Naeema Janahi
Property Developer

A.Ameer Burni
Real Estate Developer

Husain Juma
Doctor

Ali Shukralla
Property Developer

A.Hussain Jelwah
Furniture Merchant

Mohamed A.Ameer
Lawyer

A. Aziz A. Hameed
Graphic Designer

Ali Madan
Businessman

Jalila Mohamed
Dentist

Yusuf Janahi
Driving Instructor

Habib Nama
Businessman

16'

Khaled Al Kooheji
Perfumes & Accessories Merchant

HAPPY SOCIAL MOBILITY

2016 ANNUAL REPORT

Mohamed Eid
Project Manager

Mohamed Yaseen
Photographer

Nijad Al Atassi
Businessman

Yathreb Al Aameri
Boutique Owner

Hajar Al Alawi
Pharmacist

Salah Al Muftah
Pilot

Tawfeeq Sarhan
Ship Captain

A. Majeed Al Khaja
Property Manager

Jaafar Farhan
Cafe Owner

Fareed Al Khazraji
Store Owner

شـركــة البــحريــن للتســهيـلات التجــارية 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 16,335,000.

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 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 Tas'heelat for General Trading and Cars WLL (TGTC) was incorporated in Kurdistan, Iraq with the purpose of selling Honda vehicles in Erbil, Kurdistan Region.

On 24 March 2015, the Group established a fully owned subsidiary 'Tas'heelat Automotive Company SPC' ("TAC") to introduce GAC Motor brand to the Bahrain market.

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

Real Estate
Tas'heelat Real Estate Services Company SPC (TRESCO) was established in 2002, and is actively involved in the acquisition, sales, marketing, valuation, rental and brokerage services of land 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

OPERATIONAL HIGHLIGHTS

BCFC Group remained robust and resilient in a challenging operating environment and has achieved yet again its highest net profit. The Company with a strong financial position has commenced implementation of key strategic initiatives identified in its new 3-Year 2016-2018 Strategic Plan to continue its momentum of stable and consistent growth.

The Group has reported net profit of BD 19.9 million, an increase of 14.4% on the BD 17.4 million earned in 2015.

Credit: Bahrain Credit has earned a net profit of BD 14.5 million (2015: BD 12.2 million) and advanced new credit facilities of BD 158 million (2015: BD 139 million). The quality of the portfolio remains a key priority with non-performing loans stood at a very satisfactory 2.9% of the total loans portfolio.

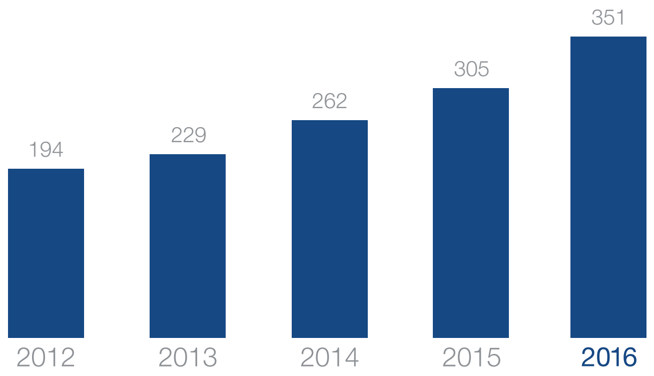
Automotive: National Motor Company (NMC) has recorded a net profit of BD 1.9 million (2015: BD 2.1 million). NMC has focused its energy and resources to refine its business model to be more agile and efficient in every aspect, in an automotive market which has declined by 6% in 2016. The reported net profit is net of BD 876 thousand loss incurred in its Erbil, Kurdistan based wholly owned subsidiary Tas'heelat for General Trading and Cars W.L.L.

Tasheelat Automotive Company (TAC) has reported a net loss of BD 147 thousand for its first full year of operations. In a short while TAC has managed to establish GAC Motor as number one brand amongst all the cars manufactured and supplied from China.

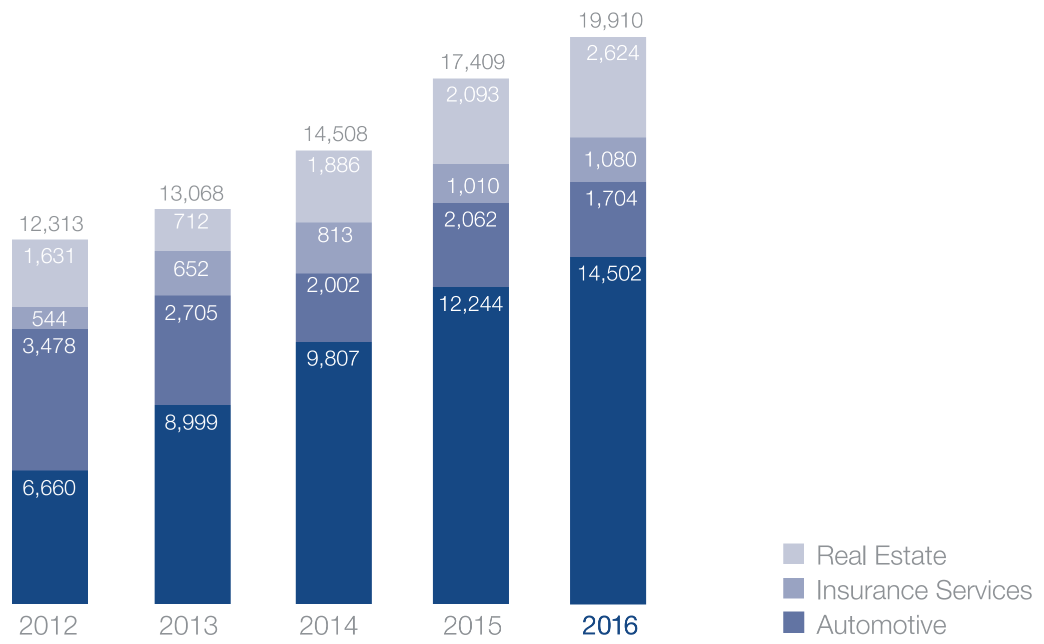
Insurance: Tas'heelat Insurance Services Company (TISCO) has registered a net profit of BD 1.1 million (2015: BD 1.0 million). TISCO continued to win trust and appreciation of its customers for its transparent advice on selecting most suitable insurance cover from the most desired insurance companies at competitive prices. During the year the Company arranged for more than 25 thousand motor insurance policies.

Real Estate: Tas'heelat Real Estate Company (TRESCO) had an exceptional year in 2016 and registered a net profit of BD 2.6 million (2015: BD 2.1 million). During the year, TRESCO has managed three land projects simultaneously in different locations. The Company's investment property portfolio catering to middle income expatriates uniquely providing affordable luxury continue to perform well and maintained healthy occupancy rates.

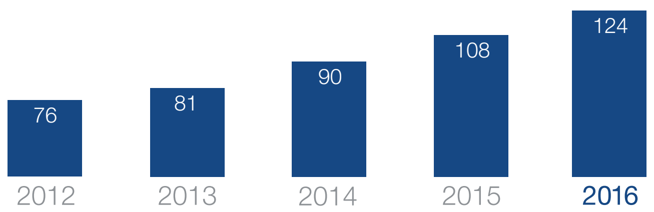
FINANCIAL HIGHLIGHTS



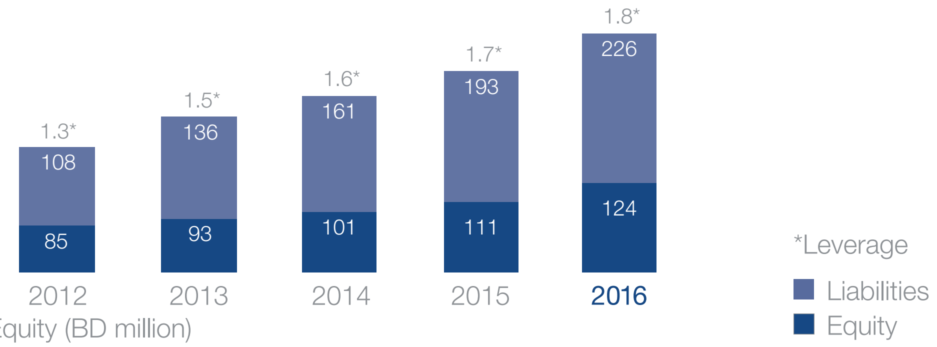
Total Assets (BD million)



Net Profit (BD thousand)



Earnings per share (fils)



Debt Equity (BD million)

CHAIRMAN'S REPORT

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of Bahrain Commercial Facilities Company BSC, for the financial year ended 31 December 2016. The annual report includes the consolidated financial results of Bahrain Credit and the Company's subsidiaries: National Motor Company, Tas'heelat for General Trading and Cars (Kurdistan), Tas'heelat Real Estate Services Company, Tas'heelat Insurance Services Company and Tas'heelat Automotive Company.

2016 proved to be a rewarding year for the BCFC Group. In a challenging environment, your Company continued its outstanding performance and yet again recorded its highest profit. The Company has earned a net profit of BD 19.9 million for the year ended 31 December 2016, 14.37% ahead of the previous year (2015: BD 17.4 million). The results demonstrate the agility and effectiveness of our strong business model which continues to deliver a robust and sustainable growth. These earnings translates into a return on equity of 16% (2015: 15.6%). Your board recommends a cash dividend to shareholders at the rate of 50 fils per share (50%) (2015: 45 fils per share).

The global economic growth continues to remain volatile and uninspiring. The world economy expanded by meagre 2.2 percent in 2016, adversely affected by feeble pace of global investment, dwindling international trade, flagging productivity and high levels of debt. The geopolitical conflict and low oil price environment continue to weigh on economic prospects in our region and have forced the GCC countries to introduce wide range of harsh austerity measures. Our beloved country is no exception to this adverse current state of affairs. Bahrain economy had witnessed a decline in its sovereign rating, increase in government deficit, reduction in subsidies, increase in household expenditure and eroding household disposable income. Despite many challenges, the local business community remains resilient.

Bahrain Credit has achieved net profits of BD 14.5 million (2015: BD 12.2 million) and advanced new loans of BD 158 million (2015: BD 139 million). The Company's persistent strive to reinvent and refine its value chains to meet and surpass customers' expectations has resulted in an all-round growth in all the key product segments. The expansion in the branch network through the launch of two new branches during the year has further enhanced the Company's geographical reach to better serve new customer groups. Your Company has retained its leadership in its core product vehicle finance and strengthened its market share in mortgage and personal loans, and established itself as one of the top three providers in the local credit card market.

Your Company has registered a healthy growth in vehicle finance despite significant contraction in automotive market through fostering mutually rewarding relationships with the auto dealers and sub dealers. The mortgage lending continued to perform well in a resilient real estate market. Customers' demands on personal loans improved and achieved record new business volumes. The customer base of our imtiaz credit card has registered a substantial growth along with strong purchases. The introduction of new initiatives aimed at enhancing customer experience has attracted many new customers and improved active utilization of existing cards.

The Company continued its efforts to refine its prudent lending practices to reflect current market realities. This is through creating an efficient feedback loop between the lending departments on the one hand, and collection and recovery department on the other hand. The Company continues to update its risk management practices through various qualitative initiatives such as the completion of a thorough Risk Management Framework. The new business sourced was achieved without compromising on the asset quality; the nonperforming loans was controlled at 2.9% of the total loans portfolio.

National Motor Company has earned a net profit of BD 1.9 million (2015: BD 2.1 million). In Bahrain the new car sales had registered a severe 6% contraction during the year placing pressure on both stock inventories and profit margins in the whole automotive market. In such an environment, your Company has focused its energy and resources to become more lean and efficient in every aspect of its business model and achieved a net profit in Bahrain operations of BD 2.7 million. Despite the decrease in new vehicle sales volume for both General Motors and Honda, the Company was able to gain higher market share due to lower rate of reduction in its sales volumes when compared to overall market decline. The positive response on the new range of products launched by both General Motors and Honda is encouraging and bode well for the Company's future. The margins for both brands came under pressure and saw a reduction due to the excess supply of inventory available with most of the distributors. In aftersales, the Company focused its energy on customer retention through superior customer service to further enhance its overall customer base.

National Motor Company net profit is net of BD 876 thousand loss incurred in its Erbil, Kurdistan based wholly owned subsidiary Tas'heelat for General Trading and Cars W.L.L. The economic environment in Erbil continued to remain unstable and further deteriorated during the year. With no hope of revival in business confidence in near future, your board has commenced the process of winding down its operations. The Company has no inventory of vehicles on ground available for sale and has fully depreciated its investment in its Erbil facility.

Tas'heelat Real Estate Services Company had an outstanding year and registered net profit of BD 2.6 million (2015: BD 2.1 million). The Company has successfully managed three real estate projects simultaneously. Your Company remained committed to addressing the aspirations of our citizens for suitable and affordable housing. The Company made additional investments in similar projects during the year. All the Company's investment properties for rental income have maintained healthy occupancy rates and have generated steady and reliable yields.

Tas'heelat Insurance Services Company achieved a net profit of BD 1.1 million (2015: BD 1.0 million). Despite the contraction of the automotive sales in Bahrain, the Company has arranged more than twenty five thousand motor insurance policies which is 9% higher than last year. The Company continued to strengthen its leadership in motor insurance thriving on its well diversified ecosystem of dealers and sub dealers. The Company's strong relationships with insurance companies and the initiatives launched during the year has ensured high level of renewal rates for the existing customers.

Tas'heelat Automotive Company has successfully completed its first full year of operations and has reported a net loss of BD 147 thousand. It is exciting to note that in such a short time, your Company is able to establish GAC Motor as number one amongst all the Chinese brands in terms of market share in Bahrain. The Company has successfully attracted wide range of customers through its high technology, reliable, fuel efficient and rightly priced cars. Your board will continue to invest in this business through the provision of new showrooms and after-sales services to fully optimise the value offered by the new brand.

Your Company remained in a particularly strong and healthy liquidity position. The Company has a well-planned staggered maturity profile of its borrowings. During the year, the Company had successfully arranged a USD 80 million five year syndicated loan to fund the business expansion. The syndication received a strong support from the local and regional banks. The Group is operating at a low leverage that facilitates further expansion and growth plans.

During the year, the following were the changes in the composition of the Board of directors. Mr. Abdulkarim Ahmed Bucheery, the nominee of BBK, has retired as a vice Chairman from the board in March 2016 and reappointed as independent, non-executive director in April 2016 in place of the outgoing board member Mr. Ali Abdulla Ahmadi. Mr. Ahmadi served on the board since May 1996. The Board places on record its sincere thanks and appreciation to Mr. Ahmadi for his valuable contributions over the years. The Board welcomed Dr. Abdulrahman Ali Saif; who joined as nominee of BBK BSC effective April 2016.

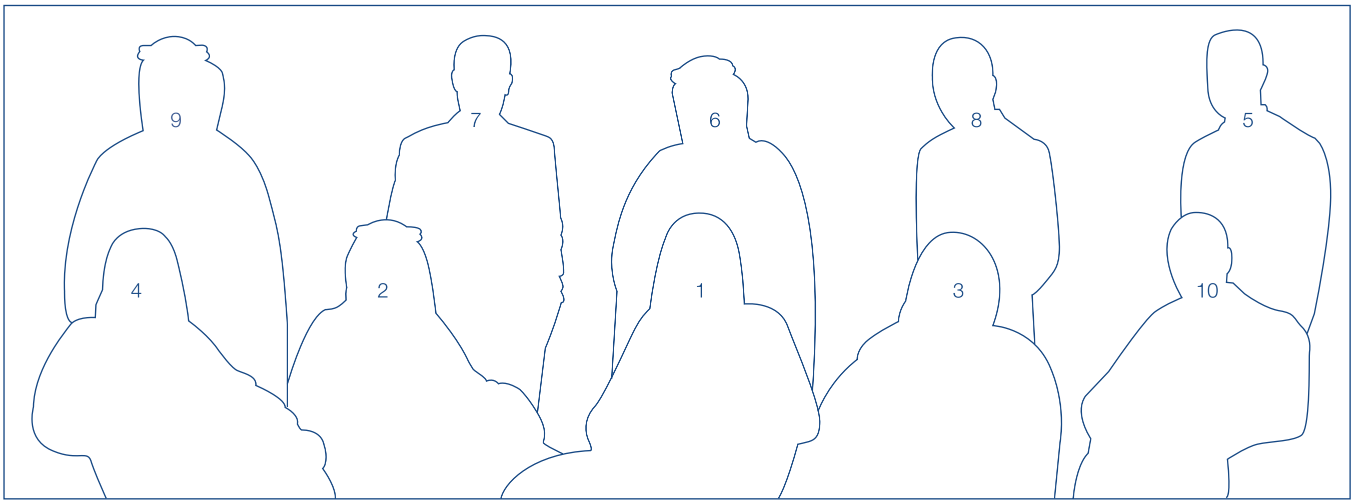
In accordance with the requirement of Bahrain's Commercial Company Law 2001, we report the aggregate amount paid to directors during 2016 was BD 527 thousand (2015: BD 506 thousand) in respect of fees and subsidiary Board and Committees' attendance allowances. The total shareholding of the directors (Elected and Nominee) in the Company is 109.7 million shares (67.16% 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
28 February 2017

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 52 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 Member of Bahrain Telecommunications Company B.S.C. (Batelco), Bahrain
- Deputy Chairman of Social Insurance Organisation (SIO), Bahrain
- Deputy Chairman of Osool Asset Management B.S.C.(c) (Osool), a subsidiary of SIO, Bahrain
- Chairman of Amlak Social Insurance Organization Development Company S.P.C., a subsidiary of SIO, 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 38 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.

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

Director since 15 May 1996 (Independent and Non-executive); has more than 35 years of extensive and diversified experience in business, trade, investment, manufacturing, marine services and contracting; holds a B.Sc. 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
- Chairman of the Automotive Board for National Motor Company W.L.L. (NMC), Bahrain , Tas'heelat Automotive Company S.P.C. (TAC), Bahrain, and Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil - Kurdistan, Republic of Iraq
- Vice Chairman of Al Sanabel Orphans Care Society, Bahrain

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 41 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 Middle East Bank B.S.C., Bahrain

5. Mohammed Ahmed Al-Khaja
Board Member and Member of the Executive Committee - Nominee of Social Insurance Organization, Bahrain

Director from 18 March 2014; (Non-executive); has more than 17 years of extensive and diversified experience in financial services, credit control, wealth management, risk and compliance, sales, marketing and operations in domestic and international banking; holds a B.Sc. in Accounting from University of Bahrain, 2000. Member of the Institute of Directors, London, 2016.
- Vice President, Head of Asset Management at Osool Asset Management Company B.S.C.(c) (Osool), a subsidiary of SIO, Bahrain
- Board Member, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee of The Mediterranean and Gulf Insurance and Reinsurance Company B.S.C. (c) (MEDGULF), Bahrain
- Board Member and Member of the Executive Committee of Bahrain Islamic Bank B.S.C., Bahrain

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

Director since 28 March 2011 (Executive in shareholder bank "NBB"); has more than 43 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.
- General Manager, Domestic Banking Group – National Bank of Bahrain B.S.C., Bahrain
- Vice Chairman of the Automotive Board for National Motor Company W.L.L. (NMC), Bahrain , Tas'heelat Automotive Company S.P.C. (TAC), Bahrain, and Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil - Kurdistan, Republic of Iraq

7. Sayed Abdulghani Hamza Qarooni
Board Member and Member of the Executive Committee

Director since 15 March 2008 (Independent and Non-executive); has more than 51 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

8. Dr. Abdulrahman Ali Saif
Board Member - Nominee of Bank of Bahrain and Kuwait B.S.C.

Director since 24 April 2016 (Executive in shareholder bank "BBK"); has more than 34 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 B.Sc. in Economics from University of Poona, India, 1982. Member of the Institute of Directors, London, 2016.
- Deputy Chief Executive, Wholesale Banking Group, BBK B.S.C.
- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Bahrain , Tas'heelat Automotive Company S.P.C. (TAC), Bahrain, and Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil - Kurdistan, Republic of Iraq
- Chairman of BBK Geojit Securities KSC, Kuwait
- Board Member of Bahrain Kuwait Insurance Company B.S.C. (BKIC), Bahrain

9. Abdulla Mohamed Al-Mahmood
Board Member, Member 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 28 years of extensive and diversified experience in information technology, human resources and administration, accounting and Finance 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; B.Sc. in Statistics from Kuwait University, Kuwait, 1988. Member of the Institute of Directors, London, 2016.
- Executive Director of Pensions and Benefits Department – Social Insurance Organisation (SIO), Bahrain

10. Abdulkarim Ahmed Bucheery
Board Member and Vice Chairman of the Audit Committee

Director since 15 March 2008 (Executive in shareholder bank "BBK" then); subsequently reappointed as Director since 6 April 2016 (Independent and Non-executive); has more than 38 years of extensive and diversified experience in banking; holds a B.Sc. in Economic Science, Economic Stream from Aleppo University, Syria, 1976. Member of the Institute of Directors, London, 2016.
- Chairman of Bahrain Bourse B.S.C.(c), Bahrain
- Independent Chairman of Nomination, Remuneration and Corporate Governance Committee of Naseej B.S.C. (c), Bahrain
- Vice Chairman of the Board and Chairman of its Executive Committee of Ibdar Bank B.S.C. (c), Bahrain
- Board Member of Nasser Center for Rehabilitation and Vocational Training, Bahrain
- Vice Chairman of the Board of the Executive Counsel of Arab Tourism Organization, Jeddah – Saudi Arabia
- Ex Group Chief Executive Officer of BBK Bahrain and Ex-member of its Executive Committee
- Honorary Chairman of Bahrain Association of Friends of Psychiatric Patients

---

Sayed Jalal Jaafar Al-Mousawi
Secretary to the Board - Bahrain Commercial Facilities Company B.S.C.

Joined on 02 May 2007; has more than 16 years of accumulated and diversified experience in corporate affairs and administration within Board Secretariat as company secretary, compliance and corporate governance, law and legal drafting, undertaking alterations to companies' constitutions, formation of companies, registration of trademarks and commercial agencies specialized translations, public and media relations, journalistic writing and representing all companies before authorities; holds a BA in English Literature and Translation from University of Bahrain, 2002; attended a number of courses in accounting and corporate governance; and still pursuing an LLB in Law.

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC is committed to best practices of corporate governance in line with legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities. These Guidelines 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 in the Consolidated Financial Statements for the year ended 31 December 2016.

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 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. 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 and affairs are well managed to meet its stated goals and objectives. Maintenance of the high 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 2016 as follows:

Directors *	Type of Shares	31 December 2016	31 December 2015
Abdulrahman Yusuf Fakhro	Ordinary	466,374	384,712
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Khalid Mohammed Ali Mattar	Ordinary	1,254,891	1,254,891
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
Abdulkarim Ahmed Bucheery	Ordinary	Nil	Nil
Sayed Abdughani Hamza Qarooni	Ordinary	1,529,910	1,529,910
Abdulaziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Dr. Abdulrahman Ali Saif	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Mohammed Ahmed Abdulla Al Khaja	Ordinary	Nil	Nil

** The Board of Directors and their connected persons, with the exception of Mr.Abdulrahman Yusuf Fakhro, did not trade in the shares of the Company during the financial year ended 31st December 2016.*

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 2016, the Board of Directors convened five ordinary meetings and three unscheduled meetings. The meetings were attended as follows:

Board of Directors	12 Jan.‹1›	23 Feb.	22 Mar.	31 May ‹2›	26 Jul.	27 Sep. ‹3›	27 Oct.	27 Dec.	Total
Abdulrahman Yusuf Fakhro, *Chairman*	✓	✓	✓	✓	By phone	✓	✓	✓	8
Reyadh Yusuf Hasan Sater, *Vice Chairman*	✓	✓	✓	✓	✓	✓	✓	✓	8
Khalid Mohammed Ali Mattar, *Director*	✓	✓	✓	✓	✓	✓	✓	✓	8
Ebrahim Abdulla Buhindi, *Director*	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulkarim Ahmed Bucheery, *Director ‹4›*	✓	✓	✓	✓	By phone	✓	By phone	✓	8
Sayed Abdughani Hamza Qarooni, *Director*	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulaziz Abdulla Al-Ahmed, *Director*	✓	✓	✓	✓	✓	✓	✓	✓	8
Dr. Abdulrahman Ali Saif, *Director ‹5›*	-	-	-	✓	✓	✓	✓	✓	5
Abdulla Mohamed Al Mahmood, *Director*	✓	✓	✓	✓	✓	By phone	✓	✓	8
Mohammed Ahmed Abdulla Al Khaja, *Director*	✓	✓	✓	✓	By phone	✓	By phone	By skype	8

1. An unscheduled meeting of the Board held to consider and approve the Strategic Plan 2016-2018.
2. An unscheduled meeting of the Board held to consider and approve an investment proposal in 2016.
3. An unscheduled meeting of the Board held to consider and approve real estate investment proposals in 2016.
4. Retired as vice chairman from the Board effective from 31 March 2016 and re-appointed as independent, non-executive director on 6 April 2016 in place of the outgoing Board Member Mr. Ali Abdulla Ahmadi.
5. Joined the Board in place of the outgoing nominee of BBK Mr. Abdulkarim Ahmed Bucheery effective from 24 April 2016.

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 2016. The meeting was attended as follows:

Board Sub-committee *(To consider proposals for a syndicated loan)*	22 June
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓
Sayed Abdughani Hamza Qarooni	✓

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 Compliance Officer 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 (23) 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 on an annual basis. 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, company 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 2016, the Executive Committee held seven meetings. The meetings were attended as follows:

Committee Member	26 Jan.	22 Mar.	26 Apr.	24 May	28 Jun.	27 Sep.	29 Nov.	Total
Khalid Mohammed Ali Mattar, *Chairman*	✓	✓	✓	✓	✓	✓	✓	7
Reyadh Yusuf Hasan Sater, *Vice Chairman ‹1›*	-	-	-	-	✓	✓	✓	3
Sayed Abdulghani Hamza Qarooni, *Member*	✓	✓	✓	✓	✓	✓	✓	7
Mohammed Ahmed Abdulla Al Khaja, *Member*	✓	✓	✓	✓	✓	✓	✓	7
Abdulkarim Ahmed Bucheery, *Vice Chairman ‹2›*	✓	✓	-	-	-	-	-	2

1. Appointed as member of the Committee effective from 31 May 2016 and elected as vice chairman on 28 June 2016.
2. Quit as vice chairman of the Committee and joined the Audit Committee effective from 6 April 2016.

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 on annual basis. 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 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 2016, the Board Audit Committee met eight times. The meetings were attended as follows:

Committee Member	24 Jan.	22 Feb.	17 Apr. ‹1›	25 Apr.	25 Jul.	28 Sep.	24 Oct.	27 Nov. ‹2›	Total
Ebrahim Abdulla Buhindi, *Chairman*	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulkarim Ahmed Bucheery, *Vice Chairman ‹3›*	-	-	By phone	-	By phone	✓	By phone	✓	5
Abdulla Mohamed Al Mahmood, *Member ‹4›*	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulaziz Abdulla Al-Ahmed, *Member ‹5›*	✓	✓	✓	✓	-	-	-	-	4

1. An unscheduled meeting of the Committee held to review and recommend the CBB Inspection Report and Replies and KPMG's Report on the Independent Review of the Risk Management Policy Framework.
2. An unscheduled meeting of the Committee held to review and recommend the company's Amended Risk Management Policy Framework and Corporate Governance Policies.
3. Appointed as member of the Committee effective from 6 April 2016. Then, his appointment was revalidated and he was again re-appointed as member effective from 31 May 2016; and was elected as vice chairman on 25 July 2016.
4. Continued to be the Vice Chairman of the Committee till 25 July 2016.
5. Quit as member of the Committee effective from 31 May 2016.

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 on an annual basis, 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 WLL and Secretary to the Board. Moreover, the Committee reviews and approves the salary and bonus payments for the Chief Executive Officer '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 three meetings during 2016. The meetings were attended as follows:

Committee Member	18 Feb.	15 Mar.	25 Dec.	Total
Abdulrahman Yusuf Fakhro, *Chairman*	✓	✓	✓	3
Abdulaziz Abdulla Al-Ahmed, *Vice Chairman*	✓	✓	✓	3
Abdulla Mohamed Al Mahmood, *Member*	✓	✓	✓	3

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 international best 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 an approved Anti-Money Laundering Policy, 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.

CORPORATE GOVERNANCE (Continued)

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 non-voting members. 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 on a quarterly basis. 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 so as to ensure that proper due diligence is established before sanctioning any credit exposure and that credit risk arising from a credit exposure is closely monitored throughout the tenor. To fulfill this objective, the Credit Committee is delegated with a defined scope of responsibilities and authorities. 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 Executive Committee upon the recommendation of the Chief Executive Officer.

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. Chief Executive Officer and Management Remuneration:

The performance and remuneration of the Chief Executive Officer 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. Policy on Related Party Transactions

The procedures for dealing with related party transactions are enshrined in various policies, charters and agreements. The Company's dealings with its shareholders are conducted on an arms-length basis in respect of borrowings received from them. If loans are extended to related parties, these are approved on the basis of authorities delegated by the Board of Directors to the Chief Executive Officer . If the loans exceed these authorities, then further approval from the Executive Committee or the Board is requested.

All loans to management members and staff of the company, are governed by the policies applicable to staff. These policies are reviewed by the Board regularly. The maximum interest-free loan advanced to a staff member is BD 5,000 regardless of his status.

I. Approved Persons Policy

The Company adheres to all the CBB requirements regarding "approved persons". Approval of the CBB is obtained prior to the appointment for controlled functions. Controlled functions are those of: secure, real-time access to the Board's archive.

1. *Director;*
2. *Chief Executive Officer or General Manager;*
3. *Head of Function;*
4. *Compliance Officer; and*
5. *Anti-money Laundering Officer.*

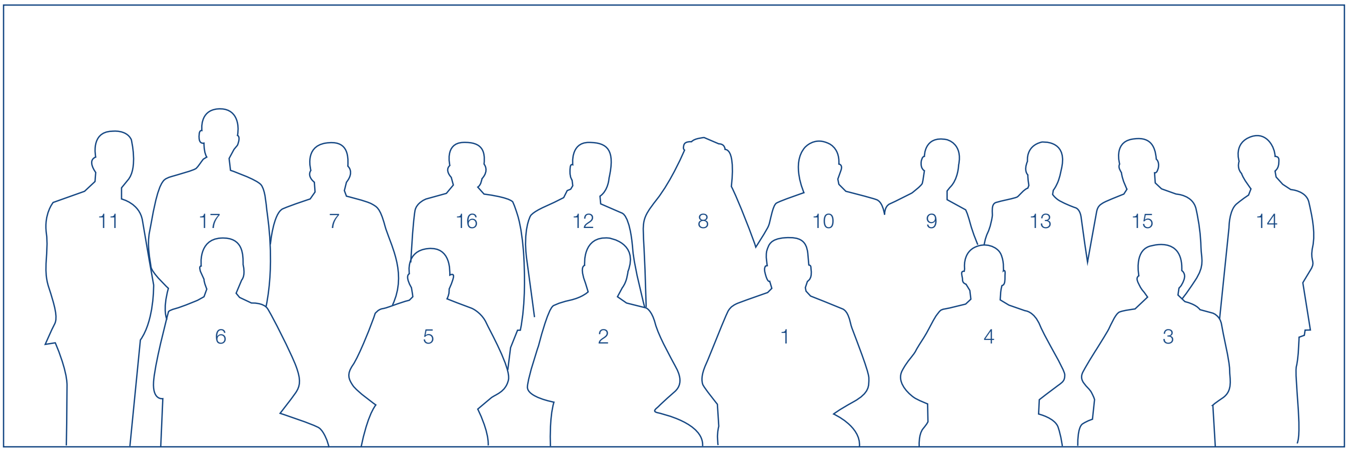
a. Employment of Relatives

The Company has in place a board approved policy on the employment of relatives of approved persons that are embedded in various policies. The Chief Executive 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.

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 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.

EXECUTIVE MANAGEMENT



1. Dr. Adel Hubail

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

Joined on 1 September 2004; has more than 18 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.

- Chairman of Tas'heelat Insurance Services Company W.L.L. (TISCO), Bahrain
- Board Member of the Automotive Board for National Motor Company W.L.L. (NMC), Bahrain, Tas'heelat Automotive Company S.P.C. (TAC), Bahrain, and Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil - Kurdistan, Republic of Iraq
- Chairman of the Executive Committee of Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil – Kurdistan, Republic of Iraq
- Chairman of the Executive Committee of Tas'heelat Automotive Company S.P.C. (TAC), Bahrain
- Chairman of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain

2. Fadhel Al Mahoozi

Senior Vice President, Head of Credit and Marketing - Bahrain Credit

Joined on 1 January 1993; has more than 36 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: Strategic Branding at London Business School, 2015; and Powerful Communication for Business at Cranfield School of Management, 2013. Member of the Institute of Directors, London, 2016.

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

3. Vishal Purohit

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

Joined on 16 September 2007; has more than 18 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: Scenarios Programme at University of Oxford, 2015; Authentic Leadership Development, 2014; and Strategy-Building and Sustaining Competitive Advantage, 2012, at Harvard Business School. Member of the Institute of Directors, London, 2016.

- Member of the Executive Committee of Tas'heelat Automotive Company S.P.C. (TAC), Bahrain
- Member of the Executive Committee of National Motor Company W.L.L. (NMC), Bahrain

4. Ramzi Barakat

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

Joined on 1 February 2016; has more than 18 years of extensive and diversified experience in the motor industry in which time he has fulfilled a number of roles. Prior to NMC 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.

- Member of the Executive Committee of Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil – Kurdistan, Republic of Iraq
- Member of the Executive Committee of Tas'heelat Automotive Company S.P.C. (TAC), Bahrain

5. Ali Al Daylami

General Manager - Tas'heelat Insurance Services Company W.L.L.

Joined on 1 January 1993; has more than 31 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), Bahrain, Tas'heelat Automotive Company S.P.C. (TAC), Bahrain, and Tas'heelat for General Trading and Cars W.L.L. (TGTC), Erbil - Kurdistan, Republic of Iraq

EXECUTIVE MANAGEMENT (Continued)

6. Hussain Ali Salman

Vice President, Head of Human Resources - Bahrain Credit

Joined on 17 April 2004; has more than 15 years of extensive and diversified experience in human resources training and development, procurement and administration, project management and public relations; holds a Master's Degree in Human Resource Management from DePaul University, Chicago, USA, 2010, B.Sc. in Business Information Systems and an Associated Diploma in Civil Engineering, University of Bahrain, 2001. 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: Customer Focused Innovation Programme at Standford Business School, 2015; and Authentic Leadership Development at Harvard Business School, 2014.

7. Hussain Al-Madhi

Vice President, Head of Branch Network - Bahrain Credit

Joined on 3 May 1997; has more than 20 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: General Management Programme at Cambridge Judge Business School, 2016; and Strategy-Building and Sustaining Competitive Advantage at Harvard Business School, 2015. Member of the Institute of Directors, London, 2016.

- Board Member of Tas'heelat Insurance Services Company W.L.L. (TISCO), Bahrain
- Member of the Executive Committee of Tas'heelat 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 20 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. Abdulla Al-Wedaei

Head of Honda and GM Brands - National Motor Company W.L.L.

Joined in October 1991; has more than 25 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 Master's Degree in Business Administration from University of Hull, 2001; and a Diploma in Executive Management from University of Bahrain, 1999. 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 Tas'heelat Insurance Services Company W.L.L. (TISCO), Bahrain

10. Ali Ebrahim Al Marzooq

Vice President, Head of Information Technology - Bahrain Credit

Joined on 4 June 2006; has more than 24 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: Making Your Organisation Innovative at Cambridge Judge Business School, 2015; and Competing on Business Analytics and Big Data at Harvard Business School, 2014.

11. Manaf Ghreeb

Assistant Vice President, Head of Corporate Lending, Bahrain Credit

Joined Bahrain Credit in July 2002; has more than 21 years of extensive and diversified experience in financial and banking services; holds a Master in Business Administration from University of Strathclyde, Glasgow, U.K. 2013; and a B.Sc. in Information Systems and Management from University of Bahrain, 2004. 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.

12. Jaffar Al Oraibi

Assistant Vice President, Head of Real Estate, Tas'heelat Real Estate Services Company S.P.C.

Joined on 1 October 2011; has more than 11 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.

13. A. Rasool Al A'ali

Assistant Vice President, Head of Credit Card – Bahrain Credit

Joined on 1 June 2009; has more than 21 years of extensive and diversified experience in credit card business in financial institutions; holds a Diploma in Commercial Studies from University of Bahrain, 1994; attended a number of management, sales and marketing and business-related courses. Attended a number of executive education / training programs at well-known, top business schools such as: Sales Directors' Programme at Cranfield School of Management, 2015.

14. Bareer Jassim

GAC Motor Brand Manager - Tas'heelat Automotive Company S.P.C.

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

15. Hamza Shehab

Assistant Vice President, Head of Collection – Bahrain Credit

Joined on 24 December 2005; has more than 11 years of extensive and diversified experience in collection, recoveries and market research to set up companies; 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: Negotiation and Influencing Skills for Senior Managers at London Business School, 2016; and fulfilled the requirements of The Leadership Development Programme VI at University of Virginia - Darden-USA, 2015.

16. Ali Aburwais

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

Joined on 1 August 1995; has more than 25 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.

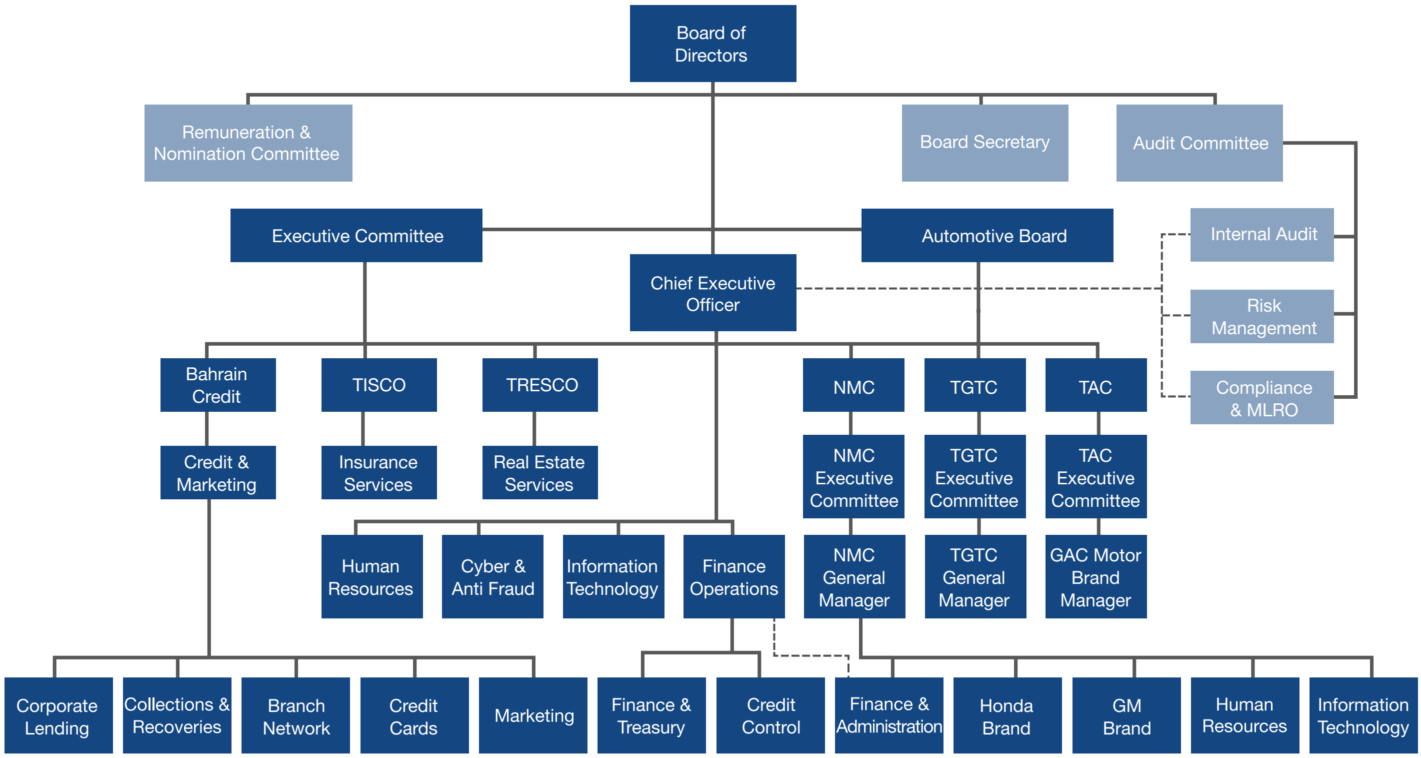
17. Ali Malalla

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

Joined in September 2016, has more than 14 years of extensive and diversified experience in risk management in both Conventional and Islamic sectors with specialty in credit risk; holds a Master's Degree in Business Administration from AMA International University, Bahrain, 2008; has an Associate Professional Risk Manager (APRM) Certificate and is a Member of the Professional Risk Manager's International Association (PRMIA), USA.

* *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 2016.*

ORGANIZATION CHART



MANAGEMENT'S REVIEW OF OPERATIONS

2016 proved to be a year filled with huge unpredictable events which had changed the course of global business. The nosedive of oil price, shocking result of Brexit referendum and election win of new United State President were all contrary to the conventional wisdom. The populist wave that swept around the globe have turned the old establishments over their heads. The volatility generated along with increased geopolitical conflicts has hampered the growth trajectory of most world economies.

The Middle East region continued to face severe headwinds and remained extremely stressed. GCC countries owing to slight improvement in oil prices have pushed up their economic agenda through the fiscal austerity and subdued public investment weighed on private consumption and thereby restricting GDP growth. Bahrain economy cannot remain insulated and the oil price correction has affected country's fiscal health and its sovereign rating. That is mentioned, the local business community remained resilient and the segments in which your company operates performed reasonably well.

In such challenging operating environment, the BCFC Group has significantly improved its performance and again recorded its highest earnings. The Company has achieved a net profit of BD 19.9 million which is 14.4% higher than BD 17.4 million earned in 2015. This outstanding performance results in return on equity of 16.0% (2015: 15.6%).

2016 marked the first year of the Company's new 3-year 2016-2018 strategic plan. During the year the Group has implemented a wide range of initiatives which were focused towards further strengthening of Company's governance and risk management framework, comprehensive review of its policy and procedures and development of new products and services. One such important project which the Group has been working on is the construction of its new corporate headquarter building which is designed to meet all present and future needs. It is pleasing to note that the state of art new building is shaping up well and once completed would be a hallmark of BCFC Group's successful achievements. The Group is operating at a low leverage of 1.8 and has a strong capital base. During the year, the Company has successfully issued a new USD 80 million 5 year syndicated loan which was very well received in the regional loan markets. The Company has an enviable liquidity position with well laid maturity plan which would facilitate future profitable opportunities as and when presented.

MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

Despite many challenges, 2016 proved to be a remarkable year for Bahrain Credit with 14% growth in new business and 18% growth in net profit when compared to annual results of 2015. The Company has earned a net profit of BD 14.5 million (2015: BD 12.2 million) and advanced new credit facilities of BD 158 million (2015: BD 139 million). As of 31 December 2016, the total loan portfolio, net of impairment provisions stands at BD 270 million, 17% higher than last year.

This performance was achieved through successful implementation of various companywide initiatives. The Company has extensively worked on further refining its value chains to enhance customer experience including an upgrade of its IT capabilities. Through addition of new branches and introduction of new marketing initiatives the Company has enhanced its reach to new customer segments. The Company has also introduced its new mobile application to facilitate customers' convenience and delight. The new application is available to all the customers including credit cardholders to carry out most of their transactions in a secured environment without visiting Company branches. All of these initiatives are underpinned by strong risk management culture.

The Company retained its leadership position in its core product vehicle finance. In 2016 the local automotive market witnessed a significant decline in sale of new vehicles. Nonetheless the Company improved its performance through collaborating with its close partners comprising of many auto dealers and sub dealers.

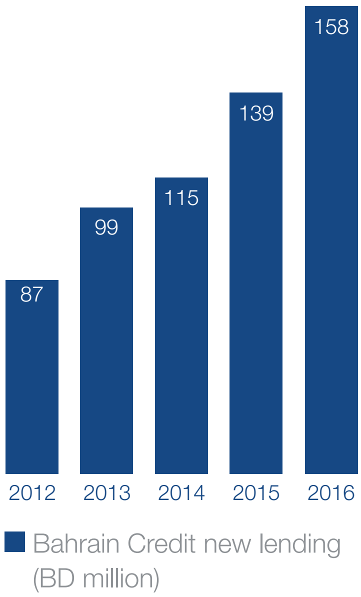
The fundamentals in the real estate market remained stable. The Company continued its cautious lending approach for extending mortgage loans, mostly funding those customers who can service their loan installments with regular cash flows independent of the underlying assets financed and limiting the extended loan to 70% of the property value.

The Company's imtiaz credit card achieved a major milestone of surpassing fifty thousand cards in issuance. In a fiercely competitive market, Imtiaz has achieved this result in 6 years since its introduction in 2010 and stands now amongst top three providers. During the year, the customers have total sales turnover of more than BD 79 million using their imtiaz card. The stringent adherence to policy and procedures has ensured that the quality of this relatively riskier product remained well controlled.

The quality of the portfolio remains a key priority – it is dependent on uncompromising underwriting standards and an efficient collection and recovery function. The non-performing loans stood at a very satisfactory 2.9% of the total loans portfolio; it is worth mentioning that most of the company's new lending is made on a partially or fully secured basis and all past due loan accounts are well covered by impairment provisions.

PARENT COMPANY

- *Vehicle loans*
- *Personal loans*
- *Mortgage loans*
- *Corporate loans*
- *Credit cards*



* Annual Staff Party 2016

NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Cadillac • Mack Defence

In the automotive business, National Motor Company achieved a consolidated net profit of BD 1.9 million for the year ended 31 December 2016 (2015: BD 2.1 million). The overall weak economic conditions, austerity measures and increased petrol prices set frightening shock waves into the auto industry when vehicle sales in certain months reduced below 20% year on year. A major toll was inflicted on large SUV's across the board and NMC renowned GM SUV's were no exceptions. The Bahrain operations became much leaner and efficient in the face of a very volatile market and achieved a net profit of BD 2.7 million (2015: BD 3.1 million). The consolidated results are net of losses of its wholly owned subsidiary which continues to be affected by the instability and political turmoil in Kurdistan region.

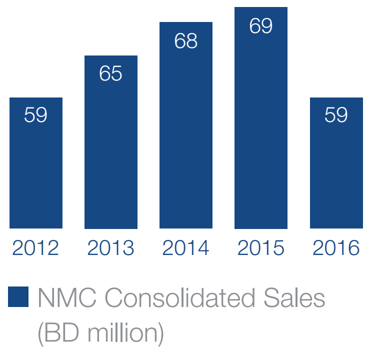
Bahrain Operations

The Company has achieved a sales turnover of BD 58.7 million (2015: BD 69.6 million) and earned net profit of BD 2.7 million in a difficult year for automotive industry. As per the General Directorate of Traffic data the new cars sales in the year has declined by 6% when compared to 2015. This has resulted in a massive accumulation of vehicle inventory with dealers, which led each of them to drop prices driving down their margins to combat these difficult market conditions. However, the concerted efforts put in have turnaround the Company in to a much leaner and efficient operations.

In General Motors (which include Chevrolet, GMC and Cadillac) although we had registered some reduction in sales, the year was marked with the introduction of new lineup of cars which are innovatively engineered and beautifully sculpted. These cars which include GMC Acadia, Cadillac CT6 and XT5 combine advance technology with breathtaking design has met with extremely positive customer response. To further improve customers buying experience the Company has commenced full renovation and refurbishment of its GM facility to serve better.

In Honda Motors, despite lower sales volume, the introduction of highly acclaimed new tenth generation Honda Civic brought a new excitement. Honda's flagship car Accord also resumed its supply from United States towards end of the year which would provide the Company a cost advantage thanks to free trade agreement between the two countries. Overall the brand profitability came ahead of the previous year due to incentives and support received from the Principal. Though the incentives provided are exceptional and not guaranteed by Honda Motors, it does indicate that the manufacturer is taking note of difficult operating conditions in the region.

The Aftersales operations continued to be the largest contributor to the overall profit of the Company. It is pleasing to note that Honda Motors has awarded the Company as number one in the region on its CSI (Customer Service Index) for customer service and aftersales operations for Bahrain. The focus continues to be on increasing customer retention by providing superior customer service at all levels of the organization.



THE ALL NEW HONDA CIVIC

MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

Erbil Operations

The deterioration in the operating environment in Erbil continued and security situation remained volatile. With no hope of recovery anytime soon there, the Company has commenced its winding down operations to reduce its exposure. The Company has not ordered any new stock and has no inventory on ground available for sale. The Company has fully depreciated its investment in showroom and all the other valuable assets have been shifted to Bahrain. Currently, the Company is striving to collect its outstanding receivables to minimize losses.

TAS'HEELAT REAL ESTATE SERVICES COMPANY

• Rental & brokerage services • Valuation • Property management • Investment

The Company had an exceptional year in 2016 and registered a net profit of BD 2.6 million (2015: BD 2.1 million). The Company's success can be attributed to its strategy of building a diversified source of income through managing large land projects, acquiring selected investment properties with steady rental yields and income from valuation and brokerage services. During the year the Company has embarked on a journey to get into property development through commencing construction of residential apartments with the objective of offering it for sale to customers.

The Company continued its participation in the land investments aiming to facilitate housing solution for local citizens by offering affordable residential plots. During the year, the Company has managed three land projects simultaneously in locations preferred by our customers. All the projects were well received. Customers' continuous demand for new project demonstrate their faith in the Company's products. To remain active in the market, the Company has made another land investment that is expected to be available for sale after subdivision next year.

The Company's investment property portfolio directed towards middle income expatriates aspiring for affordable luxury continue to perform well. During the year, the Company has sold one investment property that resulted in a net profit of BD 252 thousand, which is recognized as other income. The Company has also invested into a new investment property. All the Company's investment properties throughout the year maintained high occupancy and provided healthy annuity type returns.

TAS'HEELAT INSURANCE SERVICES COMPANY

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

Tas'heelat Insurance Services Company has registered a net profit of BD 1.1 million (2015: BD 1.0 million). The Company continued to strive for excellence through reinvigorating its processes to improve and surpass customer expectations in getting the transparent advice for selecting the proper coverage from the most desired insurance companies at a right price. The Company's strategic initiatives to reach out to new customers has enabled it to arrange for more than excess of 25 thousand policies during the year. Such achievements are facing strong resistance from stressed insurance industry for motor policies, where stagnant premiums and cut throat competition potentially can affect the Company's operations.

The Company will continue to improve upon its market presence through joint marketing promotions with selected insurance companies, introducing innovative insurance products, providing unique facilities to its customers' and further developing synergies with the sister group companies leveraging on their branch networks and Group's mobile application.

THE NEW ACADIA MODEL FROM GMC

MANAGEMENT'S REVIEW OF OPERATIONS (Continued)

TAS'HEELAT AUTOMOTIVE COMPANY

Tasheelat Automotive Company has reported a net loss of BD 147 thousand for its first full year of operations. Despite many challenges in the automotive industry, the newly launched subsidiary has completed its first year of operations successfully. The GAC Motor cars have been widely accepted by the customers because of its high tech features and economic fuel consumptions. GAC Motor has become number one Chinese brand in the country with more than 300 cars already on Bahrain roads. The Company made history when the launch of GAC Motor's GS4, a mini SUV, was attended by more than 12 thousand people. The Company is excited about the new models lineup of GAC Motor vehicles which will help the Company to increase its market share through participating in all the popular and high demand segments of the automotive market.

2017 OUTLOOK

The world economy is projected to grow by 2.5 per cent in 2017. The uncertainty surrounding the policy stance of the incoming United States administration and its global ramifications has led to conflicting views on the possible outcomes for the world economy. The stability of oil price at current level would remain a key for the regional countries to balance their austerity drive with development projects. In Bahrain, the economic growth is forecasted to further slowdown in 2017. The Company, in line with its new strategic plan, shall continue to focus on its key markets and look for opportunities that will further increase the shareholders' value.

GS4 FROM GAC MOTORS

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ("CSR") is one of the most dynamic and yet critical subjects. CSR is an ongoing commitment by businesses to behave ethically and contribute well to the economic development and welfare activities for the community. CSR aims to alleviate hardships and contribute to worthwhile social causes, whilst demonstrating respect for people, society at large and the environment.

Bahrain Commercial Facilities Company B.S.C. ("BCFC"), as a proactive and innovative company, has always been at the forefront of CSR and beyond its focus on financial performance, it embraces a truly enterprise-wide commitment approach to social responsibility. Hence, BCFC actively takes responsibility for and positively engages with the Bahraini society. Its CSR efforts have demonstrated and yielded a positive impact on its bottom-line, believing that one good deed begets another as this is repaid by an extraordinary and super abundant results.

BCFC has witnessed growing societal demand for increased social responsibility and with its heavy involvement in community projects, the value of its CSR has further been strengthened in a variety of ways. This affirms its deep-rooted socio-business strategy that shapes the company's values and underpins its vision and mission of its role in the society towards customers, employees, shareholders, suppliers and the community at large.

The company's distinguished CSR program has continued to make a difference throughout 2016 when philanthropic contributions have benefitted many non-profit organisations that address the special needs of the Bahraini society, like those actively involved in: supporting the underprivileged, disability, elderly care, childhood and nurseries, health care, social welfare, education and specialised institutions, research and studies, culture and environment.

* Team Building Day

We strongly believe in the principles of CSR in ways that honour ethical values and meet the needs of our people in the Kingdom of Bahrain. With over 33 years of operations, community engagement and active participation in charitable and philanthropic activities, BCFC is contributing genuinely to the social good in compelling ways, backing its words with responsible actions that enrich the lives of those in need and uphold the society in general.

During 2016, we kept on strengthening our community partnerships and active participation of our involvement with charitable organizations, sharpening our sense of responsibility and maintaining a deep commitment towards building a better nation. To this end, we proceeded with our “Social Responsibility Placement” initiative for the 3rd year in a row and undertook field visits to all the charitable institutions and societies supported by the company, with the aim of closely observing their activities and understanding their bare necessities and needs. In addition, the company has continued supporting the two community societies referred to in the last two Annual Reports and we are pleased to report the completion of the construction work of the second floor of The UCO Parents Care Centre in Hidd and that the official opening will take place in the presence of the Board of Directors. We trust that the new facility will address the special needs of the elderly. On the other hand, the construction of an extension to the premises of Bahrain Mobility International in Isa Town (which looks after persons with physical disabilities) has started after obtaining the authorities’ approvals.

Today we are delighted that BCFC has been successful in demonstrating the identity of its corporate social responsibility in light of the roles it has been playing as a highly responsible corporate citizen over the past years in serving our people and our beloved homeland. Nevertheless, it is determined to make more contributions in this respect and seek to engage more in philanthropic activities.

* Celebrating the World Earth Day

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, and Tasheelat Real Estate Service Company SPC, which was established in May 2002. In December 2013, the Group geographically expanded its presence and established Tas'heelat for General Trading and Cars WLL in Erbil, Kurdistan, Iraq, to act as an exclusive distributor for Honda vehicles in Erbil, Kurdistan, Iraq. In March 2015, the Company has incorporated Tas'heelat Automotive Company in Bahrain.

CR Number	:	13444	
P.O. Box	:	1175, Manama, kingdom of Bahrain	
Tel	:	17 786 000	
Toll Free	:	8000 8000	
Fax	:	17 786 010	
E-Mail	:	bcredit@bahraincredit.com.bh	
Office	:	Bahrain Credit Building, Building 290, Road 111, Tubli 701	
Website	:	www.bahraincredit.com.bh	
Banks	:	BBK BSC Ahli United Bank Gulf International Bank Arab Banking Corporation (BSC) Ahli Bank SAOG HSBC Bank Ahli United Bank Limited, Dubai Al Salam Bank Bank of Baghdad, Erbil, Kurdistan	National Bank of Bahrain BNP Paribas Standard Chartered Bank Arab Bank Mashreq Bank IDBI Bank IBL Bank, Erbil, Kurdistan Al Baraka Bank, Erbil, Kurdistan
Auditors	:	KPMG Fakhro	

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

CONTENTS

INDEPENDENT AUDITORS'

REPORT TO THE SHAREHOLDERS

Bahrain Commercial Facilities Company BSC
Kingdom of Bahrain

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 2016, 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 2016, 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 2016. 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(e) 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 (representing 77% of total assets) and the related estimation of uncertainty to the financial statements; and

• The Group makes complex and significant judgments over both timing of recognition of impairment and the estimation of the amount of such impairment;

How the matter was addressed in our audit

We understood and tested key controls and focused on:

• Past due ageing of the Group's loans;
• The identification of impairment events;
• The review and approval process that the Group has in place for the outputs of the Group's impairment model.

Specific impairment provision:

Our procedures included the following where specific impairment is calculated for individual loans:

• Understanding, assessing and challenging the key events and triggers used by the Group for identifying customers within the loan portfolio for specific impairment assessment; and

• For a sample of exposures that were subject to specific impairment assessment and focusing on those with the most significant potential impact on the consolidated financial statements, specifically challenging the Group's assumptions on the expected future cash flows, including the value of the realizable collateral based on our own understanding and available market information.

Collective impairment provision:

Our procedures included the following where impairment is calculated on a collective basis for portfolio of loans:

• Understanding and assessing the appropriateness of the provisioning model for the Group's portfolio;

• Testing the inputs sourced from underlying systems that are used in the model;

• Testing ageing and credit classification of the loans on a sample basis;

• Where modelling assumptions were based on prior historic data, we evaluated whether the output of the models are consistent with the historical payment performance. We then challenged the appropriateness of the Group's adjustments to reflect current market conditions, with reference to our own knowledge and to market and economic conditions.

We also assessed the adequacy of the Group's disclosure in relation to impairment of loans and advances by reference to the requirements of relevant accounting standards.

INDEPENDENT AUDITORS'
REPORT TO THE SHAREHOLDERS (Continued)

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; and

• Estimation of the recoverable amount and determining the level of impairment allowance involves judgement and estimation uncertainty.

How the matter was addressed in our audit

Our audit procedures included:

• Testing the design and operating effectiveness of controls over the process of collection of receipts and identification of doubtful debts;

• Testing the ageing of receivables on a sample basis;

• Focusing on those accounts with the most significant potential impact on the consolidated financial statements, and seeking confirmations, reconciliation of statement of accounts and testing receipts subsequent to the year-end;

• Challenging the Group's assumptions on the expected future cash flows considering the historical cash collection trends and available market information; and

• Evaluating the adequacy of the Group's disclosures related to impairment allowance 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 2016 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 Bahrain 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 Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, 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 Al Qubaiti.

KPMG Fakhro
Partner Registration No. 83
28 February 2017

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

as at 31 December 2016

Bahraini Dinars Thousands

	Note	31 December 2016	31 December 2015
Assets			
Cash and balances with banks		2,313	1,669
Loans and advances to customers	8	270,126	230,362
Trade receivables	9	8,642	8,066
Inventories	10	35,596	36,674
Investment properties	11	7,054	6,061
Property and equipment	12	24,424	19,859
Other assets		2,607	1,906
Total assets		**350,762**	304,597
Liabilties and equity			
Liabilities			
Bank overdrafts		1,073	1,411
Trade and other payables		15,363	22,155
Bank term loans	13	170,204	129,845
Bonds issued	14	39,829	39,766
Total liabilities		**226,469**	193,177
Equity			
Share capital	15	16,335	16,335
Treasury shares	15	(599)	(599)
Statutory reserve		33,542	33,542
Other reserves		22,854	20,840
Retained earnings		52,161	41,302
Total equity (page 42)		**124,293**	111,420
Total liabilities and equity		**350,762**	304,597

The Board of Directors approved the consolidated financial statements consisting of pages 39 to 76 on 28 February 2017 and signed on its behalf by:

Abdulrahman Yusuf Fakhro	*Reyadh Yusuf Hasan Sater*	*Dr. Adel Hubail*
Chairman	*Vice Chairman*	*Chief Executive Officer*

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS

for the year ended 31 December 2016
Bahraini Dinars Thousands

	Note	2016	2015
Interest income		30,020	24,301
Interest expense		(8,162)	(6,397)
Net interest income		**21,858**	17,904
Automotive sales		60,900	69,748
Cost of sales		(54,172)	(62,167)
Gross profit on automotive sales		**6,728**	7,581
Fee and commission income	16	8,501	6,795
Profit from sale of land inventory		2,599	1,876
Rental income		710	631
Total operating income		**40,396**	34,787
Salaries and related costs		(7,385)	(6,737)
Other operating expenses	18	(10,027)	(8,923)
Impairment allowance on loans and receivables, net of recoveries		(4,027)	(2,864)
Other income	17	953	1,146
Profit for the year		**19,910**	17,409
Basic and diluted earnings per 100 fils share	23	124 fils	108 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 consolidated financial statements consist of pages 39 to 76.

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

for the year ended 31 December 2016
Bahraini Dinars Thousands

	2016	2015
Profit for the year	19,910	17,409
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Net change in cash flow hedge reserve	537	329
Total other comprehensive income for the year	537	329
Total comprehensive income for the year	20,447	17,738

The consolidated financial statements consist of pages 39 to 76.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

for the year ended 31 December 2016
Bahraini Dinars Thousands

2016	Share capital Share capital	 Treasury shares	Reserves and retained earnings Statutory reserve*	 Cash flow hedge reserve	 Donation reserve	 General reserve	 Retained earnings	 Total equity
At 1 January 2016	16,335	(599)	33,542	(224)	814	20,250	41,302	111,420
2015 appropriations (approved by shareholders):								
- Donation declared for 2015	-	-	-	-	300	-	(300)	-
- Transfer to general reserve for 2015	-	-	-	-	-	1,500	(1,500)	-
Balance after 2015 appropriations	16,335	(599)	33,542	(224)	1,114	21,750	39,502	111,420
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	19,910	19,910
Other comprehensive income:								
- Net changes in cash flow hedge reserve	-	-	-	537	-	-	-	537
Total comprehensive income for the year	-	-	-	537	-	-	19,910	20,447
Transactions with equity holders, recognised directly in equity								
Dividend declared for 2015	-	-	-	-	-	-	(7,251)	(7,251)
Total distributions to shareholders	-	-	-	-	-	-	(7,251)	(7,251)
Utilisation of donation	-	-	-	-	(323)	-	-	(323)
At 31 December 2016	16,335	(599)	33,542	313	791	21,750	52,161	124,293

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

The consolidated financial statements consist of pages 39 to 76.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

for the year ended 31 December 2016

Bahraini Dinars Thousands

	Share capital		Reserves and retained earnings					
2015	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge reserve	Donation reserve	General reserve	Retained earnings	Total equity
At 1 January 2015	16,335	(599)	33,542	(553)	898	18,750	32,944	101,317
2014 appropriations (approved by shareholders):								
- Donation declared for 2014	-	-	-	-	300	-	(300)	-
- Transfer to general reserve for 2014	-	-	-	-	-	1,500	(1,500)	-
Balance after 2014 appropriations	16,335	(599)	33,542	(553)	1,198	20,250	31,144	101,317
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	17,409	17,409
Other comprehensive Income								
- Net change in cash flow hedge reserve	-	-	-	329	-	-	-	329
Total comprehensive income for the year	-	-	-	329	-	-	17,409	17,738
Transactions with equity holders, recognised directly in equity								
Dividend declared for 2014	-	-	-	-	-	-	(7,251)	(7,251)
Total distributions to shareholders	-	-	-	-	-	-	(7,251)	(7,251)
Utilisation of donation	-	-	-	-	(384)	-	-	(384)
At 31 December 2015	16,335	(599)	33,542	(224)	814	20,250	41,302	111,420

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

The consolidated financial statements consist of pages 39 to 76.

CONSOLIDATED STATEMENT OF
CASH FLOWS
for the year ended 31 December 2016
Bahraini Dinars Thousands

	2016	2015
Cash flow from operating activities		
Loan repayments, interest received and other credit related receipts	230,566	180,223
Receipts from automotive sales	60,878	69,059
Insurance commission received	1,325	1,059
Proceeds from sale of land inventory	9,122	7,524
Rental received	697	624
Loans and advances to customers disbursed	(237,066)	(185,006)
Payments to automotive suppliers	(58,320)	(62,733)
Payment for land held as inventory	(10,500)	(7,528)
Payments for operating expenses	(13,881)	(12,864)
Directors' fees paid	(350)	(325)
Interest paid	(8,711)	(7,123)
Net cash used in operating activities	(26,240)	(17,090)
Cash flow from investing activities		
Capital expenditure on property and equipment	(5,899)	(5,328)
Purchase of investment properties	(1,446)	(1,843)
Proceeds from sale of property and equipment	769	1,001
Proceeds from sale of an investment property	822	1,287
Net cash used in investing activities	(5,754)	(4,883)
Cash flow from Financing activities		
Bank term loans availed - Net	40,642	28,225
Dividends paid	(7,250)	(7,252)
Donations paid	(323)	(384)
Net cash generated from financing activities	33,069	20,589
Net increase /(decrease) in cash and cash equivalents	1,075	(1,384)
Cash and cash equivalents at 1 January	(158)	1,226
Cash and cash equivalents at 31 December	917	(158)
Cash and cash equivalents comprise:		
Cash and balances with banks	2,313	1,669
Less:		
Restricted cash	(323)	(416)
Bank overdrafts	(1,073)	(1,411)
	917	(158)

The consolidated financial statements consist of pages 39 to 76.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

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 and long-term loans and issue 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 Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as "the Group").

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

Name of subsidiary	Country of incorporation	% holding by Group	Principal activities
National Motor Company WLL (NMC)	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 SPC	Bahrain	100%	Real estate related services
Tasheelat Insurance Services Company WLL	Bahrain	100%	Insurance brokerage services
Tasheelat for General Trading and Cars WLL	Kurdistan, Iraq	100%	Exclusive distributor for Honda vehicles in Erbil, Kurdistan, Iraq (established through NMC)
Tasheelat Automative Company SPC	Bahrain	100%	Exclusive distributor for GAC vehicles

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 Bahrain Commercial Companies Law 2001.

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.

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

2. BASIS OF PREPARATION (Continued)

d. New standards, amendments and interpretations effective from 1 January 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Group:

(i) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted

The adoption of this amendment had no significant impact on the consolidated financial statements

(ii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The following are the key amendments in brief:

• IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition

• IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34

• IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise

• IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information.

(iii) Disclosure Initiative (Amendments to IAS 1)

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

• Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The adoption of these amendments had no significant impact on the consolidated financial statements.

e. 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 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

(i) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of (consolidated) financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.
The Group has not early adopted Disclosure Initiative (Amendments to IAS 7) in its consolidated financial statements for the year ended 31 December 2016.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

(iii) Transition

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

(iv) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company/ Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Company/Group's (consolidated) financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company/ Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company/ Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

f. Early adoption of standards

The Group did not early adopt new or amended standards in 2016.

g. Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affects 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

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.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

(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 income and expense

Interest income and expense is recognised on an accrual basis, 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 asset or liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the effective interest rate method has the effect of recognizing interest income and interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, cash flows are estimated taking into consideration all contractual terms of the financial instrument but excluding future credit losses.

(ii) Income from sale of goods and provision of services

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and represents amounts receivable for goods supplied or services performed. The Group recognises revenues when significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. 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; and
c) revenue from warranty claims is recognised when these services have been rendered to the customers under warranty obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

(iv) Sale of land

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.

(v) Rental income

Rental income from investment property is recognised as revenue on a straight line basis over the term of the rental agreement.

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.

d. Financial assets and financial liabilities

(i) Recognition

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 assets and liabilities are initially recognised on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measure at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The Group classifies its financial assets as 'loans and advances' and are measured at amortised cost. The Group classifies its financial liabilities as measured at amortised cost except derivatives, which are measured at fair value and categorised as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

(iii) De-recognition
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. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(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) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

(vi) Identification and measurement of impairment
At each reporting date and periodically during the year, the Group assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset is impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

e. Loans and advances to customers
Classification
Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. Loans and advances are initially recognised at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, less provision for impairment.

Recognition
Loans and advances are recognised when cash is advanced to a borrower.

Impairment
The Group regards a loan and advance as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset. Objective evidence that loans and advances are impaired can include significant financial difficulty of a borrower, default or delinquency by a borrower, restructuring of a loan and indications that a borrower will enter into a bankruptcy.

The Group considers evidence of impairment for loans and advances both at specific asset and collective level. All individually significant loans and advances are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar credit risk characteristics.

In assessing collective impairment, the Group uses modelling of historical trends of the probability of default, timing of recovery and amount of loss incurred, adjusted for management's judgement as to whether current economic credit conditions are such that actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Impairment losses on loans and advances are measured as the difference between the carrying amount of the financial asset and present value of estimated future cash flows discounted at the asset's original effective interest rates. Impairment losses are recognised in profit or loss and reflected in an allowance against loans and advances.

When there is no longer a realistic prospect of recovery, the loan is written off against the related allowance for loan impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

f. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Specific impairment allowance for losses is made based on a review of individual balances.

g. 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 inventory is stated at the lower of cost and net realisable value.

h. Property and equipment

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.

Depreciation:

Depreciation is charged to the profit or loss 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 20 years
Furniture, fixture and equipment	3 to 6 years
Vehicles	4 years

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

i. 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 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	20 years
Furniture, fixture and equipment	4 years

j. 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 in the year in which it arises.

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

l. Statutory reserve and share premium
In accordance with the parent company's Articles of Association and in compliance with the Bahrain Commercial Companies Law 2001, 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 certain circumstances.

In accordance with the Bahrain Commercial Companies Law 2001 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.

m. General reserve
In accordance with the parent 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.

n. 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.

o. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

p. 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. 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.

q. Impairment of non-financial assets

The carrying amounts of the Group's assets other than financial assets (note 3e) 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.

r. 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.

s. Employee saving plan

The Group provides a voluntary saving plan for its Bahraini employees that meet certain criteria. The Group contributes a matching amount to each employee's savings contribution, with maximum contribution of 8% to employee's salary. Annual interest rate of 3% 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 Group's contribution and all earned interest based on years of service.

t. Trade and other payable

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

u. 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.

v. 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.

w. 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.

x. 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.

y. 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 the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

z. Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans and advances that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'other assets'.

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.

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, 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.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

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, 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.

	31 December 2016	31 December 2015
Specifically provided loans		
Gross amount	1,055	1,427
Impairment allowance	(632)	(689)
Net amount	423	738
Collectively provided loans and advances		
Current	230,718	203,583
Past due but not impaired	39,412	26,255
Past due and impaired	7,956	6,081
Impairment allowance	(8,383)	(6,295)
Net amount	269,703	229,624
Net loans and advances to customers	270,126	230,362

4. FINANCIAL RISK MANAGEMENT (Continued)

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

Collective impairment
A collective loan loss allowance is established for groups of homogeneous assets which have not been specifically assessed for impairment or assessed individually and found not to be impaired; in respect of losses that have been incurred but have not been identified,

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:

	Past due but not impaired		Past due and impaired		Total past due loans 2016	Total past due loans 2015
	Retail	Corporate	Retail	Corporate		
1-30 days	16,880	1,126	-	-	18,006	10,343
31-60 days	11,926	474	-	113	12,513	9,394
61-89 days	8,231	775	294	-	9,300	6,740
90 days – 1 year	-	-	5,834	289	6,123	4,128
1 year – 3 years	-	-	1,433	86	1,519	1,937
More than 3 years	-	-	859	-	859	636

	Bahrain	Kurdistan	2016
1-30 days	18,004	2	18,006
31-60 days	12,507	6	12,513
61-89 days	9,290	10	9,300
90 days – 1 year	5,884	239	6,123
1 year – 3 years	1,468	51	1,519
More than 3 years	859	-	859

At 31 December 2016, the total gross amount of non-performing loans as defined by the CBB was BD 8,501 (2015: BD 6,701) against which BD 5,438 (2015: BD 4,519) was the impairment allowance. 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.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

During the year ended 31 December 2016, the average gross credit exposure for cash and balances with banks is BD 3,099 (2015: BD 3,448), loans and advances to customers is BD 257,902 (2015: BD 218,567), trade and other receivables is BD 8,747 (2015: BD 7,797) and unutilised credit limit is BD 18,625 (2015: BD 13,514). Such amounts are calculated based on the average of last four quarterly results.

At the reporting date, the loans and advances to customers represent 53% vehicle (2015: 55%), 21% mortgage (2015: 22%), 18% unsecured lending (2015: 17%) and 8% credit card lending (2015: 6%).

The below table show the geographic distribution of exposure as of 31 December 2016:

	Bahrain	Kurdistan	Total
Cash and balances with banks	2,300	13	2,313
Loans and advances to customers	269,886	240	270,126
Trade receivables	8,292	350	8,642
Total	**280,478**	**603**	**281,081**
Unutilised credit limit	21,303	-	21,303

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 are considered as non-performing.

The Group has established policies and procedures under which each customer is analyzed individually for creditworthiness. At the year end, trade receivables of BD 3,230 (2015: BD 3,049) were past due against which BD 494 (2015: BD 415) 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. The Group Audit Committee regularly review reports on forbearance activities. During the year ended 31 December 2016, loans and advances amounting to BD 1,929 (2015: BD 1,187) were restructured.

4. FINANCIAL RISK MANAGEMENT (Continued)

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 31 December 2016, loans amounting to BD 185,986 (2015: BD 172,407) were fully collateralized and loans amounting to BD 20,274 (2015: BD 9,546) was partly collateralized with a collateral value of BD 18,285 (2015: BD 8,991).

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 31 December 2016, the Group obtained assets of BD 784 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 90% retail loans and 10% to corporate customers and trade receivables represent mainly corporate customers.

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.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

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.

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 i nterest rates at the reporting date until their final maturities.

2016	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	2,313	2,313	2,313	-	-
Loans and advances to customers	270,126	365,253	111,350	206,711	47,192
Trade receivables	8,642	8,642	8,642	-	-
	281,081	**376,208**	**122,305**	**206,711**	**47,192**
Liabilities					
Bank overdrafts	1,073	1,079	1,079	-	-
Trade and other payables	15,363	15,363	15,363	-	-
Bank term loans	170,204	190,700	87,166	103,534	-
Bonds	39,829	43,969	1,678	42,291	-
	226,469	**251,111**	**105,286**	**145,825**	**-**
Unutilised credit limits	21,303	21,303	21,303	-	-

2015	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	1,669	1,669	1,669	-	-
Loans and advances to customers	230,362	309,786	89,183	179,959	40,644
Trade receivables	8,066	8,066	8,066	-	-
	240,097	319,521	98,918	179,959	40,644
Liabilities					
Bank overdrafts	1,411	1,420	1,420	-	-
Trade and other payables	22,155	22,155	22,155	-	-
Bank term loans	129,845	142,120	36,108	106,012	-
Bonds	39,766	45,120	1,565	43,555	-
	193,177	210,815	61,248	149,567	-
Unutilised credit limits	14,911	14,911	14,911	-	-

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

4. FINANCIAL RISK MANAGEMENT (Continued)

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Cash and balances with banks	-	-	-	-	2,313	1,669	2,313	1,669
Loans and advances to customers	269,809	230,087	-	-	317	275	270,126	230,362
Trade receivables	-	-	-	-	8,642	8,066	8,642	8,066
	269,809	230,087	-	-	11,272	10,010	281,081	240,097
Liabilities								
Bank overdrafts	-	-	1,073	1,411	-	-	1,073	1,411
Trade and other payables	-	-	-	-	15,363	22,155	15,363	22,155
Bank term loans	2,000	-	168,204	129,845	-	-	170,204	129,845
Bonds issued	-	-	39,829	39,766	-	-	39,829	39,766
	2,000	-	209,106	171,022	15,363	22,155	226,469	193,177

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

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 2016 interest rate risk attributable to the term loans of USD 210 million (BD: 79.2 million) (2015: USD 190 million, BD 71.6 million) has been hedged. The fair value changes of the interest rate swaps are recognised in equity (pages 42-43). 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 2016 a change in variable rate financial instruments by 100 basis points will increase/(decrease) net profits by BD 1,299 (2015: BD 994).

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.

	2016	2015
US Dollars	149,813	128,145

The Bahraini Dinar is effectively pegged to the US Dollar.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

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 1.82 as at 31 December 2016 (2015:1.74).

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 year to 10 years		10 year to 20 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Assets										
Cash and balances with banks	2,313	1,669	-	-	-	-	-	-	2,313	1,669
Loans and advances to customers	97,099	77,679	145,600	127,795	26,684	23,987	743	901	270,126	230,362
Trade receivables	8,642	8,066	-	-	-	-	-	-	8,642	8,066
	108,054	87,414	145,600	127,795	26,684	23,987	743	901	281,081	240,097
Liabilities										
Bank overdrafts	1,073	1,411	-	-	-	-	-	-	1,073	1,411
Trade & other payables	15,363	22,155	-	-	-	-	-	-	15,363	22,155
Bank term loans	79,149	31,250	91,055	98,595	-	-	-	-	170,204	129,845
Bonds issued	-	-	39,829	39,766	-	-	-	-	39,829	39,766
	95,585	54,816	130,884	138,361	-	-	-	-	226,469	193,177

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

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

for the year ended 31 December 2016

Bahraini Dinars Thousands

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) Specific impairment charge on loans

Impairment losses are evaluated as described in accounting policy 3(e). The Group evaluates impairment on loans on an ongoing basis and a comprehensive review on a monthly basis to assess whether an impairment charge should be recognised in the profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about counterparty's financial situation and other means of settlement and the net realizable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

(ii) Collective impairment charge on loans

In addition to specific impairment charge against individually significant loans, the Group also maintains a collective impairment allowance against portfolios of loans with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical and current economic conditions.

(iii) Impairment allowance on trade receivables

The Group reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables are impaired. Specific evaluation is made for each receivable balance and the recoverable amount is estimated based on past experience with each customer and estimated cash flows.

(iv) 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

(v) 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.

(vi) 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 281,081 (2015: BD 240,097) are categorised under ‘loans and receivables’ and are measured at amortised cost. All the financial liabilities of BD 223,336 (2015: BD 189,708) are measured at amortised cost except derivatives which are measured at fair value and categorised as at fair value through profit or loss.

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 2016 is 313, are categorised under level 2.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

(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:

2016	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Loans and advances to customers	-	-	270,126	270,126	270,126
Bank term loans	-	170,204	-	170,204	170,204
Bonds issued	-	39,829	-	39,829	39,829
2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total Carrying value**
Loans and advances to customers	-	-	230,362	230,362	230,362
Bank term loans	-	129,845	-	129,845	129,845
Bonds issued	-	39,766	-	39,766	39,766

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 2016 and 31 December 2015 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 2016 are as follows:

2016	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
Investment properties	-	8,199	-	8,199	7,054
2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total Carrying value**
Investment properties	-	6,596	-	6,596	6,061

8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2016	31 December 2015
Gross loans	279,141	237,346
Provision for impairment	(9,015)	(6,984)
Net loans and advances to customers	270,126	230,362

The table below shows the movements in allowances for loans and advances during the period:

Provision for impairment	2016	2015
Specific allowance for impairment		
Balance at 1 January	689	521
Charge for the year	19	206
Loans written off, net of recoveries	(76)	(38)
Balance at 31 December	632	689
Collective allowance for impairment		
Balance at 1 January	6,295	4,518
Charge for the year	4,473	3,303
Loans written off, net of recoveries	(2,385)	(1,526)
Balance at 31 December	8,383	6,295
Total allowance for impairment	9,015	6,984

The Average effective interest rates on loans and advance to customer is 11.62% p.a. (2015: 11.01% p.a.).

9. TRADE RECEIVABLES

	31 December 2016	31 December 2015
Trade receivables	9,136	8,481
Provision for impairment	(494)	(415)
	8,642	8,066

Movement on impairment provisions	2016	2015
At 1 January	415	383
Net charge for the year	79	32
At 31 December	494	415

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

10. INVENTORIES

	31 December 2016	31 December 2015
Automotive stock:		
-Vehicles	20,014	21,174
-Spare parts	3,340	3,805
Land inventory	12,592	11,973
	35,946	36,952
Provision on vehicles and spare parts	(350)	(278)
	35,596	36,674

Movement on provisions (vehicle and spare parts)	2016	2015
At 1 January	278	375
Net charge for the year	79	109
Written off	(7)	(206)
At 31 December	350	278

During the year 2016, the Group purchased one plot of land with the objective of subdividing it into smaller plots for resale. The unsold plots at reporting date have been classified as an inventory and carried at the lower of cost and net realisable value.

11. INVESTMENT PROPERTIES

	2016	2015
Cost		
At 1 January	6,633	5,824
Purchases	1,446	1,843
Transfer from Inventories	444	-
Disposal	(693)	(1,034)
At 31 December	7,830	6,633
Accumulated depreciation		
At 1 January	572	462
Depreciation for the year	327	288
Disposal	(123)	(178)
At 31 December	776	572
Net book value		
At 31 December	7,054	6,061

The fair value of all the investment properties as at 31 December 2016 is BD 8,199 determined by an independent property valuer with the appropriate qualification and experience

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

12. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture, fixtures & equipment	Vehicles	Work in progress	2016 Total	2015 Total
Cost						
At 1 January	19,683	6,899	5,702	1,215	33,499	29,668
Additions	55	674	2,250	2,920	5,899	5,324
Transfer during the year	2,154	(134)	-	-	2,020	-
Disposals and retirements	-	(172)	(1,304)	-	(1,476)	(1,493)
At 31 December	21,892	7,267	6,648	4,135	39,942	33,499
Depreciation						
1 January	6,732	5,400	1,508	-	13,640	11,689
Charge for the year	863	630	1,105	-	2,598	2,444
Disposals and retirements	-	(124)	(596)	-	(720)	(493)
At 31 December	7,595	5,906	2,017	-	15,518	13,640
Net book value						
At 31 December 2016	14,297	1,361	4,631	4,135	24,424	19,859
At 31 December 2015	12,951	1,499	4,194	1,215	-	19,859

The cost of fully depreciated assets still in use at 31 December 2016 was BD 6,001 (2015: BD 5,699).

13. BANK TERM LOANS

	31 December 2016	31 December 2015
Repayable within one year	79,149	31,250
Repayable after one year	91,055	98,595
	170,204	129,845

Bank term loans 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 4.4% p.a. (2015: 4.2% p.a.).

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS

for the year ended 31 December 2016

Bahraini Dinars Thousands

14. BONDS ISSUED

	31 December 2016	31 December 2015
Face value	39,981	39,981
Less: Unamortised cost of issue	(152)	(215)
	39,829	39,766

Movement on bonds during the year	2016	2015
At 1 January	39,981	39,981
Add: Issued during the year	-	-
At 31 December	39,981	39,981

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 Oct 2019

15. SHARE CAPITAL

	31 December 2016	31 December 2015
Authorised share capital		
500,000,000 (2015: 500,000,000) shares of 100 fils each	50,000	50,000

Issued and fully paid		
163,350,000 (2015:163,350,000) shares of 100 fils each 1 January	16,335	16,335
At 31 December	16,335	16,335
Treasury shares 2,206,891 shares (2015: 2,206,891 shares)	599	599

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

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	50,532,033	30.93%
BBK BSC	Bahrain	37,618,691	23.03%
National Bank of Bahrain	Bahrain	18,328,620	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%	36,388,928	1,289	22.27%
1% up to less than 5%**	20,481,728	8	12.54%
5% up to less than 10%	-	-	-
10% up to less than 20%	18,328,620	1	11.22%
20% up to less than 50%	88,150,724	2	53.97%
Total	163,350,000	1,300	100.00%

* Expressed as a percentage of total issued and fully paid shares of the Company
** Includes 2,206,891 treasury shares

16. FEE AND COMMISSION INCOME

	2016	2015
Loan administration and other credit card related fees	7,192	5,604
Insurance commission income	1,309	1,191
	8,501	6,795

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

17. OTHER INCOME

	2016	2015
Incentives from automotive principal	569	573
Gain on sale of investment property	252	431
Foreign exchange gains	89	46
Other income	43	96
	953	1,146

18. OTHER OPERATING EXPENSES

	2016	2015
General and administration costs	5,360	4,901
Depreciation	2,187	2,136
Selling and promotion costs	1,946	1,492
Impairment provision for inventory	79	100
Automotive finance cost	455	294
	10,027	8,923

19. 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.

20. SEGMENTAL INFORMATION

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

- Lending - principally providing consumer loans and credit cards facilities,
- Automotive - trading in motor vehicles and spares and the provision of after sales 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 2016 or 2015. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

At 31 December	Lending		Automotive		Real estate		Insurance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Operating income	29,020	23,442	6,758	7,646	3,309	2,508	1,309	1,191	40,396	34,787
Inter segment revenue	74	86	471	159	-	-	234	222	780	467
Operating costs	(10,276)	(8,300)	(5,233)	(5,584)	(487)	(227)	(463)	(403)	(16,459)	(14,514)
Impairment, net of recoveries	(3,845)	(2,825)	(182)	(39)	-	-	-	-	(4,027)	(2,864)
Inter segment expenses	(471)	(159)	(110)	(120)	(198)	(188)	-	-	(780)	(467)
Profit for the year	14,502	12,244	1,704	2,062	2,624	2,093	1,080	1,010	19,910	17,409
Assets (Liabilities)										
Cash and balances with banks	1,418	870	544	503	184	28	167	268	2,313	1,669
Loans and advances to customers	269,886	229,964	240	398	-	-	-	-	270,126	230,362
Trade and other receivables	119	-	7,964	7,413	22	4	537	649	8,642	8,066
Intercompany balances	13,136	6,057	(8,182)	(521)	(8,289)	(8,239)	3,335	2,703	-	-
Inventories	-	-	23,004	24,701	12,592	11,973	-	-	35,596	36,674
Investment properties	-	-	-	-	7,054	6,061	-	-	7,054	6,061
Property and equipment	7,389	4,602	17,035	15,257	-	-	-	-	24,424	19,859
Other assets	518	129	2,089	1,777	-	-	-	-	2,607	1,906
Overdrafts	(1,073)	(1,411)	-	-	-	-	-	-	(1,073)	(1,411)
Trade and other payables	(9,692)	(9,817)	(5,329)	(10,946)	(51)	(939)	(291)	(453)	(15,363)	(22,155)
Bonds	(39,829)	(39,766)	-	-	-	-	-	-	(39,829)	(39,766)
Bank term loans	(167,481)	(123,101)	(2,723)	(6,744)	-	-	-	-	(170,204)	(129,845)
Equity	(74,391)	(67,527)	(34,642)	(31,838)	(11,512)	(8,888)	(3,748)	(3,167)	(124,293)	(111,420)
Capital expenditure	3,038	1,636	4,881	3,688	-	-	-	-	7,919	5,324
Depreciation charge for the property and equipment	250	191	1,937	2,253	-	-	-	-	2,187	2,444

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

21. 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 commercial terms

	2016	2015
Shareholders:		
As at 31 December		
Term loans	27,810	17,848
Bank overdrafts	1,073	1,411
Bank balances	893	863
For the year ended 31 December		
Interest expense	1,097	1,531

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 Senior Vice Presidents and the General Managers.

	2016	2015
For the year ended 31 December		
Salaries and short term employee benefits	1,184	1,041
Directors remuneration and attendance fees	527	506
Credit Card receivables	19	15

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.

22. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini employees for the year amounted to BD 684 (2015: BD 715). The Group's provision for expatriate employees' leaving indemnities at 31 December 2016 was BD 876 (2015: BD 1,136). The Group employed 746 staff at 31 December 2016 (2015: 757).

As at 31 December 2016, the total liability of the Group to its employees under Saving Plan was BD 1,389 (2015: BD 1,140).

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended 31 December 2016
Bahraini Dinars Thousands

23. 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:

	2016	2015
Profit for the year	19,910	17,409
Weighted average number of equity shares (in 000's)	161,143	161,143
Basic earnings per share	124 fils	108 fils

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

24. OUTSTANDING COMMITMENTS

As at reporting date, the Group has contingent liabilities for standby letters of credit issued in the normal course amounting to BD 10,381 (2015: BD 11,346) and unutilised credit limits of BD 21,303, (2015: BD 14,911) to its customers.

The Group's capital commitment for the construction of a Company's new office is BD 729 as at 31 December 2016.

25. PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2016. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2016	2015
Proposed dividends	8,057	7,251
Donations	300	300
General reserve	1,500	1,500
	9,857	9,051

26. 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 equity.