

NATIONAL FINANCE HOUSE B.S.C (c)

30 JUNE 2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Commercial registration	: 58880
Board of Directors	: Talal Fuad Ebrahim Kanoo Mohammed Farouk Y. Almoayyed Redha Abdulla Ali Faraj Sameer Ebrahim Al Wazzan Sanjay Kawatra Mohammed Abdullah Alwabil Khalid Shaheen Saqer Shaheen Tawfeeq Mohammed Bastaki
Chief Executive Office	: May Al Mahmood
Address	: P.O. Box 21774, Office No. 186 Road - 66, Block - 364 Bilad Al Qadeem, Kingdom of Bahrain Tel: 17407407 Fax: 17403995 Toll-Free: 80008005
Bankers	: Ahli United Bank Bank of Bahrain and Kuwait The Housing Bank for Trade & Finance Habib Bank Limited National Bank of Bahrain Kuwait Finance House
Auditors	: KPMG Fakhro, Bahrain

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022

CONTENTS

Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated statement of profit or loss and other comprehensive income	3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of cash flows	5
Notes to the condensed consolidated interim financial information	6 – 9



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: home.kpmg/bh
CR No. 6220

1

Independent auditors' report on review of condensed consolidated interim financial information

To the Board of Directors
National Finance House B.S.C (c)
Manama, Kingdom of Bahrain

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial information of National Finance House B.S.C (c) (the "Company") and its subsidiary (together, the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

24 August 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

Bahraini dinars

	Note	30 June 2022 (reviewed)	31 December 2021 (audited)
ASSETS			
Cash and bank balances		1,266,283	616,590
Loans to customers	7	52,374,848	50,263,315
Property and equipment	8	355,715	384,248
Right-of-use assets		43,990	85,463
Other assets		385,748	314,009
Total assets		54,426,584	51,663,625
LIABILITIES AND EQUITY			
Liabilities			
Bank borrowings	9	36,014,549	32,443,495
Other liabilities	11	1,890,826	3,004,259
Total liabilities		37,905,375	35,447,754
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		1,420,223	1,420,223
Retained earnings		7,488,486	7,183,148
Total equity (page 4)		16,521,209	16,215,871
Total equity and liabilities		54,426,584	51,663,625

The Board of Directors approved the condensed consolidated interim financial information on 24 August 2022.



Talal Fuad Ebrahim Kanoo
Chairman



Mohammed Farouk Y. Almoayyed
Deputy Chairman

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the six months ended 30 June 2022

Bahraini dinars

	Note	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Interest income		2,417,195	2,429,430
Interest expense		(812,560)	(972,489)
Net interest income		1,604,635	1,456,941
Fees and commission income		228,290	205,997
Fees and commission expense		(76,204)	(85,116)
Net fee and commission income		152,086	120,881
Other income	12	166,191	154,952
Total income		1,922,912	1,732,774
Salaries and related costs		(422,467)	(411,982)
Other operating expenses		(305,025)	(277,582)
Depreciation		(81,865)	(82,201)
Impairment on loans to customers	7(b)	(208,217)	(220,944)
Total expenses		(1,017,574)	(992,709)
Profit for the period		905,338	740,065
Other comprehensive income		-	-
Total comprehensive income for the period		905,338	740,065

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022

Bahraini dinars

2022 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2022	7,500,000	112,500	1,420,223	7,183,148	16,215,871
Total comprehensive income for the period	-	-	-	905,338	905,338
Dividends paid	-	-	-	(600,000)	(600,000)
Balance at 30 June 2022	7,500,000	112,500	1,420,223	7,488,486	16,521,209

2021 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2021	7,500,000	112,500	1,289,253	6,454,421	15,356,174
Total comprehensive income for the period	-	-	-	740,065	740,065
Dividends paid	-	-	-	(450,000)	(450,000)
Balance at 30 June 2021	7,500,000	112,500	1,289,253	6,744,486	15,646,239

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2022

Bahraini dinars

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Operating activities		
Interest, fees and commission received	2,745,841	2,724,030
Fees and commission paid	(78,329)	(86,416)
Loans disbursed	(9,620,311)	(7,599,836)
Loans repayments	6,476,731	7,080,144
Receipt from sale of vehicles	1,135,218	1,382,395
Payment for purchase of vehicles	(1,319,427)	(1,312,305)
Payments for staff salaries and related costs	(459,584)	(386,890)
Payments for other operating expenses	(373,164)	(191,125)
Net cash (used in) / generated from operating activities	(1,493,025)	1,609,997
Investing activities		
Placements with banks	-	(500,000)
Purchase of furniture, fixtures and equipment	(11,859)	(55,318)
Net cash used in investing activities	(11,859)	(555,318)
Financing activities		
Drawdown of bank borrowings	8,265,000	3,000,000
Repayment of bank borrowings	(4,693,946)	(5,131,703)
Interest paid	(814,904)	(1,140,741)
Interest of right-of-use assets	(1,745)	(4,028)
Dividends paid	(600,000)	(450,000)
Net cash generated from / (used in) financing activities	2,154,405	(3,726,472)
Net increase / (decrease) in cash and cash equivalents during the period	649,521	(2,671,793)
Cash and cash equivalents at 1 January	610,429	3,542,034
Cash and cash equivalents as at 30 June*	1,259,950	870,241

* Cash and cash equivalents as at 30 June 2022 is gross of the expected credit loss of BHD 2,634 (30 June 2021: BHD 1,565); and excluding restricted cash of BHD 8,967 (30 June 2021: BHD 9,643) collected from customers as insurance premium on behalf of the insurance company.

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022**

Bahraini dinars

1 Reporting entity

National Finance House B.S.C (c) (the "Company") is a closed joint stock company incorporated and registered in the Kingdom of Bahrain on 4 December 2005 and operates as a financing company under a license issued by the Central Bank of Bahrain (the "CBB"). It provides consumer finance services in the form of motor vehicle financing.

The Company has a wholly owned subsidiary, National Finance House Auto Mall W.L.L ("NFH Auto Mall"), established for the purpose of sale/ trade of motor vehicles and registered with the Ministry of Industry and Commerce on 19 March 2017 with registration no. 111539.

This financial information is the reviewed condensed consolidated interim financial information (the "condensed consolidated interim financial information") of the Company and its subsidiary (together referred to as the "Group") for the six-month period ended 30 June 2022.

2 Basis of preparation

The accompanying condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting*, which permits the interim financial information to be in summarised form.

The condensed consolidated interim financial information is reviewed by the external auditors, not audited. The condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2021 and the comparatives for the condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the six-month period ended 30 June 2021.

Certain comparative figures have been regrouped to conform to the presentation in the current period. Such regroupings did not affect previously reported profit for the period or total equity.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the audited financial statements for the year ended 31 December 2021.

4 Judgements and estimates

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 31 December 2021.

5 Seasonality

The Group does not have income of a seasonal nature.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022

Bahraini dinars

6 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk, liquidity risk and operational risk. The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements and they should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2021. There have been no changes in the risk management department or in any risk management policies since 31 December 2021.

7 Loans to customers

(a) Exposure by staging
30 June 2022
(reviewed)

	Stage 1	Stage 2	Stage 3	Total
Loans to customers	51,718,056	828,325	2,311,383	54,857,764
Less: expected credit loss	(456,668)	(284,622)	(1,741,626)	(2,482,916)
Net loans	51,261,388	543,703	569,757	52,374,848

31 December 2021
(audited)

	Stage 1	Stage 2	Stage 3	Total
Loans to customers	49,554,714	760,464	2,490,936	52,806,114
Less: expected credit loss	(441,432)	(278,818)	(1,822,549)	(2,542,799)
Net loans	49,113,282	481,646	668,387	50,263,315

(b) Expected credit loss movement

Expected credit loss movement –
2022 (reviewed)

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	441,432	278,818	1,822,549	2,542,799
Transfer to Stage 1	132,141	(37,671)	(94,470)	-
Transfer to Stage 2	(11,350)	31,072	(19,722)	-
Transfer to Stage 3	(7,022)	(30,594)	37,616	-
Net re-measurement of loss allowance	(98,533)	42,997	263,753	208,217
Write-off during the period	-	-	(268,100)	(268,100)
Expected credit loss as at 30 June 2022	456,668	284,622	1,741,626	2,482,916

Expected credit loss movement –
2021 (audited)

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	250,075	116,275	1,956,938	2,323,288
Transfer to Stage 1	141,332	(39,824)	(101,508)	-
Transfer to Stage 2	(3,889)	20,957	(17,068)	-
Transfer to Stage 3	(10,068)	(48,553)	58,621	-
Net re-measurement of loss allowance	63,982	229,963	412,219	706,164
Write-off during the period	-	-	(486,653)	(486,653)
Expected credit loss as at 31 December 2021	441,432	278,818	1,822,549	2,542,799

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022

Bahraini dinars

8 Property and equipment

Furniture, fixtures and equipment is net of accumulated depreciation of BHD 1,259,691 (2021: BHD 1,219,299).

9 Bank borrowings

Bank borrowings are term loans with floating interest rates and are subject to re-pricing on a monthly/quarterly basis. These loans require certain financial loan covenants.

10 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These represent transactions with shareholders and directors of the Group.

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Related party transactions		
Capital expenditure		
Property and equipment (Shareholder)	-	21,880
Operating income		
Insurance commission - Motor vehicles (Shareholder)	22,033	19,660
Operating expenses		
Auto Mall purchases of motor vehicles (Shareholders)	207,360	217,571
Insurance premium charges (Shareholder)	108,300	96,875
Other operating expenses (Shareholders)	27,312	30,707

	30 June 2022 (reviewed)	31 December 2021 (audited)
Related party balances		
Payable for vehicles financed (Shareholders)	648,202	950,766
Payable for insurance premiums (Shareholders)	15,874	17,841
Prepaid expenses (Shareholders)	45,742	17,364
Payable for operating and capital expenditure (Shareholders)	21,262	25,956
Receivable of insurance agency commission (Shareholders)	3,362	5,866

Transactions with key management personnel

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Key management compensation	128,557	100,200
Committee attendance allowances	34,000	28,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2022

Bahraini dinars

10 *Related party transactions (continued)*

	30 June 2022 (reviewed)	31 December 2021 (audited)
Balances with key management personnel		
Board of Directors remuneration (accrual)	-	30,000
Committee attendance allowances	3,500	-
Staff loans	2,445	3,915

Certain transactions were approved by the Board of Directors in the period ended 30 June 2022 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions.

11 **Other liabilities**

	30 June 2022 (reviewed)	31 December 2021 (audited)
Payable to agents for vehicles financed	1,069,579	2,122,462
Payable to insurance companies	414,225	322,529
Lease liability	47,725	92,324
Interest payables	101,177	103,522
Accrued expenses	258,120	363,422
	1,890,826	3,004,259

12 **Other income**

Other income mainly includes recoveries of BHD 100,069 (2021: BHD 81,580) from loans written-off in prior years and gain from sale of automobiles of BHD 65,836 (2021: BHD 70,090).

13 **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. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Loans to customers are classified as level 3. 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.

Bank borrowings are at floating rate and are re-priced periodically hence the carrying value represents its approximate fair value and classified as level 2.

The fair values of the Group's all other financial assets and financial liabilities approximate their carrying value due to their short-term nature.