BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C.

Half Yearly Quantitative Public Disclosures

At 30 June 2024

Half Yearly Quantitative Public Disclosures
for the period ended 30 June 2024

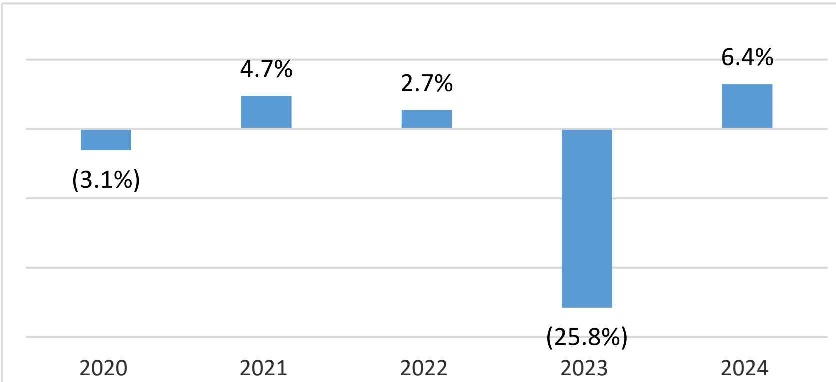
Introduction

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 2024 of Bahrain Commercial Facilities Company B.S.C. (the “Company”) and its subsidiaries (together the “Group”).

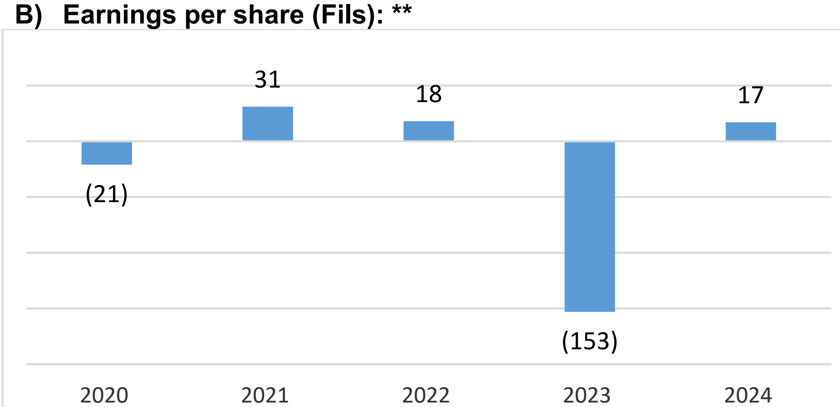
This financial information includes additional quantitative disclosures at 30 June 2024 in order to comply with the Public Disclosure Module of the Central Bank of Bahrain (CBB) volume 5 rulebook.

1. FINANCIAL HIGHLIGHTS

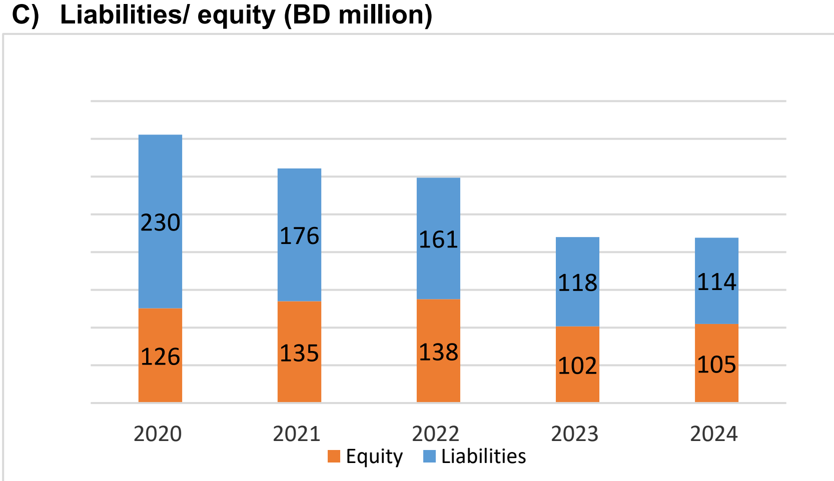
A) Return on average equity (%): *



B) Earnings per share (Fils): **



C) Liabilities/ equity (BD million)



***Return on average equity for 2024 is based on the annualised net profit for the six months ended 30 June 2024.**
****Earnings per share for 2024 is based on the net profit for the six months ended 30 June 2024.**

1. FINANCIAL HIGHLIGHTS (continued)

D) SHARE CAPITAL

	30-Jun-24 BD '000
Authorised share capital	
500,000,000 shares of 100 Fils each	**50,000**

	30-Jun-24 BD '000
Issued and fully paid	
At 1 January	20,419
At 30 June	20,419
Treasury shares 2,759,029 shares	599

	30-Jun-24 BD '000
Share capital	20,419
Treasury shares	(599)
Statutory reserve	10,210
Share premium	25,292
Other reserves	28,687
Retained earnings	20,771
Total Capital	**104,780**

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

2. CREDIT AND OPERATIONAL 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 balances with banks, loans and advances to customers, trade receivables, and certain 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:

- Credit risk policies and strategy: Defining the Group's credit risk appetite and strategies employed, and outlining the principals and standards governing the credit risk related activities within the Group;

2. Credit and operational risk (continued)

- Define the methodologies used for assessing the credit exposures, and outlines the procedures of reviewing the credit facilities in accordance with the defined authorization structure;
- Diversification of lending activities; and
- Conducting regular independent reviews of the credit risk process, exposures and limits, ensuring effectiveness and compliance, while incorporating stress testing scenarios for preparedness against adverse market conditions.

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

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

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

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

	30-Jun-24 BD '000	30-Jun-23 BD '000
Stage 1, 2 and 3		
Stage 1 - 12 month	103,817	121,273
Stage 2 - lifetime - not credit impaired	13,811	21,476
Stage 3 - lifetime - credit impaired	59,460	77,372
Expected credit loss	(37,732)	(40,650)
Net loans and advances to customers	**139,356**	179,471

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.

2. Credit and operational risk (continued)

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

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

Monitoring of credit risk

Generating the term structure of PD

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 analysed 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 indicator is oil prices. Considering the extra ordinary circumstances and the variations in the forward-looking data for this variables, the Group has used Vasicek-Merton methodology using oil prices as a factor to determine the 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 backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 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).

2. Credit and operational risk (continued)

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.

Restructured loans refer to loans where the company, for economic reasons related to customer's financial difficulties, grant concessions that it would have not otherwise considered. Concessions are special contractual terms and conditions that a lender would not extend or consider under normal market conditions. Any change in term of an account which is past due either performing or non-performing shall be termed as restructuring.

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 period ended 30 June 2024, loans and advances amounting to BD 1,404 thousand (0.8% of total loan portfolio) were restructured and had no significant impact on ECL, present and future earnings for the period ended 30 June 2024.

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 behavioural 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 3 months for natural person and 6 months for legal person before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL based on regulatory guidance.

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

2. Credit and operational risk (continued)

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

Aging analysis of loans and advances to customers as follows as of 30 June 2024:

	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Current	94,785	2,680	2,759	**100,224**
Past due:				
1-30 days	9,032	2,222	1,195	**12,449**
31-60 days	-	5,005	1,210	**6,215**
61-89 days	-	3,904	2,929	**6,833**
90 days – 1 year	-	-	24,133	**24,133**
1 year – 3 years	-	-	20,343	**20,343**
More than 3 years	-	-	6,891	**6,891**
Gross loans and advance	**103,817**	**13,811**	**59,460**	**177,088**
Expected credit loss	**(992)**	**(1,928)**	**(34,812)**	**(37,732)**
Net loans and advances	**102,825**	**11,883**	**24,648**	**139,356**

By industry or counterparty:

	Retail BD '000	CSME* BD '000	Total BD '000
Current	88,213	12,011	**100,224**
Past due:			
1 - 30 days	11,511	938	**12,449**
31 - 60 days	5,824	391	**6,215**
61 - 89 days	6,517	316	**6,833**
90 days - 1 year	22,718	1,415	**24,133**
1 year - 3 years	18,055	2,288	**20,343**
More than 3 years	5,015	1,876	**6,891**
Gross loans and advance	**157,853**	**19,235**	**177,088**
Expected credit loss	**(34,830)**	**(2,902)**	**(37,732)**
Net loans and advances	**123,023**	**16,333**	**139,356**

** Corporate and small to medium enterprises (CSME)*

The Group has classified certain customer accounts in Stage 3 although the Group's exposure to these customers were less than 90 days at the reporting date. These exposures are related to customer accounts which are either serving their cooling off period, the customers where collateral offered at the time of original underwriting has been liquidated or customers which are having financial difficulties which may lead them to default.

2. Credit and operational risk (continued)

At 30 June 2024, the total gross amount of accounts with days past due 90 days or more, was BD 51,367 thousand. The total stage 3 accounts were BD 59,460 thousand. In compliance with the CBB requirements, interest on stage 3 is suspended and is accounted for on a cash basis.

At the reporting date, the loans and advances to customers represent 26% vehicle loans, 22% mortgage collateral backed loans, 41% personal loans and other 11% credit card lending.

All exposures and advances are geographically located in Bahrain.

During the period ended 30 June 2024, the average gross credit exposure for cash and balances with banks is BD 16,271 thousand, loans and advances to customers is BD 147,996 thousand, trade and other receivables is BD 2,736 thousand and unutilised credit limit is BD 22,246 thousand. Such amounts are calculated based on the average of last four quarters.

The below table summarises the maximum exposure to credit risk without considering collateral and other credit enhancements as of 30 June 2024.

	30-Jun-24 BD '000
Cash and balances with banks	12,207
Loans and advances to customers	139,356
Trade receivables	2,725
Other assets	3,212
Total	**157,500**
Unutilised credit limit	23,038

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.

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.

of future economic conditions. Geographically the concentration of credit risk is in the Kingdom of Bahrain as majority of the Group's customers are based in Bahrain.

2. Credit and operational risk (continued)

Credit risk related to trade receivables (continued)

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

Write-off policy

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.

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.

In case of vehicle lending, estimates of fair value for collaterals are based on the value of the collateral assessed at the time of borrowing, and generally are not revalued except when a loan is individually assessed as impaired.

As at 30 June 2024, loans amounting to BD 71,705 thousand were fully collateralised and loans amounting to BD 24,549 thousand were partly collateralised with a collateral value of BD 14,965 thousand.

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.

Credit risk concentration

Credit risk concentration of loans at the reporting date represents 89% retail loans and 11% to corporate customers and trade receivables represent mainly corporate customers.
As at 30 June 2024 the utilised credit limit for corporate customers was BD 2,282 thousand.

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.

Operational risk

A subsidiary of the Group is currently engaged in litigation involving an interim judgment of approximately BD 674 thousand against it. The subsidiary has appealed this judgment, with reasonable prospects for a reduction in the awarded amount. Conversely, the opposing party has filed a counter-appeal seeking an increase in compensation. The final outcome of these proceedings remains uncertain, and the definitive liability is indeterminate due to the discretion of the court. Based on the information available at the time of preparing the Group's interim condensed consolidated financial statements for the period ended 30 June 2024, the Group recognized a contingent liability of BD 333 thousand to cover this potential financial obligation.

2. Credit and operational risk (continued)

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.

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 1.1 as at 30 June 2024.

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 BD '000	1 year to 5 years BD '000	5 years to 10 years BD '000	10 years to 20 years BD '000	Over 20 Years BD '000	Total BD '000
ASSETS						
Cash and balances with banks	12,207	-	-	-	-	**12,207**
Loans and advances to customers	52,136	64,939	17,949	4,083	249	**139,356**
Trade receivables	2,725	-	-	-	-	**2,725**
Other assets	2,450	762	-	-	-	**3,212**
	69,518	**65,701**	**17,949**	**4,083**	**249**	**157,500**
LIABILITIES						
Trade and other payable	18,321	-	-	-	-	**18,321**
Derivative financial instruments	30	-	-	-	-	**30**
Lease liabilities	480	392	3	38	-	**913**
Bank term loans and other borrowings	34,568	57,704	-	-	-	**92,272**
	53,399	**58,096**	**3**	**38**	**-**	**111,536**

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

5. BASIS OF CONSOLIDATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group interim condensed consolidated financial statements incorporate the interim financial statements of the Company and its subsidiaries. All intra-group transactions and balances including unrealised gains and losses on transactions between the Group companies have been eliminated on consolidation.

The following table presents income, expenses, certain asset and liability information regarding the Group's operating segments.

At 30 June 2024	Lending	Automotive	Real estate	Insurance	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Operating income					
Inter segment revenue	-	47	5	-	**52**
Inter segment expenses	(46)	(6)	-	-	**(52)**
Total	**(46)**	**41**	**5**	**-**	**-**
Assets (Liabilities)					
Intercompany balances	**1,138**	**(242)**	**(600)**	**(296)**	**-**