شركة البحرين للتسهيلات التجارية ش.م.ب.

BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

Building momentum

Accelerating growth through digitization

ANNUAL REPORT **2022**

Contents

Bahrain Commercial Facilities Company BSC was established on August 29, 1983 under Bahrain's Commercial Companies Law 1975 (Legislative Decree No 28 of 1975), as a closed company with an authorized capital of BD 10,000,000 and issued capital of BD 5,000,000 with an objective to act as a specialist finance company in Bahrain. In April 1993, the Company was registered as a Public Shareholding Company. In 2003, the Company's Memorandum and Articles of Association were amended in accordance with the Commercial Companies Law (21) of 2001 and its duration became indefinite, following a resolution of the shareholders passed at the Extraordinary General Assembly Meeting on 10 March 2003. The Company has an authorized capital of BD 50,000,000 and an issued capital of BD 20,418,750.

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

CONSUMER FINANCE

Bahrain Credit is the leading provider of short, medium and long-term consumer finance for residents of the Kingdom of Bahrain, including vehicle finance, personal finance, mortgage 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 arrange a wide range of insurance products and services that include motor, home, medical, life and travel insurance.

REAL ESTATE

Tasheelat Real Estate Services Company 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

OUR **VISION**

BCFC is a

SOCIAL MOBILITY ENABLER

FOR THE BAHRAINI POPULATION.

VISION

OUR **MISSION**

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

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.

MISSION

3.7

BCFC
Net Profit 2022

3.7 BD million

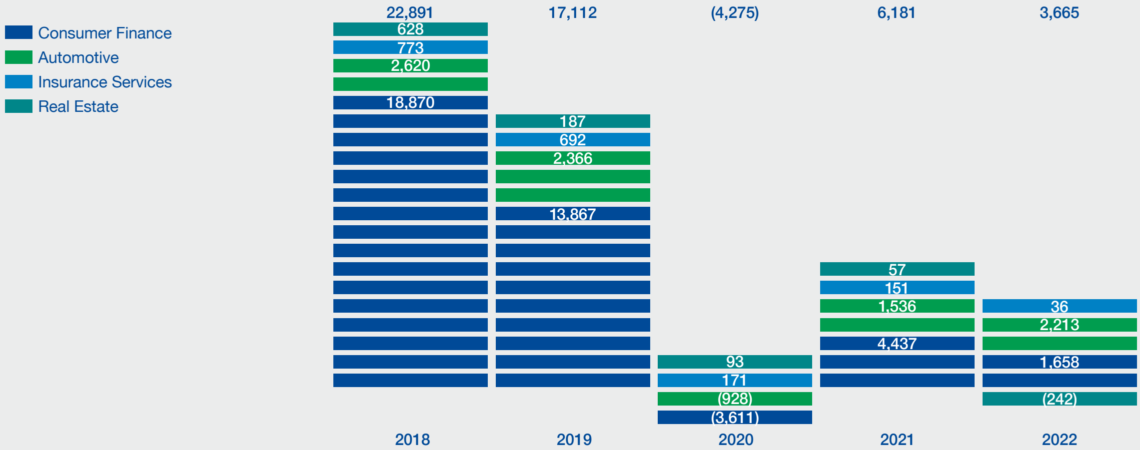
Digit

izing

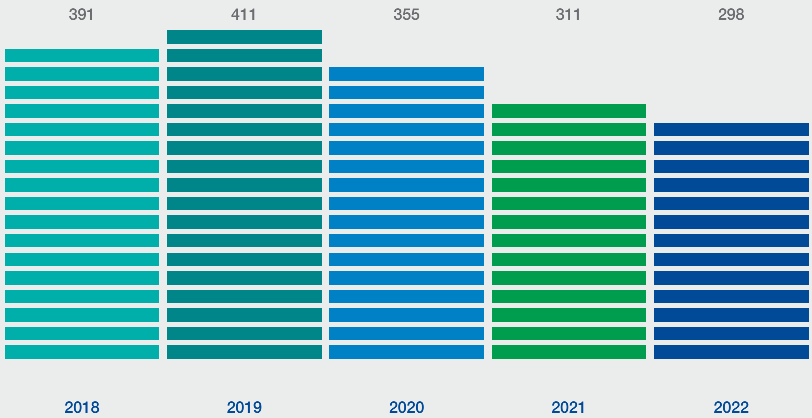
COMPANY’S SERVICES AND PROCESSES

FINANCIAL HIGHLIGHTS

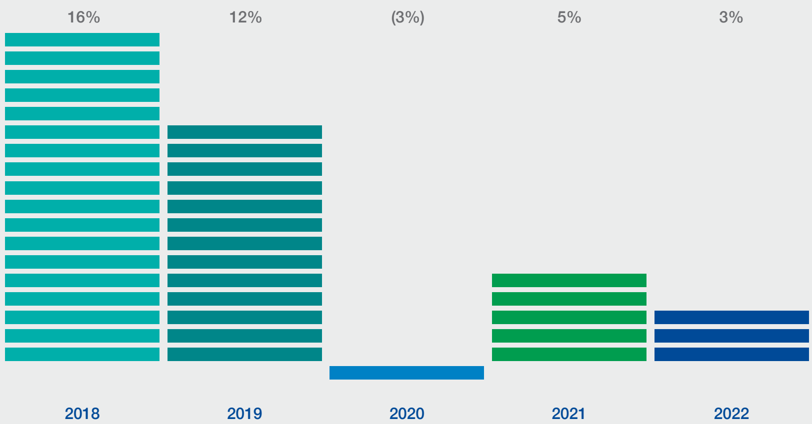
NET PROFIT / (LOSS)
(BD thousands)



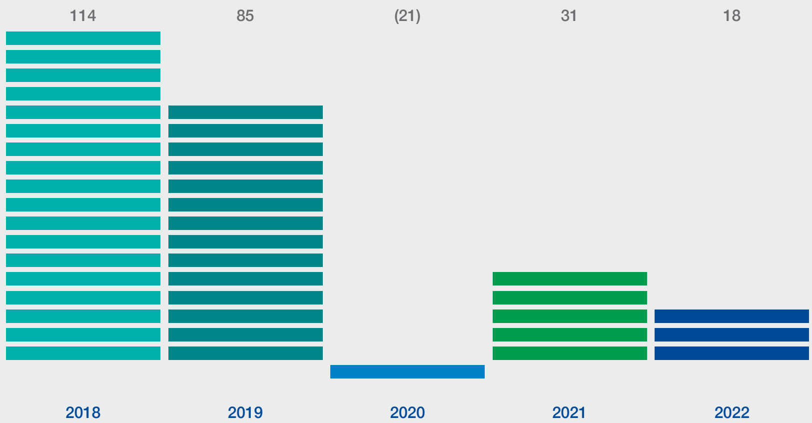
TOTAL ASSETS
(BD millions)



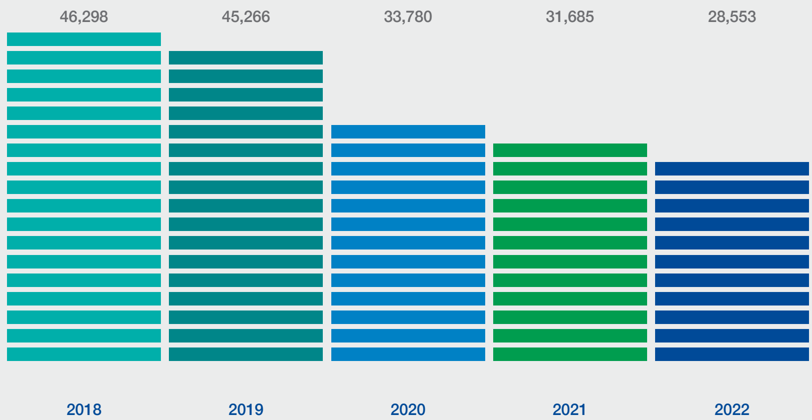
RETURN ON AVERAGE EQUITY
(%)



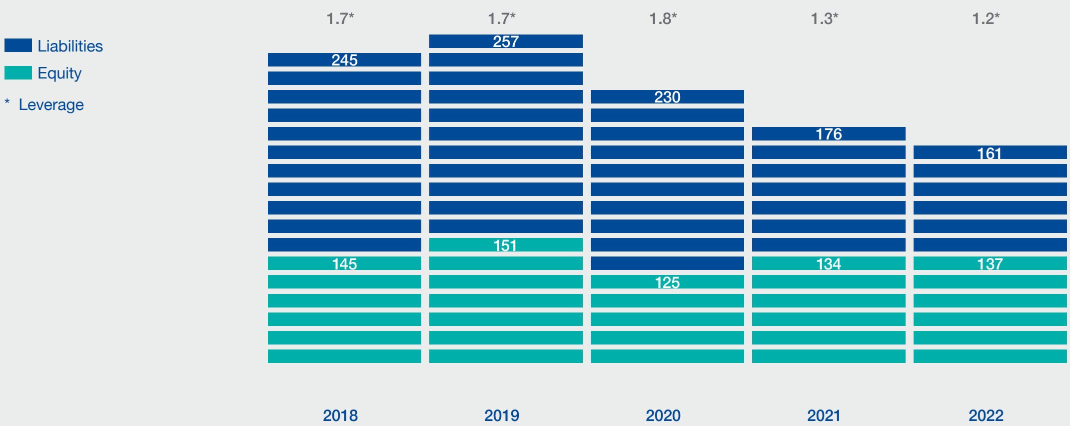
EARNING PER SHARE
(fils)



OPERATING INCOME
(BD thousand)



LIABILITIES & EQUITY
(BD million)



BCFC **BOARD OF DIRECTORS**

ABDULRAHMAN YUSUF FAKHRO

Chairman of the Board and Member of the Audit Committee

Mr. Fakhro has been a Director since 12 November 1989 (Independent and Non-executive). He has 58 years of extensive and diversified experience in business, trade, investment and insurance. He is a Member of the Institute of Directors, London, 2016.

- Chairman of Yusif Bin Yusif Fakhro B.S.C. (c), Bahrain
- Partner at Yusif Fakhro Technical Services W.L.L., Bahrain
- Board Chairman and Member of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

DR. ABDULRAHMAN ALI SAIF

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

Dr. Saif has been a Director since 24 April 2016 (Executive in shareholder bank BBK). He has more than 40 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; and a BSc in Economics from University of Poona, India, 1982. He is a Member of the Institute of Directors, London, 2016.

- Group Chief Executive – BBK B.S.C., Bahrain
- Chairman of Credimax B.S.C. (c), Bahrain
- Vice Chairman of the Board, Chairman of the Executive Committee and Vice Chairman of the Nomination and Remuneration Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Chairman of Aegila Capital Management Limited, London, UK

REYADH YUSUF HASAN SATER

Board Member, Chairman of the Automotive Board and Vice Chairman of the Executive Committee

Mr Sater was a Director from 18 March 2014 to 31 March 2020 (Executive in shareholder bank BBK then); and was subsequently elected as a Director (Non-executive) effective from 31 March 2020; and later on (Independent and Non-executive) effective from 01 April 2021. He has 44 years of extensive and diversified experience in banking and auditing, and holds an Executive Management Diploma from the University of Bahrain, 1996; an MBA in Business Administration from the University of Glamorgan, UK, 2001; he is a CIA holder from the Institute of Internal Auditors, USA, 2002; fulfilled the requirements of the Gulf Executive Development Program at the University of Virginia - Darden-USA, 2003. He is a Member of the Institute of Directors, London, 2016.

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

NADER KARIM AL-MASKATI

Board Member and Chairman of the Audit Committee

Mr. Al-Maskati has been a Director since 31 March 2020 (Independent and Non-executive). He is a professional banker with more than 40 years of extensive and diversified experience in banking, financial services, investment, business, trade, audit and risk management. He fulfilled the requirements of the Gulf Executive Management Certificate – University of Virginia – Darden Business School, USA, 2001, and holds a Master's Degree in Business Administration (MBA in Finance) from the University of Bahrain, 1992; a Certificate in Operations and Credit from Citi Bank Training Centre, Greece, 1983; a BSc in Economics – Cairo University, Egypt, 1978; and a Post- Graduate Diploma in Marketing from the University of Bahrain, 1990. He is a Member of the Institute of Directors, London, 2020.

- Board Member and Chairman of the Audit Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain
- Board Member and Member of the Audit and Risk Committee of the Future Generation Reserve, Ministry of Finance and National Economy, Bahrain

EBRAHIM ABDULLA BUHINDI

Board Member, Member of the Nomination and Remuneration Committee and Member of the Automotive Board

Mr. Buhindi was a Director from 15 March 1988 to July 2004 (Executive in shareholder bank "BBK" then); and was reappointed as Director in March 2007 (Independent and Non-executive). He has 47 years of extensive and diversified experience in banking and holds an MBA in Management Consultancy from Sheffield Hallam University, UK, 1999. He is a Member of the Institute of Directors, London, 2016.

- Board Member and Member of the Nomination and Remuneration 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

ABDULAZIZ ABDULLA A.AZIZ AL-AHMED

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

Mr. Al Ahmed has been a Director since 28 March 2011 (Executive in shareholder bank NBB). He has 49 years of extensive and diversified experience in management and banking; fulfilled the requirements of The Gulf Executive Development Program at the University of Virginia - Darden-USA, 2001 - 2002; and attended numerous local and international management and business-related courses. He is a Member of the Institute of Directors, London, 2016.

- Chief Executive, Strategic Accounts – National Bank of Bahrain B.S.C., Bahrain
- Board Member, Chairman of the Nomination and Remuneration Committee, and Member 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
- Member of the Board of Trustees – Primary Healthcare of Supreme Council of Health, Bahrain
- Board Member of Infonas W.L.L., Bahrain

BCFC **BOARD OF DIRECTORS** (CONTINUED)

ABDULLA MOHAMED AL-MAHMOOD

Board Member and Member of the Corporate Governance, Risk and Compliance Committee - Nominee of the Social Insurance Organization, Bahrain

Mr. Al Mahmood has been a Director since 18 March 2014 (Non-executive). He has 34 years of extensive and diversified experience in information technology, human resources and administration, accounting and finance, and customer services. He holds a Diploma in Actuarial Science from Mohanna Foundation, Cyprus, 1998; an MSc in Management Technology from Arabian Gulf University, Bahrain, 1997; and a BSc in Statistics from Kuwait University, Kuwait, 1988. He is a Member of the Institute of Directors, London, 2016.

- Executive Director of Customer Service Department – Social Insurance Organisation (SIO), Bahrain
- Board Member and Member of the Corporate Governance, Risk and Compliance Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain

MOHAMED ABDULLA ISA

Board Member, Chairman of the Corporate Governance, Risk and Compliance Committee, Vice Chairman of the Audit Committee, and Member of the Automotive Board - Nominee of the Bank of Bahrain and Kuwait B.S.C.

Mr. Isa has been a Director since 31 March 2020 (Executive in shareholder bank BBK) and has more than 30 years of extensive and diversified experience in finance, treasury operations, financial accounting, and management accounting. He is a University of Bahrain graduate from 1992, a Certified Public Accountant (CPA) - State of Delaware, USA, 2000, a member of the American Institute of Certified Public Accountants, and has fulfilled the requirements of the Gulf Executive Development Program at University of Virginia – Darden, USA, 2007. He is a Member of the Institute of Directors, London, 2020.

- Group Chief Financial Officer, Financial Planning & Control – Bank of Bahrain and Kuwait B.S.C., Bahrain
- Board Member and Chairman of the Remuneration and Nomination Committee, SICO Bank, Bahrain
- Board Member, Chairman of the Corporate Governance, Risk and Compliance Committee, and Vice Chairman of the Audit 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
- Board Member of the Deposit and Unrestricted Investment Accounts Protection Scheme, Central Bank of Bahrain, Bahrain

YUSUF SALEH SULTAN KHALAF

Board Member and Vice Chairman of the Corporate Governance, Risk and Compliance Committee

Mr. Khalaf has been a Director since April 2018 (Independent and Non-executive). He has served as Chief Executive Officer of several banks and has 42 years of experience in the banking and financial services sector. He has been 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. He is a Member of the Institute of Directors, London, 2018.

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

DANA AQEEL RAEES

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

Mrs. Raees was appointed as a Director on 03 April 2022 (Non-executive); in place of Mr. Mohamed Jehad Bukamal who resigned from Osool Asset Management Company B.S.C.(c) (Osool), after his appointment as BCFC Deputy CEO. She has 18 years of extensive and diversified experience as a qualified lawyer and practiced in the GCC, UK and USA. Executive Director of Legal at Osool, she holds an LL.B. in Law from the University of Warwick, UK, 2003 and Legal Practice Course (LPC) from the University of Law, London, 2004.

- Executive Director - Legal at Osool Asset Management Company B.S.C.(c), Bahrain
- Board Member and Member of SICO Board Nomination, Remuneration, and Corporate Governance Committee of SICO Bank, 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

SAYED JALAL JAAFAR AL-MOUSAWI

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

Mr. Al-Mousawi has been a Board Secretary of the Group since 02 May 2007. He has 22 years of accumulated and diversified experience in providing professional and administrative support to the General Assemblies, Boards, Board Committees and Members, and has assumed various corporate governance responsibilities and other relevant corporate issues at Group level. He is responsible for managing the overall affairs and administration of Group Board Secretariat in compliance with the regulatory and statutory requirements as a qualified company secretary; well-versed in law, compliance, corporate governance, specialised translations, public and media relations, legal drafting, journalism, specific and general purpose writings. He holds a BSc in Law from Kingdom University, 2019; a BA in English Literature and Translation from the University of Bahrain, 2002; a First Diploma in Instrumentation and Control Engineering, from Bahrain Training Institute, 1997; and a Certificate in Board Secretarial Practice, from Informa Connect Middle East, 2013. He is an associate of the GCC Board Directors Institute, 2020.

2.0

National Motor Company
Net Profit 2022

2.0 BD million

Strengt

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THE QUALITY OF THE COMPANY'S ASSETS

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC (BCFC) is licensed by CBB as a ‘financing company’ regulated under Rule Book Volume 5 ‘specialized licenses’ category. BCFC is also a listed company on Bahrain Bourse and the provisions of rule book Volume 6 apply to it as a capital market participant. The corporate governance provisions relate to the HC modules of the respective rule books.

Bahrain Commercial Facilities Company BSC is committed to best practices of corporate governance in line with legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company’s pursuit of its business activities. In relation to the corporate governance and disclosure requirements, particularly with reference to the policies that highlight the areas where the Company and its employees comply with including; Corporate Governance Code of the Ministry of Industry and Commerce, applicable regulatory requirements under HC modules of rule books 5 and 6 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 2022.

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 2022, 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. To fulfill some of its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee, a Nomination and Remuneration Committee and a Corporate Governance, Risk and Compliance Committee, whose compositions consist of members with adequate professional background and experience. The Board annually reviews its own composition and Charter and conducts an evaluation of its performance, the performances and contributions of all Committees vis-à-vis their respective charters and the performance, effectiveness and contribution of each board member. The performance appraisals are in the form of written forms or reports made at the last scheduled meeting of the calendar year. The final performance appraisal report is 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 Boards, Board Committees and Boards of the portfolio companies and the Executive Committee of the automotive companies was 3.8 out of 4.

The Board is responsible for the preparation and fair representation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 BSC are under an obligation to exercises 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 and serve the Company's interest in any transaction with and a company in which they have personal interests.

In compliance with the regulatory requirements, below is the number of shares held by the Company's directors, in their capacity as approved persons, and the connected persons as at 31st December 2022 as follows:

Directors *	Type of Shares	31 December 2022	31 December 2021
AbdulRahman Yusuf Fakhro	Ordinary	991,718	945,449
Dr. AbdulRahman Ali Saif	Ordinary	Nil	Nil
Reyadh Yusuf Hasan Sater	Ordinary	Nil	Nil
Nader Karim Al-Maskati	Ordinary	Nil	Nil
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
AbdulAziz Abdulla Al-Ahmed	Ordinary	Nil	Nil
Abdulla Mohamed Al Mahmood	Ordinary	Nil	Nil
Mohamed Abdulla Isa	Ordinary	Nil	Nil
Dana Aqeel Raees	Ordinary	Nil	Nil
Yusuf Saleh Khalaf	Ordinary	Nil	Nil

* The Board of Directors and their connected persons, with the exception of Mr. AbdulRahman Yusuf Fakhro, did not trade in the shares of the Company during the financial year ended 31st December 2022.

Annual confirmations as well as an on-going obligation updation 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, the 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 enterprises and these declarations are refreshed thereafter with necessary information on an annual and regular basis to fully

CORPORATE GOVERNANCE (CONTINUED)

B. **Board of Directors** (continued)

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 2022, the Board of Directors convened six ordinary meetings and three unscheduled meetings. The meetings were attended as follows:

Directors *	16 [1] Feb	28 Feb	29 Mar	9 May	2 Aug	27 [3] Sep	25 Oct	11 [4] Dec	14 Dec	Total	Attendance Percentage
AbdulRahman Yusuf Fakhro, Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
Dr. AbdulRahman Ali Saif, Vice Chairman	Virtual	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
Reyadh Yusuf Hasan Sater, Director	✓	Virtual	✓	✓	✓	Virtual	✓	✗	✓	8	89%
Nader Karim Al-Maskati, Director	Virtual	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
Ebrahim Abdulla Buhindi, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
AbdulAziz Abdulla Al-Ahmed, Director	✓	✓	✓	✓	✓	Virtual	✓	✓	✓	9	100%
Abdulla Mohamed Al-Mahmood, Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	100%
Mohamed Abdulla Isa, Director	Virtual	Virtual	Virtual	Virtual	✓	✓	✓	✓	✓	9	100%
Yusuf Saleh Khalaf, Director	Virtual	✓	✓	Virtual	✓	✓	✓	✓	✓	9	100%
Dana Aqeel Raees, Director [2]	Position was vacant			✓	✓	✓	✓	✓	✓	6	100%

1. To initially discuss the Company's Recommendation for Appropriations for 2021 net profit.
2. Appointed as director in place of her predecessor Mr. Mohamed Bukamal, representing Social Insurance Organization (SIO) effective from 03 April 2022 and accordingly her attendance was indicative of the actual meetings she attended starting from the second quarter onwards. Mr. Bukamal's exemption from office as BCFC Board Member was effective from 31 January 2022 following his appointment as BCFC Deputy Chief Executive Officer with effect from 6 February 2022.
3. To Review the Eight Months Business Operations and Deferral Exposure Impact and another agenda item.
4. To discuss and approve the Company's Three-year Strategy

Additionally, where 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 Board members and at times 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 2022, the Board formed three different Board ad hoc committees to review and consider different matters. The Board ad hoc commitees convened and the meetings were attended as follows:

Board Sub-committee (To consider proposals for a term loan facility)	27 July
AbdulRahman Yusuf Fakhro, Chairman	✓
Nader Karim Al Maskati, Member	✓
Ebrahim Abdulla Buhindi, Member	✓
Reyadh Yusuf Hasan Sater, Member	✓

Automotive Board & Audit Committee Ad hoc Committee (To discuss some agenda items related to Auto)	21 November
*Reyadh Yusuf Hasan Sater, Chairman	✓
Nader Karim Al Maskati, Member	✓
Mohamed Abdulla, Member	✓
*Abdulla Abdulrazaq Bukhowa, Member	✓

* Representing Automotive Board Members

Board and Management Delegation Meeting (To meet with CBB officials)	21 November
Dr. AbdulRahman Ali Saif, Vice Chairman	Virtual
Nader Karim Al Maskati, Member	✓
*Abdulla Abdulrazaq Bukhowa	✓
*Ali Khalaf	✓

* Representing Management Members

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 Board Audit Committee, appointed by the Board of Directors. At least one member shall be independent. In accordance with its charter, the Executive Committee has the role of reviewing reports and activities, taking decisions on issues within its defined authorities and recommending to the Board of Directors on other issues that are above its authorities, where applicable. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, donations, signing and investment authorities.

CORPORATE GOVERNANCE (CONTINUED)

D. Board of Directors Committees (continued)

1. Executive Committee (continued)

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 2022, the Executive Committee held five ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Committee Member	12 Apr	31 May	17 Jul	25 Sep	15 [2/3] Nov	6 Dec	Total	Attendance Percentage
Dr. AbdulRahman Ali Saif, Chairman	Virtual	Virtual	Virtual	✓	✓	✓	6	100%
Reyadh Yusuf Hasan Sater, Vice Chairman	Virtual	Virtual	Virtual	✓	✓	✓	6	100%
AbdulAziz Abdulla Al-Ahmed, Member	Virtual	✓	Virtual	✓	✓	✓	6	100%
Dana Aqeel Raees, Member [1]	Position was vacant			✓	✓	✓	3	100%

1. Appointed as a member of the Executive Committee in place of her predecessor Mr. Mohamed Bukamal effective from 02 August 2022 and accordingly her attendance was indicative of the actual meetings she attended starting from the third quarter onwards. Mr. Bukamal's exemption from office as BCFC Board Member was effective from 31 January 2022 following his appointment as BCFC Deputy Chief Executive Officer with effect from 6 February 2022.
2. To discuss and recommend the Company's Three-year Strategy.
3. Mr. Nader Al Maskati & Mr. Yusuf Khalaf attended the meeting as independent members to specifically discuss and recommend the Company's Three-year Strategy.

2. Board Audit Committee

The Board Audit Committee assists the Board of Directors, as per its charter, in overseeing the responsibilities for the financial reporting process, the system of internal control and the audit process, 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 Board Audit Committee consists of at least three members appointed by the Board of Directors. The majority of the Committee members, including the Chairman, will be independent directors under the criteria stated in the Corporate Governance Code. All the members are financially literate and independent of the management and free of any business or other relationships (including, without limitations, day to day involvement in the management of the business) which could interfere with the exercise of their independent judgment. The Committee directs the role and assesses the performance of the Internal Audit Department.

The Board Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility and has full access to all information required to discharge its functions.

The Committee shall hold a minimum of 4 meetings a year, with authority to convene additional meetings, as circumstances require. On each occasion, the Board Audit Committee will meet on a quarterly basis with the External Auditor in the presence of members of management of BCFC and its subsidiaries, Internal Auditors or others, as necessary. During 2022, the Board Audit Committee held five ordinary meetings and seven unscheduled meetings. The meetings were attended as follows:

Committee Member	30 [1] Jan	14 [2] Feb	20 [3] Feb	21 Feb	27 Mar [4]	8 May	1 Aug	13 [5] Sep	25 [6] Sep	11 [7] Oct	24 Oct	12 Dec	Total	Attendance Percentage
Nader Karim Al-Maskati, Chairman	Virtual	Virtual	Virtual	Virtual	✓	✓	✓	✓	✓	✓	✓	✓	12	100%
Mohamed Abdulla Isa, Vice Chairman	Virtual	Virtual	Virtual	Virtual	✗	Virtual	Virtual	✓	✓	✓	✓	✓	11	92%
AbdulRahman Yusuf Fakhro, Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	11	92%

1. To discuss different agenda items.
2. To interview the shortlisted candidates for the filling of one of the company's key positions, & to discuss the Appraisal of the Chief Internal Auditor and the Net Profit Appropriations for 2021.
3. To interview the remaining shortlisted candidates for the filling of one of the company's key positions.
4. To discuss different agenda items.
5. To discuss different agenda items.
6. Joint Automotive Board & Board Audit Committee Meeting to discuss some items related to automotive companies.
7. To discuss the impact of the CBB Deferrals on the results of BCFC as agreed in the Unscheduled Meeting of the BCFC Board on 27 September 2022.

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

3. Nomination and Remuneration Committee

Comprised of at least three directors, appointed by the Board, the Nomination and Remuneration 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 BCFC, the General Managers or their delegates of all the subsidiaries of the Group and the Secretary to the Board. The Committee's composition is partially compliant as it currently has in place one independent member and two executive members. The latter represent major shareholders, of whom are the Chairman and Vice Chairman of the Committee based on the CBB's approval.

The Nomination and Remuneration 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 delegate, 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 shall meet as necessary to ensure full discharge of duties based upon a request of the Chairman, Vice-Chairman or the Chief Executive Officer. The Committee shall convene not less than two meetings each year. The Nomination and Remuneration Committee convened two ordinary meetings and five unscheduled meetings during 2022.

CORPORATE GOVERNANCE (CONTINUED)

D. Board of Directors Committees (continued)

3. Nomination and Remuneration Committee (continued)

The meetings were attended as follows:

Committee Member	8 [1/2] Feb	27 Feb	21 [3] Apr	20 [4] Jun	7 [5] Sep	25 [6] Oct	7 Dec	Total	Attendance Percentage
AbdulAziz Abdulla Al-Ahmed, Chairman	✓	✓	Virtual	✓	✓	✓	✓	7	100%
Dr. AbdulRahman Ali Saif, Vice Chairman	✓	✓	Virtual	✓	✓	✓	✗	6	86%
Ebrahim Abdulla Buhindi, Member	✓	✓	✓	✓	✓	✓	✓	7	100%

1. To discuss the HR Study by KPMG, and Management proposal for salary increments and promotions.
2. Mr. AbdulRahman Yusuf Fakhro attended the meeting as an observer.
3. To discuss different agenda items.
4. To discuss different agenda items
5. To discuss the New Salary Scale as per HR Advisory Study and Bonus Structure.
6. To discuss different agenda items

4. Corporate Governance, Risk and Compliance Committee (CGRC)

In accordance with Article (19) and (20) of the Company's Articles of Association, and with the objective of assisting the Board of Directors (the Board) in fulfilling its responsibilities and duties, the Corporate Governance, Risk and Compliance Committee (CGRC) is delegated with defined scope of roles and authorities related to corporate governance matters, review of policies and procedures, monitoring compliances with the Company's risk management policies and procedures, reviews and overlooks the Group's overall risk management culture and the implementation of the Risk Management Framework and the process for monitoring compliance with laws and regulations and the Company's Code of Conduct.

The Committee is comprised of a minimum of three members appointed by the Board. The majority of the Committee members, including the Chairman, will be independent directors pursuant to the criteria stated in the Corporate Governance Code. However, the Committee's composition is partially compliant with this guidance as it currently has in place one independent member, one non-executive member and one executive member. The latter represents major shareholders, and chairs the Committee based on the CBB's approval.

The Committee directs the role and assesses the performance of the Risk Management, Compliance and Anti-Money Laundering Departments and is responsible for developing and recommending to the Board corporate governance policies and the Company risk management framework including 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 policies after balancing risks management, rewards, practical efficiencies and compliance with regulatory rules if applicable. The Committee reviews and recommends any amendments to the Company's Memorandum and Articles of Association in consultation with a legal counsel.

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. During 2022, the Corporate Governance, Risk and Compliance Committee held five ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Committee Member	2 Mar	18 May	21 [1] Jun	5 Sep	9 Nov	5 Dec	Total	Attendance Percentage
Mohamed Abdulla Isa, Chairman	Virtual	✗	Virtual	Virtual	✓	✓	5	83%
Yusuf Saleh Khalaf, Vice Chairman	✓	✓	✓	✓	Virtual	✓	6	100%
Abdulla Mohamed Al-Mahmood, Member	✓	✓	Virtual	✓	✓	✓	6	100%

1. To review the Company's Policies.

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 risk policies based on the advice of the Board Corporate Governance, 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 function.

The Head of Risk Management Department reports directly to the Board Corporate Governance, Risk and Compliance Committee and administratively to the Chief Executive Officer. The Group's risk management policies are in place to identify and analyze risks, to establish appropriate limits and controls, and to monitor risk and compliance with the Company's risk appetite. Risk management policies are reviewed on a regular basis to ensure they remain relevant in light of changing market conditions and the Group's activities. The Risk Management ensures that the risks within the Company are identified, mitigated and monitored in order to protect the Company's interest. 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. In addition, the Head of Compliance and Money Laundering Reporting Officer reports directly to the CGRC 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 Compliance and MLRO ensures implementation of applicable regulatory requirements on a group-wide level to the subsidiaries and branches. The Compliance and AML function is subject to periodic independent review and examination by External Audit/independent third party, Internal Audit, and Central Bank of Bahrain.

G. Management Committees:

a. **The Assets and Liabilities Committee ("ALCO")** shall be comprised of at least three members, headed by the Chief Executive Officer, Deputy CEO, CFO, Head of Risk Management, Head of Consumer Finance and Head of Commercial and SME as permanent members. CEO may appoint any other member as needed. The Head of Compliance and Money Laundering Reporting Officer (MLRO) and Head of Internal Audit shall attend ALCO meetings as observer. ALCO is mandated to fulfill oversight responsibilities for the Group with regard to (1) asset and liability management; (2) capital planning; (3) liquidity adequacy; and (4) contingency planning and (5) approving product programmes (which shall form part of consumer finance and mortgage loans and Commercial and SME finance policy framework) with respect to the foregoing. It is also mandated to fix and review the overall portfolio yield, periodically review the provisioning and write off policies, reviews and take appropriate action with regard to the CBB consultation papers, guidelines

CORPORATE GOVERNANCE (CONTINUED)

G Management Committees (continued)

a. The Assets and Liabilities Committee ("ALCO") (Continued)

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 8 times a year 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 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 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 adequately manage the risk of the Company. 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 shall be elected by the Chairman, the membership of the Risk Management Committee shall include the Chief Executive Officer, Deputy CEO, Head of Risk Management, Head of IT & Operations, Chief Financial Officer, Head of Consumer Finance, Head of Commercial & SME, and Head of Compliance & MLRO . The Committee shall meet at least quarterly or more frequently as circumstances dictate.

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-5 Remuneration of Approved Persons and Material Risk Takers duly prescribed under Volume 1: Conventional Banks.

The Company has in place policies and guidelines for the attendance and sitting fees payable to all the Directors in consideration of attending one or more of Board and Committee meetings in a financial year. The Policy reflects the Company's commitment to best practices of corporate governance in line with the legal and regulatory requirements and is intended to remunerate its Board and Committee members fairly and responsibly. The Policy ensures that the remuneration of Board and Committee members are sufficient to attract, retain and motivate persons of the quality 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 and Remuneration Committee and approved by the Board. The remuneration of the Chief Executive Officer's direct reports is reviewed and approved by the Nomination and Remuneration Committee. 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.

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 and Staff. 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 Audit Committee Chairman, the Nomination and Remuneration Chairman, Corporate Governance, 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

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 of Bahrain Credit.

a. Employment of Relatives

The Company has in place a board approved policy on the employment of relatives of approved persons that are embedded in various policies. The Chief Executive Officer of the company shall disclose to the Board of Directors, on an annual basis, relatives of any approved persons occupying controlled functions within the company, if any.

L. Code of Conduct

BCFC strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community) including 10 Principles of Business detailed in Volume 5 of CBB Rule book. Such ethical values include but are not limited to:

1. Observing high standards of integrity and fair dealing, honesty in being truthful, and forthright in the dealing with customer and stakeholders;
2. Openness in creating transparency in the Company's operations;
3. Taking all reasonable steps to identify, and prevent or manage, conflicts of interest that could harm the interests of the customer;
4. Acting with due skill, care and diligence;
5. Observing in full any obligations of confidentiality, with respect to client information. This should not over-ride lawful disclosures;
6. Observing proper standards of Market Conduct and avoiding action that would generally be viewed as improper;
7. Taking reasonable care to safeguard the assets of customers;
8. Paying due regard to the legitimate Interests of customers and communicating with them in a fair and transparent manner and, when dealing with customers who are entitled to rely on advice or discretionary decisions, taking reasonable care to ensure the suitability of such advice or decisions;

CORPORATE GOVERNANCE (CONTINUED)

L. Code of Conduct (continued)

9. Committed to achieve customer excellence. Complaint handling procedures are in place and the results are continuously reviewed;
10. Maintaining an open and cooperative relationship with the CBB and other regulatory bodies and taking reasonable care to ensure that activities comply with all applicable laws and regulations;
11. Maintaining adequate resources, whether human, financial or otherwise, sufficient to run the business in an orderly manner;
12. Taking 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;
13. For the protection of all parties with whom the Company deal, written contracts and agreements should be provided to all parties involved; and
14. BCFC 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.

M. Whistleblowing Policy

This Policy details the procedures for a whistleblower to escalate a complaint to the designated authority and procedures that are to be followed by the Audit Committee to ensure that a valid whistleblowing complaint is investigated properly, and action taken appropriately, while protecting the whistleblower from any adverse reaction due to their complaint.

N. General Guidlines

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.

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 Auditors

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 2022. The Group total audit and quarterly review services fees for the year ended 31 December 2022 amount to BHD 70,340. Other attestation services fees amount to BHD 22,145 which include CBB related mandatory review requirements under the Agreed Upon Procedures engagements.

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.

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 26 years of local and regional diversified experience in financial and telecommunication 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 in the below roles:

- Independent and Non-Executive Director and Vice Chairman of the Audit Committee of Bahrain Telecommunication Company B.S.C. (Batelco), Bahrain (as a representative of the Social Insurance Organization (SIO), Bahrain)
- 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
- Director of Tasheelat Real Estate Services Company W.L.L. (TRESCO), Bahrain

MOHAMED JEHAD BUKAMAL

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

Has more than 14 years of extensive and diversified experience in Investment Management and Corporate Finance; holds a BA (Honours) in International Business from Leeds Metropolitan University, 2008. Member of the Institute of Directors, London, 2019. Holds the Investment Representative Certificate (Series 7), 2011. Mohamed is a Chartered Financial Analyst 'CFA'.

A previous Board Member and Member of the Executive Committee of Bahrain Commercial Facilities Company B.S.C. (BCFC), Bahrain from 25 December 2018 (Non-executive); Member of the Executive Committee and Member of the Automotive Board - Nominee of Social Insurance Organization, Bahrain. Mr. BuKamal 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

EXECUTIVE **MANAGEMENT** (CONTINUED)

ALI KHALAF

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

Joined the company on 17 July 2022; has more than 20 years of experience in the financial industry; a Certified Public Accountant (CPA), 2005; and a Certified Islamic Professional Accountant (CIPA), 2006. 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.

- Member of the Automotive Executive Committee, Bahrain

HUSSAIN AL-MADHI

Vice President - Head of Consumer Finance - Bahrain, Acting General Manager - Tasheelat Insurance Services Company W.L.L

Joined on 3 May 1997; has more than 26 years of extensive and diversified experience in financial and banking services; holds a BSc in Banking and Finance, University of Bahrain, 2004. Attended a number of executive education / training programs at well-known, top business schools such as: Negotiation Program, Saeed Business School, University of Oxford, 2018; Strategy-Building and Sustaining Competitive Advantage at Harvard Business School, 2015; and General Management Programme at Cambridge Judge Business School, 2016. Member of the Institute of Directors, London, 2016.

ALI EBRAHIM AL-MARZOOQ

Vice President, Head of Information Technology & Operation - Bahrain Credit

Joined on 4 June 2006; has more than 30 years of extensive and diversified experience in IT; holds an MBA in Information Technology Management from Sunderland University, UK, 2010. Attended a number of executive education / training programs at well-known, top business schools such as: Prepare to shape the future in a rapidly changing world at Singularity University, 2019; Competing on Business Analytics and Big Data at Harvard Business School, 2014; and Making Your Organization Innovative at Cambridge Judge Business School, 2015.

ALI ABURWAIS

Vice President, 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 31 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. Member of GCC Board Directors Institute. 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.

MOHAMED AHMED AL-MUTAWA

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

Joined on 15 April 2018; has more than 15 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.

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

KUBRA AGHAYAR

Vice President, Head of Commercial & SME – Bahrain Credit

Joined on April 2022; holds an IFS Chartered Associateship (ACIB), and BSc in Financial Services from the University of Manchester. She 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.

Has a wealth of experience after having held several leadership roles Prior to Bahrain Credit, she had served as Head of CSME in Standard Chartered Bank, Bahrain and as Senior Relationship Manager - Corporate Banking within HSBC, Bahrain beside other managerial positions in different financial institutions and Bank such as Ahli United Bank, Bahrain and Gulf International Bank, Bahrain

EXECUTIVE **MANAGEMENT** (CONTINUED)

AYSHA ALSINAN

Vice President, Head of Human Resources - Bahrain Commercial Facilities Company B.S.C.

Joined on 2 July 2006, has more than 16 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.

HUDA JANAHI

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

Joined on 21 July 2019, has more than 18 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).

TARIQ ABDULAZIZ FATHALLA

Vice President, Head of Remedial-Bahrain Credit.

Joined in October 2021; has more than 30 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 Bahrain Credit, 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.

RAMZI BARAKAT

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

Joined on 1 February 2016; has more than 24 years of extensive and diversified experience in the automotive industry in which time he has fulfilled a number of roles. Prior to NMC, he has worked in multiple brands holding various senior positions; holds a BSc. in Business Administration (Management) from The University of Texas at Arlington, USA, 1997. Attended a number of executive education / training programs at well-known, top business schools such as: Applied Neuroscience and Creating High Velocity Organizations at Massachusetts Institute of Technology, 2016; and Leading Change and Organizational Renewal at Harvard Business School, 2018.

- Vice Chairman of the Automotive Executive Committee, Bahrain
- Vice Chairman of Tasheelat Insurance Services Company W.L.L. (TISCO), Bahrain
- Franchise Board Member of General Motors Middle East and Africa

SIMON ELLIS

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

Joined in 2 August 2022; has 30 years experiences in automotive industry gained throughout the UK, Europe and for the last 12 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

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

Joined on 13 January 2020; has more than 13 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 and Land Products in UAE, have attended various trainings and workshops related to Pricing, Rate & Yield Management, Customer Service and certified by Yamaha Technical Academy (YTA).

- Member of the Automotive Executive Committee, Bahrain

EXECUTIVE **MANAGEMENT** (CONTINUED)

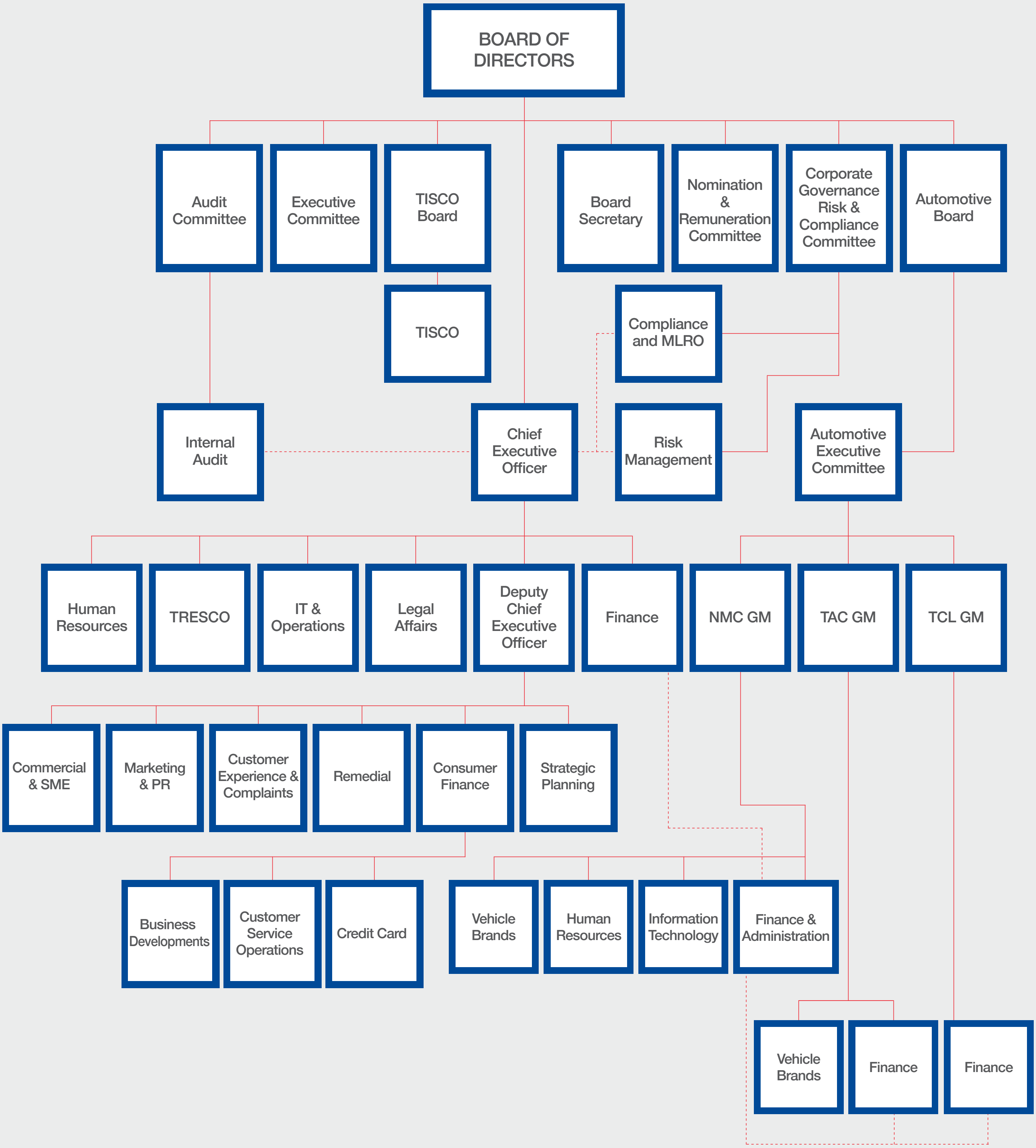
MOHAMED ALAWAMI

Assistant Manager, Tasheelat Real Estate Services Company W.L.L.

Joined on 1 April 2013; has more than 9 years of extensive and diversified experience in real estate investment, development, valuation, real estate brokerage business, property management, facilities management and building services ; hold a BSc in Engineering Informatics from AMA International University of Bahrain , 2012 ; Fulfilled the requirements of Leading Strategic Projects at Cambridge Judge Business School , March 2017 ; and Leadership Development Programme at EMIC Training Bahrain , July 2018.

** Executive Management Members and their connected persons did not hold or trade in the shares of the company during the financial year ended 31st December 2022.*

ORGANIZATION CHART



CHAIRMAN'S REPORT

During the year 2022 the Board of Directors approved the strategy for the next three years 2023- 2025, where enhancing customer satisfaction was the core of the strategy. The Group through partnerships with different stakeholders, is set to meet its customer needs through the launch of new financing products and enhancing its existing one while maintaining strong risk management and enhancing shareholder wealth.

On behalf of the Board of Directors, it gives me immense pleasure to present to you the Annual Report of Bahrain Commercial Facilities Company BSC (BCFC), for the financial year ended 31 December 2022.

Net Profit 2022

BD 3.7 million

Total Assets 2022

BD 298 million

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 Covid-19 pandemic sent shock waves through the world economy and triggered the largest global economic crisis in more than a century. Businesses that were battered and bruised globally are now limping back to normalcy, and regaining strength, after almost three years.

The onset of the pandemic was met with a large, decisive economic policy response that was successful in mitigating the impact in the short run. However, it also created new challenges that had to be addressed decisively. Further the effects of the Ukraine conflict, the lingering effects of supply chain and the increasing commodity prices and inflation have all caused a slow down in the economic growth. The Federal Reserve in the US has aggressively raise the interest rates to control the inflation for which several central banks have followed suit.

Oil exporting countries' economies including the Gulf Cooperation Council (GCC) were positively impacted by the hikes in oil prices. Although the global inflationary risks remain, inflation in the GCC is likely to subside due to higher interest rates, and slowing global growth.

Despite the global economic challenges, Bahrain economic is set for rebound with the support and guidance of His Majesty the King and under the wise leadership of His Royal Highness the Crown prince and Prime Minister. The Group operating in such a difficult environment, continue to achieve well, thanks to it strong business model and solid capital base.

During the year 2022 the Board of Directors approved the strategy for the next three years 2023- 2025 , where enhancing customer satisfaction was the core of the strategy. The Group through partnerships with different stakeholders, is set to meet its customer needs through the launch of new financing products and enhancing its existing one while maintaining strong risk management and enhancing shareholder wealth.

The Group registered a net profit of BD 3.7 million for the year ended 31 December 2022 compared to BD 6.2 million in 2021. The basic and diluted earnings per share was 18 fils compared to 31 fils in 2021. These earnings translate into an average return on equity of 3%. Despite the reduction in the loan portfolio that lowered the interest income compared to 2021, the Group continue to provide impairment allowances to safeguard its loan portfolio against the possible challenges its customers may face post lifting the CBB deferral. The Board recommends a cash dividend to shareholders at a rate of 20 fils per share (20% of paid up capital) (2021: 25 fils per share (25% of paid up capital))

In the lending activities segment, the Group made a net profit of BD 1.7 million (2021: BD 4.4 million). During the year, the Group has invested in enhancing its digital platforms through partnerships with key local and global players to better enhance its 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 14.8 million were advanced during the year (2021: BD 18 million).

National Motor Company WLL has reported a net profit of BD 2.0 million (2021: BD 1.7 million). The automotive industry is going through a set of challenges, availability of vehicles and spare parts inventories has been major constraints with some models were out of stock for considerable periods during the year. However, the company has improved its margins on the vehicles due to the demand supply gap. The company continue to focus on running its operation efficiently to reduce cost and maximize benefit.

Tasheelat Automotive Company WLL reported a net profit of BD 107 thousand in the current year compared to a net loss of BD 197 thousand in 2021. The Company's portfolio of brands is well received by customers targeted segment due to its affordable prices and modern designs. The challenges related to shortage in supply of vehicle inventory has eased to a great extent by the end of the year which will help the company achieving better performance in the near future.

Tasheelat Car Leasing Company WLL reported a net profit of BD 119 thousand (2021: BD 75 thousand). The company has focus approach of maximizing opportunities through negotiating contracts with its customers, sale of ex-leased vehicles. The company is looking to expand its customer reach through tying up with online aggregator platforms and other service providers.

Tasheelat Insurance Services Company WLL achieved a net profit of BD 36 thousand (2021: BD 151 thousand). The company's performance was impacted due to reduction in sales volume of insurance products, mainly the motor related products due to the shortage of new vehicles supply. However, the company will continue to focus on retaining its existing customer base.

Tasheelat Real Estate Services Company WLL has registered a net loss of BD 242 thousand (2021: net profit of BD 57 thousand). The company's performance was impacted due to the slowdown in sales from real estate inventory and the company on conservative grounds has taken a provision against potential future obligation. Management is currently working on the repositioning of the company 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 has refinanced BD 10 million term loan on

CHAIRMAN'S REPORT (CONTINUED)

its maturity and repayed USD 48 million syndicated loans partially through utilizing the cash available within the Group. The Group has a well-defined and staggered maturity profile with no concentration of maturities.

During the year, the Board appointed Mr. Mohamed Jehad BuKamal as Deputy Chief Executive Officer. Mr. BuKamal being on the board of BCFC for 3 years, comes with 14 years of extensive and diversified experience in Investment management and Corporate Finance, the Board also has appointed Mr. Ali Khalaf as Chief Financial officer of BCFC. Mr. Khalaf has more than 20 years of extensive and diversified experience in the financial sector, has worked as partner in one of the big four auditing firms within Bahrain. The Board of Directors extends Mr. BuKamal and Mr. Khalaf their best wishes for achieving success in fulfilling the Group's objectives.

As far as the Board composition, the Board has welcomed Ms. Dana Aqeel Raees as a representative of Social insurance Organization replacing Mr. Mohamed Jehad BuKamal. In accordance with the requirement of Bahrain's Commercial Company Law 2001, the aggregate amount accrued / paid to the directors during 2022 is BD 320 thousand. As required by Article 188 of the Company Commercial Law, all the details in respect of fees and subsidiary Board an 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 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 thanks to the government ministries and organizations of Bahrain for the 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
27 February 2023

Board of directors remuneration details

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors 2022

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	51,163	4,400	-	-	55,563	-	-	-	-	-	-	55,563	-
2. Reyadh Yusuf Hasan Sater	25,581	2,400	-	-	27,981	-	-	-	-	-	-	27,981	-
3. Nader Karim Al-Maskati	25,581	8,200	-	-	33,781	-	-	-	-	-	-	33,781	-
4. Ebrahim Abdulla Buhindi	25,581	2,800	-	-	28,381	-	-	-	-	-	-	28,381	-
5. Yusuf Saleh Sultan Khalaf	25,581	2,800	-	-	28,381	-	-	-	-	-	-	28,381	-
Second: Non-Executive Directors:													
1. Abdulla Mohamed Al-Mahmood	25,581****	2,400	-	-	27,981	-	-	-	-	-	-	27,981	-
2. Dana Aqeel Raees	19,189****	1,200	-	-	20,389	-	-	-	-	-	-	20,389	-
Third: Executive Directors:													
1. Dr. AbdulRahman Ali Saif	25,581	6,000	-	-	31,581	-	-	-	-	-	-	31,581*****	-
2. Abdulaziz Abdulla A.Aziz Al-Ahmed	25,581	6,600	-	-	32,181	-	-	-	-	-	-	32,181	-
3. Mohamed Abdulla Isa	25,581	7,800	-	-	33,381	-	-	-	-	-	-	33,381*****	-
Total	**275,000**	**44,600**	**-**	**-**	**319,600**	**-**	**-**	**-**	**-**	**-**	**-**	**319,600**	**-**

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).
*** Subject to the Ministry of Industry and Commerce's approval and the Ordinary General Meeting's Approval on 29 March 2023.
**** It includes Nomination/Representation Remuneration to be paid to the entity (shareholder) represented by these Board members.
***** It includes Nomination/Representation Remuneration and Allowance to be paid / paid to the entity (shareholder) represented by these Board members

CHAIRMAN'S REPORT (CONTINUED)

Executive management remuneration details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	791,672	91,625*	-	883,297

Note: All amounts must be stated in Bahraini Dinars.

* Subject to the Board of Directors' approval.

MANAGEMENT REVIEW OF **OPERATIONS**

For the year 31 December 2022

It was not long ago that the Covid-19 pandemic brought a big part of the economy to a halt, and while the recovery has been relatively swift once restrictions were lifted. Global economic activity has started decelerating as a result of synchronized monetary policy tightening to contain higher inflation. Global growth is expected to slow from 2.9 percent in 2022 to 1.7 percent in 2023. The outlook has several downside risks, including the possibility of persistent inflation, further tightening of monetary policy, financial stress, and rising geopolitical tensions

In the GCC and Bahrain, economies continued to record positive growth rates despite expectations of a global economy slowdown. Such growth is supported by financial and structural reforms in terms of financial stability and promoting economic diversification. On inflation, prices remained relatively steady showing signs of overall stabilization. The inflationary pressure has been balanced by a stronger US Dollar in comparison to other main currencies. Operating in a complex economic environment, BCFC Group has registered a net profit of BD 3.7 million (2021: BD 6.2 million).

During the year 2022 the Board of Directors approved the Company's strategy for the next three years encompassing 2023-2025, where enhancing the customer experience is at the core of the strategy. Through partnerships with different stakeholders, the Group is set to meet its customer needs through the launch of new financing products and services while maintaining strong governance, controls, and risk management measures.

LENDING ACTIVITY

Bahrain Credit reported a net profit of BD 1.7 million (2021: BD 4.4 million). The reduction in the net profit is mainly attributable to the reduction in net interest income due to a lower portfolio size. Post the lifting of the CBB installment payment deferral program, the Company has worked closely with its customers to help regularize their installment payments and financial obligations after more than 2 years of installment deferrals.

Acting prudently, the Company has continued to provide ample impairment provision against possible difficulties customers may face in the future. For the year 2022, the Company provided an impairment provision of BD 12.0 million (2021: BD 12.8 million).

During 2022, the Company took many initiatives to drive the growth of its loan portfolio in a sustainable manner. BCFC was able to attract a number of experienced local talents in lending, customer experience, risk, finance and strategy to fill key vacant positions. The Commercial and SME department was reorganized to help provide tailored financial solutions to this segment of society in line with the Kingdom of Bahrain strategy.

The Company continues to invest in its digital platform and partner with key global and local players in the tech industry. On the other hand it continues to reinforce its risk management framework and corporate governance with best practices.

Inflation and a rising interest rate environment are expected to have an impact on the Company's operations. On the one hand this higher interest rate environment will help improve the Company's competitiveness in a crowded market. However, this will also lead to lower net interest margins in the near future. The Company will closely monitor the situation and balance risk and pricing to help maintain its net interest margin while at the same time manage its provisioning requirements.

NATIONAL MOTOR COMPANY

National Motor Company WLL recorded a net profit of BD 2.0 million (2021: BD 1.7 million). The Economic condition in the automotive industry remain challenging, where most manufacturers are going through a set of challenges. The Company adjusted its pricing across most model lineups to absorb the shortage in inventory amid global supply disruptions.

The Company throughout the year has worked on maintaining a balance of vehicle inventory while at the same time meet customer demand. This has helped the Company in controlling its costs while at the same time improve profitability margins. The Company's after-sales department has also showed a considerable contribution to the profitability of the Company as COVID related restrictions have been lifted during 2022.

MANAGEMENT REVIEW OF **OPERATIONS** (CONTINUED)

For the year 31 December 2022

TASHEELAT AUTOMOTIVE COMPANY

The company has turned around its business and reported a net profit of BD 107 thousand in 2022 (2021: net loss of BD 197 thousand). The Company is the exclusive distributor of major Chines brands including GAC motor, Haval, Great Wall and the newly introduced Tank which are well received in the Bahraini Market. Despite being introduced for a short period, those brands has proven their reliability and managed to receive a high customer satisfaction, thanks to its unique value propositions of offering modern designs, advanced technologies, good fuel economy at competitive prices.

Similar to all dealers in Bahrain, the Company faced challenges related to the availability of vehicle inventory most of the year with continued lockdown of the Chines market. However, toward the end of the year, the situation has eased to a great extent which shall help the Company to achieve its long term strategic objectives.

In an important milestone, the Company's after sale department has started to contribute to the Company's profitability, which shall help achieve the Company aspiration.

TASHEELAT CAR LEASING COMPANY

With a total fleet size of more than 1,000 units and operating from five locations including a commercial branch in Juffair, the Company recorded a net profit of BD 119 thousand (2021: BD 75 thousand).

The Company continued its focused approach of enhancing operating efficiency through retaining and renegotiating its contracts with major customers, optimizing deployment of human resources and control cost. In addition, the Company has managed to profitably liquidate a number of ex-lease and rental units. The Company continues to maintain a healthy split between long term leases and short term rentals.

The car rental market in Bahrain is emerging and set for rebound post the pandemic. The rising interest rates, increasing cost of vehicle ownership along with expected increase in tourism in Bahrain is expecting to contribute to the growth in the market.

The Company is set for such growth and looking to expand its customer reach through tying up with online aggregator platforms and other service providers.

TASHEELAT REAL ESTATE SERVICES COMPANY

The Company has recorded a net loss of BD 242 thousand (2021: Net profit of BD 57 thousand). The effects of the pandemic continue to impact the real estate market in Bahrain. However, there has been a growth in the market driven by customers taking advantage of reduced sales prices. The Company managed to liquidate 7 plots from its land projects (2021: 19 plots). TRESCO is cautiously monitoring the real estate market for future investments, as increases in interest rates are expected to impact customers' appetites for mortgage lending and related facilities.

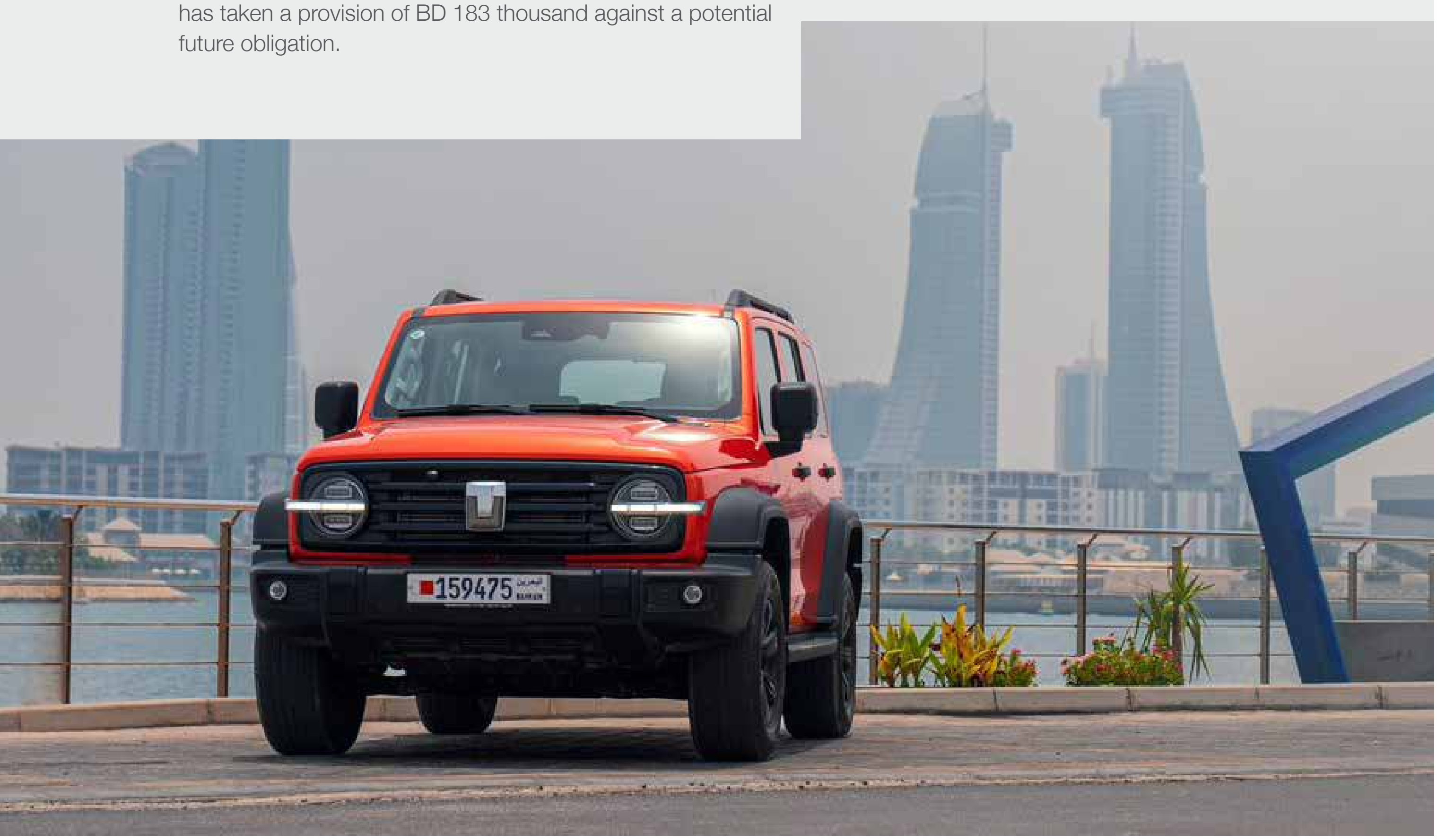
In the rental market, the Company continues to work on striking a balance to maintain a healthy occupancy rate and provide affordable rental prices. The rental market in Bahrain is expected to recover which shall enhance the Company's yield from the owned investment properties.

During the year 2022 the Company, as a prudent measure, has taken a provision of BD 183 thousand against a potential future obligation.

TASHEELAT INSURANCE SERVICES COMPANY

The Company has reported a net profit of BD 36 thousand (2021: BD 151 thousand). The shortage in the vehicle's inventory supply has impacted the Company's performance especially in its main product motor insurance. Despite that, the Company managed to sell more than 14 thousand motor insurance policies thanks to its branches network and the online digital infrastructure which allow customers to choose insurance products from number of insurance companies across Bahrain. This has helped the Company to maintain its existing customer base and reach a renewal rate of more than 55%.

The Company is currently working on reprofiling its existing insurance products especially in the motor and medical insurance to enhance the value proposition to the customer. In addition, the Company is adding a number of insurance companies to its panel of insurance companies to provide customers with a wider selection of insurance choices. This shall help in enhancing the Company's performance in the coming year and reduce the dependency on a single product.



CORPORATE SOCIAL RESPONSIBILITY

Unwavering Commitment

BCFC is steadfast in providing a friendly and reliable service to our customers, providing high-quality commercial and financial products and services that contribute to the enrichment of economic activity in the Kingdom of Bahrain. Our continued focus and dedication to maintaining excellence in this area ensures that we deliver sustainable and reliable opportunities to both individual and institutional customers. Looking to solidify and grow our presence within a competitive market, we deploy a strategy of continuing improvement on products and services, as well as increasing distribution coverage and diversifying our income sources. Established for over forty years, BCFC has long been a cornerstone of Bahraini society and has played a pivotal role in achieving the country's stability and enabling ongoing economic growth. We look forward to remaining at the head of the market by continuing to provide reliable, friendly service and a wide range of high-quality products and services.

BCFC is also strongly devoted to embracing our social responsibility and giving back to the communities in which we operate. We strive to ensure that our positive growth and expansion reflect positively on these communities, create supportive and inclusive working environments for our employees, and help stimulate the pace of prosperity in the Kingdom of Bahrain. Our innovative methodology and the clear directives established by the Board of Directors, coupled with the close follow-up of the executive body of the Company, all reflect our commitment to this pursuit. We are proud to provide innovative and quality products and services, creating a clear imprint in supporting the national economy. We take our commitment to being a friendly and responsible neighbour seriously and continue to strive towards a more prosperous future.

BCFC is proud to be a part of the well-established trends in supporting charitable works and actively engaging in social responsibility. We are committed to continuously providing financial assistance to NGOs, initiatives, and active efforts in the field of health, education, relief and humanitarian work and many others. BCFC also strongly believes in investing in our people and actively works towards improving the skills of its employees by realigning key performance indicators and investing in the performance management infrastructure. We are passionate about developing Bahraini talent and strive to attract, qualify, recruit, and upgrade Bahraini talent to support our strategic aspirations. Through our friendly staff we offer welcoming customer service and feel privileged to be making a difference in the community. We look forward to continuing our work as a key player in establishing well-being and an engaged workforce.

The Company signed a partnership agreement with the Bahrain Institute of Banking and Finance (BIBF) to launch the "Future Leaders" integrated training program for the Company's employees. The program included academic and practical training for employees of the rising generation of the Company, who have high potential, to prepare them to assume leadership positions within the various departments and divisions of the group by enhancing and developing their practical experiences and enhancing their knowledge.

Donation to Estidama Program for Retirees

Bahrain Commercial Facilities Company supports Bahrain Cancer Society

BCFC'S 2022 **STRATEGY**

Turning Point

It was an exciting and dynamic year for Bahrain Commercial Facilities Company (BCFC) in 2022. We recalibrated and identified the markets, customers, and work environment, learning from prior experiences and overcoming some challenges. It wasn't a time of "Warrior's Rest" so much as a reflection period to increase motivation and take off for bigger and brighter prospects for sustainable growth.

We took on three main challenges that made us stronger:

1. Reclaiming our progress and getting back to the pre-COVID state.
2. Establishing our objectives and aspirations for the future.
3. Executing and implementing our combined strategies.

We worked hard, grew stronger, and conquered these challenges in 2022! With a friendly attitude and confidence in going forward, we look forward to brighter days in the future and to continuing our commitment to making a sustainable impact.

To achieve success, BCFC relied on seven pillars:

1. **Efficiency**: Utilizing available resources to produce desirable outcomes as efficiently as possible.
2. **Innovation**: Incorporating new ideas, designs, and methods in all our operations and services.
3. **Organization**: Establishing a streamlined process for our multi-activity company.
4. **Operations**: Ensuring unity between our operating teams within the framework of our overall strategy.
5. **Brand**: Positioning our name, "Facilities," as the driving force for success.
6. **Regulations**: Ensuring that all laws and legislative and regulatory requirements are met.
7. **Sustainability**: Making sustainability the cornerstone of all our activities and objectives.

We are working towards creating a success story in a friendly and collaborative environment. Together, we strive to help our clients achieve their goals with dependable and innovative support.

Bahrain Commercial Facilities Company concluded its Future Leadership Program

BCFC'S 2022 **STRATEGY** (CONTINUED)

Way forward

Bahrain Commercial Facilities Company (BCFC) has completed its strategic plan for the next three years 2023-2025, with a focus on enhancing customer satisfaction at its core. By collaborating with strategic partners, we are committed to meeting our customers' needs and providing them with convenient, modern financing products and services. Additionally, we pledge to establish a robust risk management framework and adhere to standards of governance and discipline. We look forward to continuing to be a leader in commercial and banking services in the Kingdom of Bahrain, incorporating the latest technologies, developing new products and services, implementing the highest standards, and innovating with our digital transformation program in order to build an infrastructure for integrated sales and services, along with improving essential processes and providing our customers with enhanced information. At BCFC, we pride ourselves on providing personalized and friendly customer service that goes above and beyond. Our commitment to customer satisfaction is integral to the success of our business and our growth as a Company. We value the enthusiasm of our customers and are determined to provide them with an uncomplicated and enjoyable experience.

At BCFC, we are keen in ensuring that our operations are as swift and effective as possible and that our customers are offered the best service available. To that end, we're implementing initiatives to bolster our treasury, market, and hedging capabilities, allowing us to better manage our liquidity and balance sheet. On top of that, we are also creating new, innovative products that cater to the needs of our current and future customers, helping to diversify our sources of income. With all of these efforts, we strive to bring a friendly and efficient experience for our customers.

We are committed to supporting our commercial banking and institutional customers with increasing payments, liquidity management, and trade finance. We understand the growing needs in the banking sector, and are strengthening our services, renewing our digital channels, and investing in the quality of relationship management and consulting to meet the challenge. We promote a regulatory framework and strong governance standards, prioritize a proactive risk management policy, establish a leading risk infrastructure, and implement a thoughtful risk culture, in order to provide a safe, secure, and friendly environment for our customers.

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 1778 6010	
Website	www.bahraincredit.com.bh	
E-mail	bcredit@bahraincredit.com.bh	
Office	Bahrain Credit Building, Building 290, Road 111, Tubli, Bahrain 701	
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. HSBC Bank	National Bank of Bahrain B.S.C. Gulf International Bank Mashreq Bank Al Salam Bank The National Bank of Ras Al-Khaima HBL (Habib Bank Ltd) Kuwait Finance House
External Auditors	Ernst & Young	

FINANCIAL STATEMENTS

Contents

INDEPENDENT AUDITORS' REPORT
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 2022 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 a summary of significant accounting policies.

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 2022, 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 IESBA. 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 2022. 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.

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 2022, the Group's gross loans and advances amounted to BD 233 million and the related ECL amounted to BD 35.4 million, comprising BD 8.4 million of ECL against Stage 1 and 2 exposures and BD 27 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 2022. 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 2022 annual report

Other information consists of the information included in the Group's 2022 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.

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, related safeguards.

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 Chairman's statement 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 2022 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
27 February 2023
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

At 31 December 2022

	Note	31 December 2022 BD '000	31 December 2021 BD '000
ASSETS			
Cash and balances with banks		40,702	28,354
Loans and advances to customers	10	197,605	229,325
Trade receivables	11	3,026	3,569
Inventories	12	16,472	11,479
Investment properties	13	10,502	10,787
Property and equipment	14	24,613	24,945
Other assets	15	5,558	2,442
TOTAL ASSETS		**298,478**	310,901
LIABILTIES AND EQUITY			
LIABILITIES			
Trade and other payables	16	16,924	19,484
Bank term loans	17	143,915	156,497
TOTAL LIABILITIES		**160,839**	175,981
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		29,930	25,190
Retained earnings		52,387	54,408
TOTAL EQUITY		**137,639**	134,920
TOTAL LIABILITIES AND EQUITY		**298,478**	310,901

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 2022

	Note	**2022 BD '000**	2021 BD '000
Interest income		25,204	28,915
Interest expense		(7,990)	(8,749)
Net interest income		**17,214**	20,166
Automotive revenue	19	39,746	43,408
Cost of sales		(33,129)	(38,020)
Gross profit on automotive revenue		**6,617**	5,388
Net fee and commission income	20	4,140	5,380
Profit from sale of real estate inventory	21	55	156
Rental and evaluation income		527	595
Total operating income		**28,553**	31,685
Other income	22	839	1,129
Salaries and related costs		(7,049)	(7,001)
Operating expenses	23	(9,146)	(8,665)
Profit before allowance on financial instruments		**13,197**	17,148
Allowance on loans and receivables, net of recoveries	24	(9,532)	(10,967)
Profit for the year		**3,665**	6,181
Basic and diluted earnings per 100 fils share	30	**18 fils**	31 fils
Proposed cash dividend per 100 fils share		**20 fils**	25 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 2022

	2022 BD '000	2021 BD '000
Profit for the year	**3,665**	6,181
Other comprehensive income:		
Items that are or may be reclassified to profit or loss		
Net change in cash flow hedge reserve	4,295	3,332
Total comprehensive income for the year	**7,960**	9,513

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 2022

	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	-	-	-	-	-	-	-	(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 **CHANGES IN EQUITY**

For the year ended 31 December 2022

	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 2021	20,419	(599)	10,210	25,292	(5,445)	529	27,000	48,227	125,633
Comprehensive income for the year:									
Profit for the year	-	-	-	-	-	-	-	6,181	6,181
Other comprehensive income:									
- Net change in cash flow hedge reserve	-	-	-	-	3,332	-	-	-	3,332
	20,419	(599)	10,210	25,292	(2,113)	529	27,000	54,408	135,146
Utilisation of donation reserve	-	-	-	-	-	(226)	-	-	(226)
At 31 December 2021	20,419	(599)	10,210	25,292	(2,113)	303	27,000	54,408	134,920

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 31 December 2022

	2022 BD '000	2021 BD '000
OPERATING ACTIVITIES		
Loan repayments, interest received and other credit related receipts	216,888	211,318
Cash receipts from automotive sales	40,586	44,731
Insurance commission received	579	713
Proceeds from sale of real estate inventory	1,244	2,302
Rental and evaluation income received	568	627
Loans and advances to customers	(165,836)	(152,638)
Payments to suppliers	(37,536)	(34,673)
Payments for operating expenses	(15,410)	(11,056)
Directors' fees paid	(330)	(335)
Interest paid	(7,817)	(8,396)
Net cash generated from operating activities	**32,936**	52,593
INVESTING ACTIVITIES		
Capital expenditure on property and equipment	(3,942)	(2,093)
Addition to investment properties	(1)	-
Proceeds from sale of property and equipment	1,431	1,231
Proceeds from sale of investment properties	-	1,200
Fixed deposit held with banks maturities of more than three months	(6,300)	-
Net cash (used in) / generated from investing activities	**(8,812)**	338
FINANCING ACTIVITIES		
Bank term loans availed	26,021	2,000
Bank term loans paid	(38,880)	(52,170)
Dividends paid	(5,036)	(16)
Government grant received	-	347
Donations paid	(205)	(226)
Net cash used in financing activities	**(18,100)**	(50,065)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**6,024**	2,866
Cash and cash equivalents at 1 January	28,301	25,435
CASH AND CASH EQUIVALENTS AT 31 December	**34,325**	28,301
Cash and cash equivalents comprise:		
Cash and balances with banks	40,702	28,354
Less:		
Restricted cash	(77)	(53)
Fixed deposit held with banks	(6,300)	-
	34,325	28,301

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

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

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 2022 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%	Exclusive 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%	Exclusive 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 year ended 31 December 2022 were prepared in accordance with International Financial Reporting Standards ("IFRS"). The comparative information included in the 31 December 2021 consolidated financial statements were reported in according with IFRS as modified by the CBB. The transition from "IFRS as modified by CBB" to "IFRS" has not resulted in any changes to the previously reported numbers (including comparatives in these consolidated financial statements) in the consolidated statement of financial position as of 1 January 2022 and 31 December 2022 and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of compliance (continued)

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

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 transition from "IFRS as modified by CBB" to "IFRS" as detailed in section 2.1 above and 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 2022. 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 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

2.4.2 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

2.4.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2022

The amendment was applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

2.4.4 IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Group has applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the amendment is applied.

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 Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

2.5.2 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES

The significant 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 except as described in Note 2.1.

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 2022

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 2022

3 SIGNIFICANT 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. 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:

- 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,

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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.

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3 SIGNIFICANT 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.

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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.

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3 SIGNIFICANT 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.

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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.

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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3 SIGNIFICANT 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

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designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and presented in a hedge reserve as a separate component of equity. The corresponding effect of the unrealised gains or losses recognised in other comprehensive income is recognised as other assets or other liabilities in the statement of financial position. The effective portion of the gain or loss on derivative instruments recognised in other comprehensive income is removed and included in 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 (Note 3.4) 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

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Lease liability (continued)

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.

3.20 Bank term loans

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

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.

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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 (Note 3.4.5).

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 as a result of COVID-19 or longer term.

During the year, 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 2022.

4.2 Estimates
4.2.1 Impairment of financial instruments
- Determining inputs into the ECL measurement models, including incorporation of forward looking information (Note 5.1).
- 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 (Note 3.4.5 and Note 11).

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 (Note 3.6 and Note 12).

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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 2022.

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 (Note 4).

Management of credit risk
The Group's credit risk management framework includes:

- Authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;
- Diversification of lending activities; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties and reviewing limits in accordance with risk management strategy and market trends.

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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 2022 BD'000	31 December 2021 BD'000
Stage 3 – specifically assessed loans		
Gross amount	7,902	9,124
Expected credit loss	(2,998)	(3,834)
Net amount	**4,904**	5,290
Stage 1, 2 and 3 - collectively assessed loans		
Stage 1 - 12 month	127,523	130,236
Stage 2 - lifetime - not credit impaired	50,082	88,248
Stage 3 - lifetime - credit impaired	47,528	35,507
Expected credit loss	(32,432)	(29,956)
Net amount	**192,701**	224,035
Net loans and advances to customers	**197,605**	229,325

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

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).

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.

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

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

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

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

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 6 months 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.

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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)

Aging analysis of loans and advances to customers as follows:

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**

2021	Stage 1 BD'000	Stage 2 BD'000	Stage 3 BD'000	Total BD'000
Current	118,160	77,779	11,082	207,021
Past due:				
1-30 days	8,162	4,772	2,165	15,099
31-60 days	3,618	3,589	2,089	9,296
61-89 days	296	2,108	1,816	4,220
90 days – 1 year	-	-	12,578	12,578
1 year – 3 years	-	-	13,337	13,337
More than 3 years	-	-	1,564	1,564
Expected credit loss	(3,912)	(7,201)	(22,677)	(33,790)
Carrying value	126,324	81,047	21,954	229,325

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2022	**Retail BD'000**	**Corporate 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**
Collectively assessed ECL	(30,872)	(1,560)	**(32,432)**
Specifically assessed ECL	(1,867)	(1,131)	**(2,998)**
Net loans and advances	**181,737**	**15,868**	**197,605**

2021	Retail BD'000	Corporate BD'000	Total BD'000
Current	191,495	15,526	207,021
Past due:			
1-30 days	14,364	735	15,099
31-60 days	8,482	814	9,296
61-89 days	4,022	198	4,220
90 days – 1 year	10,881	1,697	12,578
1 year – 3 years	11,897	1,440	13,337
More than 3 years	1,010	554	1,564
Gross loans and advance	242,151	20,964	263,115
Collectively assessed ECL	(28,292)	(1,664)	(29,956)
Specifically assessed ECL	(2,032)	(1,802)	(3,834)
Net loans and advances	211,827	17,498	229,325

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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 Bahraini residents. Credit risk concentration of loans at the reporting date represents 92% (2021: 92%) retail loans and 8% (2021: 8%) to corporate customers.

By geographical region

All loans and advances are geographically located in Bahrain.

The unutilised credit limit for credit cards at 31 December 2022 amounted to BD 19,668 thousand (2021: BD 27,140 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 2022, the average gross credit exposure for loans and advances to customers is BD 210,679 thousand (2021: BD 240,265 thousand) and average unutilised credit limit is BD 21,337 thousand (2021: BD 28,557 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 33% vehicle loans (2021: 37%), 20% mortgage collateral backed loans (2021: 20%), 37% personal loans (2021: 33%) and 10% credit card lending (2021: 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 2022, the total gross amount of accounts with days past due 90 days or more, was BD 39,562 thousand (2021: BD 27,479 thousand). The total stage 3 accounts were BD 55,430 thousand (2021: BD 44,631 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 2022, loans and advances amounting to BD 3,241 thousand (2021: BD 5,978 thousand) were restructured.

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At 31 December 2022

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired. A customer needs to demonstrate consistently good payment behaviour over a period of 6 months before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL 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 2022, loans amounting to BD 81,984 thousand (2021: BD 105,433 thousand) were fully collateralised and loans amounting to BD 44,765 thousand (2021: BD 46,155 thousand) were partly collateralised with a collateral value of BD 28,632 thousand (2021: BD 29,908 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 2022, the average gross exposure for trade and other receivables is BD 3,021 thousand (2021: BD 3,674 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 2022, the average gross credit exposure for balances with banks is BD 34,185 thousand (2021: BD 27,565 thousand). Such amounts are calculated based on the average of last four quarterly results.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 below. The future contractual undiscounted cash flows of financial assets and financial liabilities have been disclosed at the carrying value and prevailing interest rates at the reporting date until their final maturities.

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At 31 December 2022

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	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	-	-

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

Management of liquidity risk (continued)

2021	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	28,354	28,354	28,354	-	-
Loans and advances to customers	229,325	372,931	97,360	191,948	83,623
Trade receivables	3,569	3,569	3,569	-	-
Other assets	379	379	379	-	-
	261,627	405,233	129,662	191,948	83,623
Liabilities					
Trade and other payables	13,345	13,345	13,345	-	-
Derivative financial instruments	2,113	2,113	430	1,683	-
Lease liabilities	1,163	1,315	524	626	165
Bank term loans	156,497	166,704	40,889	125,815	-
	173,118	183,477	55,188	128,124	165
Unutilised credit limits	27,140	27,140	27,140	-	-

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.

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

At 31 December	Fixed rate		Floating rate		Non-interest earning		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Assets								
Cash and balances with banks	36,266	25,648	-	-	4,436	2,706	**40,702**	28,354
Loans and advances to customers	197,137	228,940	-	-	468	385	**197,605**	229,325
Trade receivables	-	-	-	-	3,026	3,569	**3,026**	3,569
Other assets	-	-	2,230	-	751	379	**2,981**	379
	233,403	254,588	**2,230**	-	**8,681**	7,039	**244,314**	261,627
Liabilities								
Trade and other payables	-	-	-	-	13,269	13,345	**13,269**	13,345
Derivative financial instruments	-	-	-	1,955	48	158	**48**	2,113
Lease liabilities	1,043	1,163	-	-	-	-	**1,043**	1,163
Bank term loans	-	-	143,915	156,497	-	-	**143,915**	156,497
	1,043	1,163	**143,915**	158,452	**13,317**	13,503	**158,275**	173,118

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2022 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 779 thousand (2021: BD 679 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 5.29% p.a. (2021: 4.85% p.a.).

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposure to IBORs on its financial instruments and interest rate swaps that will be reformed as part of this market-wide initiative. The Group is in the process of amending or preparing to amend contractual terms in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition.

The Group currently having long term borrowings amounting to BD 62,582 thousand which shall be maturing beyond June 2023. The Group have IRS contracts of BD 30,160 thousand maturing beyond June 2023. The Group is currently working with the relationship banks and loan agencies to include the appropriate fall back language into the existing agreements. The Group don't see any major impact on its interest cost or contractual maturities due to this reform.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

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.

	2022 BD '000	2021 BD '000
US Dollars	124,370	136,985
Japanese Yen	10	-
	124,380	136,985

The Bahraini Dinar is effectively pegged to the US Dollar.

The Group has entered into BD 31.2 million forward rate contracts (2021: BD 40 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 2022 (2021: 1.3).

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 2022 interest rate risk attributable to the term loans of BD 66.0 million (USD 175 million) (2021: BD 88.6 million ,USD 235 million) has been hedged. The fair value of this hedge instruments is BD 2,230 thousand asset (2021: BD 1,956 thousand liability).

At 31 December 2022 foreign exchange forwards attributable to the term loans of BD 31.2 million (2021: BD 40 million) has been hedged. The positive fair value of this hedge instruments are BD 48 thousand liability (2021: BD 157 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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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 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 (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.

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6 DERIVATIVES AND HEDGING (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 (pages 52-53)

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						
2022	**-**	**7,000**	**25,080**	**25,510**	**39,585**	**97,175**
2021	27,540	10,000	15,080	21,310	54,665	128,595

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 expected repayment arrangements is given below. The contractual maturities of assets and liabilities are not significantly different from the expected repayment dates.

At 31 December	Within 1 Year		1 year to 5 years		5 year to 10 years		More than 10 years		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	BD '000	BD '000	**BD '000**	BD '000	**BD '000**	BD '000	**BD '000**	BD '000	**BD '000**	BD '000
Assets										
Cash and balances with banks	40,702	28,354	-	-	-	-	-	-	**40,702**	28,354
Loans and advances to customers	63,511	73,985	89,061	110,154	35,939	38,293	9,094	6,893	**197,605**	229,325
Trade receivables	3,026	3,569	-	-	-	-	-	-	**3,026**	3,569
Other assets	1,106	379	1,875	-	-	-	-	-	**2,981**	379
	108,345	106,287	**90,936**	110,154	**35,939**	38,293	**9,094**	6,893	**244,314**	261,627
Liabilities										
Trade and other payables	13,269	13,345	-	-	-	-	-	-	**13,269**	13,345
Derivative financial instruments	48	430	-	1,683	-	-	-	-	**48**	2,113
Lease liabilities	374	477	603	563	27	83	39	40	**1,043**	1,163
Bank term loans	64,597	35,071	79,318	121,426	-	-	-	-	**143,915**	156,497
	78,288	49,323	**79,921**	123,672	**27**	83	**39**	40	**158,275**	173,118

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.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

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 exposure to derivatives, whose fair value as of 31 December 2022 is BD 2,182 thousand (2021: BD 2,113 thousand liability) are categorised under Level 2. There were no transfers between Level 1 and Level 2 during 2022.

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.

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	-	-	143,915	143,915	**143,915**

2021	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	-	-	229,325	229,325	229,325
Bank term loans	-	-	156,497	156,497	156,497

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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 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**

	31 December 2021			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Loans and advances	130,236	88,248	44,631	263,115
Less: expected credit loss	(3,912)	(7,201)	(22,677)	(33,790)
Loans and advances	126,324	81,047	21,954	229,325

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Expected credit loss movement

2022	**Stage 1**	**Stage 2**	**Stage 3**		**Total**
			Collectively assessed	**Specifically assessed**	
	BD '000	**BD '000**	**BD '000**	**BD '000**	**BD '000**
Expected credit loss at 1 January 2022	3,912	7,201	18,843	3,834	**33,790**
Net transfer between stages	1,900	(2,864)	964	-	**-**
Net (reversal) / charge for the year	(4,499)	2,768	13,386	279	**11,934**
Write off during the year	-	-	(9,179)	(1,115)	**(10,294)**
Expected credit loss at 31 December 2022	**1,313**	**7,105**	**24,014**	**2,998**	**35,430**

2021	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Specifically assessed	
	BD '000	BD '000	BD '000	BD '000	BD '000
Expected credit loss at 1 January 2021	5,668	5,522	20,404	3,103	34,697
Net transfer between stages	(1,000)	627	(176)	549	-
Net (reversal) / charge for the year	(756)	1,052	12,149	395	12,840
Write off during the year	-	-	(13,534)	(213)	(13,747)
Expected credit loss at 31 December 2021	3,912	7,201	18,843	3,834	33,790

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

11 TRADE RECEIVABLES

	31 December 2022 BD '000	31 December 2021 BD '000
Trade receivables	5,098	5,608
Less: expected credit loss	(2,072)	(2,039)
	3,026	3,569

Expected credit loss movement

	2022 BD '000	2021 BD '000
At beginning of the year	2,039	1,726
Net charge for the year	76	391
Write off during the year	(43)	(78)
At end of the year	**2,072**	2,039

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

12 INVENTORIES

	31 December 2022 BD '000	31 December 2021 BD '000
Automotive stock:		
-Vehicles	8,218	3,030
-Spare parts	6,752	5,875
Real Estate inventory	2,291	3,325
	17,261	12,230
Provision on vehicles and spare parts	(789)	(751)
	16,472	11,479

Movement on provisions (vehicles and spare parts)

	2022 BD '000	2021 BD '000
At beginning of the year	751	1,070
Net charge for the year	121	123
Utilisation	(83)	(442)
At end of the year	**789**	751

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

13 INVESTMENT PROPERTIES

	31 December 2022 BD '000	31 December 2021 BD '000
Cost		
At 1 January	13,024	14,536
Additions during the year	1	-
Disposal during the year	-	(1,152)
Transfer from investment property to inventory	-	(360)
At 31 December	**13,025**	13,024

Accumulated depreciation and impairment losses

	2022 BD '000	2021 BD '000
At 1 January	2,237	1,973
Charge for the year	282	289
Charge / (reversal) of impairment provision	4	(25)
At 31 December	**2,523**	2,237
Net book value at 31 December	**10,502**	10,787

The fair value of investment properties as at 31 December 2022 is BD 12,888 thousand (2021: BD 12,917 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 sales comparison approach that reflect recent transaction prices for similar properties and accordingly categorised as level 3 in fair value hierarchy.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

14 PROPERTY AND EQUIPMENT

						2022	2021
	Land and buildings BD '000	Furniture, fixtures & equipment BD '000	Vehicles BD '000	Work in Progress BD '000	Right of Use BD '000	Total BD '000	Total BD '000
Cost							
At 1 January	26,393	11,356	7,707	239	3,610	**49,305**	50,191
Additions	3	256	2,588	615	480	**3,942**	2,093
Disposals	-	(193)	(2,594)	-	(184)	**(2,971)**	(2,979)
Reclassified	-	461	-	(461)	-	-	-
At 31 December	**26,396**	**11,880**	**7,701**	**393**	**3,906**	**50,276**	49,305
Depreciation							
1 January	9,359	10,306	3,115	-	1,580	**24,360**	22,541
Charge for the year	483	715	1,070	-	532	**2,800**	3,162
Disposals	-	(37)	(1,330)	-	(130)	**(1,497)**	(1,343)
At 31 December	**9,842**	**10,984**	**2,855**	**-**	**1,982**	**25,663**	24,360
Net book value							
At 31 December 2022	**16,554**	**896**	**4,846**	**393**	**1,924**	**24,613**	
At 31 December 2021	17,034	1,050	4,592	239	2,030		24,945

The cost of fully depreciated assets still in use at 31 December 2022 was BD 12,268 thousand (2021: BD 10,743 thousand).

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

15 OTHER ASSETS

	31 December 2022 BD '000	31 December 2021 BD '000
Positive derivative financial instruments	2,230	-
Advance to suppliers	1,969	1,587
Prepaid expenses	608	476
VAT receivables	499	53
Others	252	326
	5,558	2,442

16 TRADE AND OTHER PAYABLES

	31 December 2022 BD '000	31 December 2021 BD '000
Negative derivative financial instruments	48	2,113
Lease liabilities (note 16.1)	1,043	1,163
Others	15,833	16,208
	16,924	19,484

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**
At 31 December 2022

16 TRADE AND OTHER PAYABLES (CONTINUED)

16.1 Lease liabilities

	31 December 2022		31 December 2021	
	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	417	374	523	478
After one year but not more than five years	663	603	626	563
More than five years and less than 10 years	39	27	94	83
More than 10 years	69	39	72	39
Total minimum lease payments	**1,188**	**1,043**	1,315	1,163
Less: finance charges	(145)	-	(152)	-
Net lease liability	**1,043**	**1,043**	1,163	1,163

The movement in lease liabilities is as follows:

	2022 BD '000	2021 BD '000
Lease liabilities as at 1 January	1,163	1,801
Additions	480	281
Termination	(69)	(340)
Finance cost	42	69
Payments made	(573)	(648)
Lease liabilities as at 31 December	**1,043**	1,163

17 BANK TERM LOANS

	31 December 2022 BD '000	31 December 2021 BD '000
Within 1 year	64,597	35,071
More than 1 year	79,318	121,426
	143,915	156,497

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

18 SHARE CAPITAL

	31 December 2022 BD '000	31 December 2021 BD '000
Authorised share capital		
500,000,000 (2021: 500,000,000) shares of 100 fils each	**50,000**	50,000
Issued and fully paid		
204,187,500 (2021: 204,187,500) shares of 100 fils each		
At 1 January	20,419	20,419
At 31 December	**20,419**	20,419

	31 December 2022 BD '000	31 December 2021 BD '000
Treasury shares 2,759,029 shares (2021: 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	30.93%
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% are Bahraini individuals or corporates and 2% are other nationalities.

iii. The shareholding of directors, other than nominee directors representing major shareholders, is 991,718 shares (2021: 945,449 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**

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18 SHARE CAPITAL (CONTINUED)

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%**

2021 Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	47,292,684	1,265	23.17%
1% up to less than 5%**	23,795,639	7	11.65%
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	1,275	100.00%

* Expressed as a percentage of total issued and fully paid shares of the Company
** Includes 2,759,029 treasury shares (2021: 2,759,029 shares)

19 AUTOMOTIVE REVENUE

	2022 **BD '000**	2021 BD '000
Sale of cars	22,451	27,151
Sales of parts and accessories	11,670	10,613
Car repair and maintenance services	3,851	4,050
Car leasing revenue	1,774	1,594
	39,746	43,408

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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20 NET FEE AND COMMISSION INCOME

	2022 BD '000	2021 BD '000
Loan administration and other credit card related fees	6,132	6,304
Insurance commission income	556	695
Less: fees and commission expense	(2,548)	(1,619)
	4,140	5,380

21 PROFIT FROM SALE OF REAL ESTATE INVENTORY

	2022 BD '000	2021 BD '000
Revenue	1,090	2,392
Cost of Sales	(1,035)	(2,236)
Profit from sale of real estate inventory	**55**	156

22 OTHER INCOME

	2022 BD '000	2021 BD '000
Incentives from automotive principals	382	521
Miscellaneous income	457	608
	839	1,129

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

23 OPERATING EXPENSES

	2022 BD '000	2021 BD '000
General and administration costs	5,177	4,449
Depreciation	2,183	2,504
Selling and promotion costs	1,409	1,419
Operating expenses relating to investment properties	160	91
Allowances charged for inventory	121	123
Allowances charged / (reversed) for investment properties	4	(25)
Automotive finance cost	92	104
	9,146	8,665

24 ALLOWANCE ON LOANS AND RECEIVABLES , NET OF RECOVERIES

	2022 BD '000	2021 BD '000
Allowances on loans and advances to customers, net (Note 10 (b))	11,934	12,840
Allowances on trade receivables, net (Note 11)	76	391
Recoveries from written off balances	(2,478)	(2,264)
	9,532	10,967

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, 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.

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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 2022 and 2021. 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	
	2022 BD '000	2021 BD '000	**2022 BD '000**	2021 BD '000	**2022 BD '000**	2021 BD '000	**2022 BD '000**	2021 BD '000	**2022 BD '000**	2021 BD '000
Operating income	**20,771**	24,837	**6,644**	5,402	**582**	751	**556**	695	**28,553**	31,685
Inter segment revenue	16	-	243	325	201	213	104	115	**564**	653
Operating costs	(9,172)	(9,283)	(4,570)	(3,891)	(990)	(704)	(624)	(659)	**(15,356)**	(14,537)
Impairment, net of recoveries	(9,433)	(10,579)	(71)	(282)	(28)	(106)	-	-	**(9,532)**	(10,967)
Inter segment expenses	(524)	(538)	(33)	(18)	(7)	(97)	-	-	**(564)**	(653)
Profit for the year	**1,658**	4,437	**2,213**	1,536	**(242)**	57	**36**	151	**3,665**	6,181
Assets (Liabilities)										
Cash and balances with banks	28,510	13,203	8,521	14,993	17	4	3,654	154	**40,702**	28,354
Loans and advances to customers	197,605	229,325	-	-	-	-	-	-	**197,605**	229,325
Trade and other receivables	270	140	2,672	2,972	49	91	35	366	**3,026**	3,569
Intercompany balances	(226)	(2,429)	25	(174)	221	(1,047)	(20)	3,650	**-**	-
Inventories	-	-	14,181	8,153	2,291	3,326	-	-	**16,472**	11,479
Investment properties	-	-	-	-	10,502	10,787	-	-	**10,502**	10,787
Property and equipment	8,957	9,029	15,656	15,916	-	-	-	-	**24,613**	24,945
Other assets	2,707	228	2,842	2,202	4	11	5	1	**5,558**	2,442
Trade and other payables	(8,573)	(11,529)	(7,923)	(7,300)	(316)	(162)	(112)	(493)	**(16,924)**	(19,484)
Bank term loans	(143,915)	(156,497)	-	-	-	-	-	-	**(143,915)**	(156,497)
Equity	**85,335**	81,470	**35,974**	36,762	**12,768**	13,010	**3,562**	3,678	**137,639**	134,920
Capital expenditure	1,013	491	2,929	1,602	-	-	-	-	**3,942**	2,093
Depreciation charge for the property and equipment	867	1,097	1,933	2,065	-	-	-	-	**2,800**	3,162

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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.

	2022 BD '000	2021 BD '000
Major shareholders:		
As at 31 December		
Term loans	20,099	29,753
Bank balances	1,872	1,129
For the year ended 31 December		
Interest expense	1,113	1,413
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 Managing Director, the Chief Executive Officer, the Deputy Chief Executive Officer, approved personnel by the CBB and the General Managers.

	2022 BD '000	2021 BD '000
As at 31 December		
Loans and advances to customers*	775	904
For the year ended 31 December		
Salaries and short term and end of service employee benefits	1,560	1,815
Directors remuneration and attendance fees	488	648
Sales, service and lease of vehicles	109	108
Purchase of materials	-	6

* The Group has allowance of BD 172 thousand (2021: BD 160 thousand) for impairment losses on loans and advances with related parties.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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28 RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini for the year amounted to BD 719 thousand (2021: BD 678 thousand) respectfully. The Group's provision for expatriate employees' leaving indemnities at 31 December 2022 was BD 1,015 thousand (2021: BD 970 thousand). The Group employed 747 staff at 31 December 2022 (2021: 764).

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

	2022 BD '000	2021 BD '000
At 1 January	970	1,053
Provided during the year	225	306
Paid during the year	(180)	(389)
At 31 December	**1,015**	970

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 contribute the same percentage.

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 2022, the total contribution of the Group under saving plan stand at BD 2,633 thousand (2021: BD 2,482 thousand). The Fund is invested within reputable bank in Bahrain.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

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30 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2022 BD '000	2021 BD '000
Profit for the year	3,665	6,181
Weighted average number of equity shares (in 000's) (note 18)	201,429	201,429
Basic earnings per share	**18 fils**	31 fils

Diluted 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 2022, the Group has standby letters of credit issued on its behalf in the normal course amounting to BD 8,801 thousand (2021: BD 8,862 thousand) and unutilised credit limits of BD 19,668 thousand (2021: BD 27,140 thousand) to its customers.

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

	Liabilities		Derivatives (assets) / liabilities borrowings	Equity			
	Trade and other payables	Liabilities Bank Term loans	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital	Reserves	Retained earnings	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2022	**17,371**	**156,497**	**2,113**	**19,820**	**60,692**	**54,408**	**310,901**
Proceeds from loans and borrowings	-	26,021	-	-	-	-	**26,021**
Repayment of borrowings	-	(38,880)	-	-	-	-	**(38,880)**
Dividend paid	(5,036)	-	-	-	-	-	**(5,036)**
Donation paid	-	-	-	-	(205)	-	**(205)**
Total changes from financing cash flows	**(5,036)**	**(12,859)**	**-**	**-**	**(205)**	**-**	**(18,100)**
Changes in fair value	-	-	(2,065)	-	4,295	-	**2,230**
Other changes	-	-	-	-	500	(2,021)	**(1,521)**
Liability-related changes	(668)	-	-	-	-	-	**(668)**
Donation declared	-	-	-	-	150	-	**150**
Dividend declared	5,036	-	-	-	-	-	**5,036**
Borrowing upfront cost	-	277	-	-	-	-	**277**
Interest expense	7,990	-	-	-	-	-	**7,990**
Interest paid	(7,817)	-	-	-	-	-	**(7,817)**
Total liability-related other changes	**4,541**	**277**	**(2,065)**	**-**	**-**	**-**	**2,753**
Total equity-related other changes	**-**	**-**	**-**	**-**	**4,945**	**(2,021)**	**2,924**
Balance at 31 December 2022	**16,876**	**143,915**	**48**	**19,820**	**65,432**	**52,387**	**298,478**

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

At 31 December 2022

33 PROPOSED APPROPRIATIONS

The board of directors has proposed the following appropriations for 2022. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2022 **BD '000**	2021 BD '000
Proposed dividends	4,029	5,036
Donations	-	150
General reserve	-	500
	4,029	5,686

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 for the year or total equity.