

NATIONAL FINANCE HOUSE B.S.C (c)

30 JUNE 2020

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 Robert Pancras Mohammed Abdullah Alwabil Khalid Shaheen Saqer Shaheen Kalyan Sunderam
Acting Chief Executive Officer	: May Al Mahmood
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Bankers	: Ahli United Bank Bank of Bahrain and Kuwait National Bank of Bahrain The Housing Bank for Trade & Finance Habib Bank Limited Kuwait Finance House
Auditors	: KPMG Fakhro, Bahrain

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020

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 – 13
Supplementary information (not reviewed)	14

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

Introduction

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020; 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' as modified by the Central Bank of Bahrain. 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 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by the Central Bank of Bahrain.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

Bahraini dinars

	Note	30 June 2020 (reviewed)	31 December 2019 (audited)
ASSETS			
Cash and cash equivalents		4,094,801	2,912,801
Loans to customers	9	49,771,133	50,740,634
Property and equipment	10	503,757	586,643
Other assets		2,291,292	404,399
Total assets		56,660,983	54,644,477
LIABILITIES AND EQUITY			
Liabilities			
Bank borrowings	11	39,881,532	37,307,238
Other liabilities	13	2,266,033	2,349,579
Total liabilities		42,147,565	39,656,817
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		1,196,719	1,196,719
Retained earnings		5,704,199	6,178,441
Total equity (page 4)		14,513,418	14,987,660
Total equity and liabilities		56,660,983	54,644,477



Talal Fuad Ebrahim Kanoo
Chairman



Mohammed Farouk Y. Almoayyed
Deputy Chairman

The Board of Directors approved the condensed consolidated interim financial information consisting of notes 1 to 16 on 25 August 2020.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
for the six months ended 30 June 2020

Bahraini dinars

	Note	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Interest income		2,525,561	2,470,386
Interest expense		(1,111,329)	(1,316,573)
Net interest income		1,414,232	1,153,813
Fees and commission income		369,325	447,911
Fees and commission expense		(168,354)	(190,820)
Net fee and commission income		200,971	257,091
Other income	14	83,800	44,640
Total income		1,699,003	1,455,544
Salaries and related costs		448,509	495,107
Other operating expenses		282,418	330,923
Depreciation		103,805	95,997
Impairment on loans to customers	9 (b)	829,357	77,082
Total expenses		1,664,089	999,109
Profit for the period		34,914	456,435
Other comprehensive income		-	-
Total comprehensive income for the period		34,914	456,435

The condensed consolidated interim financial information consists of notes 1 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020

Bahraini dinars

2020 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2020	7,500,000	112,500	1,196,719	6,178,441	14,987,660
Total comprehensive income for the period	-	-	-	34,914	34,914
Modification loss (note 8)	-	-	-	(1,704,745)	(1,704,745)
Modification gain (note 8)	-	-	-	1,044,254	1,044,254
Government subsidy (note 8)	-	-	-	151,335	151,335
Balance at 30 June 2020	7,500,000	112,500	1,196,719	5,704,199	14,513,418

2019 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2019	7,500,000	112,500	1,089,690	5,815,184	14,517,374
Total comprehensive income for the period	-	-	-	456,435	456,435
Dividends declared for 2018	-	-	-	(600,000)	(600,000)
Balance at 30 June 2019	7,500,000	112,500	1,089,690	5,671,619	14,373,809

The condensed consolidated interim financial information consists of notes 1 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2020

Bahraini dinars

	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Operating activities		
Interest, fees and commission received	1,962,745	2,963,199
Loans disbursed	(8,141,663)	(9,264,932)
Loan repayments	7,792,677	9,274,826
Payments for staff salaries and related costs	(353,048)	(642,236)
Payments for other operating expenses	(501,047)	(689,916)
Net cash generated from operating activities	759,664	1,640,941
Investing activities		
Purchase of furniture, fixtures and equipment	(23,620)	(66,505)
Sale of furniture, fixtures and equipment	-	1,360
Net cash (used in) investing activities	(23,620)	(65,145)
Financing activities		
Drawdown of bank borrowings	6,500,000	6,000,000
Repayment of bank borrowings	(4,788,817)	(5,634,593)
Interest paid	(665,227)	(1,231,900)
Dividends paid	(600,000)	(600,000)
Net cash generated from/ (used in) financing activities	445,956	(1,466,493)
Net increase in cash and cash equivalents during the period	1,182,000	109,303
Cash and cash equivalents at 1 January	2,914,649	2,320,122
Cash and cash equivalents as at 30 June*	4,096,649	2,429,425

*Cash and cash equivalents is gross of the expected credit loss of BHD 1,848 (2019: BHD 38,553).

The condensed consolidated interim financial information consists of notes 1 to 16.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

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 Central Bank of Bahrain. It provides consumer finance services in the form of motor vehicle financing.

The Company has a wholly owned subsidiary, National Finance House Auto Mall S.P.C (“NFH Auto Mall”), established for the purpose of sale/ trade of motor vehicles and registered with the Ministry of Industry, Commerce and Tourism 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 2020.

2 Basis of preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain (the “CBB”) including the recently issued CBB circulars on regulatory concessionary measures in response to COVID-19. These rules and regulations require the adoption of all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) (IFRS), except for:

- a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional interest, in equity instead of the profit or loss account as required by IFRS 9 Financial Instruments. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of IFRS 9. Please refer note 8 for further details; and
- b) recognition of financial assistance received from the government and/ or regulators in response to its COVID-19 support measures, in equity, instead of the profit or loss account. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognised in profit or loss account. Any other financial assistance is recognised in accordance with the requirements of IAS 20. Please refer note 8 for further details.

The above framework for basis of preparation of the annual financial statements is hereinafter referred to as ‘IFRS as modified by the CBB’.

The condensed consolidated interim financial information of the Group has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – ‘Interim Financial Reporting’, using the IFRS as modified by the CBB framework. Hence, the framework used in the preparation of the condensed consolidated interim financial information of the Group is hereinafter referred to as ‘IAS 34 as modified by the Central Bank of Bahrain’.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2019 were in accordance with IFRS as issued by IASB. However, except for the above-mentioned modifications to accounting policies that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in this condensed consolidated interim financial information. The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

Bahraini dinars

2 Basis of preparation (continued)

The condensed consolidated interim financial information of the Group does not contain all information and disclosures required for the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2019. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019.

4 Judgements and estimates

In preparing these 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 that applied to the financial statements for the year ended 31 December 2019. However, the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties arising from COVID-19 and required use of management judgements.

Expected credit Losses

The economic uncertainties caused by COVID-19, and the volatility in oil prices impacting the Middle East economic forecasts have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 June 2020.

Scenario analysis has been conducted taking into consideration various expected changes as a result of COVID-19 that can impact all model parameters i.e. probability weighting of economic scenarios, macroeconomic factors, probability of default, loss given default, exposure of default, staging migrations and period of exposure. Given the fact that the client base is primarily based in Bahrain, all Government relief efforts to mitigate the impact of COVID-19 is expected to have a mitigating impact on ECL assessment.

In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are based on judgement and, as a result, actual results may differ from these estimates.

Significant increase in credit risk (SICR)

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 unlikelihood 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 period, and in accordance with the CBB relief measures, the Group has granted a six-month loan deferral to its eligible customers. The Group believes that the extension of these payment holidays does not automatically trigger a significant increase in credit risk ("SICR") or a staging migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

Bahraini dinars

4 Judgements and estimates (continued)

At this stage, sufficient information is not available to enable the Group to individually differentiate between a borrowers' short-term liquidity constraints and a change in its lifetime credit risk.

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. Limited forward-looking information is currently available.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. The forecasts of these economic variables are obtained externally and updated on an annual basis.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

5 Seasonality

The Group does not have income of a seasonal nature.

6 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2019 except as described below:

Credit risk

The uncertainties due to COVID-19 and resultant economic volatility has impacted the Group's financing operations and is expected to affect most of the customers and sectors to some degree. Although it is difficult to assess at this stage the degree of impact faced by each sector, the main industries impacted are hospitality, tourism, leisure, airlines/transportation and retailers. In addition, some other industries are expected to be indirectly impacted such as contracting, real estate and wholesale trading. Furthermore, the drop in oil prices will have a significant impact on regional economies.

Considering this evolving situation, the Group has taken pre-emptive measures to mitigate credit risk by adopting more cautious approach for credit approvals thereby tightening the criteria for extending credit to impacted sectors. Payment holidays have been extended to customers, including private and SME sector, in line with the instructions of the CBB. These measures may lead to lower disbursement of financing facilities, resulting in lower net financing income and decrease in of other revenue.

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.

Liquidity risk and capital management

The effects of COVID-19 on the liquidity and funding risk profile of the banking system are evolving and are subject to ongoing monitoring and evaluation. The CBB has announced various measures to combat the effects of COVID-19 and to ease liquidity in the banking sector. The payment holidays for 6 months to eligible customers as per the CBB instructions have an impact on the liquidity risk of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

Bahraini dinars

6 Financial risk management (continued)*Liquidity risk and capital management (continued)*

Management of the Group has enhanced its monitoring of the liquidity and funding requirements. Board meetings and senior management meetings are convened more frequently in order to carry out granular assessment of funding requirements with the objective to explore available lines of funding and to drawdown the existing funding lines as and when necessary to maintain enough liquidity at a reasonable cost of funding.

The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in current extreme stress. As at the reporting date, the liquidity and funding position of the Group remains strong and is well placed to absorb and manage the impacts of this disruption.

Operational risk management

In response to COVID-19 outbreak, there were various changes in the working model, interaction with customers, digital modes of payment and settlement, customer acquisition and executing contracts and carrying out transactions with and on behalf of the customers. Management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted. As of 30 June 2020, the Group did not have any significant issues relating to operational risks.

- 7** The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2019 and the comparatives for the condensed statements of comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the six months period ended 30 June 2019.

8 Accounting for modified financing assets/liabilities and government grants

During the current period, based on a regulatory directive issued by the CBB (refer note 2) as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses amounting to BHD 1,704,745 arising from the six-month payment deferment provided to financing customers without charging additional interest has been recognised directly in equity. The modification loss has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective interest rate and the current carrying value of the financial assets on the date of modification. The Group provided payment deferment on financing exposures amounting to BHD 35.1 million as part of its support to impacted customers.

Further as per the regulatory directive, financial assistance amounting to BHD 1,044,254 representing one-off modification income arising from the six-month payment deferment to the Group's credit facilities without charging additional interest has been recognised directly in equity. The modification income has been calculated as the difference between the net present value of the modified cash flows calculated using the original effective interest rate and the current carrying value of the financial liabilities on the date of modification. In addition, an amount of BHD 151,335 (representing specified reimbursement of a portion of staff costs and waiver of fees, levies and utility charges) received from the government and/or regulators, in response to its COVID-19 support measures, has been recognised directly in equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020

Bahraini dinars

9 Loans to customers

(a) Exposure by staging

	30 June 2020 (reviewed)			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers	48,201,895	141,050	3,969,600	52,312,545
Less: expected credit loss	(664,037)	(24,458)	(1,852,917)	(2,541,412)
Net loans	47,537,858	116,592	2,116,683	49,771,133

	31 December 2019 (audited)			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers	48,409,243	1,332,289	2,910,847	52,652,379
Less: expected credit loss	(262,016)	(191,976)	(1,457,753)	(1,911,745)
Net loans	48,147,227	1,140,313	1,453,094	50,740,634

(b) Expected credit loss movement

Expected credit loss movement – 2020
(reviewed)

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	262,016	191,976	1,457,753	1,911,745
Transfer to Stage 1	198,531	(74,342)	(124,189)	-
Transfer to Stage 2	(1,051)	1,051	-	-
Transfer to Stage 3	(15,214)	(108,605)	123,819	-
Net re-measurement of loss allowance	219,755	14,378	595,224	829,357
Write-off during the year	-	-	(199,690)	(199,690)
Expected credit loss as at 30 June 2020	664,037	24,458	1,852,917	2,541,412

Expected credit loss movement – 2019
(audited)

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2019	239,773	170,452	1,605,397	2,015,622
Transfer to Stage 1	88,294	(35,921)	(52,373)	-
Transfer to Stage 2	(8,996)	19,017	(10,021)	-
Transfer to Stage 3	(15,028)	(84,669)	99,697	-
Net re-measurement of loss allowance	(42,027)	123,097	153,341	234,411
Write-off during the year	-	-	(338,288)	(338,288)
Expected credit loss as at 31 December 2019	262,016	191,976	1,457,753	1,911,745

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2020**

Bahraini dinars

10 Property and equipment

	30 June 2020 (reviewed)	31 December 2019 (audited)
Furniture, fixtures and equipment	292,498	333,682
Right-of-use assets	211,259	252,961
	503,757	586,643

Furniture, fixtures and equipment is net of accumulated depreciation of BHD 1,113,991 (2019: BHD 1,056,665) and right-of-use assets is net of depreciation of BHD 125,106 (2019: BHD 83,404)

11 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.

12 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.

Related party transactions	30 June 2020 (reviewed)	30 June 2019 (reviewed)
Capital Expenditure		
Furniture, fixtures, equipment and work in progress (Shareholder)	-	50,523
Operating Income		
Insurance commission - Motor vehicles (Shareholder)	16,157	21,904
Operating Expenses		
Auto Mall purchases of motor vehicles (Shareholders)	184,502	-
Insurance premium charges (Shareholder)	98,506	103,673
Call centre charges (Shareholder)	-	9,000
Salesman commission (Shareholders)	19,815	26,253
Other operating expenses (Shareholders)	29,497	15,272

Related party balances	30 June 2020 (reviewed)	31 December 2019 (audited)
Payable for vehicles financed (Shareholders)	1,185,854	1,071,798
Payable for insurance premiums (Shareholders)	23,058	31,892
Prepaid expenses (Shareholders)	-	19,678
Payable of salesman commission (Shareholders)	-	5,975
Payable for operating and capital expenditure (Shareholders)	16,774	15,429
Receivable of insurance agency commission (Shareholders)	6,831	4,011

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020

Bahraini dinars

12 Related party transactions (continued)

In addition to the above, BHD 600,000 is receivable as of 30 June 2020 from the shareholders on account of dividends declared and paid which was subsequently cancelled. On 12 March 2020, the Group in its Annual General Meeting declared BHD 600,000 as dividends which were paid to shareholders. Subsequently in the Ordinary General Meeting dated 29 June 2020, the shareholders agreed to cancel the dividend and return this back to the Group. These dividends were received by the Group subsequent to 30 June 2020.

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 2020 (reviewed)	30 June 2019 (reviewed)
Key management compensation	130,106	172,116
Board of Directors remuneration and attendance allowance	47,525	44,607

	30 June 2020 (reviewed)	31 December 2019 (audited)
Balances with key management personnel		
Staff loans	-	7,918

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the period ended 30 June 2020 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

13 Other liabilities

	30 June 2020 (reviewed)	31 December 2019 (audited)
Payable to agents for vehicles financed	1,818,787	1,619,075
Payable to insurance companies	23,058	31,892
Lease liability	219,163	259,279
Accrued expenses	205,025	439,333
	2,266,033	2,349,579

14 Other income

Other income includes recoveries of BHD 40,974 (2019: BHD 37,817) from loans written-off in prior years and gain from sale of automobiles of BHD 39,229 (2019: BHD 3,249).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

Bahraini dinars

15 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.

The Group does not have assets or liabilities that are measured at fair value.

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 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 values of all other financial assets and financial liabilities approximate their carrying value due to their short-term nature.

16 Comparatives

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.

Supplementary Public Disclosure - for the six months ended 30 June 2020
Reporting on Financial Impact of COVID-19 (*not reviewed*)

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID-19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The Group is closely monitoring the impact of the COVID-19 developments, and in response to this outbreak, has activated its business continuity plan and various other risk management measures. The Group has also performed an assessment of the impact of the COVID-19 on its operations, liquidity and financial performance and whether it is a going concern in the light of current economic conditions and future risks and uncertainties. Based on the assessment, the Group has sufficient financial resources for the foreseeable future and will continue as a going concern entity for the next 12 months.

The regulatory directives issued by the Central Bank of Bahrain (CBB) to combat the effects of COVID-19 have resulted in the following effects to the Group:

- A one-off modification loss of BHD 1,704,745 arising from the six-month payment holiday provided to all qualify Bahraini individuals and companies without charging additional interest or fee. The Group provided deferral on financing exposures amounting to BHD 35.1 million as result of this regulatory directive.
- The Government of Kingdom of Bahrain announced various economic stimulus measures to support businesses in these challenging times. The Group received regulatory directive financial assistance of BHD 151,335 representing reimbursement of all insured Bahraini employees for three months starting April 2020 and the payment of Electricity and Water Authority utility bills for three months from April 2020 (up to the costs incurred during the same period in 2019). In addition to this, the Group also benefited from deferral on the bank borrowings for six months resulting in a modification gain of BHD 1,044,254. The impact of these was off-set against the modification loss and taken to retained earnings as per the CBB directives.

In light of the current economic challenges, the shareholders decided to reverse the full dividends declared earlier in the year in relation to 2019 year-end.

The strain caused by COVID-19 on the local economy resulted in a slowdown in the booking of new financing assets by the Group during the six months ended 30 June 2020 resulting in auto financing bookings to be 12% lower than the same period last year. It also resulted in an incremental ECL being recognised on the auto financing exposure.

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 dated 14 July 2020. This information should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by the external auditors.