شركة البحرين للتسهيلات التجارية ش.م.ب.
BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

Building on a legacy of resilience

Annual Report 2023

Bahrain Commercial Facilities Company (BCFC) 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 March 10, 2003. The Company has an authorized capital of BD 50,000,000 and an issued capital of BD 20,418,750.

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

PRINCIPAL ACTIVITIES

FINANCING SERVICES

BCFC 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 collateral backed finance, cheque discounting, Commercial and SME finance and credit card.

AUTOMOTIVE

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

The Group established a fully owned subsidiary Tasheelat Automotive Company WLL (TAC) in 2015 and has introduced GAC Motor, Haval, Great Wall, and Tank brands to the Bahrain market. The Group established a fully owned subsidiary Tasheelat Car Leasing Company WLL (TCL) in 2017 to provide car leasing and rentals services.

INSURANCE SERVICES

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

REAL ESTATE

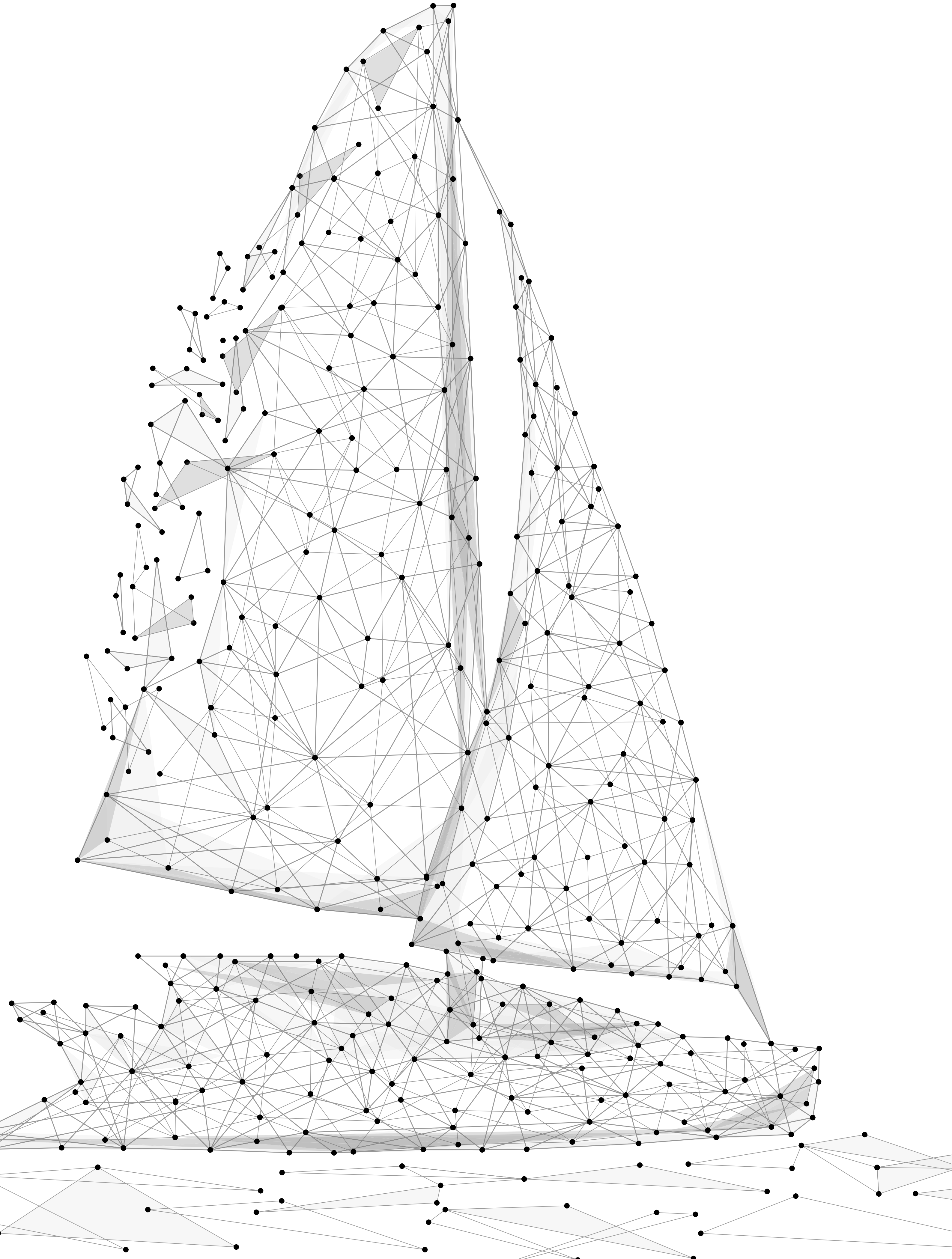
Tasheelat Real Estate Services Company WLL (TRESCO) was established in 2002, and is actively involved in the acquisition, sales, marketing, valuation, property development, rental services of lands and properties within the Kingdom of Bahrain.

His Royal Highness Prince
Salman Bin Hamad Al Khalifa

Crown Prince,
Deputy Supreme Commander of the
Armed Forces and Prime Minister

His Majesty
King Hamad Bin Isa Al Khalifa

The King
of the Kingdom of Bahrain



Broader horizons of expansion and growth

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Vision

BCFC is a

SOCIAL MOBILITY ENABLER

for the Bahraini population

Missio

WE HELP INDIVIDUALS AND BUSINESSES TO FULFIL THEIR ESSENTIAL LIFE NEEDS THROUGH FINANCING AND NON-FINANCING OFFERINGS.

on

VALUES

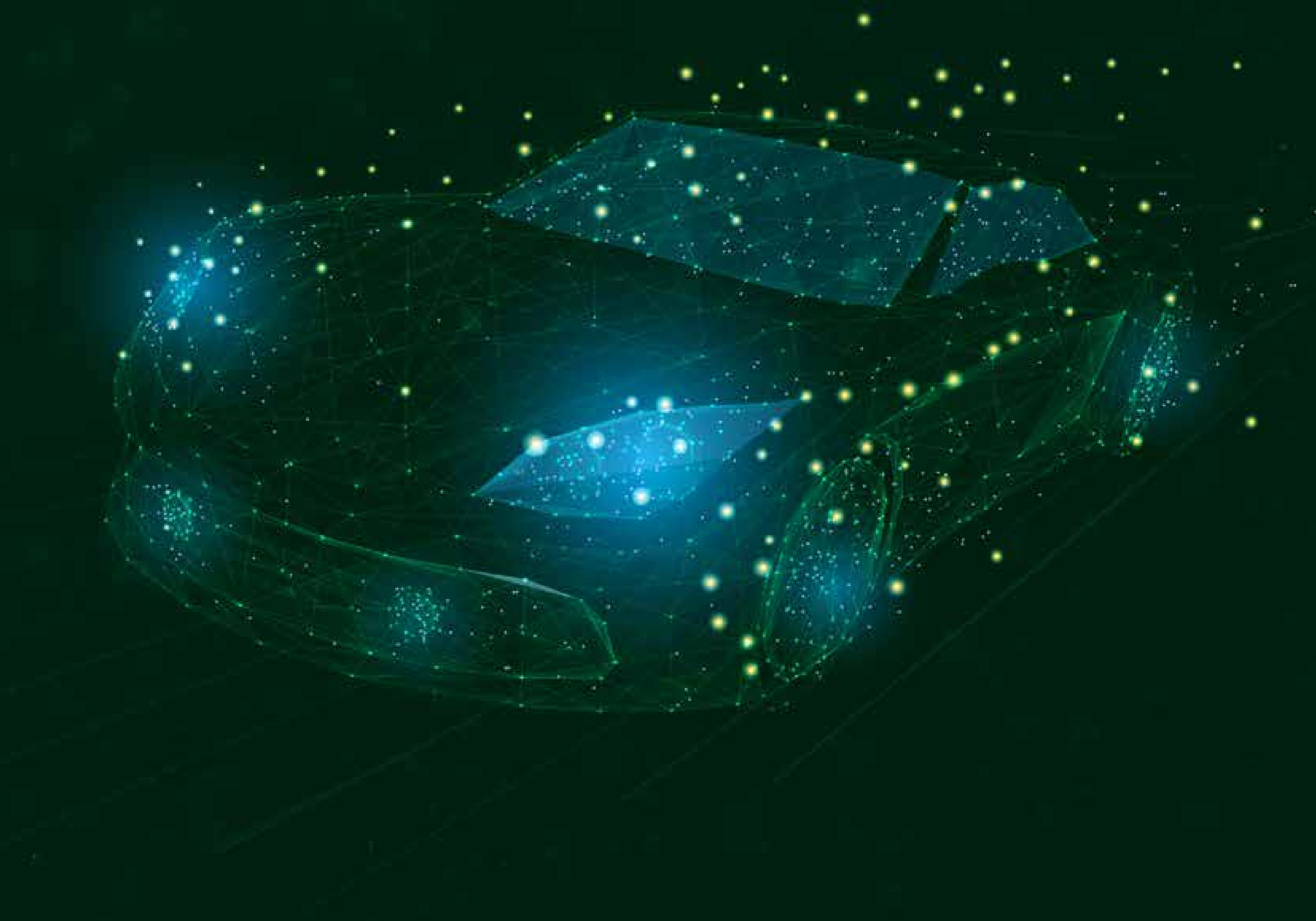
One Group: We trust in common goals and value our strength as a Group.

Entrepreneurship: We seek opportunities and develop them from inception to implementation.

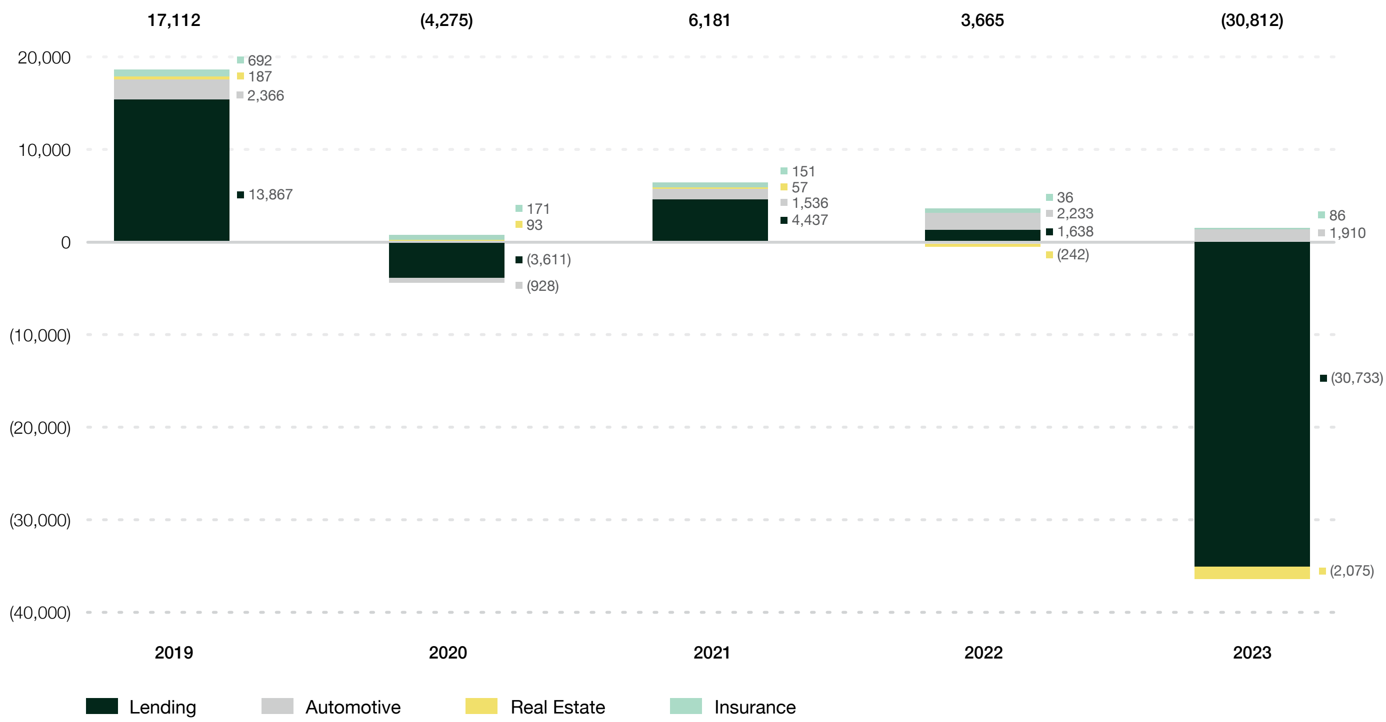
Innovation: We empower our people to be creative, and inspire them to think outside the box.

Ethics: We uphold ourselves to the highest standards and strive to be fair and transparent with all stakeholders.

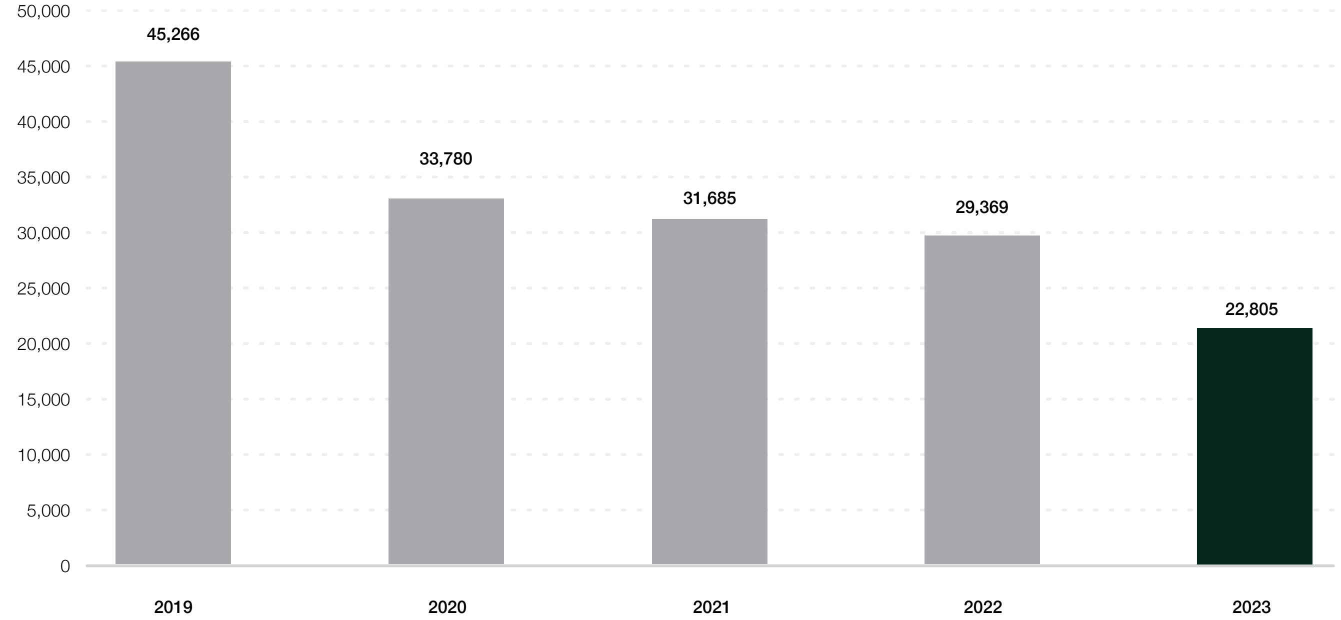
FINANCIAL HIGHLIGHTS



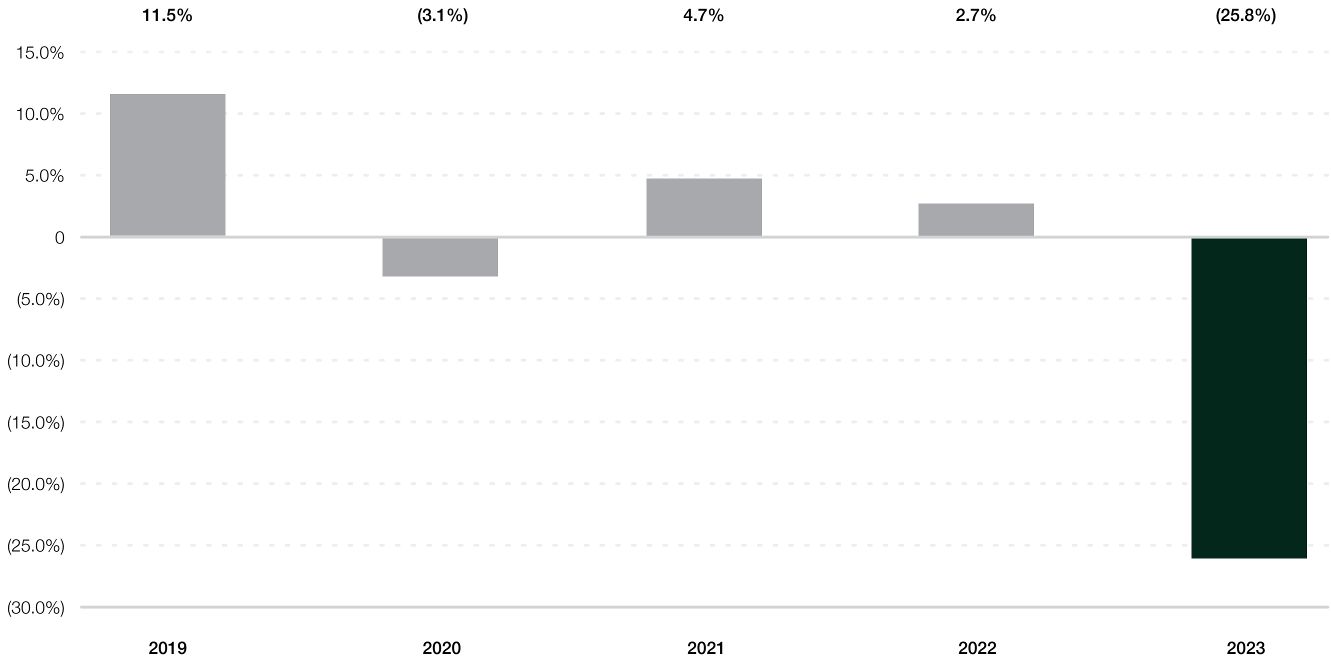
NET (LOSS) PROFIT
(BD thousands)



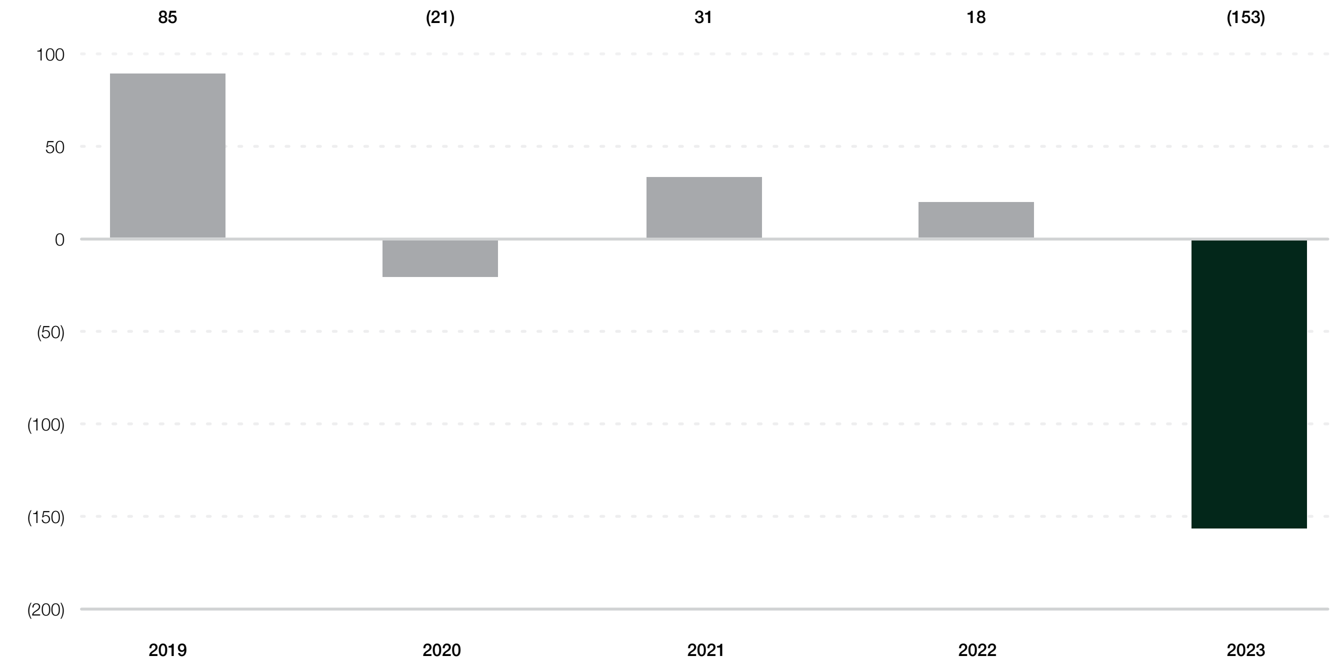
OPERATING INCOME
(BD thousands)



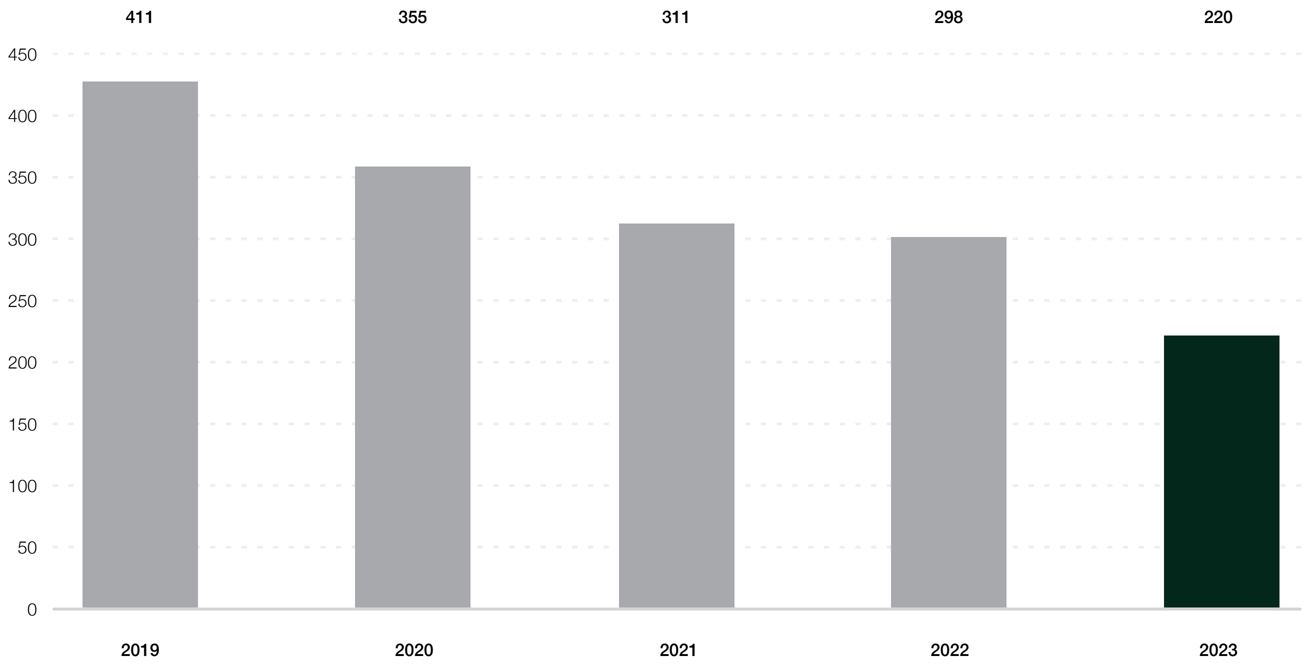
RETURN ON AVERAGE EQUITY
(%)



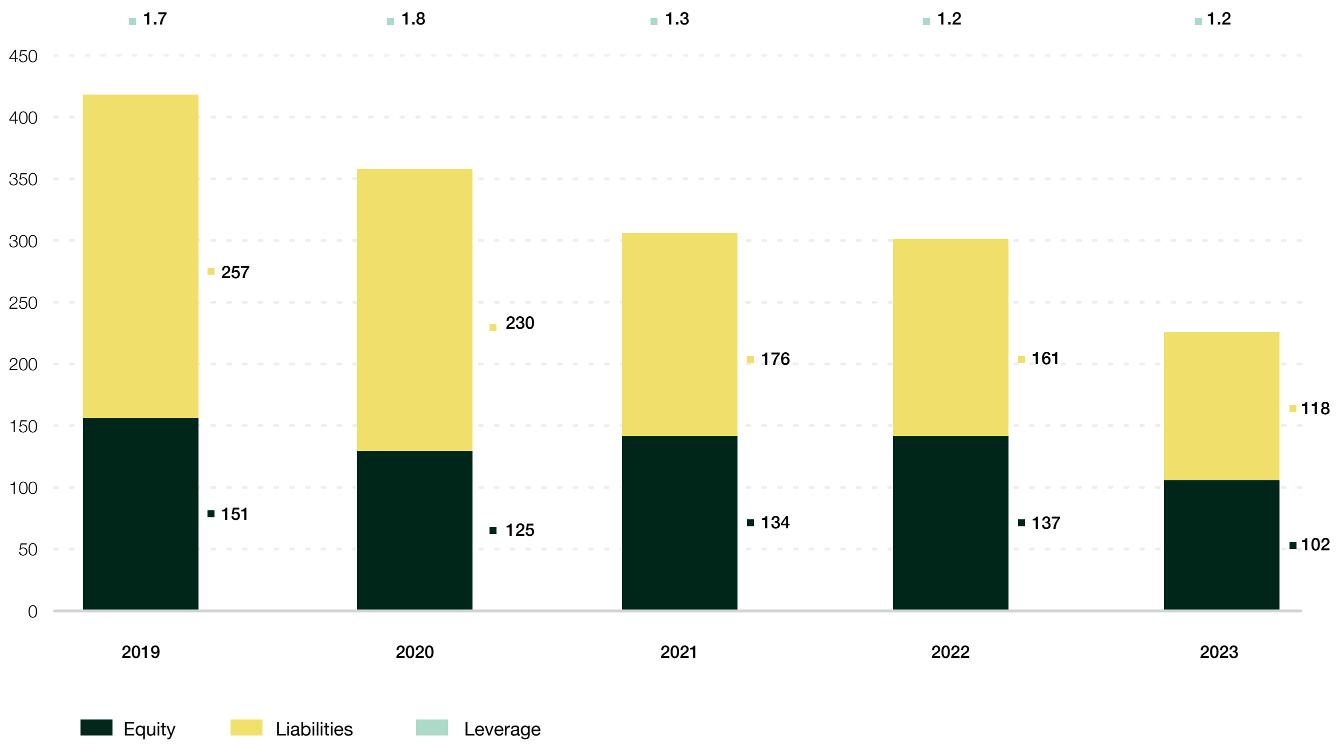
EARNINGS PER SHARE
(fils)



TOTAL ASSETS
(BD Million)



LIABILITIES & EQUITY
(BD Million)



CHAIRMAN'S REPORT

AbdulRahman Yusuf Fakhro

"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 (BCFC), for the financial year ended 31 December 2023.

The annual report includes the consolidated financial statements of Bahrain Commercial Facilities Company BSC and its subsidiaries: National Motor Company WLL, Tasheelat Real Estate Services Company WLL, Tasheelat Insurance Services Company WLL, Tasheelat Automotive Company WLL, Tasheelat Car Leasing Company WLL and Tasheelat for General Trading Company WLL.

The aftermath of the COVID-19 pandemic lingered across parts of the world with some sectors yet to recover from its macroeconomic effects. Many companies and businesses were able to recover to a large extent globally, but the Group remains cautiously alert towards the reverberations of the same.

Geopolitical tensions in Europe continue to impact international trade, especially on supply chain lines in Europe and beyond. Concerns over the heightened political tensions in the Middle East and the Red Sea coupled with fears of igniting a broader conflict casts a shadow over the region.

Economic growth was sluggish as inflation triggered unprecedented measures taken by global central banks to combat its effects, and in the wake of elevated interest rates and hawkish monetary policy, all sectors were impacted.

Oil exporting countries' economies including the Gulf Cooperation Council (GCC) will continue to be positively impacted by elevated oil prices. Although global inflationary risks remain, inflation in the GCC is expected to subside due to higher interest rates and slowing global growth. The Group continues to be prudent in its operations and maintains a robust risk framework to deal with all uncertainties.

BCFC Group remained in a healthy liquidity position and currently operates at a leverage of 1.2 multiples.

The year 2023 saw the first year of the implementation of the Board of Directors' approved strategy for the three years 2023-2025 where enhancing the customer experience remains at the core of the strategy. The Group, through collaborations with different partners, is well positioned to meet its customer needs through the launch of new financing products while continuously strengthening its risk management framework and enhancing shareholder value.

In 2023, the Group decided to take prudent provisions against expected losses arising from exposures related to customers impacted by the COVID-19 pandemic. Significant pressure on the impacted segment of the customer loan portfolio coincided with the discontinuation of the Central Bank's installment deferral program, and in line with the rest of the industry, expected delinquencies were recorded in the portfolio. This resulted in a Group registered loss of BD 30.8 million for the year ended 31 December 2023 compared to a profit of BD 3.7 million in 2022.

The basic and diluted loss per share was 153 Fils compared to a profit of 18 Fils in 2022. Despite the elevated level of provisioning, the Group's Balance Sheet remains resilient, with robust positive cash flows and a strong position in the market.
In the lending activities segment, the Group made a net loss of BD 30.7 million (2022: Net profit BD 1.6 million). During the year, the Group has invested in enhancing its digital platforms through partnerships with key local and global players to transform the customer experience. The Group through its branch network across the Kingdom is poised to gradually increase its new lending volume. Total new loans worth BD 24.1 million were advanced during the year (2022: BD 14.8 million).

National Motor Company WLL has reported a net profit of BD 2.5 million (2022: BD 2.0 million). The automotive industry continues to face a set of challenges; availability of vehicles and spare parts inventories has been major constraints with some models for considerable periods during the year. However, the company has improved its margins on the vehicles due to the demand supply gap. The company continues to focus on running its operations efficiently to optimize costs and maximize operating profits.

Tasheelat Automotive Company WLL reported a net loss of BD 448 thousand in the current year compared to a net profit of BD 107 thousand in 2022, principally due to the higher inventory levels maintained during the year. The Company's portfolio of brands is well received by customers' targeted segments due to its affordable prices and modern designs.

CHAIRMAN'S REPORT (CONTINUED)

Tasheelat Car Leasing Company WLL reported a net profit of BD 165 thousand (2022 BD 119 thousand). The company has a focused approach of maximizing opportunities through negotiating contracts with its customers, sale of ex-leased vehicles and expanding its local partnerships. The company is poised to expand its customer reach through various proactive initiatives.

Tasheelat Insurance Services Company WLL achieved a net profit of BD 86 thousand (2022: BD 36 thousand). The company will continue to focus on retaining its existing customer base, introduce new products, and enhance the number of policies sold.

Tasheelat Real Estate Services Company WLL has registered a net loss of BD 2,075 thousand (2022: net loss of BD 242 thousand). The company's performance was impacted due to the impairment provision of BD 2,115 thousand booked during 2023 and by the slowdown in sales from real estate inventory. Management is proactively repositioning the company's business model to enhance profitability and meet customer evolving needs in the real estate sector.

BCFC Group remained in a healthy liquidity position and currently operates at a leverage of 1.2 multiples. During the year, the Group refinanced BD 39.5 million of bank borrowings on their maturities and repaid BD 44.5 million of borrowings through utilizing the cash available within the Group.

The Board welcomed its new Directors, Shaikh Salman Bin Isa Al Khalifa, Mrs. Najla Mohammed AlShirawi, and Mr. Mishal Ali Alhellow, replacing Mr. Nader Karim Al-Maskati, Mr. Abdulla Mohamed Al-Mahmood, and Mrs. Dana Aqeel Raees, whose service is gratefully acknowledged.

As per the Company Law 2001, the aggregate amount accrued/ paid to the directors during 2023 is BD 29.1 thousand. As required by Article 188 of the Company Commercial Law, all the details in respect of fees and subsidiary Board and Committees' attendance allowance are included in the annexure with this report. The total shareholding of the directors (Elected and Nominee) in the Company is 134.09 million shares (65.7% of paid-up capital).

Finally, on behalf of the Board, I extend my deep appreciation to His Majesty King Hamad bin Isa Al Khalifa and the Crown Prince and Prime Minister His Royal Highness Prince Salman bin Hamad Al Khalifa. I also extend our gratitude to the government ministries and organizations of the Kingdom of Bahrain for their continued support and cooperation received, particularly to the Central Bank of Bahrain and the Ministry of Industry and Commerce and the Bahrain Bourse.

AbdulRahman Yusuf Fakhro
Chairman
28 February 2024

Disclosure forms for the remuneration of members of the board of directors and the executive management in the Chairman's report for the year 2023.

First: Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include (expense allowance	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others *	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others **	Total			
First: Independent Directors:													
1. AbdulRahman Yusuf Fakhro	-	2,400	-	-	2,400	-	-	-	-	-	-	2,400	-
2. Reyadh Yusuf Hasan Sater	-	600	-	-	600	-	-	-	-	-	-	600	-
3. Ebrahim Abdulla Buhindi	-	4,500	-	-	4,500	-	-	-	-	-	-	4,500	-
4. Yusuf Saleh Sultan Khalaf	-	3,000	-	-	3,000	-	-	-	-	-	-	3,000	-
5. Najla Mohamed Al Shirawi	-	1,200	-	-	1,200	-	-	-	-	-	-	1,200	-
6. Nader Karim Mahdi Almaskati	-	900	-	-	900	-	-	-	-	-	-	900***	-
Second: Non-Executive Directors:													
1. Sh. Salman Bin Isa Al-Khalifa	-	3,600	-	-	3,600	-	-	-	-	-	-	3,600	-
2. Mishal Ali Mohamed Al Hellow	-	1,500	-	-	1,500	-	-	-	-	-	-	1,500	-
3. Abdulla Mohamed Turki Almahmood	-	300	-	-	300	-	-	-	-	-	-	300***	-
4. Dana Aqeel Raees	-	600	-	-	600	-	-	-	-	-	-	600***	-
Third: Executive Directors:													
1. Dr. AbdulRahman Ali Saif	-	4,800	-	-	4,800	-	-	-	-	-	-	4,800****	-
2. Abdulaziz Abdulla A.Aziz Al-Ahmed	-	3,750	-	-	3,750	-	-	-	-	-	-	3,750	-
3. Mohamed Abdulla Isa	-	1,950	-	-	1,950	-	-	-	-	-	-	1,950****	-
Total	**-**	**29,100**	**-**	**-**	**29,100**	**-**	**-**	**-**	**-**	**-**	**-**	**29,100**	**-**

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory work (if any).
** It includes the board member's share of the profits - Granted shares (value is added if any).
*** It includes Allowance for attending meetings in 2023 Q1 paid to Ex Board Members whose term of office expired at the last OGM held on 29 March 2023.
**** It includes Allowances paid to the entity (shareholder) represented by these Board members.

CHAIRMAN’S REPORT (CONTINUED)

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	810,739	126,765 *	-	937,504

Note: All amounts must be stated in Bahraini Dinars.
* Subject to the Board of Directors’ approval.

BOARD OF **DIRECTORS**

ABDULRAHMAN YUSUF FAKHRO

Chairman of the Board, Chairman of the Nomination, Remuneration, Sustainability and Governance Committee and Chairman of the TISCO Board.

Director since 12 November 1989 (Independent and Non-Executive); has more than 59 years of extensive and diversified experience in business, trade, investment and insurance.

- Chairman of Yusif Bin Yusif Fakhro B.S.C. (c), Bahrain
- Partner at Yusif Fakhro Technical Services W.L.L., Bahrain
- Board Chairman and Chairman of Nomination, Remuneration, Sustainability and Governance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Chairman of Tasheelat Insurance Services Company W.L.L. (TISCO), Bahrain

DR. ABDULRAHMAN ALI SAIF

Vice Chairman of the Board and Vice Chairman of the Executive Committee - Nominee of Bank of Bahrain and Kuwait B.S.C.

Director since 24 April 2016 (Executive in shareholder bank “BBK”); has more than 41 years of extensive and diversified experience in economics, finance, treasury operations, investment, corporate and international business; holds a Ph.D. in Economics from University of Leicester, UK, 1992; an MSc. in Economics from University of Lancaster, UK, 1986; a Post-graduate Diploma in Economics from University of Warwick, UK, 1985; a BSc in Economics from University of Poona, India, 1982.

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

SH. SALMAN BIN ISA AL KHALIFA

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

Director since 29 March 2023 (Non-Executive). He has extensive and diverse experience spanning more than 30 years in the public and private sectors and governmental, financial, and investment bodies. He holds a Master’s degree in Finance Science from the American University in 1999 and a Bachelor of Science in Business Administration, Finance, from the American University in 1997.

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

REYADH YUSUF HASAN SATER

Board Member, Chairman of the Automotive Board and Vice Chairman of the TISCO Board.

Director from 18 March 2014 to 31 March 2020 (Executive in shareholder bank "BBK" then); subsequently elected as Director (Non-Executive) effective from 31 March 2020; and later on (Independent and Non-executive) effective from 01 April 2021; has more than 45 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.

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

YUSUF SALEH SULTAN KHALAF

Board Member and Chairman of the Audit, Risk and Compliance Committee.

Director since April 2018 (Independent and Non-Executive); served as Chief Executive Officer of several banks; has more than 43 years of experience in the banking and financial services sector; a member of the Association of Chartered Certified Accountants (ACCA) since 1980; and holds a Higher National Diploma in Business Studies from Salford College of Technology, UK.

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

NAJLA MOHAMMED QASSIM AL SHIRAWI

Board Member and Vice Chairman of the Nomination, Remuneration, Sustainability and Governance Committee.

Director since 29 March 2023 (Independent and Non-Executive) has more than 27 years of investment banking experience. Having been part of SICO since 1997, she was appointed as CEO in 2014 following her appointment as Deputy CEO in 2013. She served with Geneva-based Dar Al-Maal Al-Islami Trust, where she established private banking operations for the Group in the Gulf region. She is a Board member at the Bahrain Economic Board (EDB), Board Member at the Future Generation Reserve Fund, Bahrain, and a Chairperson on the Board of Directors for two SICO subsidiaries: SICO Funds Services Company (SFS) in Bahrain and SICO Financial Brokerage in Abu Dhabi, a Vice Chairperson for SICO Capital. She is also an Independent Board Member of Eskan Bank BSC(c), Bahrain and a Board Member of the Future Generation Reserve Fund, Bahrain, Deposit and Unrestricted Investment Accounts Protection Scheme, Bahrain, the Bahrain Association of Banks and Bahrain Institute of Banking and Finance.

- Chief Executive Officer of SICO B.S.C, Bahrain
- Board Member and Vice Chairman of the Nomination, Remuneration, Sustainability and Governance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain.

BOARD OF **DIRECTORS** (CONTINUED)

EBRAHIM ABDULLA BUHINDI

Board Member, Member of the Executive Committee, Member of the Nomination, Remuneration, Sustainability and Governance Committee and Member of the Audit, Risk and Compliance Committee.

Director from 15 March 1988 to July 2004 (Executive in shareholder bank "BBK" then); subsequently elected as Director since March 2007 (Independent and Non-executive); has more than 48 years of extensive and diversified experience in banking; holds an MBA in Management Consultancy from Sheffield Hallam University, UK, 1999.

- Board Member, Member of the Executive Committee, Member of the Nomination, Remuneration, Sustainability and Governance Committee and Member of the Audit, Risk and Compliance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain.

ABDULAZIZ ABDULLA A.AZIZ AL-AHMED

Board Member, Member of the Executive Committee and Member of the Automotive Board - Nominee of National Bank of Bahrain B.S.C.

Director since 28 March 2011 (Executive in shareholder bank "NBB"); has 50 years of extensive and diversified experience in Management and Banking. Abdulaziz holds an Executive Diploma from University of Virginia - Darden, USA, 2001 – 2002. Attended numerous management and business-related courses held locally and internationally.

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

MOHAMED ABDULLA ISA

Board Member and Member of the Audit, Risk and Compliance Committee - Nominee of Bank of Bahrain and Kuwait B.S.C.

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

- Group Chief Financial Officer, Financial Planning & Control – Bank of Bahrain and Kuwait B.S.C., Bahrain
- Board Member, Member of Audit, Risk and Compliance Committee and Member of Remuneration and Nomination Committee, SICO Bank, Bahrain
- Board Member and Member of the Audit, Risk and Compliance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Board Member of the Deposit and Unrestricted Investment Accounts Protection Scheme, The Central Bank of Bahrain, Bahrain

MISHAL ALI MOHAMED AL HELLOW

Board Member and Vice Chairman of the Audit, Risk and Compliance Committee - Nominee of Social Insurance Organization, Bahrain.

Director since 29 March 2023 (Non-Executive); he has extensive and diverse experience spanning more than 20 years in the public and private sectors and governmental, financial, and investment bodies. He holds a Master's degree in Business Administration from the Open University of Malaysia in 2014 and a Bachelor's degree in Computer Science from the University of Bahrain in 2000.

- Board Member and Vice Chairman of the Audit, Risk and Compliance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Board Member of Osool Asset Management B.S.C. (c), Bahrain
- Board Member of Social Insurance Organization, Bahrain
- Board Member of Bahrain Marina Development Company W.L.L., Bahrain
- Chief Operating Officer - SICO Capital, KSA
- Chairman of Technology and Business Society, Bahrain
- Counsel Member of IT College - University of Bahrain

SAYED JALAL JAAFAR AL-MOUSAWI

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

Joined on 02 May 2007; has more than 23 years of accumulated and diversified experience in providing professional and administrative management assistance and support to the General Assemblies, Boards, Board Committees and Members; and assuming various corporate governance responsibilities in accordance with the commercial companies Law, Corporate Governance code, CBB and Bahrain Bourse Directives and other relevant corporate responsibilities and duties at Group level; managing the overall affairs and administration of Group Board Secretariat in compliance with the regulatory and statutory requirements as a qualified company secretary. Holds a BSc in Law from Kingdom University, 2019; a BA in English Literature and Translation from University of Bahrain, 2002; a First Diploma in Instrumentation and Control Engineering, Bahrain Training Institute, 1997; and a Certificate in Board Secretarial Practice, Informa Connect Middle East, 2013. Attended a number of training courses in different fields. An associate of the GCC Board Directors Institute, 2020.

Leadership at Play

The year 2023 saw the first year of the implementation of the Board of Directors' approved strategy for the three years 2023-2025 where enhancing the customer experience remains at the core of the strategy.

CEO'S Message

Abdulla A. Bukhowa

I would like to start by commending my colleagues at BCFC, for their robust response to challenges encountered by BCFC Group in 2023, both management and staff demonstrated resilience.

Our commitment to 'Financing people from all walks of life' aligns with the goal of financial inclusion, covering entrepreneurs, the private and public sectors, craftsmen, and CR holders.

The past year witnessed a sharpened focus on returning to markets with innovative new campaigns, marked by a notable 63% surge in new loan origination. We also introduced our "Sahel by BCFC" digital application, as well as the IMTIAZ Mastercard World Elite and Imtiaz Mastercard Corporate Credit Card to cater for our diverse client base. The improvements to our credit card business portfolio have been striking. New CSME products, and retail mortgages were also successfully introduced.

Revamped internal processes have established digital end-to-end capability, and we have collaborated with first class strategic partners in our digitization efforts.

Our automotive business demonstrated resilience and profitability in a challenging market. On the other hand, we have new General Managers in place at TISCO, our licensed Insurance broker, and TRESCO, the real estate arm of the Group, BCFC now boasts a full complement of seasoned, highly competent personnel running our various businesses.

In anticipation of the mandate from the Central Bank of Bahrain to have in place ESG protocols by the year 2025, we have already established an excellent ESG Policy which serves as our guiding framework, and we have devised a comprehensive sustainability strategy which is overseen by a cross-functional collaborative group called the ESG team.

With a robust balance sheet and strong shareholders, we were able to make significant prudent provisions against distressed legacy exposures which had been severely impacted by the COVID-19 pandemic. We look forward to 2024 with renewed confidence, branching out from our solid roots.

I extend sincere gratitude to our business partners and shareholders for their unwavering loyalty and confidence, propelling our progress. To our regulator the Central Bank of Bahrain and overseeing Ministries, their steadfast support is truly valued. And a special thank you to the Board of Directors for its invaluable counsel. Finally, to our dedicated management and staff, their conscientious efforts are indispensable for our successes.

Abdulla A. Bukhowa
Chief Executive Officer

EXECUTIVE **MANAGEMENT**

ABDULLA ABDULRAZAQ ABDULLA ALI BUKHOWA

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

Joined on 1 July 2021; holds a Bachelor of Business Administration with a concentration in Marketing from University of Texas, Arlington, 1995. Holds the Investment Representative Certificate (Series7). Mr. Bukhowa has more than 27 years of local and regional diversified experience in financial services.

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

- Chief Executive Officer, Standard Chartered Bank, Bahrain
- Chief Executive Officer and Head of Global Banking, Standard Chartered Bank, Qatar
- Head of Corporate & Institutional Clients (CIC) and Head of Financial Markets (FM), Standard Chartered Bank – Bahrain
- Co-Head of Wholesale Banking and Head of Global Markets, Standard Chartered Bank, Bahrain
- Head of Portfolio Management, Central Bank of Bahrain, Bahrain

Mr. Bukhowa currently serves on the following Board roles:
- Independent and Non-Executive Director of BEYON, Bahrain
- Vice Chairman of the Audit Committee of BEYON, Bahrain.
- Chairman of Umniah Mobile Telecommunications, Jordan.
- Board Member of the Future Generation Reserve, Bahrain
- Board Member of the Bahrain Association of Banks, Bahrain
- Member of the Automotive Board for National Motor Company W.L.L. (NMC), Tasheelat Automotive Company W.L.L. (TAC) and Tasheelat Car Leasing Company W.L.L. (TCL), Bahrain
- Board Member of Tasheelat Insurance Services Company WLL. (TISCO), Bahrain

MOHAMED JEHAD BUKAMAL, CFA

Deputy Chief Executive Officer – Bahrain Commercial Facilities Company B.S.C.

Has more than 15 years of extensive and diversified experience in Investment Management and Finance; holds a BA (Honours) in International Business from Leeds Metropolitan University, 2008. Prior to joining Bahrain Commercial Facilities Company, Mr. Bukamal was the Head of Public Investments at Osool Asset Management Company, a fully owned subsidiary of the Social Insurance Organization – Kingdom of Bahrain.

Member of the Institute of Directors, London, 2019. Holds the Investment Representative Certificate (Series 7), 2011. Mohamed is a Chartered Financial Analyst 'CFA'.

A previous Board Member and Member of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain from December 2018 (Non-executive) till January 2022; Previous member of the Automotive Board.

Mr. Bukamal was appointed in his position as Deputy Chief Executive Officer on 6 Feb 2022.

- Chairman of the Automotive Executive Committee, Bahrain
- Board Member in Bukamal Holdings Co. B.S.C (c), Bahrain
- Board Member in General Poultry Co. B.S.C (c), Bahrain

Previous Board Experiences
- Previous Board Member, Bahrain Commercial Facilities Company. B.S.C.
- Previous Board Member, Automotive Board of Directors
- Previous Board Member, Delmon Poultry Company
- Previous Board Member, Bahrain Livestock Company
- Previous Board Member, Arabian Sugar Company

ALI KHALAF

Chief Financial Officer –
Bahrain Commercial Facilities
Company B.S.C.

Joined on 17 July 2022; has more than 21 years of experience in the financial industry; a Certified Public Accountant (CPA); and a Certified Islamic Professional Accountant (CIPA). Graduated with a Bachelor of Science in Business Management from the University of Bahrain in 2002.

Prior to joining BCFC, Ali was a Partner at PricewaterhouseCoopers in 2022 and a Director at Ernst and Young in 2020. Among other things, he was responsible for auditing Islamic and conventional banks as well as other businesses within various sectors.

- Vice Chairman of the Automotive Executive Committee, Bahrain

MOHAMED AHMED AL-MUTAWA

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

Joined on 15 April 2018; has more than 16 years of extensive and diversified experience in the field of Internal and External Audit covering multiple sectors which includes Banking, Financial Services, Insurance, and Investment.

Mohamed holds an MBA degree from Colorado State University, USA, 2016. He is a Certified Internal Auditor (CIA) licensed by the Institute of Internal Auditors (IIA) in New York; a Certified Public Accountant (CPA) licensed by the New York Board of Accountancy and the California Board of Accountancy; and a Certified Management Accountant (CMA) licensed by the Chartered Institute of Management Accountant in New Jersey, he is also a Certified Information System Auditor (CISA) licensed by ISACA, USA, He also obtained Certificate in Organizational Leadership from Harvard Business School, USA.

Prior to joining BCFC, he held positions as a Head of Internal Auditor -ACT at The Benefit Company Financial Services, and as a Deputy Manager at KPMG LLC San Francisco, New York, Bahrain.

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

AYSHA ALSINAN

VP - Head of Human Resources -
Bahrain Commercial Facilities
Company B.S.C.

Joined on 2nd July 2006; has more than 17 years of extensive and diversified experience in Human Resources Management in the banking sector; holds a B.Sc. Degree in Banking & Finance from University of Bahrain, 2004; has a Certificate in Personnel Practice (CPP) from Chartered Institute of Personnel Development (CIPD), UK.

EXECUTIVE **MANAGEMENT** (CONTINUED)

ALI EBRAHIM AL-MARZOOQ

VP - Head of Information Technology & Operation - Bahrain Commercial Facilities Company B.S.C.

Joined on 4 June 2006, has more than 31 years of extensive and diversified experience in IT Management, Sales, and Digital Transformation, holding several leadership and management roles; He holds an MBA in Information Technology Management from Sunderland University, UK, in 2010. He attended several executive education/training programs at well-known, top business schools, such as Prepare to Shape the Future in a Rapidly Changing World at Singularity University, 2019; Competing on Business Analytics and Big Data at Harvard Business School, 2014; and Making Your Organization Innovative at Cambridge Judge Business School, 2015.

Before BCFC, he served as a Senior Consultant at Computer Associates (CA), Information Technology Manager at Al Wasat Newspaper, and as Senior Officer in Gulf Air.

MAZEN SATER

VP - Head of Consumer Finance - Bahrain Commercial Facilities Company B.S.C.

Joined on 10 July 2023, has over 28 years of experience in Islamic and conventional banking with local and international expertise in the financial services industry. He holds an MBA, Marketing & Change Management, DePaul University, Chicago, Illinois, USA, and a Bachelors in Business Administration, Marketing Major, St. Edward's University. USA.

He has held senior positions in retail banking, consumer finance and digital banking with multinational, regional and local banks.

KUBRA AGHAYAR

VP - Head of Commercial & SME - Bahrain Commercial Facilities Comapny B.S.C.

Joined in April 2022; has a very rich and diverse career over the past 30 years with a wealth of experience working at different organisations and being a part time lecturer at the BIBF. holds an IFS Chartered Associateship (ACIB), and BSc in Financial Services from the University of Manchester.

She held several roles prior to BCFC. She served as Head of CSME in Standard Chartered Bank, Bahrain and as Senior Relationship Manager with Corporate Banking HSBC, Bahrain beside other positions in Corporate and Credit with different organisations such as Ahli United Bank, Bahrain and Gulf International Bank, Bahrain.

TARIQ ABDULAZIZ FATHALLA

VP - Head of Remedial - Bahrain Commercial Facilities Company B.S.C.

Joined in October 2021; has more than 31 years of extensive and diversified experience in financial and banking services; holds an advance diploma in Banking Studies from Bahrain Institute of Banking and Finance. Attended several executive educations.

Prior to BCFC, he has worked as Head of Collections at National Finance House 'NFH' and Collections Manager – Retail within Bank of Bahrain and Kuwait BSC 'BBK'; beside other managerial positions in different financial institutions and Banks.

ALI ABURWAIS

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

Joined on 1 August 1995; has more than 32 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.

HUDA JANAHI

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

Joined on 21 July 2019; has more than 19 years of extensive and diversified experience in internal audit and risk management in both Conventional and Islamic sectors; holds a B.Sc. Degree in Accounting from University of Bahrain, 2004; has an Associate Professional Risk Management (APRM) Certificate and a member of the Professional Risk Manager's International Association (PRMIA), USA; and has a Certified Islamic Professional Accountant (CIPA) Certificate from the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI).

Prior to joining BCFC, she held a position in Internal Audit and Risk Management at Venture Capital Bank.

EXECUTIVE **MANAGEMENT** (CONTINUED)

MARYAM ABDULRAHMAN ABDULLA

VP - Head of Legal Affairs
Bahrain Commercial Facilities Company B.S.C.

Joined on 1 March 2023; has more than 18 years of experience in law firms and in-house in various disciplines including corporate and commercial legal advisory, real estate, governance, compliance and banking. Holder of Bachelor of Laws (LLB) and Master of Laws (LLM) from University of Warwick (UK) and Postgraduate Diploma in Legal Practice Course (LPC) from College of Law (London, UK).

Prior to joining the Company, she held various positions and worked for Seef Properties, Alubaf Arab International Bank, Hafudh Ali– Attorneys and Legal Consultants, Nezar Raees Associates, AAJ Holdings and KPMG Fakhro.

NIMER YASIN

VP – Head of Business Development and Digital Channels - Bahrain Commercial Facilities Company B.S.C.

Joined on 2nd May 2023; has more than 25 years of experience in the Digital Payments and Banking; a Certified Retail Banker and a Certified Cards Business Head; Graduated with a Bachelor of Banking and Finance From Yarmouk University in 1998. And Master's degree in Financial Management from Arab Academy For Banking and Financial Sciences in 2001.

Prior to joining BCFC, Nimer worked with leading companies in the region like Kuwait Finance House, Commercial Bank of Qatar, Visa and Bank Muscat.

ABDULLA AL WEDAEI

Acting General Manager,
National Motor Company W.L.L.

Joined in October 1991; has more than 32 years of extensive and diversified experience in the motor industry. Holds a Diploma in Executive Management from University of Bahrain, 1999; and a Master's Degree in Business Administration from University of Hull, 2001. Board member in Car Dealer Association, Bahrain. Attended a number of executive education / training programs at well-known, top business schools such as: Aligning Strategy and Sales at Harvard Business School, 2012.

Performed a number of roles during the service with NMC from Honda Sales Manager, Head of Sales of Honda, GM and Used Cars and Head of Brands.

- Board member in Car Dealer Association, Bahrain.
- Member of the Automotive Executive Committee, Bahrain

SIMON ELLIS

General Manager – Tasheelat Automotive Company W.L.L.

Joined on 2 August 2022; has more than 31 years of experiences in automotive industry gained throughout the UK, Europe and for the last 13 years in the Middle East working with luxury, premium and volume vehicle manufacturers, distributors, retailers and digital solutions providers. Joined the British army, initially with the Parachute Regiment, before attending and graduating from the Royal Military Academy Sandhurst. On passing out from Sandhurst, commissioned as a Second Lieutenant into the Corps of Royal Engineers.

- Member of the Automotive Executive Committee, Bahrain

NAJIB HUSSAIN

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

Joined on 13 January 2020; has more than 14 years of extensive and diversified experience in the Automotive, Car Rental and Leasing Industry in Bahrain and UAE. Holds a Diploma in Automobile Engineering from Acharya Institute of Technology, India, 2010. Having worked with one of Europe's largest car rental companies in Bahrain and Yamaha & Suzuki Marine & Land Products in UAE, attended numerous trainings and workshops related to Pricing, Rate & Yield Management, Customer Service as well as being certified by Yamaha Technical Academy (YTA). Carries an extensive experience in managing and handling franchisee and dealing with rental aggregators and similar platforms.

- Member of the Automotive Executive Committee, Bahrain

MOHAMED SHEHABI

General Manager – Tas'heelat Insurance Company

Joined on 1st February 2023; has more than 12 years of experience in the Insurance industry; a certified Advanced Diploma (ACII) from The Chartered Insurance Institute 2024. Graduated with a Bachelor of Science in Business Administration from the New York Institute of Technology in 2008.

Prior to joining BCFC, Mohamed was a Chief officer of Motor and Personal Lines. Among other things, He was responsible for handling the departmental underwriting and claims strategies and leading the digital team to deliver value through the development of innovative operational processes, applications, etc.

- Board Member of Bahrain Athletics Associations.

EXECUTIVE **MANAGEMENT** (CONTINUED)

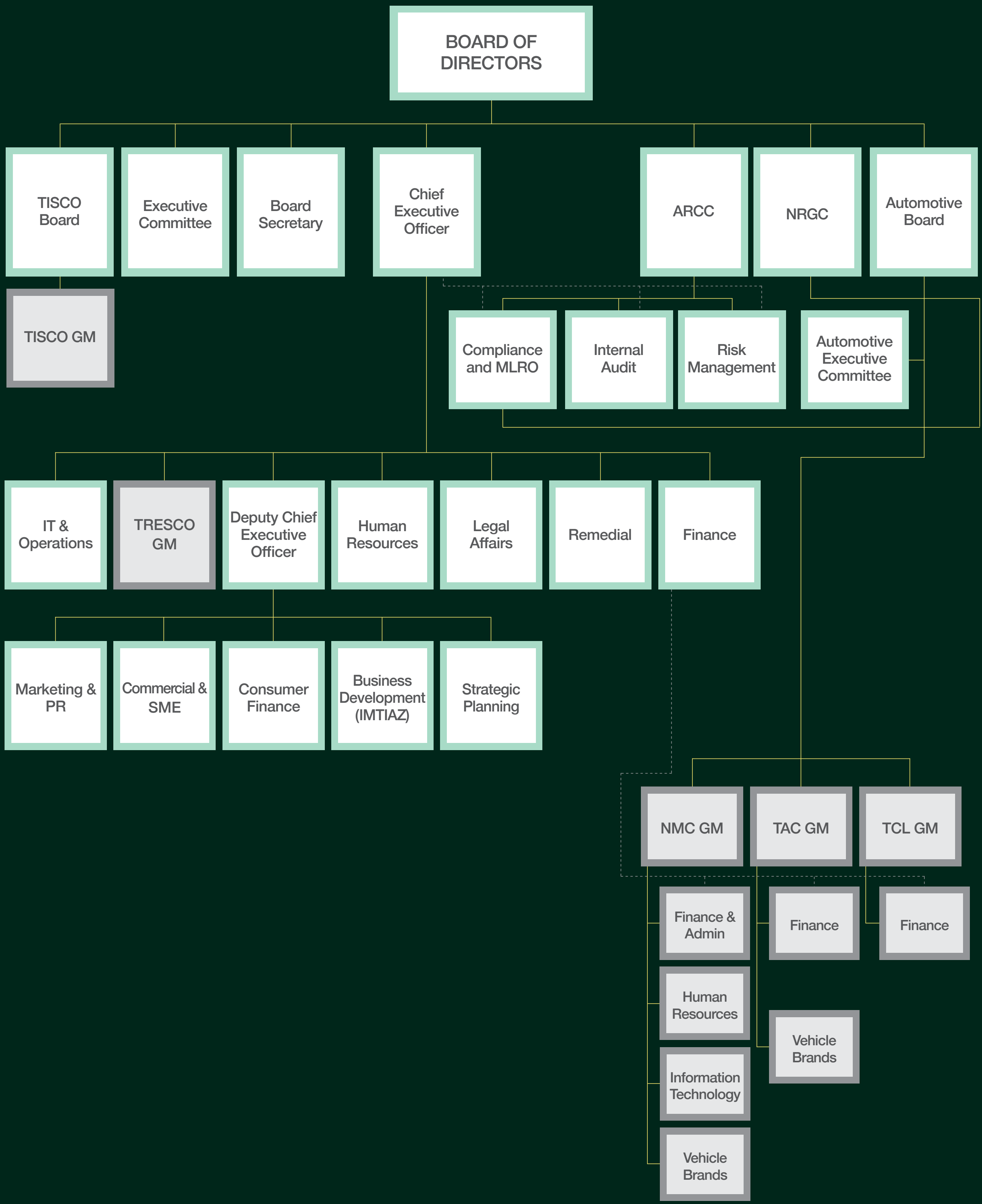
FADI AL-SHAIKH

General Manager - Tas'heelat Real Estate Company (W.L.L.)

Joined on 03 July 2023; has more than 25 years of experience in the real estate development and investment; a Certified Arbitrator (FIDIC); Certified Property Manager (RERA); Certified Broker (RERA); Certified Grade "A" (CRPEP) and a Certified Expert in the Courts. Graduated with a M.Sc. in Engineering Management from The George Washington University and Bachelor of Science in Civil Engineering from the University of Bahrain in 1999.

Prior to joining BCFC, Fadi was a CEO at Rika Real Estate (2019-2023) and an Acting CEO at KMC "KFH Group real estate arm" (2008-2019). Among other things, he was responsible for developing of the known mega real estate in the Arabian Gulf region, in addition to other real estate work in various sectors related to real estate development.

ORGANIZATION CHART



CORPORATE **GOVERNANCE**

Bahrain Commercial Facilities Company B.S.C. (BCFC) is licensed by the Central Bank of Bahrain (CBB) as a 'Financing Company' regulated under Rulebook Volume 5 'Specialized Licensees' category. BCFC is also a listed company on Bahrain Bourse and the provisions of Rulebook Volume 6 apply to it as a capital market participant. The corporate governance provisions relate to the High-Level Controls (Module HC) of the respective Rulebook Volumes.

BCFC is committed to the best practices of corporate governance in line with the legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities and its subsidiaries. These Policies highlight the areas the Company and its employees have to comply with in relation to the corporate governance and disclosure requirements, particularly with reference to Corporate Governance Code of the Ministry of Industry and Commerce (MOIC), applicable regulatory requirements under HC Modules of Rulebook Volumes 5 and 6 (whichever applies) and any other rules, regulations and Directives issued on this matter and the Memorandum and Articles of association of the Company.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note 18 to the Consolidated Financial Statements for the year ended 31 December 2023.

B. Board of Directors

The Board is constituted of ten directors, divided into independent, non-executive and executive members. The members are appointed and elected for a three-year term unless terminated earlier in accordance with applicable laws or as per the Company's Memorandum and Articles of Association or the Board of Directors Charter. Additionally, as per the High-Level Controls Module (Module HC) of the CBB Rulebook, which requires disclosure of the percentage of women's representation on the board of directors of listed companies in 2023, the BCFC Board of Directors is comprised of one female Board member who represents 10% of the overall Board composition. The Board represents a mix of high-caliber professional skills and expertise. Any newly appointed/elected director undergoes a comprehensive, formal, and tailored induction to ensure the director's fiduciary responsibilities are well understood and appreciated. In this regard, it is worth mentioning that training of the Board Members, as approved persons holding controlled functions in the Company, has always been at the forefront of the responsibilities of the Company, which ensures proper Continuous Professional Development (CPD) Training is extended to all Directors as per the CBB Training and Competency Module (Module TC). In this respect, the Board members fulfilled all their training requirements for the year ended 31 December 2023 as per the regulatory directive. To fulfill some of its responsibilities, the Board has in place an Executive Committee, a Nomination, Remuneration, Sustainability and Governance Committee (NRSG) and an Audit, Risk and Compliance Committee (ARCC), 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 reviewed and recommended by the Nomination, Remuneration, Sustainability and Governance Committee for the approval of the Board and finally approved by the BCFC Board of Directors at the first meeting of the calendar year where the Company's year-end results are approved for publication. The overall rating of the Board, Board Committees and Boards of the portfolio companies and the Executive Committee of the automotive companies was 3.91 out 4.

The Board is responsible for the preparation and fair representation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for establishing 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 B.S.C. are under an obligation to 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 disclosures are fair, transparent, and comprehensive; and reflect 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 and regulatory requirements, the Board of Directors oversees the exercise of corporate powers and ensures that the Company's business and affairs are well managed to meet its stated goals and objectives. Maintenance of the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards, receives considerable attention by the Board of Directors.

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

The Company strives to promote the highest standard of professional ethical norms and values towards its stakeholders (including without limitation, its customers, employees, regulators and the community). The Board has approved a Code of Conduct (the Code) that applies to the Directors and another one dedicated for the Executive Management and staff that includes the "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 code includes areas pertaining to conflict of interest, related parties' transactions, obligations of integrity and loyalty, confidentiality and the responsibilities of all those concerned to adhere to best practices and high standards in ethical norms and values.

Furthermore, directors as approved persons abide by their fiduciary duties of care and owe loyalty not to use property of the Company for their personal needs as though it was their own property, not to disclose confidential information or use it for their personal profit, not to take business opportunities for themselves that constitute direct and material conflicts of interest, not to compete directly or indirectly in business with the Company; and to declare their conflict and abstain from participating in any deliberation in or voting on any transaction contemplated between the Company and a company in which they have personal interests.

In compliance with the regulatory requirements, below are the numbers of shares held by the Company's directors, in their capacity as approved persons, and the connected persons as at 31st December 2023 as follows:

Directors *	Type of Shares	31 December 2023	31 December 2022
Mr. AbdulRahman Yusuf Fakhro	Ordinary	991,718	991,718
Dr. AbdulRahman Ali Saif	Ordinary	Nil	Nil
Mr. Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
Mr. AbdulAziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Mr. Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Mr. Yusuf Saleh Khalaf	Ordinary	Nil	Nil
Mr. Mohamed Abdulla Isa	Ordinary	Nil	Nil
Sh. Salman Bin Isa Al-Khalifa	Ordinary	Nil	Nil
Mrs. Najla Mohamed Al Shirawi	Ordinary	Nil	Nil
Mr. Mishal Ali Mohamed Alhellow	Ordinary	Nil	Nil

* The Board of Directors and their connected persons did not trade in the shares of the Company during the financial year ended 31st December 2023.

Annual confirmations as well as an on-going obligation update regarding the profiles, directorships, conflicts and personal interests of the Board of Directors are sought from the Board of Directors. The process of declaration of interests takes place on an annual basis and as part of the public disclosure requirements in the Company's Annual Report. The Board Secretary writes to all the Directors, requesting them to confirm and/or update their existing directorships and profiles. Upon receiving their responses, profiles, directorships, conflicts and personal interests of the Board of Directors are disclosed in the annual report at the end of each financial year. Similar confirmations and declarations are also applied at the time of election and nomination or appointment of a new Board of Director, when candidates fill in and submit the CBB forms together with their declarations of interest in other

CORPORATE **GOVERNANCE** (CONTINUED)

B. Board of Directors (continued)

enterprises and these declarations are refreshed thereafter with necessary information on an annual and regular basis to fully adhere to the applicable CBB Rulebook provisions.

The Board of Directors meets at least four times in each financial year upon the summons of the Chairman of the Board or his Deputy (in case of absence or disability) or at least two of its members. A quorum shall be attained if one half plus one of the members are present. In 2023, the Board of Directors convened seven ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Board of Directors	12 Feb	27 Feb	5 Apr	8 May[5]	24 July[6]	7 Aug	1 Nov[7]	14 Dec	Total	Attendance Percentage
Mr. AbdulRahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
Dr. AbdulRahman Ali Saif	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
Mr. Reyadh Yusuf Hasan Sater	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
Mr. Nader Karim Al Maskati [1]	✓	✓							2	100%
Mr. Ebrahim Abdulla Buhindi	✓	✓	✓	✓	✓	✓	✓	✓	8	100%
Mr. AbdulAziz Abdulla Al-Ahmed	✓	✓	Virtual	✓	✓	✓	✓	Virtual	8	100%
Mr. Abdulla Mohamed Al Mahmood [2]	✓	✓							2	100%
Mr. Mohamed Abdulla Isa	✓	✓	✓	✓	✓	Absent	Virtual	✓	7	87.5%
Mr. Yusuf Saleh Khalaf	✓	✓	✓	✓	Virtual	✓	✓	✓	8	100%
Mrs. Dana Aqeel Raees [2]	✓	✓							2	100%
Sh. Salman Bin Isa Al-Khalifa [3]			✓	✓	Virtual	✓	✓	✓	6	100%
Mrs. Najla Mohamed Al Shirawi [4]			✓	✓	Virtual	✓	✓	✓	6	100%
Mr. Mishal Ali Mohamed Alhellow [3]			✓	✓	Virtual	✓	✓	✓	6	100%

1. His term of office expired at the last OGM held on 29 March 2023.
2. Their term of office as SIO Nominees expired at the last OGM held on 29 March 2023.
3. Appointed as Board Members [as SIO Nominees] for the next term of office for the years 2023-2026.
4. Elected as Board Member for the next term of office for the years 2023-2026.
5. Mrs. Najla Al Shirawi declared a conflict of interest as far as treasury shares purchase and a market making proposal and absented herself from any discussion and decision on the subject matter.
6. To discuss the Company's overall business performance YTD.
7. Dr. AbdulRahman Saif, Mr. Mohamed Abdulla Isa & Mr. AbdulAziz Al Ahmed declared a conflict of interest as far as a well-known corporate entity case & therefore they absented themselves from any discussions or decisions on the subject matter.

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 and non-conflicted Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. In this regard, the Board disclosed the areas that featured discussions and decision-making where potential conflicts of interest might engage, and where the respective members absented themselves to avoid conflict of interest. In 2023, the Board formed four different Board ad hoc committees to review and consider different subject matters. The Board ad hoc committees convened, and the meetings were attended as follows:

Board Sub-committee Meeting* (To approve the proposed new refinancing facility)	9 Feb
Mr. AbdulRahman Yusuf Fakhro, Chairman	✓
Mr. Reyadh Yusuf Hasan Sater, Member	✓
Mr. Yusuf Saleh Khalaf, Member	Virtual
Mrs. Dana Aqeel Raees, Member	✓

* Board Sub-committee was constituted and formed of non-banking members to avoid any conflict of interest based on a circular resolution taken by the BCFC Board to approve the proposed new refinancing facility.

Board Sub-committee Meeting (To review all the proposals related to the Board System Initiative and attend demos in the presence of Management and Board Secretary to make a final recommendation on the system selection to the Board)	29 May
Sh. Salman Bin Isa Al-Khalifa, Member	Virtual
Mrs. Najla Mohamed Al Shirawi, Member	Virtual
Mr. Mishal Ali Mohamed Alhellow, Member	Virtual

Board Sub-committee Meeting (To discuss the Company's deteriorating performance to make the necessary recommendations to the Board for immediate action))	27 July
Mr. AbdulRahman Yusuf Fakhro, Chairman	✓
Dr. AbdulRahman Ali Saif, Vice Chairman	Virtual
Mr. Yusuf Saleh Khalaf, Member	Virtual

Board Sub-committee Meeting (To review the Company's Second Half Financial Results - Part 1)	17 September
Dr. AbdulRahman Ali Saif, Vice Chairman	✓
Sh. Salman Bin Isa Al-Khalifa, Member	✓
Mr. Yusuf Saleh Khalaf, Member	Virtual
Mr. Abdulla Bukhowa, Chief Executive Officer	✓
Mr. Ali Khalaf, Chief Financial Officer	✓

Board Sub-committee Meeting (To review the Company's Second Half Financial Results - Part 2)	9 October
Dr. AbdulRahman Ali Saif, Vice Chairman	✓
Sh. Salman Bin Isa Al-Khalifa, Member	✓
Mr. Yusuf Saleh Khalaf, Member	Virtual
Mr. Abdulla Bukhowa, Chief Executive Officer	✓
Mr. Ali Khalaf, Chief Financial Officer	✓

C. Key Persons Dealing Policy

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

D. Board of Directors Committees

1. Executive Committee

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

The Executive Committee is comprised of a minimum of three members, who are not members of the ARCC, appointed by the Board of Directors and at least one member shall be independent.

CORPORATE **GOVERNANCE** (CONTINUED)

D. Board of Directors Committees (continued)

1. Executive Committee (continued)

Currently, the Committee has in place four members, one of whom is an independent member [who is already a member of the ARCC] and is not in line with the Company's policy. This internal requirement for an independent member within the Committee composition was substantiated as necessary to ensure independence. This was communicated with the relevant department and obtained CBB approval. In accordance with its charter, the Executive Committee has the role of reviewing reports and activities, taking decisions on issues within its defined authorities and recommending to the Board of Directors on other issues that are above its authorities, where applicable. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, donations, signing and investment authorities.

To ensure full discharge of duties, the Executive Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. In 2023, the Executive Committee held five ordinary meetings and three unscheduled meetings. The meetings were attended as follows:

Committee Member	4 Jan[1]	15 Jan[2]	16 Apr	30 May	26 Jun	26 Sep	27 Nov	12 Dec[8]	Total	Attendance Percentage
Sh. Salman Bin Isa Al-Khalifa, Chairman [3]			✓	✓	✓	✓	✓	Virtual	6	100%
Dr. AbdulRahman Ali Saif, Vice Chairman [4]	✓	✓	✓	✓	✓	✓	✓	Virtual	8	100%
Mr. AbdulAziz Abdulla Al-Ahmed, Member [5]	✓	Virtual	✓	✓	✓	✓	Virtual	Virtual	8	100%
Mr. Ebrahim Abdulla Buhindi, Member [5]			✓	✓	✓	✓	Virtual	✓	6	100%
Mr. Reyadh Yusuf Hasan Sater, Vice Chairman [6]	✓	Virtual							2	100%
Mrs. Dana Aqeel Raees, Member [7]	✓	✓							2	100%

1. A joint meeting with the prior Audit Committee to discuss different topics related to the Company's overall performance, deferred portfolio, ECL provision etc.
2. To review different agenda items including some business initiatives.
3. Appointed as Member on 05 April 2023 and as Committee Chairman for a rolling period of three years effective from 16 April 2023.
4. Re-appointed as Member on 05 April 2023 and as Committee Vice Chairman for a rolling period of three years effective from 16 April 2023.
5. Re-appointed / appointed as Committee Members respectively for a rolling period of three years effective from 05 April 2023.
6. Quit as Committee Vice Chairman effective from 05 April 2023.
7. Quit as Committee Member after her term of office expired at the last OGM held on 29 March 2023.
8. To discuss the revised Business Plan 2024.

2. Audit, Risk and Compliance Committee ("ARCC")

The Board Audit, Risk and Compliance Committee ("ARCC"), which was formed by the Board on 05 April 2023 after consolidating the prior Audit Committee and the prior Corporate Governance, Risk and Compliance Committee ("CGRC"), assists the Board of Directors, in overseeing the responsibilities for the financial reporting process, the system of internal control and the audit process, monitoring compliances with the Company's policies and procedures and overall risks related to the Group's operations and matters pertaining to anti-money laundering relevant to regulatory requirements. Consistent with this function, the Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures, and sound practices at all levels.

The Committee must have at least three directors of which the majority must be independent and have no conflict of interest with any other duties they have and must be appointed by the Board of Director for a three-year term. The Committee will elect a Chairman and Vice-Chairman. The Chairman of the Committee must be an independent director under the criteria stated in the Corporate Governance Code. However, the Committee composition was not in line with the requirements, since the majority of the committee members were not independent directors, this was communicated with the relevant department and obtained CBB approval.

The Committee must receive internal and external audit, risk management and compliance reports and ensure that Senior Management is taking necessary corrective actions in a timely manner to address any control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by external auditors, the Chief Internal Audit, Head of Risk Management, and Head of Compliance and other control functions. The Committee directs the role and assesses the performance of the Internal Audit, Risk Management, Compliance and Anti-Money Laundering Departments. The Committee is also responsible for developing and recommending to the Board risk related policies and the Company's risk management framework reviewing those policies at least once a year in compliance with the regulatory requirements. The Committee reviews and recommends any amendments to the Company's Memorandum and Articles of Associations in consultation with a legal counsel. The Committee reviews and challenges where necessary, the actions and judgment of management, in relation to the interim and annual financial statements before submission to the Board.

The Committee is authorized by the Board to seek appropriate professional advice inside and outside of the Company as and when it considers this necessary at the Company's expense. To ensure full discharge of duties, the Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. In 2023, the Audit, Risk and Compliance Committee held four ordinary meetings. The meetings were attended as follows:

Committee Member	4 May	2 Aug	29 Oct	3 Dec	Total	Attendance Percentage
Mr. Yusuf Saleh Khalaf, Chairman[1]	✓	✓	✓	✓	4	100%
Mr. Mishal Ali Mohamed Alhellow, Vice Chairman[2]	✓	Virtual	Virtual	Virtual	4	100%
Mr. Mohamed Abdulla Isa, Member[3]	✓	Absent	✓	✓	3	75%
Mr. Ebrahim Abdulla Buhindi, Member[3]	✓	✓	✓	✓	4	100%

1. Appointed as Member on 05 April 2023 and as Committee Chairman for a rolling period of three years effective from 04 May 2023.
2. Appointed as Member on 05 April 2023 and as Committee Vice Chairman for a rolling period of three years effective from 04 May 2023.
3. Appointed / re-appointed as Committee Members respectively for a rolling period of three years effective from 05 April 2023.

During 2023 and before merging the prior Audit Committee with the prior Corporate Governance, Risk and Compliance Committee as per the above-mentioned BCFC Board Resolution dated 05 April 2023, the following meetings were held:

First: The prior Audit Committee had one ordinary meeting and one unscheduled meeting, which were attended as follows:

Committee Member	4 Jan[1]	20 Feb	Total	Attendance Percentage
Mr. Nader Karim Al-Maskati, Chairman	✓	✓	2	100%
Mr. Mohamed Abdulla Isa, Vice Chairman	✓	✓	2	100%
Mr. AbdulRahman Yusuf Fakhro, Member	✓	✓	2	100%

1. A joint meeting with the Executive Committee to discuss different topics related to the Company's overall performance, deferred portfolio, ECL provision etc.

Second: The prior Corporate Governance, Risk and Compliance Committee had one ordinary meeting, which was attended as follows:

Committee Member	28 Feb	Total	Attendance Percentage
Mr. Mohamed Abdulla Isa, Chairman	✓	1	100%
Mr. Yusuf Saleh Khalaf, Vice Chairman	✓	1	100%
Mr. Abdulla Mohamed Al-Mahmood, Member	✓	1	100%

Additionally, the Chief Executive Officer and Chief Financial Officer shall certify in writing to the ARCC Committee and the Board as a whole the Company's interim and annual financial information / statements.

CORPORATE **GOVERNANCE** (CONTINUED)

D. Board of Directors Committees (continued)

3. Nomination, Remuneration, Sustainability and Governance Committee ("NRSG")

Comprised of at least three directors, appointed by the Board, of which should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors, and the chairman is an independent director. This is consistent with international best practice, and it recognizes that the remuneration committee must exercise judgment free from personal career conflicts of interest. The Nomination, Remuneration, Sustainability and Governance Committee provides advice and makes recommendations to the Board on matters related to the nomination and appointment of Directors, memberships to all Committees of the Board, Directors to the Boards and memberships of Executive Committees of the Company's subsidiaries, the Chief Executive Officer or his delegate and controlled functions under Bahrain Credit, the General Managers or his Delegate of all the subsidiaries of the Group and the Secretary to the Board.

The Nomination, Remuneration, Sustainability and Governance 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, General Managers or their delegates of the subsidiaries and the Secretary to the Board, the bonus, share option, redundancy, and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer or his delegates, all the General Managers or their delegates of the subsidiaries, and Secretary to the Board. Moreover, the Committee reviews and approves the salary and bonus payments for the CEO's direct reports. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration for approval of the Board of BCFC. The Committee evaluates and recommends Corporate Governance policies, practices, and guidelines applicable to the Board and the Company. The Committee also reviews and makes recommendations to the Board on all matters relevant to Corporate Governance to coordinate and integrate the implementation of the governance policy framework. In addition, the Board of Directors delegates their responsibilities towards Environmental, Social and Governance (ESG) to the NRSG committee as outlined in the Group's ESG Policy.

The Committee directs the role and assesses the performance of the Risk Management Department regarding the ESG activities, and the Compliance Department regarding the Governance activities.

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. In 2023, the Nomination, Remuneration, Sustainability and Governance Committee convened three ordinary meetings and three unscheduled meetings. The meetings were attended as follows:

Committee Member	6 Feb	26 Feb	14 Mar[1]	15 Jun[2]	10 Jul[2]	6 Dec	Total	Attendance Percentage
Mr. AbdulRahman Yusuf Fakhro, Chairman [3]				✓	✓	✓	3	100%
Mrs. Najla Mohamed Al Shirawi, Vice Chairman [4]				✓	✓	✓	3	100%
Mr. Ebrahim Abdulla Buhindi, Member [5]	✓	✓	Absent	✓	✓	✓	5	83.3%
Mr. AbdulAziz Abdulla Al-Ahmed, Chairman [6]	✓	✓	Virtual				3	100%
Dr. AbdulRahman Ali Saif, Vice Chairman [7]	✓	✓	✓				3	100%

1. To interview shortlisted candidates for a key function role.
2. To discuss important different agenda items.
3. Appointed as Member on 05 April 2023 and as Committee Chairman for a rolling period of three years effective from 15 June 2023.
4. Appointed as Member on 05 April 2023 and as Committee Vice Chairman for a rolling period of three years effective from 15 June 2023.
5. Re-appointed as Committee Member for a rolling period of three years effective from 05 April 2023.
6. Quit as Committee Chairman effective from 05 April 2023.
7. Quit as Committee Vice Chairman effective from 05 April 2023.

E. Risk Management

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

The Company has a Head of Risk Management which is independent of business lines and the day-to-day running of the various business areas and is separate from the Internal Audit and Compliance function. In addition, the Head of the Risk Management Department reports directly to the Board ARCC, has full access to the Board of Directors, and administratively to the Chief Executive Officer.

The Group's Risk Management Strategy is a cornerstone of our corporate governance, ensuring the prudent and effective handling of risks that could impact our operations. Guided by BCFC's Board of Directors, we maintain a robust framework that encompasses the identification, evaluation, and mitigation of financial and non-financial risks, including Environmental, Social, and Governance (ESG) factors. Our approach is designed to align with our risk appetite and incorporates ongoing monitoring to ensure responsiveness to the dynamic risk landscape. The Group strives to create a disciplined and constructive control environment in which all employees understand their roles and responsibilities through its training and management standards and procedures.

F. Compliance and Anti-Money Laundering

BCFC is fully aware of its responsibilities in observing all regulatory provisions and best international practices in relation to its functioning. It is committed to complying with international best practices on compliance and anti-money laundering as reflected by the regulatory requirements of the Central Bank of Bahrain.

The Company has a Head of Compliance and Money Laundering Reporting Officer (MLRO). These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function and Risk Management. In addition, the Head of Compliance and MLRO reports directly to the ARCC Committee and has full access to the Board of Directors and administratively to the Chief Executive Officer.

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

The Group Head of Compliance also assumes the responsibilities of the Group Corporate Governance Officer and in this context, he supports the NRSG Committee in the process of reviewing on an annual basis the Corporate Governance disclosure guidelines in the Company's annual report to ensure that the scope of the disclosure is in line with the Corporate Governance Code, High Level Control Module, Public Disclosure (PD) Module, and other Corporate Governance matters. He also assesses the board and the committees composition and carries out an annual test of directors' independence and then reports the results to the NRSG Committee. In addition, he supports the process of evaluating and recommending Corporate Governance policies, practices, and guidelines applicable to the Board and the Company. The appointment of the Group Governance Officer is subject to the approval of the NRSG Committee.

The Group's Compliance and MLRO ensures the implementation of applicable regulatory requirements on a group-wide level to the subsidiaries and branches. Furthermore, the AML is subject to an annual independent review and examination by External Audit/Independent Third Party, and Internal Audit.

G. Management Committees:

a. **The Assets and Liabilities Committee ("ALCO")** shall be comprised of at least three members, headed by the Chief Executive Officer, CFO and Head of Risk Management as permanent members. The CEO may appoint any other member as needed. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset and liability management; (2) capital planning; (3) liquidity adequacy; (4) contingency planning and (5) approving product programmes (which shall form part of Consumer Finance and Mortgage loans and CSMEs policies framework) with respect to the foregoing. It is also mandated to fix and review the overall portfolio yield, reviews and takes appropriate action with regard to its mandated responsibilities relevant to the CBB consultation papers, guidelines and new rules and follow up on all matters reported in regulatory inspection reports, review and approve rates, administration charges, business terms, and acceptance criteria of existing and new loan products. ALCO shall meet at least once a Quarter or more frequently as circumstances dictate. A resolution is deemed passed if more than half the voting members present at the meeting vote "for" such a resolution. The Management Secretary will take the minutes of ALCO meetings. The Committee periodically reviews its own composition and charter and conducts an evaluation of its performance and the performances of its members.

b. **The Credit Committee** is set up with the objective of overseeing all aspects of credit exposures within its limits or above so as to ensure that proper due diligence is established before sanctioning any credit exposure and that credit risk arising from a credit exposure is closely monitored throughout the tenor. To fulfill this objective, the Credit Committee is delegated with a defined scope of responsibilities and authorities, as per its charter. To ensure that the Credit Committee possesses the right skills and

CORPORATE **GOVERNANCE** (CONTINUED)

G. Management Committees: (continued)

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 from time to time by the BCFC Board upon the recommendation of the Chief Executive Officer. The details including the members and their approval authorities are given in the policy manual approved by the Board.

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

d. **The Impairment and Provisioning Committee's** objective is to provide oversight and guidance on the Company's impairment and provisioning practices at the management level. The Committee is responsible for ensuring the adequacy and accuracy of facilities impairment assessments and provisions, as well as promoting sound credit risk management practices within the Company.

H. Remuneration Policy:

a. **Board Remuneration:**

The Company's remuneration practices are aligned with the guidelines and rules of the CBB High-Level Controls, HC-6 Remuneration of Approved Persons and Material Risk Takers duly prescribed under Volume 1: Conventional Bank Licensees.

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. This Policy reflects the Company's commitment to best practices of corporate governance in line with the legal and regulatory requirements and is intended to remunerate its Board and Committee members fairly and responsibly. The Policy ensures that the remuneration of Board and Committee members is sufficient to attract, retain and motivate persons of quality and desired competencies needed to run the Company successfully. The Remuneration Policy of the Company applies to all the Boards of Directors of the Parent Company, its Committees, the Boards of its Subsidiaries and any other Committee of a subsidiary formed from time to time.

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

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

b. **CEO and Management Remuneration:**

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

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

c. **Directors Remuneration**

Every director shall be entitled to receive gross remuneration as Director Sitting Fees, when approved by the Annual General Meeting per annum. The Directors' remuneration shall not exceed 10% of the net profits after deducting the statutory and general reserves and distributing dividends of no less than 5% of the Company's paid-up capital to the shareholders:

a) As per the Remuneration Policy, a director shall be also paid quarterly in arrears for his services during the term of his appointment attendance fees in consideration of attending one or more of the Board Committees;

b) A 50% of the attendance fees shall be paid to the members of the executive management occupying memberships of the automotive companies' executive committees and TISCO Board of Directors;

c) A 100% of the attendance fees shall be paid to the independent and non-executive directors in order attract and retain talents for the best interest of the Company;

d) The Board shall ensure disclosure of all remuneration and benefits received by the directors during the financial year in the company's annual reports and make it available at shareholders' meetings; and

e) The nominating shareholder shall be entitled to the amounts due to be paid to its representative on the Company's Board of Directors of any kind whatsoever. The Chairman of the Board shall pay such amounts to the treasury of the said shareholder within one week from their due date. The latter shall be empowered to fix the remuneration and salaries to be paid to such a representative.

I. Related Party Policy

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

J. Communication Strategy/ Policy

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

K. Approved Persons Policy

a. Controlled Functions

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

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

b. Key Functions

As mentioned in the CBB HC-2.4.1 "Each approved person must inform the entire board of (potential) conflicts of interest in their activities with, and commitments to other organisations as they arise. Board members must abstain from voting on the matter in accordance with the relevant provisions of the Company's Law (The Commercial Companies Law). This disclosure must include all material facts in the case of a contract or transaction involving the approved person. The approved persons must understand

CORPORATE **GOVERNANCE** (CONTINUED)

K. Approved Persons Policy (continued)

b. Key Functions (continued)

that any approval of a conflicted transaction is effective only if all material facts are known to the authorising persons and the conflicted person did not participate in the decision. In any case, all approved persons must declare in writing all of their other interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of the Company, a manager, or other form of significant participation) to the Board (or the Nominations or ARCC Audit Committees) on an annual basis."

L. Employment of Relatives Policy

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

M. Code of Conduct

a) BCFC strives to promote the highest standard of professional ethical norms and values towards its stakeholders such as customers, employees, regulators and the community including 10 Principles of Business detailed in Volume 5 of CBB Rulebook and other ethical values as per the following: a) Principles 1 to 8 apply to approved persons in respect of the controlled function for which they have been approved.

b) Principles 1 to 8 do not apply to behaviour by an approved person with respect to any other functions or activities they may undertake. However, behaviour unconnected to their controlled function duties may nonetheless be relevant to an assessment of that person's fitness and propriety.

1. Principle 1 – Integrity
The Company must observe high standards of integrity and fair dealing. It must be honest and straightforward in their dealings with customers and provide full disclosure of all relevant information to customers, as required by CBB's and regulatory bodies' regulations and directives.

2. Principle 2 – Conflicts of Interest
The Company must take all reasonable steps to identify, and prevent or manage, conflicts of interest that could harm the interests of the customer.

3. Principle 3 – Due Skill, Care and Diligence
The Company must act with due skill, care, and diligence.

4. Principle 4 – Confidentiality
The Company must observe in full any obligations of confidentiality, including with respect to client information. This should not override lawful disclosures.

5. Principle 5 – Market Conduct
The Company must observe proper standards of Market Conduct and avoid action that would generally be viewed as improper.

6. Principle 6 – Customer Assets
The Company must take reasonable care to safeguard the Assets of Customers for which they are responsible.

7. Principle 7 – Customer Interests
The Company must pay due regard to the legitimate Interests and Information needs of its customers and communicate with them in a fair and transparent manner and, when dealing with customers who are entitled to rely on advice or discretionary decisions, must take reasonable care to ensure the suitability of such advice or decisions.

8. Principle 8 – Relations with Regulators/Supervisors
The Company must act in an open and cooperative relationship with the CBB and other regulatory/supervisory bodies whose authority they come under. It must take reasonable care to ensure that activities comply with all applicable laws and regulations.

9. Principle 9 – Adequate Resources
The Company must maintain adequate resources, whether human, financial or otherwise, sufficient to run the business in an orderly manner.

10. Principle 10 – Management, Systems & Controls
The Company must take reasonable care to ensure that affairs are managed effectively and responsibly, with appropriate Management, Systems and Controls in relation to the size and complexity of operations. The Company's systems and controls, as far as is reasonably practical, must be sufficient to manage the level of risk inherent in their business and ensure compliance with the CBB requirements.

11. For the protection of all parties with whom the Company deals with, written contracts and agreements should be provided to all parties involved.

12. The Company is committed to creating openness and transparency in the Company's operations.

13. The Company is committed to achieving customer excellence. Complaint handling procedures are in place and the results are continuously reviewed.

14. The Company should ensure that all approved persons submit their conflict-of-interest declarations on an annual basis. Further, the annual declarations by the approved person pertaining to conflict of interest other than dealing in shares must be updated in the Code of Conduct.

N. Whistleblowing Policy

a) This Whistle Blowing Policy is in furtherance of the desire of the Board of Directors of Bahrain Commercial Facilities Company (BCFC) and its subsidiaries to strengthen the company's system of integrity and the fight against corruption and related offences.

b) Whistle blowing encourages and enables employees to raise serious concerns within the Company rather than overlooking a problem or 'blowing the whistle' outside.

c) Employees are often the first to realize and detect a potential wrongdoing that may affect the company financially or from a reputational risk perspective.

O. General Guidelines

a) Business Plans

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

b) Board Members

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

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

c) Maintenance of The Policies

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

d) Controllers

The Company shall obtain prior approval from the CBB in respect of any changes in the Company's controllers as defined by the CBB's guidelines or otherwise comply with the notification of the CBB following the resignation/termination/retirement of a controller, as applicable.

e) Financial Penalties

Any financial penalty resulted from violating any of the CBB rules and regulations or as part of the rulebook shall be duly disclosed in the annual report in line with the regulatory requirements. No penalties were levied against BCFC during the year 2023.

f) Disclosure of Write off

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

g) Remuneration of Board Members, Senior Management and Fees Paid to External Auditor

The detailed remuneration paid to the Board Members individually and aggregate remuneration paid to top six senior management personnel are disclosed in the Chairman's Report which is also published on the website of Bahrain Bourse. Ernst & Young are the Group's external auditors for the financial year ended 31 December 2023. The Group total audit and quarterly review services fees for the year ended 31 December 2023 amount to BHD71,400/. Other attestation services fees amount to BHD22,313/- which include CBB related mandatory review requirements under the Agreed Upon Procedures engagement. Given the performance achieved by the External Auditor, BCFC will re-appoint Ernst & Young are the Group's external auditors for 2024.

h) Others

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

Sustainability

THE HEART OF BCFC'S MISSION.

SUSTAINABILITY

"Embracing Sustainability: Our Commitment to Progress and Prosperity"

At Bahrain Commercial Financial Company (BCFC), our journey has always been intertwined with a deep-rooted commitment to societal and economic enrichment. As a testament to our core values, we have consistently championed the growth of individuals and businesses, contributing significantly to the Kingdom's flourishing economy. Our journey is marked by generous contributions to various charitable causes, reflecting our belief in sharing our success and positive impact with the broader community.

Our Sustainability Strategy Statement is centered on innovation, social responsibility, and ethical conduct, making a positive impact on society and the environment. This commitment underscores our core values of collaboration, integrity, and customer focus, driving our journey toward a sustainable future across diverse sectors within the Group's portfolio.

We are committed to sustainable progress in line with Bahrain's vision 2030. Through innovation and social responsibility, we empower communities, creating a positive impact on society and the environment. Collaboration, integrity, and customer focus drive our journey towards a sustainable future.

Throughout our history, BCFC's contributions to society and the economy have been a cornerstone of our vision and values. In keeping with this tradition, we are now embracing an enhanced focus on sustainability. This strategic shift aligns with the recent mandates from the Central Bank of Bahrain, specifically the introduction of the 'Common Volume - ESG Module', signaling our dedication to environmental, social, and governance (ESG) excellence.

Sustainability Governance

At Bahrain Commercial Financial Company, our approach to sustainability governance is deeply rooted in a comprehensive strategy that not only aligns with our core values but also with the broader visions of Bahrain and the global sustainability objectives as outlined by the United Nations Sustainable Development Goals (UN SDGs).

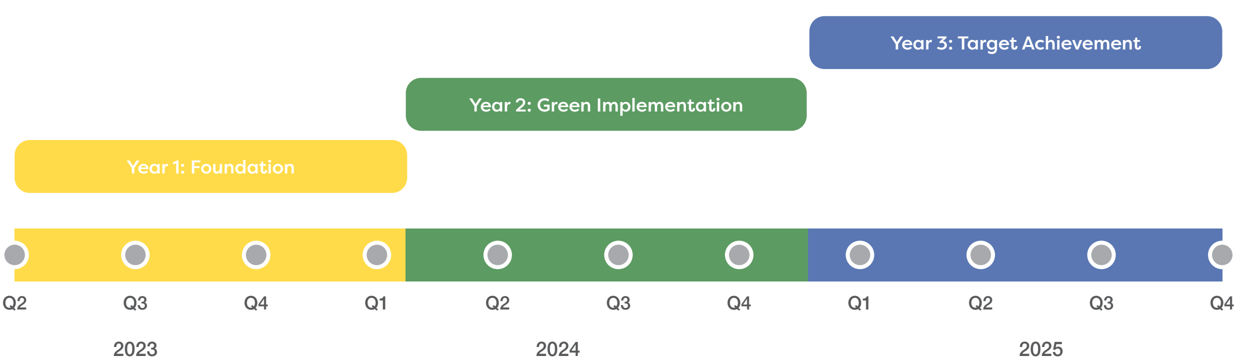
Our commitment to sustainability in our business practices underscores our core values of collaboration, integrity, and customer focus, driving our journey toward a sustainable future across diverse sectors within the Group's portfolio.

Sustainability Goals

At Bahrain Commercial Financial Company (BCFC), our focus on Environmental, Social, and Governance (ESG) principles shapes our sustainability goals. These goals reflect our commitment to integrating ESG into the heart of our operations, driving positive change and fostering a sustainable future.

1. Sustainability: Enforcing responsible lending and borrowing.
2. Competitiveness: Driving conventional, and SME finance.
3. Financial Inclusion: Serving all members of our community, ensuring equitable access to financial services.

BCFC's Strategic 3-Year Sustainability Roadmap



At BCFC, our three-year sustainability plan demonstrates our unwavering commitment to sustainability. We have structured a comprehensive strategy that spans initiation and planning, full-scale implementation and risk management, and continuous improvement.

The inaugural year of our sustainability journey has been about laying a solid foundation. Despite being in the initial phase, significant strides have been made in 2023 to embed sustainability into the core of our operations.

Achievements:

- Approval and adoption of the Group ESG policy.
- Creation of BCFC's Sustainability Strategy and a strategic 3-year Sustainability Roadmap.
- Establishment of dedicated Sustainability and other related committees.
- Development of a comprehensive Sustainability Governance Structure.
- Execution of BCFC's first Materiality Assessment for all stakeholders.
- Development of a bespoke Sustainability framework.

This year has been pivotal in establishing the groundwork, ensuring a robust infrastructure for sustainability is in place.

Group ESG Policy

At BCFC, our Group ESG Policy is a cornerstone of our sustainability governance, articulating our commitment to integrating environmental, social, and governance considerations into our business practices. This policy serves as a guiding framework for our decision-making processes, ensuring that we operate in a manner that is not only responsible and sustainable but also aligned with our stakeholders' values and expectations.

BCFC's Sustainability Core Objectives

1. Upholding Ethical Standards.
2. Enhancing Stakeholder Value.
3. Mitigating Risks.
4. Driving Social Impact.
5. Fostering Sustainability.

Sustainability Reporting – a Commitment to Transparency & Accountability

At Bahrain Commercial Financial Company (BCFC), our commitment to transparency and accountability in sustainability reporting is unwavering. BCFC is preparing to harmonize with the frameworks established by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the International Sustainability Standards Board (ISSB), specifically the IFRS S1 & S2 standards, as well as following the reporting requirements set forth by the Central Bank of Bahrain (CBB) and adhering to the Bahrain Bourse ESG metrics. This holistic approach ensures that our sustainability journey is communicated transparently, reflecting our commitment to global and local sustainability standards.

Sustainability Framework

At Bahrain Commercial Financial Company (BCFC), our Sustainability Framework is meticulously designed around the Plan-Do-Check-Act (PDCA) cycle, a practice that aligns with international standards emphasizing continuous improvement in all our processes. This dynamic approach ensures that sustainability is embedded in our operations, driving us towards achieving our environmental, social, and governance (ESG) goals.

Our framework operates through distinct stages:

- Initiation & Planning.
- Implementation & Governance.
- Risk Management & Compliance.
- Stakeholder Engagement & Reporting.
- Monitoring & Continuous Improvement.

Structured around eight pillars, our framework encompasses:

- **Pillar 1 - Responsible Services:** To be Committed to ethical business practices that prioritize the well-being and satisfaction of our customers.
- **Pillar 2 - Customer Centricity:** To always Place customer needs and ESG considerations at the heart of our product and service offerings.
- **Pillar 3 - Workforce Well-being and Development:** To Ensure a supportive and inclusive work environment that fosters employee growth.
- **Pillar 4 - Positive Social Impact:** To continuously engage in community initiatives that create lasting value and social impact.
- **Pillar 5 - Technology and Innovation:** To leverage technology to enhance our sustainability performance and deliver innovative solutions.
- **Pillar 6 - Corporate Governance:** To uphold strong governance practices that ensure transparency, accountability, and ethical behavior.
- **Pillar 7 - Stakeholder Engagement:** To always connect with our stakeholders and actively listen & incorporating their feedback into our sustainability efforts.
- **Pillar 8 - Environmental Responsibility:** To Implement initiatives aimed at reducing our environmental footprint and promoting sustainability.

SUSTAINABILITY (CONTINUED)

Strategic Integration of Sustainability within Risk Management

The Sustainability Unit at Bahrain Commercial Financial Company (BCFC) is integrated within the Risk Management Department, underscoring a unified approach to managing sustainability and risk. Directly reporting to the Head of Risk Management, this unit is crucial for incorporating Environmental, Social, and Governance (ESG) principles into risk strategies.

Sustainability Roles and Responsibilities: A Unified Approach

Leadership & Teams Roles and Responsibilities

Board of Directors:
The Board of Directors sets the strategic direction for sustainability, integrating ESG principles into governance and oversight.

Head of Risk Management:
Leading the development and oversight of the ESG strategy, the Head of Risk Management ensures compliance, accurate ESG reporting, and stakeholder engagement.

Senior Management:
Senior Management translates the Board's ESG strategic vision into operational reality, embedding sustainability into daily operations and decision-making.

ESG Team:
The ESG Team oversees the implementation of sustainability projects, ensuring alignment with strategic directions and monitoring progress. This cross-functional group collaborates on executing initiatives, preparing reports on ESG performance for stakeholders, and supporting the Taskforce's objectives.

Sustainability Champions:
The ESG Team oversees the implementation of sustainability Sustainability Champions are instrumental in driving ESG initiatives within their departments. They manage data collection for reporting, identify and mitigate ESG risks, and monitor sustainability performance, fostering a culture of responsibility and collaboration across the organization.

Employees:
All employees are encouraged to integrate sustainability into their work practices, comply with organizational policies, and conserve resources.

Committees Roles and Responsibilities

Nomination, Remuneration, Sustainability, and Governance Board Committee (NRSGC)
The Nomination, Remuneration, Sustainability, and Governance Committee (NRSGC) plays a crucial role at BCFC, shaping our sustainability efforts at the board level. This committee ensures robust, transparent governance and ESG integration, driving BCFC to meet high ESG standards and share sustainability achievements with stakeholders, highlighting our dedication to operational and regulatory excellence in sustainability.

Sustainability Implementation Taskforce Committee (SIT)
The Sustainability Implementation Taskforce Committee (SIT) brings BCFC's sustainability vision to life, embedding ESG principles deeply within our operations. It ensures sustainability becomes a practical aspect of our organizational culture.

Materiality Assessment Process Overview

BCFC's materiality assessment, integral to our sustainability strategy, aligns with GRI's Standard 3 on Material Topics. This detailed process showcases our dedication to identifying and prioritizing ESG topics crucial to our operations and stakeholders, reflecting our commitment to sustainability, governance excellence, and compliance with international reporting standards.

Our materiality assessment covers various sectors within BCFC Group, adopting a structured method that begins with understanding our organizational context—activities, business relations, and the sustainability landscape.

Stakeholder engagement is crucial in our materiality assessment, using varied methods to gather diverse perspectives and refine ESG topics based on significance and impact. This collective process leads to the careful selection of topics for reporting, reflecting our strategic and operational focus.

ESG Initiatives & Community Contributions

In this section, we highlight BCFC's strategic efforts in environmental stewardship, social responsibility, and governance excellence. This narrative showcases our commitment through targeted initiatives and meaningful donations, reflecting our holistic approach to sustainability and our impact on the community.

1. **Inclusivity at Work:** Affirming our dedication to a workplace that embraces diversity, 26% of our workforce comprises women, and among them, 35% hold key management positions.

2. **International Philanthropy Impact:** In a global outreach initiative, we provided support to families in Gaza, contributing in alignment with our steadfast commitment to global humanitarian endeavors.

3. **Community Partnership Initiatives:**
   - We've allocated donations to charity funds in Bahrain, providing essential assistance to families in need.
   - Demonstrating our commitment to employee well-being, funds have been specifically designated for Ramadan financial support.
   - Additionally, a further contribution is set aside for relief and aid activities, further highlighting our dedication to the overall welfare of our community.

4. **Agricultural Advancement Investment:** We are strategically investing to elevate the agricultural sector and lay the groundwork for future plans aligned with Bahrain's agricultural strategic goals, fostering local sustainable development.

5. **Empowering Abilities:** A substantial commitment is dedicated to various causes supporting individuals with disabilities. This comprehensive support includes initiatives in education, life skills, psychological and social assistance, and personalized services.

6. **Health and Well-being Initiatives:**
   - We've strategically invested in causes encompassing cancer treatment, support, awareness, and education for children with hearing impairment.
   - Additionally, a contribution is dedicated to supporting initiatives such as elderly hostels, nurturing centers, and housing services for the homeless, contributing to overall community well-being.

7. **Cultural and Educational Nurturing:**
   - Funding is earmarked for initiatives that promote literature, culture, arts, and heritage in Bahrain.
   - An allocation is directed towards services benefiting orphans and widows.
   - An allocation is directed towards services benefiting orphans and widows.

Donation to Bahrain Cancer Society

Donation to Food Bank Society

MANAGEMENT'S REVIEW OF **OPERATIONS**

As per the International Monetary Fund (IMF), the global economy is anticipated to expand by 3.1% in 2024 and 3.2% in 2025. The 2024 projection is 0.2 percentage points higher than the World Economic Outlook (WEO) reported in October 2023. Nevertheless, these forecasts fall below the historical average of 3.8% observed from 2000 to 2019. Amidst tightening monetary policies worldwide aimed at addressing inflationary pressures, policymakers face the immediate challenge of effectively managing global inflation, which is anticipated to drop to 5.8% in 2024 and 4.4% in 2025 according to the IMF. Despite the decline in oil production levels, resilience has been evident in several G-20 countries and the Gulf Cooperation Council (GCC). The region's non-oil economic growth remains robust, propelled by increased domestic demand, capital inflows, and ongoing reform efforts.

Preliminary data from the Information and eGovernment Authority indicates that Bahrain's GDP grew by 2.5% year-on-year in real terms in Q3 2023. This growth was mainly driven by a 4.5% expansion in the non-oil sector, while the oil sector experienced a 6.8% decline compared to Q3 2022. The Ministry of Finance and National Economy forecasts a 2.6% annual real GDP growth in 2023, primarily led by the non-oil sector, which is expected to grow by 3.4%.

The Ministry of Finance and National Economy projects a 3.5% acceleration in real GDP growth for 2024, with the non-oil sector expected to grow by 3.9%. This uptick is anticipated to reflect the gradual easing of monetary policy conditions throughout 2024 and improved liquidity in the market.

2023 marked the first year of the Company's strategy for 2023-2025 where BCFC is focusing on improving its operational efficiencies, growing its market share, and launching its digital initiatives including the new application "Sahel".

In 2023, the group registered a loss of BD 30.8 million compared to a profit of BD 3.7 million in 2022. These results due to decision the Group took to take prudent provisions against expected losses arising from exposures related to customers impacted by the COVID-19 pandemic. Significant pressure on the impacted segment of the customer loan portfolio coincided with the discontinuation of the Central Bank's installment deferral program, and in line with the rest of the industry, expected delinquencies were recorded in the portfolio. Despite the elevated level of provisioning, the Group's financial position remains resilient, with robust positive cash flows and a strong position in the market.

LENDING ACTIVITY

In the lending activity, the Group reported a net loss of BD 30.7 million for the year 2023 (2022: net profit BD 1.6 million). During the year, with the backing of the strength of its financial position, the Group made prudent provisions against distressed customer accounts, preparing the business for a clear, healthy and sustainable start to 2024 and beyond.

The strategic focus of the retail financing business for 2023 consisted of enhancing processes and improving the overall quality of applications with the aim of growing the new business, enhancing the quality of applications onboarded; strengthening the credit scoring criteria; and increasing the share of secured loans on its books.

Throughout the year, in the lending segment, the group introduced a new credit card program and a mortgage loan product tailored for retail customers, enhanced cross-selling among group entities, pioneered digital loans and credit cards via the newly introduced "Sahel" application, and executed focused product campaigns such as Ramadan offers, raffles, and draws.

In the cards business, the strategic emphasis for 2023 revolved around cards acquisition via various campaigns, including the introduction of the new "Sahel" application, card activation, international spending, and the introduction of new products aimed at high net worth individuals with the launch of the Imtiaz Mastercard World Elite program. The focus has been and remains on positioning Imtiaz cards at the forefront of customers' wallets through pioneering campaigns and appealing targeted offers.

The recently revitalized Corporate and Small-Medium Enterprises (CSME) unit experienced significant growth in lending opportunities compared to the previous year, alongside the introduction of several tailored products targeting this appealing segment. The newly launched product suite encompasses

Business Loans, Credit Lines, and Business Development Loans.

In 2023, a primary emphasis was placed on improving the recovery of non-performing accounts, offering these clients various options to enhance their performance. The focus for 2024 remains on further increasing recovery efforts while maintaining a stable position regarding non-performing loans (NPLs).

In terms of risk management, the primary focus in 2023 was a concerted effort to bolster the risk management culture throughout the entire Group, fostering staff awareness and implementing leading practices in risk management. Significant milestones included overhauling cyber security measures to align with regulatory standards, improving and refining retail and CSME scoring methodologies and underwriting criteria, establishing our ESG unit, and crafting a framework and policy in alignment with Bahrain's Vision 2030.

NATIONAL MOTOR COMPANY W.L.L.

National Motor Company (NMC) achieved a net profit of BD 2.5 million for 2023 compared with a net profit of BD 2.0 million in 2022. Continued challenges included scarcity of certain vehicle spare parts inventories and a lack of sufficient stock in some models. NMC took advantage of the demand supply gap to improve its margins where appropriate.

Internally, focus on cost controls and operational efficiencies contributed to the year's results, and these factors will remain priorities in 2024.

TASHEELAT AUTOMOTIVE COMPANY W.L.L.

Tasheelat Automotive Company (TAC) recorded a net loss of BD 448 thousand for the year, compared to last year's net profit of BD 107 thousand, due mainly to the expenses incurred to maintain the inventory level throughout the year. However, TAC's penetration in certain affordable brand sectors, coupled with modern designs has shown wide customer acceptance on which the company will build in the coming year. The after sales component of the business continues to grow, with further successes anticipated.

TASHEELAT CAR LEASING COMPANY W.L.L.

Tasheelat Car Leasing Company marked an increase in yearly net profitability at BD 163 thousand, up from BD 119 thousand in 2022. Business steps during 2023 included leveraging on negotiating contracts with customers and sales of ex-leased vehicles. Proposed plans for 2024 will focus on expanding its customer reach through various initiatives, whilst optimizing the deployment of human resources and controlling all areas of the cost structure.

TASHEELAT REAL ESTATE SERVICES COMPANY W.L.L.

Tasheelat Real Estate Services (TRESCO) took a major provision in 2023 of BD 2,115 thousand (2022: BD 32 thousand), resulting in a net loss for the year of BD 2,075 thousand, versus a net loss of BD 242 thousand in 2022. TRESCO was also impacted by a general slowdown on activity in the real estate sector and a drop in demand for sales from real estate inventory.

Prospectively for 2024, TRESCO's management will target repositioning of the company's business model with the objective of returning to profitability.

TASHEELAT INSURANCE SERVICES COMPANY W.L.L.

Tasheelat Insurance Services Company (TISCO) achieved a year-on-year improvement in net profitability to BD 86 thousand, compared with BD 36 thousand in 2022. The company's positive performance reflected its focus during the year on retaining the customer base and enhancing the portfolio of policies sold.

For 2024, TISCO will focus on the digitalization of insurance products and integration of the TISCO systems with the insurance companies; reinsurance business; medical lines and commercial lines; and enhanced marketing of TISCO.

The official launch of IMTIAZ MasterCard World Elite Card

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. Since 26th June 2005, the Company has been licensed and regulated by the Central Bank of Bahrain.

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

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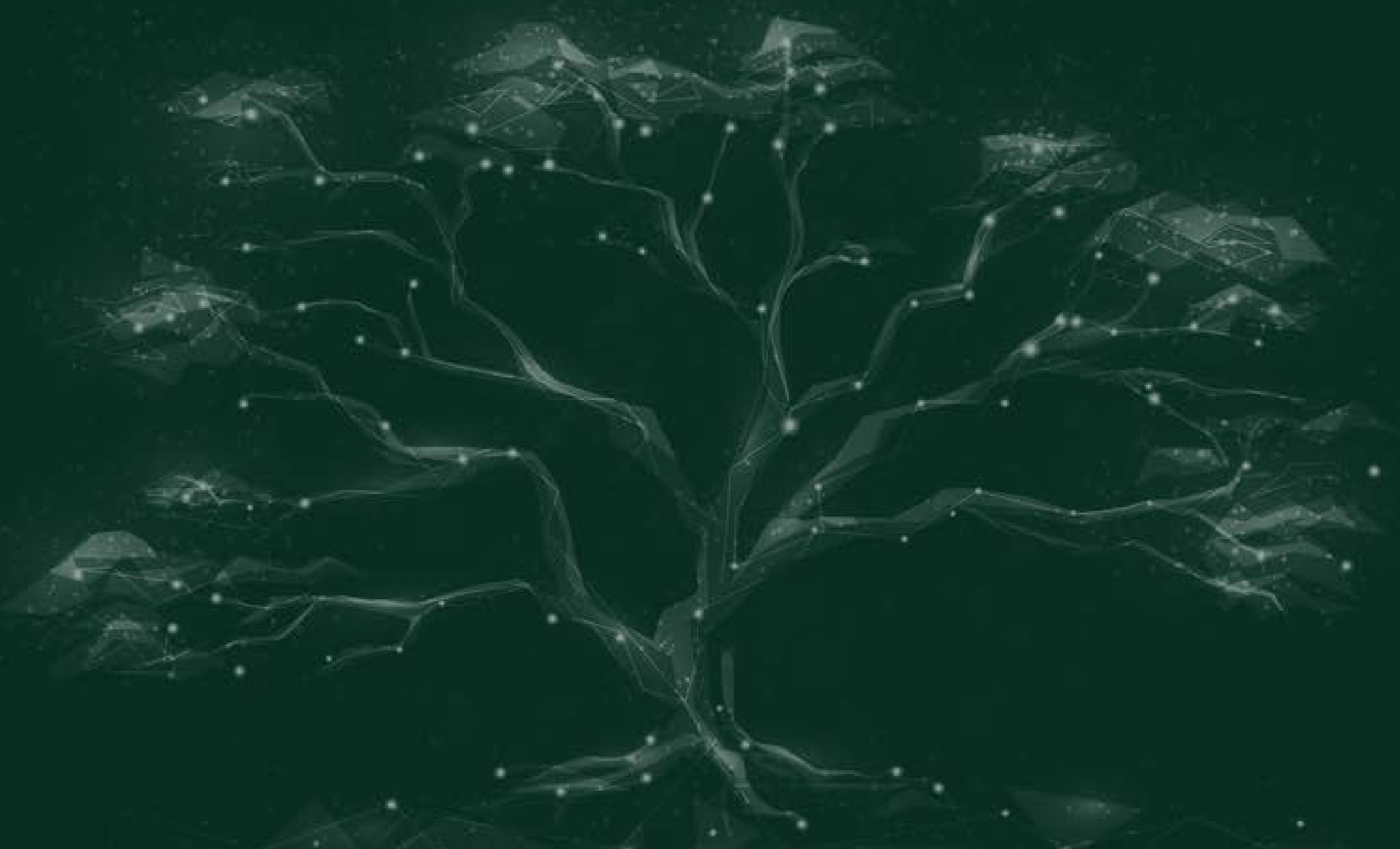
Fax	+973 1791 1900	
Website	www.bahraincredit.com.bh	
E-mail	bcredit@bahraincredit.com.bh	
Office	Bahrain Credit Building, Building 290, Road 111, Tubli, Bahrain 701	
Branches	13444-1, 13444-2, 13444-6, 13444-7, 13444-10, 13444-13 , 13444-14	
Banks	Bank of Bahrain and Kuwait B.S.C. Ahli United Bank B.S.C. Arab Bank PLC Standard Chartered Bank BNP Paribas Arab Banking Corporation B.S.C. Al Baraka Bank	National Bank of Bahrain B.S.C. Gulf International Bank Mashreq Bank Al Salam Bank Bank of Baghdad HBL (Habib Bank Ltd) Kuwait Finance House
External Auditors	Ernst & Young	



Consolidated Financial Statements

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

Building a better working world

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

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 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Key audit matters (continued)

1. Impairment of loans and advances

Refer to notes 3, 4 & 10

Key audit matter / risk	How the key audit matter was addressed in the audit
The process for estimating Expected Credit Loss ("ECL") on credit risk associated with loans and advances in accordance with IFRS 9 – Financial Instruments ("IFRS 9") is a significant and complex area. IFRS 9 requires use of the ECL model for the purposes of calculating loss allowances. The key areas of judgement applied by the management in the determination of the ECL include: • Determining whether the risk of default on a customer has increased significantly due to increase in credit risk; • Choosing appropriate models and assumptions for the measurement of ECL, including the changes in forward-looking macroeconomic variables; and • Qualitative adjustments (overlays) made to the ECL results to address model limitations or emerging risks and trends in the underlying portfolio which are inherently judgmental. Due to the complexity of the requirements under IFRS 9, the significance of judgments and estimations applied in the ECL calculations, and the Group's exposure to loans and advances, which account for 66% of the Group's total assets, the audit of ECL for loans and advances is a key area of focus. As at 31 December 2023, the Group's gross loans and advances amounted to BD 192.7 million and the related ECL amounted to BD 48.7 million, comprising BD 3.5 million of ECL against Stage 1 and 2 exposures and BD 45.2 million against exposures classified under Stage 3.	Our approach included understanding the relevant processes for estimating the ECL and performing audit procedures on such estimates. We assessed the Group's IFRS 9 based ECL policy including the Group's determination of the significant increase in credit risk and its impact on the staging criteria with the requirements of IFRS 9. We assessed the basis of determination of the management overlays against the requirements of the Group's ECL policy. For a sample of exposures, we checked the appropriateness of the Group's staging. For Probability of Default ("PD") used in the ECL calculations we checked the Through the Cycle ("TTC") PDs with internal historical data and checked the appropriateness of conversion of the TTC PDs to Point in Time PDs. We checked the appropriateness of the Loss Given Default used by the Group's management in the ECL calculations. For a sample of exposures, we checked the appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations. We checked the completeness of loans and advances to customers and credit related contingent items included in the ECL calculations as of 31 December 2023. We involved Financial Services Risk Management specialists to verify the appropriateness of the model. We evaluated the key management assumptions related to the determination of the future macroeconomic scenarios including forward looking information and assigning probability weights, incorporating management overlays. We considered the adequacy of the disclosures in the consolidated financial statements in relation to ECL on loans and advances as per the applicable financial reporting standards.

Other information included in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we obtained the Chairman's Statement which will form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report 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.

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

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

As part of an audit in accordance with ISA, 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BAHRAIN COMMERCIAL FACILITIES COMPANY B.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Auditor's responsibilities for the audit of the consolidated financial statements (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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

a) The Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) The financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;

c) We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association having occurred during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Company or on its financial position; and

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

The partner in charge of the audit resulting in this independent auditor's report is Essa Ahmed Al-Jowder.

Auditor's Registration No: 45
28 February 2024
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

At 31 December 2023

	Note	31 December 2023 BD '000	31 December 2022 BD '000
ASSETS			
Cash and balances with banks		13,244	40,702
Loans and advances to customers	10	144,044	197,605
Trade receivables	11	2,509	3,026
Inventories	12	18,959	16,472
Investment properties	13	9,972	10,502
Property and equipment	14	25,423	24,613
Other assets	15	5,712	5,558
TOTAL ASSETS		**219,863**	298,478
LIABILTIES AND EQUITY			
LIABILITIES			
Trade and other payables	16	17,863	16,924
Bank term loans and other borrowings	17	100,355	143,915
TOTAL LIABILITIES		**118,218**	160,839
EQUITY			
Share capital	18	20,419	20,419
Treasury shares	18	(599)	(599)
Statutory reserve		10,210	10,210
Share premium		25,292	25,292
Other reserves		28,777	29,930
Retained earnings		17,546	52,387
TOTAL EQUITY		**101,645**	137,639
TOTAL LIABILITIES AND EQUITY		**219,863**	298,478

AbdulRahman Yusuf Fakhro
Chairman

Dr. AbdulRahman Ali Saif
Vice Chairman

Abdulla AbdulRazaq Bukhowa
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

For the year ended 31 December 2023

	Note	2023 BD '000	2022 BD '000
Interest income		19,307	25,204
Interest expense		(8,752)	(7,990)
Net interest income		**10,555**	17,214
Automotive revenue	19	39,995	39,746
Cost of sales		(33,698)	(33,129)
Gross profit on automotive revenue		**6,297**	6,617
Net fee and commission income	20	3,363	4,117
Rental and real estate income	21	554	582
Other income	22	2,036	839
Total operating income		**22,805**	29,369
Salaries and related costs		(8,266)	(7,049)
Other operating expenses	23	(9,314)	(8,998)
Total operating expenses		**(17,580)**	(16,047)
Profit before net provisions and credit losses		**5,225**	13,322
Net provisions and credit losses	24	(36,037)	(9,657)
(Loss) / profit for the year		**(30,812)**	3,665
Basic and diluted (loss) / earnings per 100 fils share	30	**(153 fils)**	18 fils
Proposed cash dividend per 100 fils share		**-**	20 fils

AbdulRahman Yusuf Fakhro
Chairman

Dr. AbdulRahman Ali Saif
Vice Chairman

Abdulla AbdulRazaq Bukhowa
Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	2023 BD '000	2022 BD '000
(Loss) / profit for the year	**(30,812)**	3,665
Other comprehensive income:		
Items that are or may be reclassified to profit or loss		
Net change in cash flow hedge reserve	(938)	4,295
Total comprehensive (loss) / income for the year	**(31,750)**	7,960

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2023

	Share capital		Reserves and retained earnings						
					Other reserves				
	Share Capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Share Premium BD '000	Cash flow hedge reserve BD '000	Donation reserve BD '000	General reserve BD '000	Retained earnings BD '000	Total equity BD '000
As at 1 January 2023	20,419	(599)	10,210	25,292	2,182	248	27,500	52,387	137,639
2022 appropriations (approved by shareholders):									
- Dividend to equity holders declared and paid	-	-	-	-	-	-	-	(4,029)	(4,029)
Balance after 2022 appropriations	**20,419**	**(599)**	**10,210**	**25,292**	**2,182**	**248**	**27,500**	**48,358**	**133,610**
Comprehensive income for the year:									
Loss for the year	-	-	-	-	-	-	-	(30,812)	(30,812)
Other comprehensive loss:									
- Net change in cash flow hedge reserve	-	-	-	-	(938)	-	-	-	(938)
	20,419	**(599)**	**10,210**	**25,292**	**1,244**	**248**	**27,500**	**17,546**	**101,860**
Utilisation of donation reserve	-	-	-	-	-	(215)	-	-	(215)
At 31 December 2023	**20,419**	**(599)**	**10,210**	**25,292**	**1,244**	**33**	**27,500**	**17,546**	**101,645**

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2023

	Share capital		Reserves and retained earnings						
					Other reserves				
	Share Capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Share Premium BD '000	Cash flow hedge reserve BD '000	Donation reserve BD '000	General reserve BD '000	Retained earnings BD '000	Total equity BD '000
As at 1 January 2022	20,419	(599)	10,210	25,292	(2,113)	303	27,000	54,408	134,920
2021 appropriations (approved by shareholders):									
- Donations approved	-	-	-	-	-	150	-	(150)	-
- Dividend to equity holders declared and paid	-	-	-	-	-	-	-	(5,036)	(5,036)
- Transfer to general reserve	-	-	-	-	-	-	500	(500)	-
Balance after 2021 appropriations	20,419	(599)	10,210	25,292	(2,113)	453	27,500	48,722	129,884
Comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	-	3,665	3,665
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	4,295	-	-	-	4,295
	20,419	(599)	10,210	25,292	2,182	453	27,500	52,387	137,844
Utilisation of donation reserve	-	-	-	-	-	(205)	-	-	(205)
At 31 December 2022	20,419	(599)	10,210	25,292	2,182	248	27,500	52,387	137,639

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 31 December 2023

	2023 BD '000	2022 BD '000
OPERATING ACTIVITIES		
Loan repayments, interest received and other credit related receipts	202,451	216,888
Cash receipts from automotive sales	41,293	40,586
Insurance commission received	583	579
Proceeds from sale of real estate inventory	240	1,244
Rental and evaluation income received	501	568
Loans and advances to customers	(162,010)	(165,836)
Payments to suppliers	(36,489)	(37,536)
Payments for operating expenses	(12,810)	(15,410)
Directors' fees paid	(275)	(330)
Interest paid	(9,120)	(7,817)
Net cash generated from operating activities	**24,364**	32,936
INVESTING ACTIVITIES		
Capital expenditure on property and equipment	(5,863)	(3,942)
Addition to investment properties	(2)	(1)
Proceeds from sale of property and equipment	1,846	1,431
Fixed deposit held with banks with maturities of more than three months	300	(6,300)
Net cash used in investing activities	**(3,719)**	(8,812)
FINANCING ACTIVITIES		
Bank term loans and other borrowings availed	39,455	26,021
Bank term loans and other borrowings paid	(83,966)	(38,880)
Dividends paid	(4,029)	(5,036)
Donations paid	(215)	(205)
Net cash used in financing activities	**(48,755)**	(18,100)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(28,110)**	6,024
Cash and cash equivalents at 1 January	34,325	28,301
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**6,215**	34,325
Cash and cash equivalents comprise:		
Cash and balances with banks	13,244	40,702
Less:		
Restricted cash	(69)	(77)
Bank overdrafts	(960)	-
Fixed deposit held with banks with maturities more than three months	(6,000)	(6,300)
	6,215	34,325

The attached notes 1 to 34 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2023

1 REPORTING ENTITY

Bahrain Commercial Facilities Company BSC ("the Company") is a public shareholding company incorporated and registered in the Kingdom of Bahrain. It provides short-term, medium-term, long-term loans and issues credit cards. Since 26th June 2005, the Company has been licensed and regulated by the Central Bank of Bahrain ("the CBB"). The consolidated financial statements of the Group as at and for the year ended 31 December 2023 comprise the Company, its subsidiaries and its branches (together referred to as "the Group").

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with the relevant provisions of the Bahrain Commercial Companies Law, directives, regulations and associated resolutions, rules and procedures of the Central Bank of Bahrain ("CBB"), which require the preparation of financial statements under International Financial Reporting Standards ("IFRS"). The consolidated financial statements of the Group for the years ending 31 December 2022 and 31 December 2023 were prepared in accordance with International Financial Reporting Standards.

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

2 BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 New standards, interpretations and amendments

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new and amended standards and interpretation applicable to the Group, which are effective for annual periods beginning on or after 1 January 2023. The adoption of below new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

2.4.1 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

2.4.2 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2.4.3 International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

2.4.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2023

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

2.5.1 Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

2.5.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the consolidated financial statement.

2.5.3 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024, and early adoption is permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

3 MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These have been consistently applied by the Group to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

3.1.1 Subsidiaries:

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

3.1.2 Loss of control:

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

3.1.3 Transactions eliminated on consolidation:

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

3.2 Revenue recognition

3.2.1 Interest income and expense

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

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

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

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2023

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions

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

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

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

3.4 Financial instruments

3.4.1 Recognition and initial measurement

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

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

3.4.2 Classification and subsequent measurement

Financial assets

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

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

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

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

Business model assessment

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2023

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

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

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

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

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

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

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of profit or loss.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)
3.4 Financial instruments (continued)
3.4.2 Classification and subsequent measurement (continued)

Financial assets at amortised cost

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

3.4.3 De-recognition

Financial assets

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

Financial liabilities

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

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

3.4.4 Offsetting

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

3.4.5 Impairment

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

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

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

Based on the CBB directives, the Group has assumed that the credit risk on a financial asset has increased significantly if it is more than 30 days past due for the loan portfolio.

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

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2023

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

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

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

Measurement of ECLs- Loans and advances

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

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

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

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

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

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

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

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

Measurement of ECLs- Trade receivables (simplified approach)

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)
3.4 Financial instruments (continued)
3.4.5 Impairment (continued)
Measurement of ECLs- Trade receivables (simplified approach) (continued)

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

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

Credit-impaired financial assets

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

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

Stage 1, 2 and 3 - Collectively assessed loans

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

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

Stage 3 – Specifically assessed loans

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

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

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At 31 December 2023

3.5 Trade and other receivables

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

3.6 Inventories

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

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

3.7 Property, equipment and right of use assets

Recognition:

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

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

Depreciation

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

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

3.8 Investment properties

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

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

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At 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)
3.8 Investment properties (continued)

Depreciation
Depreciation on investment property is charged to the statement of profit or loss on a straight-line basis over the estimated useful life of property. The land component is not depreciated. The estimated useful life of the investment is as follows:

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

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

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

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

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

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

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

3.14 Share capital

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

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

3.15 Cash flow hedges
The Group uses interest rate swaps and foreign exchange forward contracts to hedge its exposures to the variability of future cash flows. Derivative financial instruments are contracts, the value of which, are derived from one or more underlying financial instruments or indices, and include foreign exchange contracts, forwards and swaps in the interest rate and foreign exchange markets. All derivative financial instruments are initially recognised at cost, being the fair value at contract date, and are subsequently re-measured at their fair values. Changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive

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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 statement of profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting or are determined to be ineffective are recognised directly in the statement of profit or loss. Fair value gains and losses on trading derivatives are recognised in the statement of profit or loss.

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

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

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

3.16 Impairment of non-financial assets

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

3.17 Retirement benefits cost

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

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

3.18 Trade and other payables

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

3.19 Lease Liability

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

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

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20 Bank term loans and other borrowings

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

3.21 Cash and cash equivalent

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

3.22 Earnings per share

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

3.23 Segment reporting

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

3.24 Provision

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

4. USE OF JUDGEMENTS AND ESTIMATES

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

4.1 Judgements

4.1.1 Classification of financial assets

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

4.1.2 Classification of derivative financial instruments

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

Significant increase in credit risk (SICR)

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

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

During the year 2022, and in accordance with the CBB relief measures, the Group has granted a total of 6 months loan deferral to its eligible customers, with fees and interest. The Group considers both qualitative and quantitative information in the assessment of significant increase in credit risk. The utilisation of a payment deferral program was considered for affected customer segments due to the pandemic as a trigger for a significant increase in credit risk ("SICR") or a staging migration for the purposes of calculating ECL.

Reasonableness of forward-looking information

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

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

Probability weights

Management judgement is involved in determining the probability weighting of each scenario considering the risks and uncertainties surrounding the base case scenario, to reflect the enhanced economic environment, the Group has updated the scenario weighting to reflect the improved economic environment in measuring the estimated credit losses for the year ended 31 December 2023.

4.2 Estimates

4.2.1 Impairment of financial instruments

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

4.2.2 Impairment on trade receivables

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

4.2.3 Provision on inventory

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

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5 FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk; and
- Market risk

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

Risk management framework

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

5.1 Credit risk

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

On going economic environment impact

The Group has performed an assessment of the relevant available macro-economic information. This assessment resulted in certain changes to the expected credit loss methodology and judgements as at and for the year ended 31 December 2023.

Post the end of CBB deferment program measures, rising interest rates and inflationary pressures in many countries across the globe and ongoing geopolitical tensions. The Group has also considered the impact of the challenging economic environment caused by COVID-19, and accordingly, has updated inputs and assumptions used for the determination of ECL including additional management overlays.

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

The Group has updated its inputs and assumptions for computation of ECL.

Management of credit risk

The Group's credit risk management framework includes:

- Credit risk policies and strategy: Defining the Group's credit risk appetite and strategies employed, and outlining the principals and standards governing the credit risk related activities within the Group;
- Define the methodologies used for assessing the credit exposures, and outlines the procedures of reviewing the credit facilities in accordance with the a defined authorization structure;
- Diversification of lending activities; and
- Conducting regular independent reviews of the credit risk process, exposures and limits, ensuring effectiveness and compliance, while incorporating stress testing scenarios for preparedness against adverse market conditions.

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5.1.1 Loans and advances to customers

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

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

Exposure to credit risk

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

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

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

	31 December 2023 BD'000	31 December 2022 BD'000
Stage 1, 2 and 3		
Stage 1 - 12 month	107,836	127,523
Stage 2 - lifetime - not credit impaired	18,411	50,082
Stage 3 - lifetime - credit impaired	66,539	55,430
Expected credit loss	(48,742)	(35,430)
Net loans and advances to customers	**144,044**	197,605

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

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

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

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1 Credit risk (continued)
5.1.1 Loans and advances to customers (continued)

Monitoring of credit risk
Generating the term structure of PD

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

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

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

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

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

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

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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

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

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behaviour over a period of 3 months for retail and 6 months for corporate before the exposure is no longer considered to be credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL based on regulatory guidance.

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

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

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1 Credit risk (continued)
5.1.1 Loans and advances to customers (continued)
Monitoring of credit risk (continued)
Generating the term structure of PD (continued)

Aging analysis of loans and advances to customers as follows:

2023	**Stage 1 BD'000**	**Stage 2 BD'000**	**Stage 3 BD'000**	**Total BD'000**
Current	95,552	4,603	3,683	**103,838**
Past due:				
1-30 days	12,284	1,615	1,659	**15,558**
31-60 days	-	7,740	1,744	**9,484**
61-89 days	-	4,453	4,157	**8,610**
90 days – 1 year	-	-	29,868	**29,868**
1 year – 3 years	-	-	18,758	**18,758**
More than 3 years	-	-	6,670	**6,670**
Expected credit loss	(1,088)	(2,413)	(45,241)	**(48,742)**
Carrying value	**106,748**	**15,998**	**21,298**	**144,044**

2022	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Current	111,977	17,788	4,811	134,576
Past due:				
1-30 days	15,546	6,654	3,256	25,456
31-60 days	-	16,935	3,862	20,797
61-89 days	-	8,705	3,939	12,644
90 days – 1 year	-	-	23,196	23,196
1 year – 3 years	-	-	13,572	13,572
More than 3 years	-	-	2,794	2,794
Expected credit loss	(1,313)	(7,105)	(27,012)	(35,430)
Carrying value	126,210	42,977	28,418	197,605

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2023	Retail BD'000	CSME* BD'000	Total BD'000
Current	93,451	10,387	**103,838**
Past due:			
1-30 days	13,820	1,738	**15,558**
31-60 days	8,545	939	**9,484**
61-89 days	8,047	563	**8,610**
90 days – 1 year	29,258	610	**29,868**
1 year – 3 years	16,139	2,619	**18,758**
More than 3 years	5,097	1,573	**6,670**
Gross loans and advance	**174,357**	**18,429**	**192,786**
Expected credit loss	(44,926)	(3,816)	**(48,742)**
Net loans and advances	**129,431**	**14,613**	**144,044**

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

2022	Retail BD'000	CSME* BD'000	Total BD'000
Current	124,770	9,806	134,576
Past due:			
1-30 days	23,478	1,978	25,456
31-60 days	19,407	1,390	20,797
61-89 days	12,125	519	12,644
90 days – 1 year	20,591	2,605	23,196
1 year – 3 years	12,063	1,509	13,572
More than 3 years	2,042	752	2,794
Gross loans and advance	214,476	18,559	233,035
Expected credit loss	(32,739)	(2,691)	(35,430)
Net loans and advances	181,737	15,868	197,605

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1 Credit risk (continued)
5.1.1 Loans and advances to customers (continued)
Monitoring of credit risk (continued)

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

Credit risk concentration

All loans are made to borrowers that are residents in Bahrain. Credit risk concentration of loans at the reporting date represents 90% (2022: 92%) retail loans and 10% (2022: 8%) to CSME customers.

By geographical region

All loans and advances are geographically located in Bahrain.

The unutilised credit limit for credit cards at 31 December 2023 amounted to BD 19,109 thousand (2022: BD 19,668 thousand). Off balance sheet exposures are converted into on balance sheet equivalents by applying a credit conversion factor (CCF). During the year ended 31 December 2023, the average gross credit exposure for loans and advances to customers is BD 170,339 thousand (2022: BD 210,679 thousand) and average unutilised credit limit is BD 19,218 thousand (2022: BD 21,337 thousand). Such amounts are calculated based on the average of last four quarterly results.

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

At the reporting date, the loans and advances to customers represent 28% vehicle loans (2022: 33%), 21% mortgage collateral backed loans (2022: 20%), 40% personal loans and other (2022: 37%), and 11% credit card lending (2022: 10%).

Impaired loans and advances

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

At 31 December 2023, the total gross amount of accounts with days past due 90 days or more, was BD 55,296 thousand (2022: BD 39,562 thousand). The total stage 3 accounts were BD 66,539 thousand (2022: BD 55,430 thousand). In compliance with the CBB requirements, interest on stage 3 is suspended and is accounted for on a cash basis.

Loans with renegotiated terms and the Group's forbearance policy

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

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. During the year ended 31 December 2023, loans and advances amounting to BD 7,572 thousand (2022: BD 3,241 thousand) were restructured.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification

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has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A retail customer needs to demonstrate consistently good payment behaviour over a period of 3 months (6 months for corporate) before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL based on regulatory guidance.

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

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

As at 31 December 2023, loans amounting to BD 74,068 thousand (2022: BD 81,984 thousand) were fully collateralised and loans amounting to BD 30,445 thousand (2022: BD 44,765 thousand) were partly collateralised with a collateral value of BD 17,789 thousand (2022: BD 28,632 thousand).

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

During the year ended 31 December 2023, the average gross exposure for trade and other receivables is BD 2,769 thousand (2022: BD 3,021 thousand). Such amounts are calculated based on the average of last four quarterly results.

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

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

During the year ended 31 December 2023, the average gross credit exposure for balances with banks is BD 18,655 thousand (2022: BD 34,185 thousand). Such amounts are calculated based on the average of last four quarterly results.

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are 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.

5.2 Liquidity risk

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

Management of liquidity risk

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

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

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

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2023	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets					
Cash and balances with banks	13,244	13,398	13,398	-	-
Loans and advances to customers	144,044	295,569	79,481	138,685	77,403
Trade receivables	2,509	2,509	2,509	-	-
Other assets	2,950	2,950	1,705	1,245	-
	162,747	**314,426**	**97,093**	**139,930**	**77,403**
Liabilities					
Trade and other payables	14,327	14,327	14,327	-	-
Derivative financial instruments	33	33	33	-	-
Lease liabilities	1,118	1,245	516	648	81
Bank term loans and other borrowings	100,355	115,748	49,089	66,659	-
	115,833	**131,353**	**63,965**	**67,307**	**81**
Unutilised credit limits	19,109	19,109	19,109	-	-

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)
5.2 Liquidity risk (continued)
Management of liquidity risk (continued)

2022	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
	BD '000	BD '000	BD '000	BD '000	BD '000
Assets					
Cash and balances with banks	40,702	40,958	40,958	-	-
Loans and advances to customers	197,605	341,407	88,678	161,010	91,719
Trade receivables	3,026	3,026	3,026	-	-
Other assets	2,981	2,981	1,106	1,875	-
	244,314	388,372	133,768	162,885	91,719
Liabilities					
Trade and other payables	13,269	13,269	13,269	-	-
Derivative financial instruments	48	48	48	-	-
Lease liabilities	1,043	1,188	417	663	108
Bank term loans and other borrowings	143,915	158,454	73,310	85,144	-
	158,275	172,959	87,044	85,807	108
Unutilised credit limits	19,668	19,668	19,668	-	-

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

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

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

The distribution of financial instruments between interest rate categories is summarised below:

At 31 December	Fixed rate		Floating rate		Non-interest earning		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Assets								
Cash and balances with banks	8,114	36,266	-	-	5,130	4,436	**13,244**	40,702
Loans and advances to customers	143,544	197,137	-	-	500	468	**144,044**	197,605
Trade receivables	-	-	-	-	2,509	3,026	**2,509**	3,026
Other assets	-	-	1,277	2,230	1,673	751	**2,950**	2,981
	151,658	233,403	**1,277**	2,230	**9,812**	8,681	**162,747**	244,314
Liabilities								
Trade and other payables	-	-	-	-	14,327	13,269	**14,327**	13,269
Derivative financial instruments	-	-	-	-	33	48	**33**	48
Lease liabilities	1,118	1,043	-	-	-	-	**1,118**	1,043
Bank term loans and other borrowings	-	-	100,355	143,915	-	-	**100,355**	143,915
	1,118	1,043	**100,355**	143,915	**14,360**	13,317	**115,833**	158,275

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2023 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 598 thousand (2022: BD 779 thousand).

Bank term loans extended have floating interest rates, which are subject to re-pricing on a quarterly or half-yearly basis. The effective interest rate on term loans inclusive of the effect of the interest rate swaps and FX hedge contracts was 7.50% p.a. (2022: 5.29% p.a.).

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Currency risk

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

	2023 BD '000	2022 BD '000
US Dollars	98,576	124,370
Japanese Yen	1,180	10
	99,756	124,380

The Bahraini Dinar is effectively pegged to the US Dollar.

The Group has entered into BD 25.2 million forward rate contracts (2022: BD 31.2 million) to hedge against any future changes in the peg rate.

5.5 Capital management

The Group's policy is to maintain a strong capital base. The Central Bank of Bahrain sets and monitors capital requirements for the Group. The conventional financing company license granted by the Central Bank of Bahrain limits borrowings to five times the capital and reserves (shareholders' equity) of the Company. Such rate for the Group was 1.2 as at 31 December 2023 (2022: 1.2).

6 DERIVATIVES AND HEDGING

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

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

At 31 December 2023 interest rate risk attributable to the term loans of BD 39.6 million (USD 105 million) (2022: BD 66.0 million, USD 175 million) has been hedged. The fair value of this hedge instruments is BD 1,277 thousand asset (2022: BD 2,230 thousand, asset).

At 31 December 2023 foreign exchange forwards attributable to the term loans of BD 25.2 million (2022: BD 31.2 million) has been hedged. The negative fair value of this hedge instruments are BD 33 thousand liability (2022: BD 48 thousand, liability).

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

Derivative product types

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

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At 31 December 2023

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

Derivative related credit risk

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

Derivatives held or issued for hedging purposes

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

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified borrowings bearing floating interest rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as hedges.

The Group's 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 swap contracts to convert floating rate of interest on bank term loans and other borrowings to fixed rate of interest.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2023

6 DERIVATIVES AND HEDGING (CONTINUED)
Derivatives held or issued for hedging purposes (continued)

Possible sources of ineffectiveness are as follows:

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

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

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

	Within 1 month BD '000	1 - 3 months BD '000	3 - 6 months BD '000	6 - 12 months BD '000	1 - 5 years BD '000	Total BD '000
Notional						
2023	**-**	**3,770**	**12,200**	**13,000**	**35,815**	**64,785**
2022	-	7,000	25,080	25,510	39,585	97,175

7 OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, fraud and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate 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 manages the operational risk by policies and procedures to identify, assess, control, manage and report risks. Additionally, prior to the implementation of new products and services, it's reviewed and assessed for operational risks. The Group's risk management division employs clear internal policies and procedures and the Risk Control Self-Assessment (RCSA) methodology to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

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8 MATURITY PROFILE

The maturity profile of the Group's financial assets and liabilities based on the contractual maturities.

At 31 December	Within 1 Year		1 year to 5 years		5 year to 10 years		More than 10 years		Total	
	2023 BD '000	2022 BD '000	**2023 BD '000**	2022 BD '000	**2023 BD '000**	2022 BD '000	**2023 BD '000**	2022 BD '000	**2023 BD '000**	2022 BD '000
Assets										
Cash and balances with banks	13,244	40,702	-	-	-	-	-	-	**13,244**	40,702
Loans and advances to customers	39,826	63,511	71,394	89,061	25,843	35,939	6,981	9,094	**144,044**	197,605
Trade receivables	2,509	3,026	-	-	-	-	-	-	**2,509**	3,026
Other assets	1,705	1,106	1,245	1,875	-	-	-	-	**2,950**	2,981
	57,284	108,345	**72,639**	90,936	**25,843**	35,939	**6,981**	9,094	**162,747**	244,314
Liabilities										
Trade and other payables	14,327	13,269	-	-	-	-	-	-	**14,327**	13,269
Derivative financial instruments	33	48	-	-	-	-	-	-	**33**	48
Lease liabilities	472	374	604	603	4	27	38	39	**1,118**	1,043
Bank term loans and other borrowings	41,936	64,597	58,419	79,318	-	-	-	-	**100,355**	143,915
	56,768	78,288	**59,023**	79,921	**4**	27	**38**	39	**115,833**	158,275

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

9 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

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

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9 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

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

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

Financial assets and liabilities measured at fair value

The fair value of the derivatives, which are not exchange traded, is estimated at the amount the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current credit worthiness of the counterparties. The Group's net exposure to derivatives, whose fair value as of 31 December 2023 is BD 1,244 thousand (2022: BD 2,182 thousand) are categorised under Level 2. There were no transfers between Level 1 and Level 2 during 2023.

Financial assets and liabilities not measured at fair value

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

2023	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total Carrying value**
	BD '000	**BD '000**	**BD '000**	**BD '000**	**BD '000**
Loans and advances to customers	-	-	144,044	144,044	**144,044**
Bank term loans and other borrowings	-	-	100,355	100,355	**100,355**

2022	Level 1	Level 2	Level 3	Total fair value	Total Carrying value
	BD '000	BD '000	BD '000	BD '000	BD '000
Loans and advances to customers	-	-	197,605	197,605	197,605
Bank term loans and other borrowings	-	-	143,915	143,915	143,915

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In case of loans and advances to customers, the average interest rate of the loan portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the carrying value would not be materially different to fair value of these assets.

The fair value of bank term loans and bonds issued approximate their carrying value since they are at floating interest rates.

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

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Exposure by staging

	31 December 2023			
	Stage 1 BD '000	**Stage 2 BD '000**	**Stage 3 BD '000**	**Total BD '000**
Loans and advances	107,836	18,411	66,539	**192,786**
Less: expected credit loss	(1,088)	(2,413)	(45,241)	**(48,742)**
Loans and advances	**106,748**	**15,998**	**21,298**	**144,044**

	31 December 2022			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Loans and advances	127,523	50,082	55,430	233,035
Less: expected credit loss	(1,313)	(7,105)	(27,012)	(35,430)
Loans and advances	126,210	42,977	28,418	197,605

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At 31 December 2023

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Expected credit loss movement

2023	**Stage 1 BD '000**	**Stage 2 BD '000**	**Stage 3 BD '000**	**Total BD '000**
Expected credit loss at 1 January 2023	1,313	7,105	27,012	**35,430**
Net transfer between stages	748	(2,551)	1,803	**-**
Net (reversal) / charge for the year	(973)	(2,141)	39,032	**35,918**
Write off during the year	-	-	(22,606)	**(22,606)**
Expected credit loss at 31 December 2023	**1,088**	**2,413**	**45,241**	**48,742**

2022	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Expected credit loss at 1 January 2022	3,912	7,201	22,677	33,790
Net transfer between stages	1,900	(2,864)	964	-
Net (reversal) / charge for the year	(4,499)	2,768	13,665	11,934
Write off during the year	-	-	(10,294)	(10,294)
Expected credit loss at 31 December 2022	1,313	7,105	27,012	35,430

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11 TRADE RECEIVABLES

	31 December 2023 BD '000	31 December 2022 BD '000
Trade receivables	4,623	5,098
Less: expected credit loss	(2,114)	(2,072)
	2,509	3,026

Expected credit loss movement

	2023 BD '000	2022 BD '000
At beginning of the year	2,072	2,039
Net charge for the year	54	76
Write off during the year	(12)	(43)
At end of the year	**2,114**	2,072

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12 INVENTORIES

	31 December 2023 BD '000	31 December 2022 BD '000
Vehicles	10,842	8,218
Automotive spare parts	7,306	6,752
Real estate inventory	2,105	2,291
	20,253	17,261
Provisions	(1,294)	(789)
	18,959	16,472

Movement on provisions

	2023 BD '000	2022 BD '000
At beginning of the year	789	751
Net charge for the year	508	121
Utilisation	(3)	(83)
At end of the year	**1,294**	789

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13 INVESTMENT PROPERTIES

	31 December 2023 BD '000	31 December 2022 BD '000
Cost		
At 1 January	13,025	13,024
Additions during the year	2	1
Transfer to investment property	1,685	-
Book value before depreciation and impairment	**14,712**	13,025

Accumulated depreciation and impairment losses

	2023 BD '000	2022 BD '000
At 1 January	2,523	2,237
Depreciation charge for the year	230	282
Impairment provision charges	1,987	4
At 31 December	**4,740**	2,523
Net book value at 31 December	**9,972**	10,502

The fair value of investment properties as at 31 December 2023 is BD 11,255 thousand (2022: BD 12,888 thousand) were determined by independent external property valuers with the appropriate recognised qualification and experience in the location and category of the property being valued. All such valuers are approved by the Bahrain Real Estate Regulatory Authority to carry out such valuations. The fair value was determined based on investment method by comparing market rental rates and vacent lands and accordingly categorised as level 3 in fair value hierarchy.

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14 PROPERTY AND EQUIPMENT

	Land and buildings BD '000	Furniture, fixtures & equipment BD '000	Vehicles BD '000	Work in Progress BD '000	Right of Use BD '000	2023 Total BD '000	2022 Total BD '000
Cost							
At 1 January	26,396	11,880	7,701	393	3,906	**50,276**	49,305
Additions	24	545	4,188	499	607	**5,863**	3,942
Disposals	(17)	(29)	(3,609)	(434)	(194)	**(4,283)**	(2,971)
Reclassified	5	92	17	(114)	-	-	-
At 31 December	**26,408**	**12,488**	**8,297**	**344**	**4,319**	**51,856**	50,276
Depreciation							
1 January	9,842	10,984	2,855	-	1,982	**25,663**	24,360
Charge for the year	473	610	1,166	-	539	**2,788**	2,800
Disposals	(12)	(11)	(1,825)	-	(170)	**(2,018)**	(1,497)
Reclassified	-	(61)	61	-	-	**-**	-
At 31 December	**10,303**	**11,522**	**2,257**	**-**	**2,351**	**26,433**	25,663
Net book value							
At 31 December 2023	**16,105**	**966**	**6,040**	**344**	**1,968**	**25,423**	
At 31 December 2022	16,554	896	4,846	393	1,924		24,613

The cost of fully depreciated assets still in use at 31 December 2023 was BD 15,028 thousand (2022: BD 12,268 thousand).

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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15 OTHER ASSETS

	31 December 2023 BD '000	31 December 2022 BD '000
Positive fair value derivative	1,277	2,230
Advance to suppliers and manufacturers incentive	2,181	1,969
Prepaid expenses	581	608
VAT receivables	1,272	499
Others	401	252
	5,712	5,558

16 TRADE AND OTHER PAYABLES

	31 December 2023 BD '000	31 December 2022 BD '000
Negative fair value derivative	33	48
Lease liabilities (note 16.1)	1,118	1,043
Trade payables and others	16,712	15,833
	17,863	16,924

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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16 TRADE AND OTHER PAYABLES (CONTINUED)

16.1 Lease liabilities

	31 December 2023		31 December 2022	
	Minimum lease payments BD '000	**Present value of lease payments BD '000**	Minimum lease payments BD '000	Present value of lease payments BD '000
Within one year	516	472	417	374
After one year but not more than five years	648	604	663	603
More than five years and less than 10 years	15	4	39	27
More than 10 years	66	38	69	39
Total minimum lease payments	**1,245**	**1,118**	1,188	1,043
Less: finance charges	(127)		(145)	
Net lease liability	**1,118**	**1,118**	1,043	1,043

The movement in lease liabilities is as follows:

	2023 BD '000	2022 BD '000
Lease liabilities as at 1 January	1,043	1,163
Additions	582	480
Termination	(21)	(69)
Finance cost	73	42
Payments made	(559)	(573)
Lease liabilities as at 31 December	**1,118**	1,043

17 BANK TERM LOANS AND OTHER BORROWINGS

	31 December 2023 BD '000	31 December 2022 BD '000
Within 1 year	41,936	64,597
More than 1 year	58,419	79,318
	100,355	143,915

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

18 SHARE CAPITAL

	31 December 2023 BD '000	31 December 2022 BD '000
Authorised share capital		
500,000,000 (2022: 500,000,000) shares of 100 fils each	50,000	50,000
Issued and fully paid		
204,187,500 (2022: 204,187,500) shares of 100 fils each	20,419	20,419
At 31 December	20,419	20,419

	31 December 2023 BD '000	31 December 2022 BD '000
Treasury shares 2,759,029 shares (2022: 2,759,029 shares)	599	599

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

Additional information on shareholding pattern

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

	Nationality	No. of shares	% holding
Social Insurance Organisation*	Bahrain	63,165,039	30.94%
Bank of Bahrain and Kuwait	Bahrain	47,023,363	23.03%
National Bank of Bahrain	Bahrain	22,910,775	11.22%

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

ii. The Company has only one class of equity shares and the holders of these shares have equal voting rights. Out of the total shareholders, 98% (2022: 98%) are Bahraini individuals or corporates and 2% (2022: 2%) are other nationalities.

iii. The shareholding of directors, other than nominee directors representing major shareholders, is 991,718 shares (2022: 991,718 shares).

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

18 SHARE CAPITAL (CONTINUED)

Additional information on shareholding pattern (continued)

2023 Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	46,972,854	1,241	23.01%
1% up to less than 5%**	24,115,469	7	11.81%
5% up to less than 20%	22,910,775	1	11.22%
20% up to less than 50%	110,188,402	2	53.96%
Total	**204,187,500**	**1,251**	**100.00%**

2022 Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	46,401,136	1,250	22.73%
1% up to less than 5%**	24,687,187	7	12.09%
5% up to less than 20%	22,910,775	1	11.22%
20% up to less than 50%	110,188,402	2	53.96%
Total	204,187,500	1,260	100.00%

* Expressed as a percentage of total issued and fully paid shares of the Company.
** Includes 2,759,029 treasury shares (2022: 2,759,029 shares).

19 AUTOMOTIVE REVENUE

	2023 BD '000	2022 BD '000
Sale of cars	20,106	22,451
Sales of parts and accessories	13,843	11,670
Car repair and maintenance services	3,994	3,851
Car leasing revenue	2,052	1,774
	39,995	39,746

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

20 NET FEE AND COMMISSION INCOME

	2023 BD '000	2022 BD '000
Loan administration and other credit card related fees	5,332	6,132
Insurance commission income	617	556
Less: fees and commission expense	(2,586)	(2,571)
	3,363	4,117

21 RENTAL AND REAL ESTATE INCOME

	2023 BD '000	2022 BD '000
Sale of real estate		
Revenue	185	1,090
Cost of Sales	(186)	(1,035)
(Loss)/ profit from sale of real estate inventory	**(1)**	55
Rental and evaluation income	555	527
Rental and real estate income	**554**	582

22 OTHER INCOME

	2023 BD '000	2022 BD '000
Incentives from automotive principals	521	382
Miscellaneous income	1,515	457
	2,036	839

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

23 OTHER OPERATING EXPENSES

	2023 BD '000	2022 BD '000
General and administration costs	5,458	5,154
Depreciation	2,069	2,183
Selling and promotion costs	1,485	1,409
Operating expenses relating to investment properties	187	160
Automotive finance cost	115	92
	9,314	8,998

24 NET PROVISIONS AND CREDIT LOSSES

	2023 BD '000	2022 BD '000
Allowances on loans and advances to customers, net	35,918	11,934
Impairment on investment properties	1,987	4
Allowances charged for inventory	508	121
Allowances on trade receivables, net	54	76
Recoveries from written off balances	(2,430)	(2,478)
	36,037	9,657

25 DISTRIBUTION OF ASSETS AND LIABILITIES

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

26 SEGMENTAL INFORMATION

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

- Lending - principally providing consumer, Corporate and small to medium enterprises (CSME) loans and credit card facilities;
- Automotive - trading in motor vehicles, spares and the provision of after sales services and leasing services;
- Real estate - include buying, selling and renting of properties and providing property evaluation services; and
- Insurance - provision of insurance brokerage services.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

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 2023 and 2022. 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	
	2023 BD '000	2022 BD '000	**2023 BD '000**	2022 BD '000	**2023 BD '000**	2022 BD '000	**2023 BD '000**	2022 BD '000	**2023 BD '000**	2022 BD '000
Operating income	13,944	20,850	7,497	7,381	554	582	810	556	22,805	29,369
Inter segment revenue	-	16	126	243	203	201	-	104	**329**	564
Operating costs	(10,868)	(9,250)	(5,271)	(5,186)	(717)	(987)	(724)	(624)	**(17,580)**	(16,047)
Net provisions and credit losses	(33,492)	(9,434)	(430)	(192)	(2,115)	(31)	-	-	**(36,037)**	(9,657)
Inter segment expenses	(317)	(524)	(12)	(33)	-	(7)	-	-	**(329)**	(564)
(Loss) / profit for the year	**(30,733)**	1,658	**1,910**	2,213	**(2,075)**	(242)	**86**	36	**(30,812)**	3,665
Assets and (liabilities)										
Cash and balances with banks	4,994	28,510	4,658	8,521	2	17	3,590	3,654	**13,244**	40,702
Loans and advances to customers	144,044	197,605	-	-	-	-	-	-	**144,044**	197,605
Trade and other receivables	111	270	2,189	2,672	103	49	106	35	**2,509**	3,026
Intercompany balances	1,557	(226)	(327)	25	(1,213)	221	(17)	(20)	**-**	-
Inventories	-	-	16,975	14,181	1,984	2,291	-	-	**18,959**	16,472
Investment properties	-	-	-	-	9,972	10,502	-	-	**9,972**	10,502
Property and equipment	8,925	8,957	16,498	15,656	-	-	-	-	**25,423**	24,613
Other assets	1,657	2,707	4,044	2,842	3	4	8	5	**5,712**	5,558
Trade and other payables	(10,244)	(8,573)	(7,384)	(7,923)	(157)	(316)	(78)	(112)	**(17,863)**	(16,924)
Bank term loans and other borrowings	(99,395)	(143,915)	(960)	-	-	-	-	-	**(100,355)**	(143,915)
Equity	**51,649**	85,335	**35,693**	35,974	**10,694**	12,768	**3,609**	3,562	**101,645**	137,639
Capital expenditure	**1,135**	1,013	**4,728**	2,929	**-**	-	**-**	-	**5,863**	3,942
Depreciation charge for the property and equipment	**770**	867	**2,018**	1,933	**-**	-	**-**	-	**2,788**	2,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

	2023 BD '000	2022 BD '000
Major shareholders:		
As at 31 December		
Term loans	25,260	20,099
Bank balances	913	1,872
For the year ended 31 December		
Interest expense	2,186	1,113
Sales of vehicles	99	-
Other Income	-	39

Key management personnel:

Transactions with related parties are transactions with key management personnel or their direct family members.

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 Deputy Chief Executive Officer, approved personnel by the CBB and the General Managers.

	2023 BD '000	2022 BD '000
As at 31 December		
Loans and advances to customers*	823	775
For the year ended 31 December		
Salaries and short term and end of service employee benefits	1,822	1,560
Directors remuneration and attendance fees	168	488
Sales, service and lease of vehicles	105	109

* The Group has allowance of BD 243 thousand (2022: BD 172 thousand) for impairment losses on loans and advances with related parties.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

28 RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini for the year amounted to BD 740 thousand (2022: BD 719 thousand) respectfully. The Group's provision for expatriate employees' leaving indemnities at 31 December 2023 was BD 984 thousand (2022: BD 1,015 thousand). The Group employed 727 staff at 31 December 2023 (2022: 747).

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

	2023 **BD '000**	2022 BD '000
At 1 January	1,015	970
Provided during the year	160	225
Paid during the year	(191)	(180)
At 31 December	**984**	1,015

29 STAFF SAVING SCHEME

The scheme is contribution saving fund between the Company and the employees of the Company. The objective is to provide employees with cash benefit upon resignation, retirement or death. Participation is discretionary and employee can contribute any amount up to 10% of the salary. The Company contributes the same percentage. Since the cash is held under fiduciary capacity on behalf of employees, it is accounted as asset under management.

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

As at 31 December 2023, the Group saving plan funds stand at BD 2,760 thousand (2022: BD 2,633 thousand). The Fund is invested within reputable bank in Bahrain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

30 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss 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:

	2023 BD '000	2022 BD '000
(Loss) / profit for the year	(30,812)	3,665
Weighted average number of equity shares (in 000's) (note 18)	201,429	201,429
Basic (loss) / earnings per share	**(153 fils)**	18 fils

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

31 OUTSTANDING COMMITMENTS

As at 31 December 2023, the Group has standby letters of credit issued on its behalf in the normal course of business amounting to BD 6,533 thousand (2022: BD 8,801 thousand) and unutilised credit limits of BD 19,109 thousand (2022: BD 19,668 thousand) to its customers.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

32 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Derivatives liabilities borrowings	Equity			
	Trade and other payables BD '000	Bank Term loans and other borrowings BD '000	Interest rate swap and forward exchange contracts used for hedging – liabilities BD '000	Share capital BD '000	Reserves BD '000	Retained earnings BD '000	Total BD '000
Balance at 1 January 2023	**16,876**	**143,915**	**48**	**19,820**	**65,432**	**52,387**	**298,478**
Proceeds from loans and borrowings	-	39,455	-	-	-	-	39,455
Repayment of borrowings	-	(83,966)	-	-	-	-	(83,966)
Dividend paid	(4,029)	-	-	-	-	-	(4,029)
Donation paid	-	-	-	-	(215)	-	(215)
Total changes from financing cash flows	**(4,029)**	**(44,511)**	**-**	**-**	**(215)**	**-**	**(48,755)**
Changes in fair value	-	-	(15)	-	(938)	-	(953)
Loss for the year	-	-	-	-	-	(30,812)	(30,812)
Liability-related changes	1,322	-	-	-	-	-	1,322
Donation declared	-	-	-	-	-	-	-
Dividend declared	4,029	-	-	-	-	(4,029)	-
Borrowing upfront cost	-	951	-	-	-	-	951
Interest expense	8,752	-	-	-	-	-	8,752
Interest paid	(9,120)	-	-	-	-	-	(9,120)
Total liability-related other changes	**4,983**	**951**	**(15)**	**-**	**-**	**-**	**5,919**
Total equity-related other changes	**-**	**-**	**-**	**-**	**(938)**	**(34,841)**	**(35,779)**
Balance at 31 December 2023	**17,830**	**100,355**	**33**	**19,820**	**64,279**	**17,546**	**219,863**

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2023

33 PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2023. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2023 BD '000	2022 BD '000
Cash dividends	-	4,092
Donations	100	-
	100	4,092

34 COMPARATIVES

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

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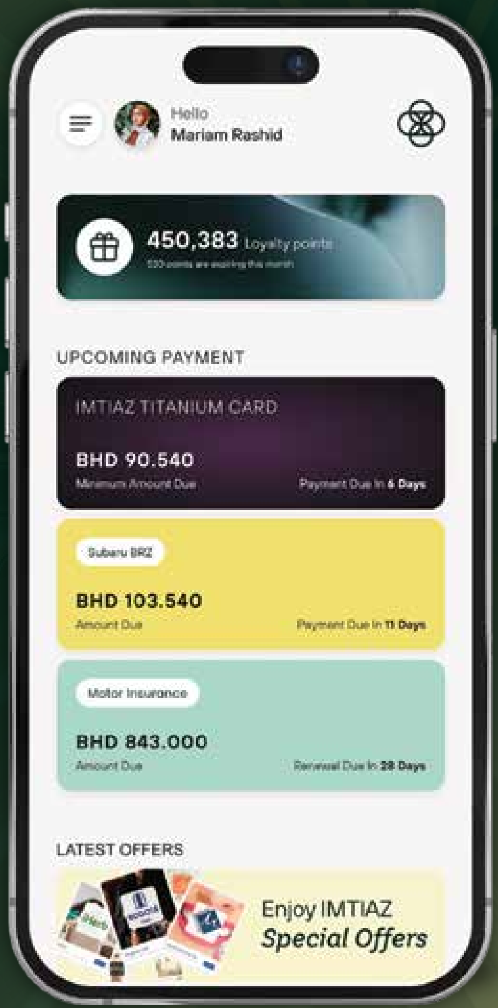

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