126)	(27)	-
Transfer to stage 2	(389)	1,804	(1,415)	-	-
Transfer to stage 3	(211)	(355)	367	199	-
Charge for the year	(491)	(130)	9,378	1,011	9,768
Write off during the year	-	-	(4,046)	(166)	(4,212)
Expected credit loss as 31 December 2019	3,282	4,923	13,197	1,984	23,386

2018	Stage 1	Stage 2	Stage 3 Collectively assessed	Stage 3 Specifically assessed	Total
Expected credit loss as 1 January 2018 (restated)	3,136	3,419	9,186	460	16,201
Transfer to stage 1	104	(47)	(57)	-	-
Transfer to stage 2	(505)	569	(64)	-	-
Transfer to stage 3	(2,973)	(851)	3,824	-	-
Charge for the year	3,354	618	945	563	5,480
Write off during the year	-	-	(3,795)	(56)	(3,851)
Expected credit loss as 31 December 2018	3,116	3,708	10,039	967	17,830

The average interest rates on loans and advance to customer is 11.6% p.a. (2018: 11.7% p.a.).

9. TRADE RECEIVABLES

	31 December 2019	31 December 2018
Trade receivables	8,759	10,259
Less: Expected credit loss	(1,489)	(1,380)
	7,270	8,879

Expected credit loss movement	31 December 2019	31 December 2018
As at the beginning of the period	1,380	589
Impact of adopting IFRS 9 as at 1 January 2018	-	849
Opening balance under IFRS 9	1,380	1,438
Charge for the year	119	77
Reversal for the year for settled accounts	(9)	(87)
Write off during the year	(1)	(48)
Expected credit loss at the end of the year	1,489	1,380

10. INVENTORIES

	31 December 2019	31 December 2018
Automotive stock:		
-Vehicles	15,122	10,303
-Spare parts	5,326	4,597
Land and building inventory	6,529	8,510
	26,977	23,410
Provision on vehicles and spare parts	(655)	(568)
	26,322	22,842

Movement on provisions (vehicle and spare parts)	2019	2018
At 1 January	568	305
Net charge for the year	355	320
Utilization	(268)	(57)
At 31 December	655	568

The land and building inventory include land plots and a residential building under construction for the purpose of sale of flats once completed. These are classified at the reporting date as an inventory and carried at the lower of cost and net realisable value.

11. INVESTMENT PROPERTIES

	2019	2018
Cost		
At 1 January	8,094	8,056
Additions during the year (Net)	6,179	669
Transfer from Inventories	-	(631)
At 31 December	14,273	8,094
Accumulated depreciation		
At 1 January	1,337	1,117
Depreciation for the year	295	220
At 31 December	1,632	1,337
Net book value		
At 31 December	12,641	6,757

The fair value of all the investment properties as at 31 December 2019 is BD 17,054 determined by an independent property valuer with the appropriate qualification and experience.

12. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture, fixtures & equipment	Vehicles	Work in progress	Right of Use	2019 Total	2018 Total
Cost							
At 1 January	26,185	9,528	8,148	1,198	-	45,059	41,692
Additions	32	508	3,137	989	2,333	6,999	5,342
Disposals and retirements	(135)	(76)	(2,086)	(27)	-	(2,324)	(1,975)
Reclassified	(1,129)	321	24	(554)	1,338	-	-
At 31 December	**24,953**	**10,281**	**9,223**	**1,606**	**3,671**	**49,734**	45,059
Depreciation							
1 January	8,247	7,390	2,058	-	-	17,695	16,349
Charge for the year	497	978	1,508	-	650	3,633	2,573
Disposals and retirements	(105)	(3)	(1,078)	-	-	(1,186)	(1,227)
Reclassified	(300)	-	-	-	300	-	-
At 31 December	**8,339**	**8,365**	**2,488**	**-**	**950**	**20,142**	17,695
Net book value							
At 31 December 2019	**16,614**	**1,916**	**6,735**	**1,606**	**2,721**	**29,592**	27,364
At 31 December 2018	17,938	2,138	6,090	1,198	-	-	27,364

The cost of fully depreciated assets still in use at 31 December 2019 was BD 8,327 (2018: BD 7,614).

13. BANK TERM LOANS

	31 December 2019	31 December 2018
Repayable within one year	84,622	53,096
Repayable after one year	145,541	151,196
	230,163	204,292

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 (note 4) was 5.6% p.a. (2018: 5.4% p.a.).

14. BONDS ISSUED

	31 December 2019	31 December 2018
Face value	-	19,981
Less: Unamortised cost of issue	-	(17)
	-	19,964

Movement on bonds during the year	2019	2018
At 1 January	19,981	39,981
Less: Repaid during the year	(19,981)	(20,000)
At 31 December	-	19,981

On 26 December 2013, the Company issued 200,000 bonds with a face value of BD 100 each. The principal terms of the bonds issued are as follows:

Period:	Five years
Interest rate:	2.5% over BIBOR for 3 months deposit in Bahrain Dinars. Interest is payable three months in arrears from the date of issue.
Security:	Unsecured
Redemption:	26 December 2018

On 26 October 2014, the Company issued 106 bonds with a face value of USD 500,000 (BD: 188,500) each. The principal terms of the bonds issued are as follows:

Period:	Five years
Interest rate:	3.2% over LIBOR for 6 months. Interest is payable six months in arrears from the date of issue.
Security:	Unsecured
Redemption:	14 October 2019

15. SHARE CAPITAL

	31 December 2019	31 December 2018
Authorised share capital 500,000,000 (2018: 500,000,000) shares of 100 fils each	50,000	50,000

	2019	2018
Issued and fully paid 204,187,500 (2018:163,350,000) shares of 100 fils each At 1 January	16,335	16,335
Bonus share (1 share for every 4 shares held)	4,084	-
At 31 December	20,419	16,335
Treasury shares 2,759,029 shares (2018: 2,206,891 shares)	599	599

15. SHARE CAPITAL (Continued)

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

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%
BBK BSC	Bahrain	47,023,363	23.03%
National Bank of Bahrain	Bahrain	22,910,775	11.22%

* Shareholding under Social Insurance Organisation represents holding of shares by Social Insurance Organisation (GOSI) and Social Insurance Organisation (Pension).

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. Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	48,739,954	1,272	23.87%
1% up to less than 5%**	22,348,369	7	10.95%
5% up to less than 10%	-	-	-
10% 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	1,282	100.00%

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

16. AUTOMOTIVE REVENUE

	2019	2018
Sale of cars and accessories	41,649	53,621
Car repair and maintenance services	4,610	5,276
Car leasing revenue	1,924	1,509
	48,183	60,406

17. FEE AND COMMISSION INCOME

	2019	2018
Loan administration and other credit card related fees	9,516	10,560
Insurance commission income	1,472	1,456
	10,988	12,016

18. PROFIT FROM SALE OF LAND INVENTORY

	2019	2018
Sales of land Inventory	3,011	6,554
Cost of Sales	(2,677)	(5,645)
Profit from sale of land inventory	334	909

19. OTHER INCOME

	2019	2018
Incentives from automotive principals	1,075	571
Miscellaneous income	509	255
	1,584	826

20. OTHER OPERATING EXPENSES

	2019	2018
General and administration costs	7,394	7,240
Depreciation	2,680	1,733
Selling and promotion costs	1,535	2,047
Impairment provision for inventory	355	320
Automotive finance cost	284	217
	12,248	11,557

21. 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.

22. SEGMENTAL INFORMATION

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

- Consumer Finance - 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.
- 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 2019 and 2018. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

At 31 December	Consumer Finance		Automotive		Real estate		Insurance		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	36,190	36,029	6,408	7,189	1,196	1,624	1,472	1,456	45,266	46,298
Inter segment revenue	51	56	626	414	244	66	220	194	1,141	730
Operating costs	(13,654)	(13,052)	(4,511)	(4,999)	(1,040)	(855)	(981)	(852)	(20,186)	(19,758)
Impairment, net of recoveries	(7,880)	(3,683)	(58)	59	(11)	-	(19)	(25)	(7,968)	(3,649)
Inter segment expenses	(840)	(480)	(99)	(43)	(202)	(207)	-	-	(1,141)	(730)
Profit for the year	13,867	18,870	2,366	2,620	187	628	692	773	17,112	22,891
Assets (Liabilities)										
Cash and balances with banks	3,816	3,822	997	1,222	13	15	214	112	5,040	5,171
Loans and advances to customers	325,289	314,803	-	-	-	-	-	-	325,289	314,803
Trade and other receivables	256	110	6,548	8,332	52	40	414	397	7,270	8,879
Intercompany balances	2,291	(2,092)	356	2,155	(6,237)	(3,898)	3,590	3,835	-	-
Inventories	-	-	19,793	14,332	6,529	8,510	-	-	26,322	22,842
Investment properties	-	-	-	-	12,641	6,757	-	-	12,641	6,757
Property and equipment	10,137	9,669	19,455	17,695	-	-	-	-	29,592	27,364
Other assets	379	1,613	3,285	2,300	3	1,353	6	-	3,673	5,266
Overdrafts	-	(141)	(1)	-	-	-	-	-	(1)	(141)
Trade and other payables	(16,948)	(13,749)	(9,842)	(6,496)	(226)	(188)	(285)	(324)	(27,301)	(20,757)
Bonds	-	(19,964)	-	-	-	-	-	-	-	(19,964)
Bank term loans	(224,658)	(199,472)	(5,505)	(4,820)	-	-	-	-	(230,163)	(204,292)
Equity	(100,562)	(94,599)	(35,086)	(34,720)	(12,775)	(12,589)	(3,939)	(4,020)	(152,362)	(145,928)
Capital expenditure	1,754	1,665	3,305	1,480	-	-	-	-	5,059	3,145
Depreciation charge for the property and equipment	1,222	697	2,411	1,876	-	-	-	-	3,633	2,573

23. TRANSACTIONS WITH RELATED AND ASSOCIATED PARTIES

The Group has banking relationships and obtains term borrowings and has unutilized credit facilities with certain of its shareholders. All such transactions are in the ordinary course of business and on terms agreed between the parties.

	2019	2018
Major shareholders:		
As at 31 December		
Term loans	49,617	38,505
Bank overdrafts	-	141
Bank balances	1,611	1,560
For the year ended 31 December		
Interest expense	2,504	2,145

	2019	2018
Directors and related affiliates:		
As at 31 December		
Loans and advances to customer / Receivable	1,685	1,349
For the year ended 31 December		
Interest income /Income	160	9

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2019 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the board.

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 President and the General Managers.

	2019	2018
As at 31 December		
Credit card receivables	25	29
For the year ended 31 December		
Salaries and short term employee benefits	1,762	1,523
Directors remuneration and attendance fees	767	726
Sale of land plots and cars	-	99

No impairment losses have been recorded against balances outstanding during the period with related parties, and no specific allowance has been made for impairment losses on balances with related parties at the year end.

24. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini employees for the year amounted to BD 684 (2018: BD 642). The Group's provision for expatriate employees' leaving indemnities at 31 December 2019 was BD 1,457 (2018: BD 1,252). The Group employed 911 staff at 31 December 2019 (2018: 847).

As at 31 December 2019, the total liability of the Group to its employees under Saving Plan was BD 2,873 (2018: BD 2,247).

25. 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:

	2019	2018
Profit for the year	17,112	22,891
Weighted average number of equity shares (In BD'000) (Note 15)	201,429	201,429
Basic earnings per share	85 fils	114 fils

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

26. OUTSTANDING COMMITMENTS

As at reporting date, the Group has contingent liabilities for standby letters of credit issued in the normal course amounting to BD 7,663 (2018: BD 8,548) and unutilised credit limits of BD 29,519 (2018: BD 27,651) to its customers.

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

	Liabilities				Derivatives (assets)/ liabilities held to hedge long-term borrowings	Equity			
	Bank overdrafts used for cash management purposes	Trade and other payables	Bank Term loans	Bonds issued	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital	Reserve	Retained earnings	Total
Balance at 1 January 2019	141	20,757	204,292	19,964	-	15,736	60,390	69,802	391,082
Proceeds from loans and borrowings	-	-	41,473	-	-	-	-	-	41,473
Repayment of borrowings	-	-	(15,593)	-	-	-	-	-	(15,593)
Bond paid on maturity	-	-	-	(19,964)	-	-	-	-	(19,964)
Dividend paid	-	(7,205)	-	-	-	-	-	-	(7,205)
Donation paid	-	-	-	-	-	-	(338)	-	(338)
Total changes from financing cash flows	-	(7,205)	25,880	(19,964)	-	-	(338)	-	(1,627)
Changes in fair value	-	-	-	-	-	-	(3,088)	-	(3,088)
Other changes	-	-	-	-	-	4,084	3,760	2,016	9,860
Liability-related	-	5,111	-	-	1,690	-	-	-	6,801
Dividends declared	-	7,251	-	-	-	-	-	-	7,251
Change in bank overdraft	(140)	-	-	-	-	-	-	-	(140)
Capitalised borrowing costs	-	-	(9)	-	-	-	-	-	(9)
Interest expense	-	12,803	-	-	-	-	-	-	12,803
Interest paid	-	(13,106)	-	-	-	-	-	-	(13,106)
Total liability-related other changes	(140)	12,059	(9)	-	-	-	-	-	11,910
Total equity-related other changes	-	-	-	-	-	4,084	672	2,016	6,772
Balance at 31 December 2019	1	25,611	230,163	-	1,690	19,820	60,724	71,818	409,827

28. PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2019. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2019	2018
Proposed dividends	10,071	7,251
Bonus share (1 share for every 4 shares held)	-	4,084
Donations	300	300
General reserve	750	1,500
Statutory reserve	460	1,500
	11,581	14,635

29. COMPARATIVES

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