

BCFC Reported a Net Profit of BD 2.5 Million in the First Half of 2020

Bahrain Commercial Facilities Company BSC (trading code: BCFC.BH) has reported a consolidated net profit of BD 2.5 million for the six months ended 30 June 2020, 77% lower than BD 10.8 million earned in the same period last year. The Company has reported earnings per share for first six months of the year at 13 Fils (2019: 54 Fils).

On this occasion, **Mr. Abdulrahman Fakhro**, the Chairman of the Board expressed his satisfaction for the financial results achieved in the current circumstances. He stated that, “The coronavirus (“COVID-19”) pandemic has put forth unprecedented challenges impacting economic activities negatively. Thanks to our beloved country’s leadership, their caring and novel initiatives to support local people and businesses, the business environment is fast expected to improve in coming months. The Company with its core competencies and strong financials is in good position to recover as and when the economic activities shall normalize.”.

In the first half of 2020, the Company has achieved total operating income of BD 19 million, 17% lower than the same period last year (2019: BD 23 million). For the first six months of the year, the Company’s total comprehensive income stood at net loss of BD 1.2 million (2019: Net profit of BD 8 million). The Company’s equity at 30 June 2020 was BD 132 million, 13% lower than BD 152 million at 30 June 2019. The Company’s total assets on 30 June 2020 stands at BD 384 million which is 6% lower than BD 410 million at 30 June 2019. The Company continues to maintain a strong and healthy liquidity position. The Group is operating at a low leverage of 1.9 multiples which would help it to sustain the economic uncertainties.

The COVID-19 outbreak earlier in 2020 has had multiple implications on the Group, from stressed market conditions, significant reduction in sales of its product and services and disruption of its normal operations due to social distancing norms. The CBB, along with the Government of Bahrain, have provided numerous reliefs to Bahraini individuals, companies and financial institutions. In March 2020, the CBB announced a six-month loan deferral to all qualifying Bahraini individuals and companies. Subsequently, the CBB directed all the licensees to take the present value of the shortfall in interest income (termed the “modification loss” under IFRS) arising from this deferral directly to equity, net of any government grants received. The initial modification loss recorded by the Group amounted to BD 16.1 million. The Group had received BD 1.4 million grants in the form of salary subsidy and electricity and water bill reductions

The Company’s consumer finance business, **Bahrain Credit**, remained stable. The company has reported a net profit of BD 2.9 million, 68% lower than BD 9.1 million achieved in same period last year. The

company's net interest income has stood at BD 12.6 million, 7% lower than same period last year (2019: BD 13.5 million). During these six months, the company is taking a conservative approach in relation to not increasing its credit exposures during the current situation. New loans are sanctioned only to customers belonging to relatively low risk market segments. The company has adequate impairment provisions as a precaution toward future and currently unidentified expected risks that the company may face.

National Motor Company has achieved a net loss of BD 0.34 million (2019: net profit BD 1.1 million). While the company was ahead of plan during the first two months of the year, the outbreak of the COVID-19 pandemic in March this year severely impacted the performance of the company during the last 4 months. Additionally, the closure of showrooms for new and used car sales further negatively impacted the performance of the company. The company has taken multiple pro-active steps to counter the negative effects of this global pandemic. Expenses have been slashed within every level of the organization to ensure that the company is very lean and effective. Contracts have been re-negotiated with all manufacturers, local vendors, suppliers as well as multiple other entities. Receivables are an area of focus as the team works diligently in collecting outstanding funds. Managing cash flow continues to be an integral part of daily operations. The company have also introduced multiple initiatives to provide customers clean and safe environment and continue its superior customer services.

Tasheelat Automotive Company has achieved a net loss of BD 342 thousand (2019: net profit BD 141 thousand). The reduction in profitability is due to sharp decline in automotive sales. Also, the company has launched two new brands during fourth quarter of last year which typically would take two years to breakeven. More and more customers are expected to shift towards value buying due to the general downward fall in the economy as a result of the pandemic and reduction in customers disposable income. It brings a unique opportunity to the company, with full range of vehicles from GAC and Haval Motor, to target more customer segments looking for lower car price, high specs and fuel-efficient cars.

Tasheelat Car Leasing Company has reported net loss of BD 13 thousand. The pandemic has affected the demand for vehicle leasing services due to travel restrictions and significant reduction in the visitor's arrival in Bahrain. The utilization levels on the rental fleet has significantly dropped rendering the units idle resulting in overall decline in short-term revenue earnings. Despite all challenges and adversities, the company was pro-active in shifting gears and identifying key profit areas such as income from additional contractual revenue and reducing costs wherever possible.

The Company's real estate division, **Tasheelat Real Estate Services Company** has reported net profit of BD 132 thousand compared to BD 116 thousand in the same period last year. The current lock down of non-essential business activities has significantly reduced real estate activities. However, the company continued its focus to liquidate available land and apartment inventory. The company's rental property

portfolio continued to enjoy healthy occupancy rates. The company has gradually and carefully added new buildings to this portfolio which is generating steady and reliable annuity style returns.

In the insurance services, **Tasheelat Insurance Services Company** has achieved a net profit of BD 123 thousand for the six months ended 30 June 2020 (2019: BD 369 thousand). The company's performance was mainly affected due to reduction in overall economic activities, more particularly motor insurance business. The reduction is a combination of contraction in the new vehicle sales with customers opting for lower value cars resulting in lower commission income. The company continued to be a leader in this segment with a high renewal rate for its existing insurance policies.

Dr. Adel Hubail, Chief Executive Officer noted, "BCFC Group's results in the context of challenging economic conditions are remarkable and welcoming. The financial position of the Company remains strong. The Company would continue to take initiatives to reduce cost and increase shareholders value." The Company's reviewed condensed consolidated financial information for the six months period ended 30 June 2020 is available on Bahrain Bourse website.