

## **BCFC OGM and EGM**

Bahrain Commercial Facilities Company BSC held its scheduled Annual General Meeting on Tuesday 30th March 2021, at 10:00 AM and 10:45 AM respectively, on the 8th Floor Multipurpose Hall, BCFC Head Office in Tubli - Kingdom of Bahrain. The meeting was organized after seeking all regulatory approvals and all precautionary measures as recommended by the Government Executive Committee were taken to prevent the spread of Covid-19.

The meeting was attended by shareholders, board members, board secretary, representatives of the CBB, Bahrain Bourse, and Ministry of Industry, Commerce & Tourism, the Company's external auditor, shares register Bahrain Clear, along with senior management members of the Company either through physical attendance or using approved video link virtually.

The meeting was chaired by the Company's Vice Chairman Dr. Abdulrahman Ali Saif who discussed all the pre-approved agenda items. Then, on behalf of the board, he passed the board's warm condolences for the sad loss of His Royal Highness Prince Khalifa bin Salman Al Khalifa.

On this occasion, Dr. Abdulrahman expressed his appreciation to the government of the Kingdom of Bahrain for its wise leadership, direction and for the effective measures enacted to contain the pandemic and their support to business community. Also, he expressed his appreciation to Central Bank of Bahrain and Ministry of Industry, Commerce & Tourism.

After that, the meeting began to discuss the agenda of the Ordinary General Meeting. In the meeting the shareholders approved the Company's financial results for the year ended 31st December 2020., along with other articles in the agenda of the Annual General Meeting that had been previously announced. Dr. Abdulrahman stated that, "the corona virus pandemic had negative impact on all segments of the economy, more so on small and medium size enterprises which the company predominantly deals with. In this crisis, BCFC Group remained extremely conservative and prudent in taking impairment provisions. The Company has prioritized its long-term health over tactically focusing on current period profitability as the impact of the pandemic is still not fully revealed. However, the Company with its core competencies, solid business model and strong financial position shall continue to support its customers and shall provide healthy returns to its shareholders once the economic activities normalize".

The Group has reported a net loss of BD 4.3 million for the year ended 31 December 2020 which is significantly lower than net profit of BD 17.1 million achieved in 2019. This results in a basic and diluted earnings per share of (21) Fils (2019: 85 Fils). The Group registered a total comprehensive loss of BD 8.0 million compared to a comprehensive income of BD 14 million achieved during the same period last year. The Company has achieved a net interest income of BD 23.5 million, 12% below the same period last year (2019: BD 26.7 million). The Company has achieved a total operating income of BD 33.8 million which is 25% behind last year (2019: BD 45.3 million).

Commenting on the yearend results, Mr. Reyadh Sater, Managing Director, stated that the Company shall continue to support its customers and has ensured availability of its services throughout the crisis period without any interruptions thanks to the investments made in digital initiatives to address every customer relation touchpoint. All the services were provided to customers in full compliance with the government directives, prioritizing the health and wellbeing of our employees. BCFC Group with strong equity and diversified business model, shall continue to look for new opportunities to further diversify its revenue streams and increase shareholders' value.

In 2020, Bahrain Credit recorded a net loss of BD 3.6 million (2019: net profit of BD 13.9 million). The company has witnessed significant stress in the market where the ability to repay for good customers who never missed their instalments faced challenges due to ongoing crises. The CBB have issued various new directives to provide concessionary measures to eligible customers to relieve their difficulties through granting them deferment of instalments up to 10 months in 2020. We have also noticed increase in rescheduling requests from customers who never experienced cashflow challenges in the past. The company remained flexible to deserving customers and at the same time has taken significantly higher impairment provisions on a conservative basis to safeguard the portfolio. The company has also updated its risk appetite statement and product pricing conditions to reflect the new challenges and market realities.

The company practiced extreme caution in extending new credits and tightened its underwriting policies to adapt to the difficult market conditions. Total new loans worth BD 39.4 million (2019: BD 151 million) were advanced during the year. The company during 2020, prioritised healthy liquidity position over increasing the size of the portfolio. The company continued its emphasis on reinforcing its risk management practices through engaging independent consultants to review the company's risk management practices and suggest further improvements. The company continued its investments into digital

technologies to enhance its customer relation touchpoints.

The automotive market continued its double-digit decline in the new vehicle sales. This trend was also observed in the used cars trading. The customers continue to shift towards smaller engine and low-price vehicles. This has impacted our volume aspirations in vehicle lending, automotive businesses sales turnover and motor insurance policies sales volume. The company remained selective in extending new mortgage loans given the uninspiring real estate activities and prices. We also remained extremely selective in approving new personal loans where the demand from existing and new customer profiles remained high. Due to significant reduction in overseas travel due to ongoing restrictions, the company's credit card portfolio has seen reduction in portfolio size and foreign currency spend. The company shall continue to monitor the current market dynamics and heightened credit risks and shall normalise its new business activities when there are marked improvements in the important economic activity indicators.

National Motor Company (NMC) has reported a net loss of BD 0.4 million (2019: BD 2.1 million). These results are without considering the government support. If considered, NMC would have reported a net profit of BD 0.4 million. These results are particularly remarkable considering the significant decline in the new vehicle sales during the year and substantial erosion of margins due to accumulation of vehicle supplies in the country. This supply exceeds customers' demand. It is to be noted that the fortunes of the global automotive industry are under huge disruptions. Factors ranging from new safety and intelligent technologies to fuel efficient engines to aggressive fight over reducing costs of ownerships are casting a negative shadow on the revenue structure of a distributorship business model. In this changing environment, the company has focussed its energy on efficient inventory controls with correct mix of vehicles, lean and skilled deployment of workforce, strong focus on customer satisfaction and emphasis on cost optimisation. The company continued its strong focus on meeting and exceeding customer expectations in after sales operations.

Tasheelat Automotive Company (TAC) reported a net loss of BD 0.6 million (2019: net profit of BD 271 thousand). These results are without considering the government support. If considered, TAC would have reduced its loss to BD 0.4 million. The company was incorporated with the objective of creating a portfolio of quality Chinese brands to address the customers shift from higher priced vehicles to value cars due to decrease in their disposable income. The company has executed this strategy well with huge success of GAC Motor in Bahrain. The significant reduction in car sales in 2020 had a negative effect on its performance. Also, the launch of two new brands, 'HAVAL' and 'Great Wall' towards the

end of 2019 has increased the company's cost structure. Though the new brands have received a warm reception from the customers and are expected to deliver promising results, it takes two to three years for any new brand to breakeven. All the brands the company has introduced to Bahrain have achieved significant strides in advance eco-friendly technologies, attractive designs, futuristic features, and are available at affordable prices. They have huge potential when the market bounces back.

Tasheelat Insurance Services Company (TISCO) had achieved a net profit of BD 171 thousand (2019: BD 0.7 million). These results are without considering the government support. If considered, TISCO would have reported a net profit of BD 279 thousand. The company continued to perform well despite the difficult market conditions due to its strategy of digitalising its business offerings and reduce its cost structure. The contraction in the new vehicle sales and noticeable shift of customers to lower price vehicles have resulted in the reduction of the company's gross insurance premium income. The company continued to work with partner insurance companies to offer unique products through leveraging on BCFC Group core competencies to address new market segments to increase its reach.

Tasheelat Real Estate Services Company (TRESKO) registered a net profit of BD 93 thousand (2019: BD 0.2 million). These results are without considering the government support. If considered, TRESKO would have reported a net profit of BD 177 thousand. The real estate market overall remained lacklustre with noticeable reduction in demand for buying and renting properties. The contraction in liquidity and overall negative market sentiments have impacted new investments and resulted in correction in real estate prices in certain areas. The market conditions have affected the company's plans to fully liquidate the available inventory in the existing projects. The company continues to chase steady and annuity type of returns from the investment properties. The occupancy in the residential buildings, predominantly catering to expatriates, have been affected due to many expatriates leaving the country and some of them shifting to lower cost alternatives to manage their reduced disposable income.

Tasheelat Car Leasing Company (TCL) was amongst the worst affected due to the ongoing pandemic. The closure of causeway and Bahrain International Airport has significantly reduced the demand for short-term leasing services for most of 2020. When most people are working from home, due to government guidelines and market circumstances, the demand from retail customers for long term lease has also reduced. The company is reaching out to retail and corporate customers to offer leasing as a solution with potential for reducing their cost. The company's mix of long-term and short-term leasing contracts

with individuals as well corporate customers remained healthy. The company has good range of vehicles efficiently sourced from sister companies NMC and TAC. The company is working towards adding new contracts in its portfolio with higher retained margins. The company has reported a net loss of BD 27 thousand (2019: net profit of BD 100 thousand). These results are without considering the government support. If considered, TCL would have reported a net profit of BD 11 thousand.

BCFC Group faced certain challenges in its liquidity with the regulatory deferral of instalments. But due to its well-defined, adequately spaced maturity profile for its borrowings, the company continues to enjoy a strong and healthy liquidity position. During the year, the Company has successfully early settled USD 80 million syndicated loan whilst repaid USD 125 million syndicated loan on its maturity. These loans were repaid through issuing new term loans. The Group is currently operating at a low and healthy leverage of 1.8 multiples. This augurs well for the Group to explore new opportunities, as and when they present themselves, with potential to increase the shareholders' value.

The Shareholders also held an Extraordinary General Meeting to amend the Memorandum and Articles of Association after obtaining necessary regulatory approvals.