

## NATIONAL FINANCE HOUSE B.S.C (c)

30 JUNE 2021

### 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 Mohammed Abdullah Alwabil Sanjay Kawatra Khalid Shaheen Saqer Shaheen
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 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 2021**

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

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

30 August 2021

### Introduction

We have reviewed the accompanying 30 June 2021 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 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2021;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2021; 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

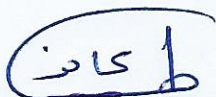
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by the Central Bank of Bahrain.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2021

Bahraini dinars

	Note	30 June 2021 (reviewed)	31 December 2020 (audited)
<b>ASSETS</b>			
Cash and cash equivalents		878,319	3,552,608
Placements with banks		3,498,931	2,998,931
Loans to customers	8	49,601,792	49,749,042
Property and equipment	9	395,197	422,935
Other assets		350,747	416,517
<b>Total assets</b>		<b>54,724,986</b>	<b>57,140,033</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Bank borrowings	10	37,700,016	39,881,532
Other liabilities	12	1,378,731	1,902,327
<b>Total liabilities</b>		<b>39,078,747</b>	<b>41,783,859</b>
<b>Equity</b>			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		1,289,253	1,289,253
Retained earnings		6,744,486	6,454,421
<b>Total equity (page 4)</b>		<b>15,646,239</b>	<b>15,356,174</b>
<b>Total equity and liabilities</b>		<b>54,724,986</b>	<b>57,140,033</b>

The Board of Directors approved the condensed consolidated interim financial information on 30 August 2021.



**Talal Fuad Ebrahim Kanoo**  
Chairman



**Mohammed Farouk Y. Almoayyed**  
Deputy Chairman

The accompanying notes 1 to 14 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 2021

Bahraini dinars

	Note	<b>30 June 2021 (reviewed)</b>	30 June 2020 (reviewed)
Interest income		2,429,430	2,525,561
Interest expense		(972,489)	(1,111,329)
<b>Net interest income</b>		<b>1,456,941</b>	1,414,232
Fees and commission income		205,997	369,325
Fees and commission expense		(85,116)	(168,354)
<b>Net fee and commission income</b>		<b>120,881</b>	200,971
Other income	13	154,952	83,800
<b>Total income</b>		<b>1,732,774</b>	1,699,003
Salaries and related costs		(411,982)	(448,509)
Other operating expenses		(277,582)	(282,418)
Depreciation		(82,201)	(103,805)
Impairment on loans to customers	8(b)	(220,944)	(829,357)
<b>Total expenses</b>		<b>(992,709)</b>	(1,664,089)
<b>Profit for the period</b>		<b>740,065</b>	34,914
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<b>740,065</b>	34,914

The accompanying notes 1 to 14 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 2021**

Bahraini dinars

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

<b>2020 (reviewed)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
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 7)	-	-	-	(1,704,745)	(1,704,745)
Modification gain (note 7)	-	-	-	996,581	996,581
Government subsidy (note 7)	-	-	-	151,335	151,335
Balance at 30 June 2020	7,500,000	112,500	1,196,719	5,656,526	14,465,745

The accompanying notes 1 to 14 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2021**

Bahraini dinars

	<b>30 June 2021 (reviewed)</b>	30 June 2020 (reviewed)
<b>Operating activities</b>		
Interest, fees and commission received	2,790,379	1,962,745
Loans disbursed	(7,599,836)	(8,141,663)
Loan repayments	7,080,144	7,792,677
Payments for staff salaries and related costs	(404,401)	(353,048)
Payments for other operating expenses	(213,000)	(271,268)
<b>Net cash generated from operating activities</b>	<b>1,653,286</b>	989,443
<b>Investing activities</b>		
Placements with banks	(500,000)	-
Purchase of furniture, fixtures and equipment	(55,318)	(23,620)
<b>Net cash used in investing activities</b>	<b>(555,318)</b>	(23,620)
<b>Financing activities</b>		
Drawdown of bank borrowings	3,000,000	6,500,000
Repayment of bank borrowings	(5,181,516)	(4,788,817)
Interest paid	(1,140,741)	(895,006)
Dividends paid	(450,000)	(600,000)
<b>Net cash (used in) / generated from financing activities</b>	<b>(3,772,257)</b>	216,177
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<b>(2,674,289)</b>	1,182,000
Cash and cash equivalents at 1 January	3,554,173	2,914,649
<b>Cash and cash equivalents as at 30 June*</b>	<b>879,884</b>	4,096,649

\* Cash and cash equivalents is gross of the expected credit loss of BHD 1,565 (2020: BHD 1,848).

The accompanying notes 1 to 14 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 2021**

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, 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 2021.

**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 CBB including the 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) the retrospective recognition of modification gains/ losses on financial liabilities/ 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 to note 7 for further details; and
- b) the retrospective recognition of financial assistance received from the government 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 the profit or loss account. Any other financial assistance is recognised in accordance with the requirements of IAS 20. Please refer to note 7 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 CBB'.

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 2020. 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 2020.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2021**

Bahraini dinars

**2 Basis of preparation (continued)**

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 2020 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 2020.

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 2020.

**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 2020.

**5 Seasonality**

The Group does not have income of a seasonal nature.

**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 2020. There have been no changes in the risk management department or in any risk management policies since 31 December 2020.

**7 COVID-19 impact**

The outbreak of the coronavirus ("COVID-19") in 2020 has had multiple implications on the Group, from stressed market conditions to relief measures provided by the regulator and government.

The CBB, along with the Government of Bahrain, have provided numerous reliefs to Bahraini individuals, companies and banks. In March 2020, the CBB announced a six-month loan deferral to all qualifying Bahraini individuals and companies. Based on the CBB directive issued, the modification gain and modification loss recorded by the Group amounted to BHD 996,581 and BHD 1,704,745 respectively. The CBB subsequently announced second, third and fourth loan deferral programmes effective September 2020 for a period of four months, and January and June 2021 for a period of six months. The latter three programmes permitted the Company to charge interest, and as such, did not result in any additional modification losses to the Group.

The Group provided payment deferment on financing exposures amounting to BHD 35.1 million as part of its support to impacted customers.

In addition, during 2020, 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, 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 2021

Bahraini dinars

## 8 Loans to customers

## (a) Exposure by staging

<b>30 June 2021</b> (reviewed)				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Loans to customers	48,317,674	976,505	2,573,264	51,867,443
Less: expected credit loss	(244,516)	(113,732)	(1,907,403)	(2,265,651)
<b>Net loans</b>	<b>48,073,158</b>	<b>862,773</b>	<b>665,861</b>	<b>49,601,792</b>

<b>31 December 2020</b> (audited)				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Loans to customers	48,338,852	981,353	2,752,125	52,072,330
Less: expected credit loss	(250,075)	(116,275)	(1,956,938)	(2,323,288)
<b>Net loans</b>	<b>48,088,777</b>	<b>865,078</b>	<b>795,187</b>	<b>49,749,042</b>

## (b) Expected credit loss movement

<b>Expected credit loss movement – 2021</b> (reviewed)				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At 1 January 2021	250,075	116,275	1,956,938	2,323,288
Transfer to Stage 1	191,011	(36,235)	(154,776)	-
Transfer to Stage 2	(6,883)	41,990	(35,107)	-
Transfer to Stage 3	(6,339)	(58,456)	64,795	-
Net re-measurement of loss allowance	(183,348)	50,158	354,134	220,944
Write-off during the period	-	-	(278,581)	(278,581)
<b>Expected credit loss as at 30 June 2021</b>	<b>244,516</b>	<b>113,732</b>	<b>1,907,403</b>	<b>2,265,651</b>

<b>Expected credit loss movement – 2020</b> (audited)				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At 1 January 2020	262,016	191,976	1,457,753	1,911,745
Transfer to Stage 1	239,252	(80,465)	(158,787)	-
Transfer to Stage 2	(7,657)	32,303	(24,646)	-
Transfer to Stage 3	(11,345)	(61,442)	72,787	-
Net re-measurement of loss allowance	(232,191)	33,903	1,160,336	962,048
Write-off during the year	-	-	(550,505)	(550,505)
<b>Expected credit loss as at 31 December 2020</b>	<b>250,075</b>	<b>116,275</b>	<b>1,956,938</b>	<b>2,323,288</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2021**

Bahraini dinars

**9 Property and equipment**

	<b>30 June 2021 (reviewed)</b>	31 December 2020 (audited)
Furniture, fixtures and equipment	267,573	253,837
Right-of-use assets	127,624	169,098
	<b>395,197</b>	<b>422,935</b>

Furniture, fixtures and equipment is net of accumulated depreciation of BHD 1,185,704 (2020: BHD 1,149,849) and right-of-use assets is net of depreciation of BHD 208,741 (2020: BHD 167,267).

**10 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.

**11 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.

<b>Related party transactions</b>	<b>30 June 2021 (reviewed)</b>	30 June 2020 (reviewed)
<b>Capital expenditure</b>		
Furniture, fixtures, equipment and work-in-progress (Shareholder)	21,880	-
<b>Operating income</b>		
Insurance commission - Motor vehicles (Shareholder)	19,660	16,157
<b>Operating expenses</b>		
Auto Mall purchases of motor vehicles (Shareholders)	217,571	184,502
Insurance premium charges (Shareholder)	96,875	98,506
Salesman commission (Shareholders)	-	19,815
Other operating expenses (Shareholders)	30,707	29,497

<b>Related party balances</b>	<b>30 June 2021 (reviewed)</b>	31 December 2020 (audited)
Payable for vehicles financed (Shareholders)	370,239	562,547
Payable for insurance premiums (Shareholders)	19,299	29,848
Prepaid expenses (Shareholders)	47,565	16,711
Payable for operating and capital expenditure (Shareholders)	6,302	5,058
Receivable of insurance agency commission (Shareholders)	7,229	7,792

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2021**

Bahraini dinars

11 *Related party transactions (continued)*

**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:

	<b>30 June 2021 (reviewed)</b>	30 June 2020 (reviewed)
Key management compensation	100,200	130,106
Board of Directors remuneration and attendance allowance	29,462	47,525
	<b>30 June 2021 (reviewed)</b>	31 December 2020 (audited)
<b>Balances with key management personnel</b>		
Staff loans	585	855

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the period ended 30 June 2021 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

**12 Other liabilities**

	<b>30 June 2021 (reviewed)</b>	31 December 2020 (audited)
Payable to agents for vehicles financed	731,067	1,177,065
Payable to insurance companies	19,299	29,848
Lease liability	135,716	178,032
Accrued expenses	492,649	517,382
	<b>1,378,731</b>	<b>1,902,327</b>

**13 Other income**

Other income includes recoveries of BHD 81,580 (2020: BHD 40,974) from loans written-off in prior years and gain from sale of automobiles of BHD 70,090 (2020: BHD 39,229).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2021**Bahraini dinars

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**14 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.

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

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The outbreak of the coronavirus disease ("COVID-19") in early 2020 has had multiple implications on the Group, from stressed market conditions to relief measures provided by the regulator and government.

The Central Bank of Bahrain ("CBB"), along with the Government of Bahrain, provided numerous reliefs to Bahraini individuals, companies and banks. In March 2020, the CBB announced a six-month loan deferral to all qualifying Bahraini individuals and companies.

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 996,581. The impact of these was off-set against the modification loss and taken to retained earnings as per the CBB directives.

Subsequently, the CBB announced second, third and fourth loan deferral programmes effective September 2020 for a period of four months, and January and June 2021 for a period of six months. The latter three programmes permitted the Group to charge interest, and as such, did not result in any additional modification losses to the Group.