BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

Half Yearly Quantitative Public Disclosures

At 30 June 2019

Bahrain Commercial Facilities Company BSC

Half Yearly Quantitative Public Disclosures for the six months period ended 30 June 2019

Executive Summary

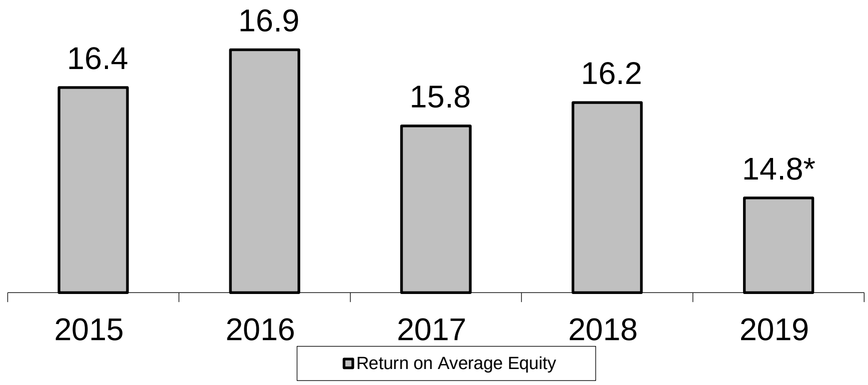
The financial information presented in this report are in addition to information presented in the condensed consolidated financial information for the six months period ended 30 June 2019

This financial information includes additional quantitative disclosures at 30 June 2019 which were provided in the audited annual financial statements at 31 December 2018, in order to comply with the Public Disclosure Module of the Central Bank of Bahrain (CBB).

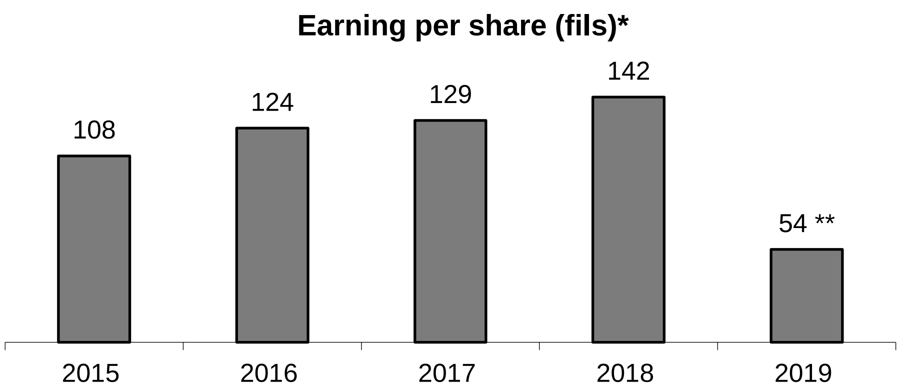
The financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements for the year ended 31 December 2018, except for application of IFRS 16 which is described in Note 3 of the interim condensed consolidated financial statements for the six months ended 30 June 2019.

1. FINANCIAL HIGHLIGHTS

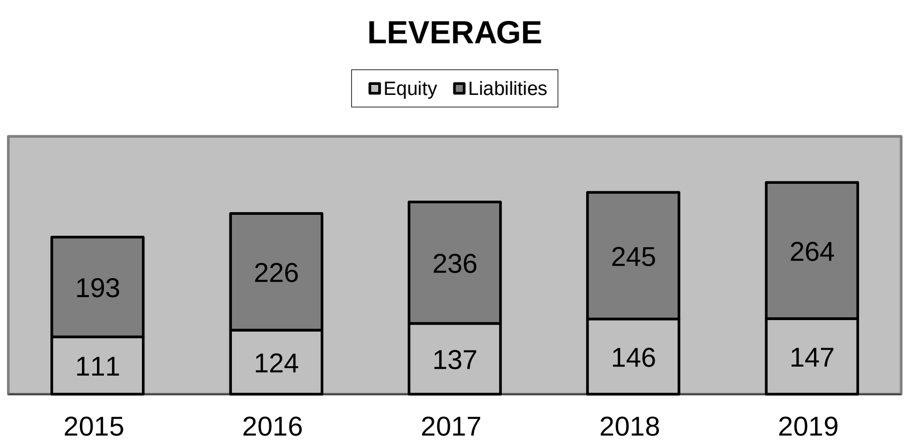
A) Return on average equity (%):



B) Earning per share (fils)



C) Debt equity (BD million)



***Return on average equity for 2019 is based on the annualised net profit for the six months ended 30 June 2019.**
****Earnings per share for 2019 is based on the net profit for the six months ended 30 June 2019.**

D) SHARE CAPITAL

	30-Jun-19
Authorised share capital	
500,000,000 shares of 100 fils each	**50,000**

	30-Jun-19
Issued and fully paid	
At 1 January 2019	16,335
Bonus share	4,084
At 30 June 2019	20,419
Treasury shares 2,758,613 shares	599

	30-Jun-19
Share capital	20,419
Treasury shares	(599)
Statutory reserve	35,042
Other reserves	25,667
Retained earnings	66,004
Total Capital	**146,533**

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

2. 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.

2. *Credit risk (continued)*

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 an 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 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 amounts offset, interest suspended and impairment losses for expected credit loss, 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 expected credit loss.

	30-Jun-19	30-Jun-18
Stage 3 – Specifically assessed loans		
Gross amount	1,933	806
Expected credit loss	(1,195)	(481)
Net amount	**738**	325
Stage 1, 2 and 3 - Collectively assessed loans		
Stage 1 - 12 month	301,451	279,472
Stage 2 - lifetime - not credit impaired	21,264	11,716
Stage 3 – lifetime - credit impaired	21,775	23,074
Expected credit loss	(17,301)	(16,461)
Net amount	**327,189**	297,801
Net loans and advances to customers	**327,927**	298,126

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

2. Credit risk (continued)

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.

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

Aging analysis of past due loans and advances to customers as follows:
By industry or counterparty:

	Retail	**Corporate**	**Total**
1-30 days	27,374	1,205	28,579
31-60 days	11,894	1,520	13,414
61-89 days	11,070	1,410	12,480
90 days – 1 year	8,201	60	8,261
1 year – 3 years	3,300	273	3,573
More than 3 years	635	-	635

	Retail	**Corporate**	**Total**
Gross loans and advance	312,374	34,049	346,423
Collectively assessed ECL	(16,386)	(915)	(17,301)
Specifically assessed ECL	(812)	(383)	(1,195)
Net loans and advances	**295,176**	**32,751**	**327,927**

	Bahrain	**Kurdistan**	**Total**
1-30 days	28,579	-	28,579
31-60 days	13,414	-	13,414
61-89 days	12,480	-	12,480
90 days – 1 year	8,261	-	8,261
1 year – 3 years	3,524	49	3,573
More than 3 years	635	-	635

2. *Credit risk (continued)*

	Bahrain	**Kurdistan**	**Total**
Gross loans and advance	346,374	49	346,423
Collectively assessed ECL	(17,252)	(49)	(17,301)
Specifically assessed ECL	(1,195)	-	(1,195)
Net loans and advances	**327,927**	**-**	**327,927**

At 30 June 2019, the total gross amount of non-performing loans as defined by the CBB was BD 12,469. In compliance with the CBB requirements, interest on non-performing loans is placed on a non-accrual status and interest on such loans and advances is reversed from income and is accounted for on a cash basis.

During the period ended 30 June 2019, the average gross credit exposure for cash and balances with banks is BD 5,046, loans and advances to customers is BD 317,096, trade and other receivables is BD 8,096 and unutilised credit limit is BD 28,771. Such amounts are calculated based on the average of last four quarterly results.

At the reporting date, the loans and advances to customers represent 44% vehicle, 21% mortgage, 25% unsecured lending and 10% credit card lending.

The below table show the geographic distribution of exposure as of 30 June 2019:

	Bahrain	Kurdistan	**Total**
Gross Exposure			
Cash and balances with banks	6,623	4	6,627
Loans and advances to customers	346,374	49	346,423
Trade receivables	8,707	333	9,040
Other Assets	2,004	-	2,004
Less: ECL on loans and advances to customers	(18,447)	(49)	(18,496)
Less: ECL on trade receivable	(1,083)	(333)	(1,416)
Net Exposure	**344,178**	**4**	**344,182**
Unutilised credit limit	29,795	-	29,795

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 from automotive business is influenced mainly by the individual characteristics of each customer. Loans which are past due 90 days and above are considered as non-performing.

2. *Credit risk (continued)*

The Group has established policies and procedures under which each customer is analyzed individually for creditworthiness. At the period end, trade receivables of BD 3,092 were past due against which the Company have provided for BD 1,405 as an impairment allowance.

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. The Group Audit Committee regularly review reports on forbearance activities. During the period ended 30 June 2019, loans and advances amounting to BD 4,679 were restructured.

Write-off policy
The Group writes off any loans (and any related allowances for impairment) when the loans are deemed to be uncollectible.

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/or additionally post dated cheques/promissory notes and personal guarantees.

As at 30 June 2019, loans amounting to BD 169,153 were fully collateralized and loans amounting to BD 43,360 was partly collateralized with a collateral value of BD 33,513.

Management estimates the fair value of collaterals and other security enhancements held against individually impaired 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 30 June 2019, the Group obtained assets of BD 1,936 by taking possession of collateral held as security against loans and advances.

Credit risk concentration
Credit risk concentration of loans at the reporting date represents 90% retail loans and 10% to corporate customers and trade receivables represent mainly corporate customers.

As at 30 June 2019, the unutilized credit limit for corporate and retail customers was 9% and 91% respectively.

2. *Credit risk (continued)*

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.

3. 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 1.8 as at 30 June 2019.

4. 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.

	Within 1 Year	1 year to 5 years	5 year to 10 years	10 year to 20 years	Total
ASSETS					
Cash and balances with banks	6,627	-	-	-	6,627
Loans and advances to customers	125,422	167,951	32,839	1,715	327,927
Trade receivables	7,624	-	-	-	7,624
Other assets	2,004	-	-	-	2,004
	141,677	**167,951**	**32,839**	**1,715**	**344,182**
LIABILITIES					
Bank overdrafts	697	-	-	-	697
Trade and other payables	21,845	-	-	-	21,845
Bank term loans	38,150	179,340	-	-	217,490
Bonds issued	19,975	-	-	-	19,975
	58,125	**179,340**	**-**	**-**	**260,007**

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