

EMPOWERING CHANGE

ENSURING
SUSTAINABILITY

2 0 2 4
ANNUAL REPORT

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Visit
our corporate
website for more
information.

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His Royal Highness Prince
Salman bin Hamad Al Khalifa
The Crown Prince
and Prime Minister



His Majesty King
Hamad Bin Isa Al Khalifa
The King of
the Kingdom of Bahrain

GROUP PROFILE

National Finance House (NFH) specializes in providing consumer and corporate financing for the purchase of private, commercial, and heavy vehicles. Established in 2005 and commencing operations in 2006, NFH operates under a Financing Company license issued by the Central Bank of Bahrain.

Capitalized at BHD 7.5 million, the Group is supported by a robust shareholder base comprising prominent institutional investors from the GCC region. Since its inception, NFH has captured a dominant market share in the competitive vehicle financing segment in the Kingdom of Bahrain and has earned a reputation for delivering exceptional customer service and agility in processing loan applications.

In 2022, NFH introduced medical equipment financing to support healthcare businesses in purchasing medical equipment and related requirements. Additionally, the Group launched solar equipment financing to facilitate the purchase and installation of solar panels for residential and commercial buildings.

NFH has also established a wholly-owned subsidiary, National Finance House Auto Mall W.L.L., for the sale and trading of motor vehicles. The Auto Mall provides a one-stop shopping experience, offering new and used vehicle selection, financing, registration, and insurance services—all in one convenient location.

SHAREHOLDERS

Kingdom of Bahrain

- Bahrain National Holding Company
- Y.K. Almoayyed & Sons
- E.K. Kanoo B.S.C.

Kingdom of Saudi Arabia

Almutlaq Group

Sultanate of Oman

Oman International Development & Investment Company

OUR
VISION



We aspire to be the first-choice provider of finance solutions.

OUR
MISSION



We are committed to establishing enduring and mutually beneficial relationships with our clients, which are distinguished by:

- **The provision of innovative and flexible financing solutions**
- **The delivery of personalised, speedy and responsive customer service**
- **The adoption of the highest standards of ethical behaviour**

OUR
VALUES



Our business activities and relationships with all stakeholders are governed by the following core values:

- **Consistency**
- **Integrity**
- **Performance**
- **Service**
- **Innovation**
- **Teamwork**

Financial Highlights



	2024	2023	2022	2021	2020
Total Assets	47,065,762	50,385,587	53,073,839	51,663,625	57,140,033
Total Liabilities	29,184,128	33,446,496	36,116,089	35,447,754	41,783,859
Total Equity	17,881,634	16,939,091	16,957,750	16,215,871	15,356,174
Total Income	3,211,653	2,784,865	3,517,820	3,678,338	3,500,769
Profit for the Year	942,543	581,341	1,341,879	1,309,697	925,344
Share Capital	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Dividends	750,000	-	600,000	600,000	450,000
ROAE (%)	5.4%	3.4%	8.1%	8.3%	6.1%
ROA (%)	2.0%	1.2%	2.5%	2.5%	1.6%
EPS (in fils)	13	8	18	17	12



Operational Highlights



BAHRAINISATION

By the end of 2024, Bahrainisation remained at an exceptional level, reaching an impressive 98%.



TAMKEEN WORKFORCE SUPPORT

In 2024, the Group leveraged Tamkeen's Wage Increment Program and Leadership Employment Support Program, benefiting 68.2% of employees. These initiatives enhanced employee morale, job satisfaction, and leadership development within the Group.



ESG REPORTING READINESS

The Group demonstrated a strong commitment to sustainability and governance by achieving full readiness for its first ESG report, covering 2024. This milestone reflects its dedication to transparency, environmental stewardship, social responsibility, and adherence to best governance practices.



PROMOTING SUSTAINABILITY

In 2024, the Group advanced its environmental sustainability efforts by introducing designated containers for paper and plastic recycling across its facilities. This initiative reflects the Group's commitment to waste reduction and recycling as part of its broader ESG strategy.



AUTO MALL SALES SURGE

In 2024, NFH Auto Mall recorded a 29% increase in vehicle sales volume, reflecting strong growth driven by the recovery of supply chains and rising demand for new vehicles in Bahrain.



STRONG PRESENCE

The Group maintained its strong market presence and continued to command a significant share of the highly competitive vehicle financing sector in the Kingdom of Bahrain.



EKYC API PLATFORM IMPLEMENTATION

On March 14, 2024, the Group successfully implemented the national eKYC API platform following rigorous testing and certification. This integration enhanced customer authentication and streamlined KYC processes, reinforcing NFH's commitment to operational efficiency and digital transformation.

Board of Directors



Talal Fuad Kanoo



Mohammed Farouk
Almoayyed



Redha Abdulla Ali Faraj

The board of directors comprises distinguished local and regional business leaders, each possessing a diverse array of skills, experience, and expertise. Their collective background encompasses various industries and disciplines, ranging from finance and technology to strategic planning and governance. This diverse composition enriches the board's discussions and decision-making processes, fostering a comprehensive approach to addressing the company's challenges and opportunities.

Talal Fuad Kanoo

Chairman (Executive)
Chairman of Nomination &
Remuneration Committee
Appointed to the Board in 2006

Managing Director & Chairman of the Executive Committee

- Ebrahim Khalil Kanoo Group, Bahrain

Member of Board of Directors

- Bahrain National Holding Company, Bahrain

Experience

- Over 26 years of experience in the automotive industry.

Mohammed Farouk Almoayyed

Deputy Chairman (Executive)
Chairman of Executive Committee
Appointed to the Board in 2006

Chairman

- Almoayyed International Group, Bahrain
- Y.K. Almoayyed & Sons Group, Bahrain
- Almoayyed Contracting Group, Bahrain
- National Concrete Company
- Ashrafs Bahrain

Member of Board of Directors

- National Bank of Bahrain
- Bahrain Chamber of Commerce & Industry (BCCI)
- Tamkeen
- Bahrain Maritime and Mercantile International (BMMI), Bahrain
- Bahrain Duty Free Shop Complex BSC
- Mirai Restaurant WLL, Bahrain
- INJAZ, Bahrain

Experience

- Over 19 years of experience in the field of financing, automobile, information technology solutions

Redha Abdulla Ali Faraj

Board Member (Independent)
Chairman of Audit, Compliance & Risk Committee
Appointed to the Board in 2018

Member of

- Shura Council, Bahrain
- Minors Estate Guardianship Council, Bahrain

Member of Board of Directors and Chairman of Audit, Risk & Compliance Committee

- Y.K. Almoayyed & Sons Group, Bahrain
- Almoayyed International Group, Bahrain
- Almoayyed Contracting Group, Bahrain
- National Concrete Company, Bahrain
- Banader Hotels Company BSC

Founder

- Al Faraj Horizon Developments Company WLL, Bahrain

Experience

- 64 years of experience in public and private sector experience and has own consulting business for the past 22 years.



Raed Abdulla Fakhri



Ahmed Adnan Al-Aseeri



Al Wadhah Al-Adawi

Raed Abdulla Fakhri

Board Member (Executive)
Member of Executive Committee
Appointed to the Board in 2023

Group Chief Executive Officer

- Bahrain National Holding B.S.C.

Member of the Board of Directors

- BDI Partners
- Aljabr Finance

Experience

- Over 31 years of experience in business development, investment and portfolio management

Ahmed Adnan Al-Aseeri

Board Member (Executive)
Member of the Audit, Compliance & Risk Committee
Appointed to the Board in 2023

Chief Investment Officer - Private Equity

- Bahrain National Holding B.S.C.

Experience

- Over 17 years of experience across consulting, private equity, real estate investments, business building and portfolio management.

Al Wadhah Al-Adawi

Board Member (Executive)
Appointed to the Board in 2024

Chief Investment Officer (CIO)

- Oman International Development & Investment Company S.A.O.G
- (OMINVEST) Sultanate of Oman

Member of Board of Directors

- Jabreen Capital, Muscat, Oman
- Eastbridge Partners Pte Ltd, Singapore
- Ubhar Capital SAOG
- Liva Insurance, Muscat, Oman

Experience

- Over 19 years of experience as Portfolio Manager and Asset Management expert



Vincent Bhatt



Khalid Shaheen Saqer
Shaheen



Tawfeeq Mohammed
Bastaki

Vincent Bhatt

Board Member (Executive)
Appointed to the Board in 2024

**Director - Investments
(Head of M&A and VC)**
Almutlaq Group, Riyadh

Member of Board of Directors
■ West Shura III, Riyadh

Experience

- Over 24 years of experience in the field of Joint Ventures, M&A, Private Equity, Real estate investments, business development, portfolio management.

Khalid Shaheen Saqer Shaheen

Board Member (Non-Executive)
Member of Executive Committee
Deputy Chairman of Nomination &
Remuneration Committee
Appointed to the Board in 2011

Member of Board of Directors
■ Ebrahim Khalil Kanoo Group, Bahrain

Fellow

- Institute of Directors, UK

Member

- National Association of Corporate Directors, USA

Experience

- Over 34 years of extensive banking experience.

Tawfeeq Mohammed Bastaki

Board Member (Independent)
Member of Audit, Compliance & Risk
Committee
Member of Nomination &
Remuneration Committee
Appointed to the Board in 2021

Experience

- ▶ Over 44 years of banking experience in Conventional and Islamic Banking

Fostering Resilience and Responsibility

COMPLIANCE

The Group is dedicated to fostering resilience through robust frameworks that promote stability, accountability, and compliance across its operations. Ethical practices, risk mitigation, and adherence to evolving regulations remain central to safeguarding stakeholder interests. By embedding responsibility into its strategic approach, the Group effectively addresses challenges while positioning itself for sustainable growth. This commitment reinforces stakeholder trust and ensures long-term success in an ever-changing environment.



TALAL FUAD KANOO
Chairman of the Board

It is with great pleasure that I present the Annual Report of National Finance House (NFH) for the year ended 31 December 2024. This year marks a significant improvement in our financial performance, reflecting the resilience of our business model and our ability to adapt to an ever-evolving market environment.

The Group reported a net profit of BHD 943 thousand in 2024, reflecting a notable increase of 62% compared to BHD 581 thousand in the previous year. This substantial growth is attributed to the disciplined execution of our strategic initiatives, prudent management of resources, and an unwavering focus on enhancing operational efficiency. The improvement in profitability was driven by higher net interest income, which rose to BHD 2.57 million, alongside increased gross profit from automotive sales, which reached BHD 208 thousand. These results reflect our ability to adapt to changing market dynamics while remaining focused on maintaining a high-quality portfolio and generating sustainable returns.

Total income for the year increased by 15% to BHD 3.21 million, supported by diversification of revenue streams

Board of Directors' Report

and effective cost control measures. At the same time, our balance sheet remains robust, with total assets amounting to BHD 47.07 million at the end of 2024. While loans to customers declined slightly to BHD 45.18 million, this was a strategic decision to mitigate potential credit risks and focus on high-value lending opportunities. The provision for impaired loans increased in 2024 to BHD 521 thousand, compared to BHD 480 thousand in 2023. This rise reflects the Group's cautious approach to credit risk management in response to the evolving market environment and changing customer credit profiles. Despite this, the Group remains committed to maintaining a prudent lending strategy while ensuring sufficient provisioning for potential loan losses.

Our equity position strengthened further, increasing to BHD 17.88 million, which reinforces our financial stability and positions us well for future growth. Additionally, the basic earnings per share improved significantly to 12.57 fils, compared to 7.75 fils in 2023. This growth highlights our ability to balance profitability and sustainability, reflecting our commitment to delivering consistent value to our shareholders.

Based on these financial results, the Board of Directors is proposing a cash dividend of 10% of the paid-up capital (BHD 750 thousand) out of retained earnings for approval by the Shareholders at the Annual General Meeting to be held on 18 March 2025. This decision reflects the Group's confidence in its strong financial position and ability to maintain sustainable growth.

During the year, we welcomed two new members to our Board of Directors: Mr. Al Wadhah Al Adawi, representing Oman International Development and Investment Company (Oinvest), and Mr. Vincent Bhatt, representing Almutlaq Group. Their extensive expertise and vision will play a key role in strengthening NFH's governance and strategic direction. At the same time, we extend our sincere gratitude to Mr. Sanjay Kawatra and Mr. Mohammed Alwabil for their valued contributions during their tenure. Their efforts have been greatly appreciated, and we wish them every success in their future endeavors.

Looking ahead, we remain steadfast in our pursuit of growth and innovation, building on the strong foundation established this year. The global economic environment is expected to stabilize with moderating inflation and improved interest rate conditions. However, challenges such as geopolitical uncertainties and evolving customer preferences will require us to remain agile and proactive. NFH is committed to embracing digital transformation, sustainability, and strategic partnerships as central pillars of its strategy. By doing so, we aim to enhance customer experiences, diversify our product offerings, and solidify our position as a trusted financial partner.

Board and Executive Management Compensation

In accordance with the Group's commitment to uphold the highest standards of transparency and confidence with our esteemed stakeholders, we are pleased to provide the following tables, which detail the compensation of the Board of Directors members and the executive management for the fiscal year ending on December 31, 2024.

First: Board of Directors' remuneration details

(All Amounts are in Bahraini Dinars)

Name	Fixed remunerations				Variable remunerations				End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the Chairman and Board	Total allowance for attending Board and committee meetings	Others*	Total	Remunerations of the Chairman and Board	Incentive plans	Others**	Total			
First: Independent Directors ⁽¹⁾:											
1- Redha Abdulla Faraj ⁽²⁾	1,250	16,250	-	17,500	-	-	-	-	-	17,500	-
2- Tawfeeq Mohamed Bastaki	-	17,500	-	17,500	-	-	-	-	-	17,500	-
Second: Non-Executive Directors:											
1- Khaled Shaheen Saqer Shaheen	-	16,000	-	16,000	-	-	-	-	-	16,000	-
Third: Executive Directors:											
1- Talal Fuad Ebrahim Kanoo	12,500	6,000	-	18,500	-	-	-	-	-	18,500	-
2- Mohammed Farouk Almoayyed	7,000	5,500	-	12,500	-	-	-	-	-	12,500	-
3- Raed Abdulla Fakhri	6,250	6,250	-	12,500	-	-	-	-	-	12,500	-
4- Ahmed Adnan Al-Aseeri	6,250	6,750	-	13,000	-	-	-	-	-	13,000	-
5- Al Wadhah Al Adawi ⁽³⁾	5,000	3,000	-	8,000	-	-	-	-	-	8,000	-
6- Vincent Bhatt	5,000	3,000	-	8,000	-	-	-	-	-	8,000	-
7- Sanjay Kawatra ⁽³⁾⁽⁴⁾	1,250	750	-	2,000	-	-	-	-	-	2,000	-
8- Mohammed Alwabil ⁽⁵⁾	1,250	750	-	2,000	-	-	-	-	-	2,000	-
Total	45,750	81,750	-	127,500	-	-	-	-	-	127,500	-

Notes:

* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

** It includes the Board member's share of the profits - Granted shares.

Other Information:

- (1) Independent Directors are entitled to receive attendance allowance only per meeting attended.
- (2) The Director served as a Non-Executive until March 14, 2024, when he was elected to continue on the NFH Board as an Independent Director.
- (3) The Director is representing Oman International Development & Investment Co SAOG (OMINVEST) and both attendance allowance and Director's remuneration is paid directly to OMINVEST.
- (4) The Director no longer represents Oman International Development & Investment Co SAOG (OMINVEST).
- (5) The Director no longer represents Almutlaq Group.
- (6) The Group does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.
- (7) Board remuneration represents payments proposed for the year 2024, which are subject to approval by the shareholders at the upcoming Annual General Meeting scheduled for March 18, 2025.

Second: Executive Management remuneration details
(All Amounts are in Bahraini Dinars)

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2024	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	247,241	19,379	-	266,620

With Appreciation & Gratitude

We express our profound gratitude to His Majesty King Hamad bin Isa Al Khalifa, the King of the Kingdom of Bahrain, and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander of the Armed Forces, and Prime Minister, for their visionary leadership and steadfast support.

We also take this opportunity to thank the Central Bank of Bahrain for their unwavering guidance and invaluable

contributions to the growth and development of the Kingdom's financial and banking sector.

Our sincere appreciation extends to our valued customers and shareholders for their continued trust and active engagement over the years. Finally, we convey our heartfelt thanks to our management and staff for their dedication, hard work, and commitment to excellence, which have been instrumental in NFH's success.

Talal Fuad Kanoo
Chairman of the Board

Mohammed Farouk Almoayed
Deputy Chairman of the Board



DRIVING TRANSFORMATION THROUGH INNOVATION

Empowering change underscores the Group's commitment to fostering adaptability and embracing opportunities for innovation. NFH continues to enhance processes and customer experiences while laying the foundation for future technological advancements. By prioritizing continuous improvement, the Group is well-positioned to address dynamic market demands and emerging opportunities. This approach ensures operational efficiency and competitiveness in an evolving financial landscape.

EQUITY
DIVERSITY
INCLUSION



Chief Executive Officer's Report



MAY A. LATIF AL-MAHMOOD
Chief Executive Officer

The year 2024 was a transformative period for National Finance House (NFH), marked by significant improvements in financial performance, strategic advancements, and continued resilience amidst evolving market dynamics. The Group achieved substantial growth in profitability, enhanced its digital capabilities with key service improvements, and reinforced its position in Bahrain's vehicle financing sector. These milestones reflect NFH's ability to navigate economic shifts, optimize operations, and capitalize on emerging opportunities while upholding a disciplined approach to risk management and governance.

NFH delivered strong financial performance in 2024, recording a net profit of BHD 942.5 thousand, a 62% increase compared to BHD 581.3 thousand in 2023. This growth was primarily driven by a 19.8% increase in net interest income to BHD 2.57 million, reflecting improved loan portfolio management and reduced funding costs. Additionally, gross profit from automotive sales rose by 42.4% to BHD 208.3 thousand, supported by higher sales volumes and optimized pricing strategies.

Total income for the year grew by 15.3% to BHD 3.21 million, demonstrating NFH's ability to generate diversified revenue streams despite a dynamic operating environment. Meanwhile, operating expenses (excluding impairment losses) increased marginally by 1.4% to BHD 1.75 million, reflecting controlled spending while supporting business expansion. Earnings per share improved significantly to 12.57 fils, up from 7.75 fils in 2023, further strengthening NFH's financial position and shareholder value.

NFH's continued focus on risk management was evident in its provisioning strategy, with impairment losses on loans increasing to BHD 520.7 thousand from BHD 479.6 thousand in 2023. This prudent approach ensures financial stability

while enabling the Group to capitalize on future growth opportunities. Looking ahead, NFH remains committed to further enhancing its financial resilience, leveraging digital transformation, and optimizing its product offerings to sustain profitability in an evolving market.

A major macroeconomic policy shift in 2024 was the Federal Reserve's decision to implement three interest rate reductions, totaling a full percentage point. The first rate cut occurred in September 2024, marking the first reduction since March 2020, followed by two additional cuts in November and December. These adjustments reflected the Fed's response to stabilizing inflation trends and the need to stimulate economic activity.

For NFH, the Federal Reserve's rate cuts had a limited immediate impact in 2024, as changes in borrowing costs take time to materialize. The full benefits are expected to be more evident in 2025. However, NFH proactively improved its interest spread by negotiating better borrowing margins with lender banks and reducing its reliance on bank borrowings. These efforts helped optimize funding costs and enhance financial resilience. If inflationary pressures ease further, additional rate cuts in 2025 may provide further opportunities for NFH to refine its lending strategy and enhance customer affordability while maintaining prudent risk management.

The easing of monetary policy had a ripple effect across global financial markets, improving liquidity conditions and reducing borrowing costs. While these macroeconomic factors influenced NFH's funding environment, the Group remained focused on long-term strategic initiatives to enhance efficiency and customer experience.

As part of these efforts, NFH advanced its digital transformation initiatives in 2024. A key development was the initiation of a comprehensive core system upgrade, aimed at strengthening operational capabilities and providing a more seamless customer experience. Throughout the year, NFH worked closely with the chosen vendor to ensure the new system aligns with strategic goals and meets evolving business needs. This next-generation platform, set to go live in 2025, will introduce enhanced functionality, scalability, and process optimization to support NFH's long-term growth.

Alongside system enhancements, NFH strengthened its digital infrastructure by integrating advanced customer authentication solutions. The implementation of the national eKYC Application Programming Interface (API) in early 2024 streamlined verification processes, strengthening compliance measures while improving onboarding efficiency. This initiative represents a key step toward automating customer interactions, with further integration planned to unlock additional digital efficiencies.

To elevate the security and convenience of digital transactions, NFH introduced a newly enhanced Online Payment Portal, offering customers a seamless platform for managing payments. In line with regulatory directives, the Group successfully implemented two-factor authentication (2FA), addressing technical complexities to ensure a smooth transition. The system became fully operational in mid-2024, reinforcing NFH's commitment to cybersecurity and customer protection. Additionally, the Group progressed with the deployment of an Online Payment Management



System, expanding payment accessibility through various channels, including the Benefit Gateway and BenefitPay App.

Expanding its presence in Bahrain's competitive vehicle financing sector remained a key strategic focus for NFH in 2024. NFH Auto Mall experienced strong growth in vehicle sales, driven by improving supply chain conditions, higher consumer confidence, and more accessible financing solutions. This momentum was further supported by the easing of interest rate pressures in the latter part of the year, enhancing affordability for customers. By adapting to market dynamics and maintaining prudent financial management, NFH successfully positioned itself to capture new growth opportunities while strengthening its market competitiveness.

NFH remained committed to integrating environmental, social, and governance (ESG) principles into its business operations. In 2024, the Group achieved full readiness for its first ESG report, reinforcing its commitment to transparency, sustainability, and strong corporate governance practices. This milestone reflects NFH's proactive approach to aligning with evolving stakeholder expectations and regulatory developments. Beyond reporting, NFH introduced targeted sustainability initiatives aimed at improving operational efficiency and reducing its environmental footprint. Key efforts included enhanced recycling programs, digital process optimization to minimize paper usage, and initiatives to improve energy efficiency across its operations. These measures reflect NFH's ongoing commitment to responsible business practices while fostering long-term value for stakeholders.

Risk management remained a core pillar of NFH's strategy in 2024, ensuring resilience in an evolving economic environment. The Group strengthened its credit risk framework to enhance portfolio assessment and mitigate potential defaults. These measures enabled NFH to proactively adjust its risk appetite, balancing sustainable growth with disciplined lending practices.

In addition to strengthening portfolio oversight, NFH maintained prudent provisioning policies to safeguard its financial position against credit uncertainties. This proactive stance not only reinforced financial stability but also allowed NFH to capitalize on selective growth opportunities while maintaining a sound risk-return balance. Looking ahead, NFH will continue refining its risk management strategies,

incorporating adaptive credit policies to navigate shifting market conditions effectively.

Building on its momentum, NFH remains focused on strengthening its market position by expanding digital capabilities, diversifying product offerings, and deepening customer engagement. According to the latest IMF Economic Outlook (2024), Bahrain's economy is projected to grow by 3.2% in 2025, with inflation expected to remain moderate at 1.8%. This stable economic environment supports NFH's ability to capitalize on emerging opportunities in the financial sector.

The expected moderation in interest rates will enhance household purchasing power, potentially driving greater demand for financing solutions. This environment presents NFH with opportunities to refine its lending strategies, optimize pricing structures, and expand its customer base while maintaining a disciplined risk approach. Additionally, the anticipated stability in inflation supports sustained consumer confidence, reinforcing NFH's ability to grow responsibly in a controlled economic environment.

By embracing innovation and fostering strategic partnerships, NFH aims to sustain its growth and create lasting value for stakeholders. The Group remains committed to aligning its strategy with evolving market dynamics, leveraging digital transformation, and maintaining a resilient financial position to navigate the opportunities and challenges of 2025.

I extend my sincere appreciation to the Board of Directors, the Central Bank of Bahrain, regulatory bodies, shareholders, customers, business partners, and financial institutions for their continued trust and support. Their contributions have been instrumental in NFH's success and resilience.

Most importantly, I would like to express my gratitude to our dedicated employees, whose hard work and commitment drive our achievements. As we enter another promising year, I am confident that through collaboration, innovation, and a shared vision, NFH will continue to build on its success and deliver sustained value for all stakeholders.

May Al-Mahmood
Chief Executive Officer

MANAGEMENT TEAM



May Al-Mahmood



Ahmed Matar Al-Alawi



Ali Redha Mohammed



Essa Raed Buhammood



Hussain Eid



Noof Rajab Almusawi

- **May Al-Mahmood**
Chief Executive Officer
- **Ahmed Matar Al-Alawi**
Head of Financial Control
- **Ali Redha Mohammed**
Head of Retail
- **Essa Raed Buhammood**
Head of Risk, Compliance & MLRO
- **Hussain Eid**
Head of Enterprise PMO
& Information Technology
- **Noof Rajab Almusawi**
Human Resources Assistant Manager

NFH benefits from a stable, highly skilled, and well-qualified Management Team, distinguished by extensive experience and expertise across a range of disciplines.

COMMITMENT TO SUSTAINABLE GROWTH

The Group upholds its focus on ensuring sustainability by embedding environmental, social, and governance (ESG) principles into its operations. This includes adopting responsible business practices, minimizing environmental impact, promoting social inclusivity, and strengthening governance frameworks. By aligning with regulatory expectations and global best practices, the Group aims to drive long-term value creation while fostering trust among stakeholders and contributing to a more sustainable future.



REVIEW OF OPERATIONS

In 2024, a dynamic landscape shaped by ongoing global economic uncertainties, shifting market conditions, and evolving regulatory requirements created both challenges and opportunities, shaping the Group's overall performance and strategic direction. By adapting to these changes, the Group remained resilient, leveraging its strengths to navigate complexities while capitalizing on emerging growth prospects.

RETAIL & MARKETING

Vehicle Financing

In 2024, National Finance House (NFH) maintained its growth trajectory, achieving a slight increase in market share compared to the previous year. This growth aligns with the overall rise in new vehicle sales in the Kingdom of Bahrain, as indicated by data from the Traffic Directorate. NFH's performance reflects its strategic focus on offering tailored financing solutions, executing targeted marketing initiatives, and enhancing customer experience. The Group's ability to adapt to evolving market conditions and customer preferences has contributed to its steady expansion. Furthermore, NFH continues to strengthen relationships with key stakeholders, including car dealerships and financial partners, to drive long-term business sustainability. By remaining responsive to market dynamics and customer needs, NFH has reinforced its position as a key player in Bahrain's auto financing sector, laying a solid foundation for sustained growth.

Medical Equipment Financing

In 2024, National Finance House (NFH) remained committed to supporting the healthcare sector through its medical equipment financing solutions. These loans have enabled healthcare providers to enhance their operations by investing in advanced medical technology, upgrading existing equipment, and expanding their facilities. While disbursements did not reach initial projections, NFH continues to play a vital role in facilitating access to essential medical resources, reinforcing its dedication to the sector's growth and development.

NFH Auto Mall

Established in May 2019, NFH Auto Mall continues to serve as a comprehensive solution for customers looking to select, finance, register, and insure premium automobile brands. After a period of market challenges, 2024 emerged as the strongest year for Auto Mall since its inception, recording its highest sales performance to date. This remarkable growth reflects the positive momentum in Bahrain's vehicle market, supported by increasing consumer demand, stabilized supply chains, and improved vehicle availability. The Auto Mall's ability to capitalize on these favorable market conditions has reinforced its position as a key player in the automotive sector. With a customer-centric approach and a commitment to excellence, NFH Auto Mall is well-equipped to explore new opportunities and cater to the evolving preferences of buyers seeking high-quality vehicles.

Insurance

As an Appointed Representative of Bahrain National Insurance (BNI), NFH has long maintained a strategic partnership that allowed it to offer insurance policies alongside its financing solutions. In 2024, while new policy issuances continued, overall commission income experienced a decline due to regulatory

restrictions limiting NFH's ability to facilitate policy renewals for existing customers. With the sale of BNI and BNL finalized in early 2025, NFH will no longer operate as an appointed representative for these entities. In response, NFH is actively exploring opportunities to re-establish its presence in the insurance sector by resuming its insurance brokerage services in the Kingdom of Bahrain, ensuring continued value-added offerings for its customers.

Marketing

In 2024, the Group reinforced its commitment to personalized marketing initiatives, utilizing data-driven insights to craft targeted campaigns tailored to distinct customer segments. A key highlight was the continuation of the Group's successful Ramadan campaign, which was tailored to address the evolving needs and preferences of customers. Building on the achievements of previous years, the campaign placed a deeper focus on customer-centric offerings, ensuring that products and services aligned with the financial goals and aspirations of our diverse clientele. Collaborations with key partners and dealers further enhanced the effectiveness of marketing efforts, delivering added value and fostering long-term loyalty. Additionally, the Group's strategic focus on digital engagement and social media optimization strengthened its connection with customers, allowing for real-time responsiveness to market trends and evolving expectations.

Customer Service

The Group prioritizes efficiency and convenience, ensuring a seamless experience through streamlined loan processing and responsive support. Leveraging the expertise of its dedicated team, the Group delivers swift and hassle-free financial solutions, reinforcing its commitment to excellence. Beyond the initial service touchpoints, the Group enhances after-sales support, tailoring assistance to individual needs and maintaining accessibility across multiple communication channels. This customer-focused approach strengthens relationships, fosters trust, and underscores the Group's dedication to long-term client satisfaction.

COLLECTION MANAGEMENT

In 2024, the Group reinforced its commitment to customer support by extending payment deferral options to individuals facing financial hardship. The Group actively pursued equitable and mutually acceptable solutions, including discounted settlements, loan rescheduling, and restructuring, all tailored to meet customers' evolving economic circumstances.

Throughout the year, NFH maintained a strong focus on enhancing cash collections while adopting a proactive approach to managing both existing and potential defaults. While the Group achieved notable improvements in overall cash collections, it experienced a decline in recoveries from written-off loans, driven by new regulatory and legal constraints. Despite these challenges, the Group remained dedicated to maintaining portfolio stability and supporting customers with tailored solutions during challenging times.

CREDIT ADMINISTRATION

In 2024, the Group continued to refine its credit administration framework, aligning policies and procedures with evolving market conditions, regulatory requirements, and industry best practices. The primary focus was on enhancing the efficiency of credit assessments and customer evaluations at both transactional and portfolio levels. Significant improvements were made to Know Your Customer (KYC) procedures and the Customer Risk Assessment Methodology, leading to more precise customer profiling. These enhancements have strengthened credit decision-making, mitigated risk exposure, and improved overall service delivery.

The Group remained fully compliant with Credit Reference Bureau (CRB) regulations and ensured seamless alignment with the National Digital Identity and eKYC platforms. Efforts are underway to integrate eKYC for corporate clients, which will streamline onboarding and approval processes, reduce manual interventions, and enhance operational efficiency. However, this integration remains dependent on the implementation of the eKYC platform by the Benefit Company.

In response to changing market dynamics and customer needs, the Group temporarily adjusted specific lending criteria in 2024 for select customer segments. This approach aimed to balance risk management with growth opportunities, ensuring the Group's continued competitiveness in a fluctuating market. Despite these strategic adjustments, the Group remains fully committed to upholding high standards of credit governance, reinforcing its dedication to prudent financial management and responsible lending practices.

CUSTOMER COMPLAINTS

The Group's Customer Complaints Unit operates as an independent and integral function, ensuring transparency and accountability in handling customer concerns. In 2024, the Group maintained robust processes for receiving, recording, monitoring, and resolving complaints, ensuring full compliance with regulatory requirements and industry best practices. Complaint management procedures are designed to be efficient, transparent, and structured, with clear reporting mechanisms to communicate outcomes to the Central Bank of Bahrain (CBB) on a quarterly basis.

This proactive approach underscores the Group's commitment to timely and effective resolution of customer concerns. Throughout the year, the majority of complaints were successfully addressed within the CBB's prescribed five-day timeframe. Notably, the number of significant complaints remained low relative to industry benchmarks, reflecting high customer satisfaction and strong issue-resolution mechanisms.

The Group remains committed to continuously reviewing and refining its complaint management framework to ensure customer issues are handled fairly, promptly, and efficiently.

HUMAN RESOURCES AND EMPLOYEE DEVELOPMENT

In 2024, the Human Resources department made significant strides in employee welfare, professional development, and workforce engagement. The Group, with a workforce of 44 employees, maintained an impressive Bahrainisation rate of 98%, with 23% female representation.

A key milestone was the Group's collaboration with Tamkeen, where 68.2% of employees benefited from the Wage Increment Program and the Leadership Employment Support Program. These initiatives fostered job satisfaction, strengthened leadership capabilities, and enhanced career development opportunities. Additionally, employees pursued professional certifications such as PRM (Professional Risk Manager) and APRM (Associate Professional Risk Manager), reinforcing the Group's commitment to building a highly skilled workforce.

Cybersecurity awareness remained a top priority, with the deployment of a Human Risk Management (HRM) platform to identify and address security knowledge gaps across all levels of the organization. This tailored approach equipped employees with the necessary skills to mitigate cyber risks and maintain compliance with regulatory requirements. Beyond cybersecurity, the Group conducted extensive in-house awareness training on Environmental, Social, and Governance (ESG) practices, Anti-Money Laundering (AML), Combating Terrorism Financing (CTF), Conflict of Interest, Personal Data

Protection Law (PDPL), and First Aid & Fire Fighting. These initiatives reinforced the Group's commitment to operational integrity, regulatory compliance, and risk mitigation.

As part of its corporate social responsibility (CSR) initiatives, the Group prioritized employee health and wellbeing. A notable highlight was the "Think Pink" Breast Cancer Awareness Session, conducted in collaboration with Alsalam Specialist Hospital and Remoteapps. This initiative emphasized preventive measures, early detection, and overall health education, particularly benefiting female employees.

By promoting employee wellness, professional development, and a culture of continuous learning, the Group has reinforced its commitment to fostering a resilient, engaged, and future-ready workforce. These efforts not only contribute to organizational agility and competitiveness but also empower employees to thrive in an evolving business landscape.

INFORMATION TECHNOLOGY

In 2024, NFH took a significant step toward enhancing its operational efficiency and service delivery by initiating plans to upgrade its core system. Throughout the year, NFH engaged in comprehensive discussions and planning with the selected vendor to ensure the new system aligns seamlessly with the Group's business objectives and customer needs. The upgraded core system, designed to provide improved functionality and scalability, is expected to be fully operational in 2025, marking a key milestone in NFH's ongoing digital transformation journey.





Business Review

As part of its digital transformation strategy, NFH successfully implemented the national eKYC Application Programming Interface (API) platform, completing rigorous testing and obtaining certification on March 14, 2024. This integration significantly enhances customer authentication and streamlines KYC processes. Future integration with the core system is expected to further elevate the Group's digital capabilities and customer experience.

In addition, NFH launched its New Online Payment Portal, improving security and convenience for its customers. In compliance with the Central Bank of Bahrain's (CBB) directive to implement two-factor authentication (2FA) under rule OM-3.2 "Secure Authentication," the Group addressed technical challenges to ensure seamless integration. The 2FA system went live in the first week of June 2024, providing customers with a secure and efficient platform for online payments. Furthermore, the Group finalized an agreement to implement an Online Payment Management System, enabling online transactions through multiple channels, including the Benefit Gateway and BenefitPay App.

To further bolster its digital capabilities, NFH made significant investments in enhancing the Network IT infrastructure and data center. These upgrades facilitate digital transformation initiatives, support new system developments, and ensure network scalability, system availability, high performance, and advanced security solutions. As part of the core system upgrade, the Group is focused on continuous improvement, rigorous testing, employee training, and process refinement to ensure a seamless transition that enhances customer and stakeholder experiences. By prioritizing these efforts, NFH aims to drive operational efficiency, improve user experience, and enhance its competitiveness in the evolving digital landscape.

Additionally, NFH made strategic improvements to its Digital Contact Centre and Customer Service capabilities, reflecting its commitment to delivering exceptional service and addressing customer needs more effectively. These enhancements underscore NFH's dedication to continuous improvement and innovation.

Ensuring business continuity and cybersecurity resilience remained a top priority in 2024. The Group conducted two comprehensive Business Continuity Planning (BCP) exercises, successfully testing the BCP center and disaster recovery site, with full online replication at a separate location. Active engagement from all departments ensured the effectiveness of these initiatives. Additionally, to maintain compliance with CBB regulations and uphold the highest standards of information security, the Group conducted two successful Vulnerability Assessment and Penetration Tests (VAPT).

RISK MANAGEMENT

In 2024, the Group continued to navigate challenges arising from economic volatility, inflationary pressures, evolving geopolitical risks, and advancements in disruptive technologies such as artificial intelligence. These external factors, along with regulatory requirements promoting cautious monetary policies, reinforced the need for a robust and adaptive risk management framework.

Throughout the year, the Group refined its risk management strategies in response to fluctuating market conditions and interest rate volatility. Enhancements were made to policies and procedures to address economic shifts, geopolitical uncertainties, and ensure operational stability. A key priority was adjusting the pricing matrix, optimizing strategies to mitigate the impact of external economic pressures on profitability, liquidity, and operational efficiency, ensuring continued competitiveness in an unpredictable environment.

The Group reaffirmed its commitment to regulatory compliance, maintaining strict adherence to guidelines from the Central Bank of Bahrain and other regulatory authorities. This reinforced effective risk governance and safeguarded operational integrity.

Digital transformation remained a key strategic focus in 2024. As part of its long-term objectives, the Group advanced its digitalization initiatives to enhance operational efficiency, improve customer experience, and strengthen risk controls. Key projects—including digital onboarding integration, cybersecurity enhancements, and expanded eKYC capabilities are set for full implementation in 2025. By driving this transformation, the Group aims to remain ahead of market demands while mitigating emerging digital risks.

Through proactive risk management, strategic refinements, and digital innovation, the Group is well-positioned to navigate future challenges while capitalizing on emerging market opportunities.

COMPLIANCE

In response to the evolving regulatory landscape, the Board continues to prioritize compliance risk management, with oversight from the Board Audit, Compliance & Risk Committee to ensure operations align with regulatory expectations and industry best practices.

Throughout 2024, the Group reaffirmed its commitment to strict adherence to the regulations of the Central Bank of Bahrain (CBB) and other legal frameworks. This commitment remains a cornerstone of its governance structure, reinforcing transparency, integrity, and ethical business practices.

A risk-based compliance methodology is embedded within the Group's framework, enabling a targeted and efficient approach to identifying, assessing, and mitigating compliance risks. The framework is regularly reviewed and refined to adapt to regulatory developments and international best practices, ensuring continued alignment with evolving standards. This proactive, risk-focused approach strengthens the Group's commitment to responsible and ethical operations, supporting long-term sustainability and fostering stakeholder confidence.

BUSINESS CONTINUITY

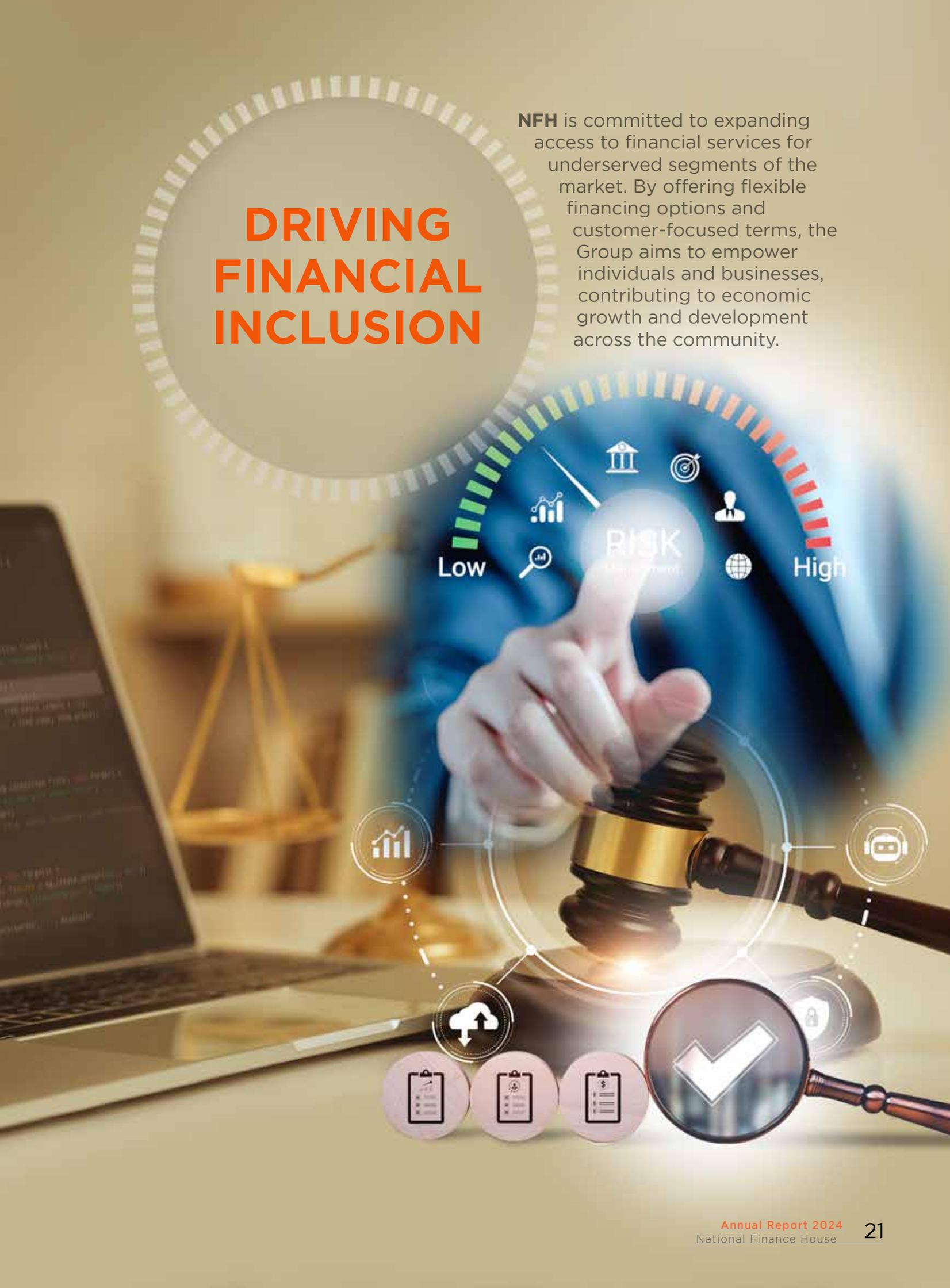
The Group remains committed to ensuring uninterrupted service to its customers, even in the face of potential disruptions such as natural disasters or unforeseen events. This commitment is reinforced through proactive risk identification and a comprehensive business continuity framework designed to safeguard all stakeholders, including employees and customers. At the core of this effort is the Group's Business Continuity Plan (BCP), which incorporates robust data recovery and information security measures to ensure resilience.

In 2024, the Group further strengthened its preparedness for contingencies by conducting two fire drills and two business continuity exercises, alongside rigorous call-out tree testing. These exercises, coordinated with the disaster recovery site and key departments, ensured a swift and effective emergency response. Additionally, the Group carried out disaster recovery scenario tests to validate readiness across all critical business functions, reinforcing its commitment to operational continuity and crisis management.

To further enhance its cyber resilience, the Group conducted two Vulnerability Assessment and Penetration Testing (VAPT) exercises in 2024. Any identified risks were promptly mitigated, strengthening the Group's information security posture and ensuring proactive defense against cyber threats.

DRIVING FINANCIAL INCLUSION

NFH is committed to expanding access to financial services for underserved segments of the market. By offering flexible financing options and customer-focused terms, the Group aims to empower individuals and businesses, contributing to economic growth and development across the community.



RISK MANAGEMENT REVIEW

NFH remains committed to maintaining robust governance standards through a comprehensive Risk Management and Internal Control Framework. This framework ensures the systematic identification, monitoring, and mitigation of risks across the Group's operations. Overseen by the Risk Management Department, the framework includes the implementation of policies, procedures, controls, and systems designed to manage risk effectively.

In 2024, the Group conducted its annual review and assessment of risk management practices to ensure alignment with the Central Bank of Bahrain's guidelines and the strategic objectives set by the Board. These policies and procedures are documented and regularly communicated across the organization to equip stakeholders with the necessary tools to uphold NFH's risk management standards.

KEY DEVELOPMENTS IN 2024

- The Group recognizes the importance of environmental, social, and governance (ESG) principles in achieving sustainable growth and aligning with evolving regulatory expectations. In line with the Central Bank of Bahrain's (CBB) mandatory ESG reporting guidelines for banks and financial institutions, the Group has incorporated comprehensive ESG factors into its reporting framework. These guidelines, effective from the year ending 31 December 2024, encompass climate change, biodiversity, human rights, and labor practices, with the first ESG report for 2024 due in 2025.
- The Group's charters, policies, processes, and procedures were thoroughly reviewed and updated, including significant revisions to the Customer Risk Assessment Methodology. The adjustments, including the incorporation of the source of funds as a key factor, aim to enhance the accuracy of risk evaluations, improve the identification of potential risks, ensure compliance with regulatory requirements, and strengthen overall risk management practices. Additionally, the charters of the Audit, Compliance, and Risk Committee and the Risk Management Committee were updated to incorporate their roles in overseeing and supporting ESG initiatives.
- As part of its commitment to robust risk management and compliance with regulatory requirements, NFH successfully enhanced its information security framework in line with the Central Bank of Bahrain's (CBB) directive to implement two-factor authentication (2FA) under rule OM-3.2 "Secure Authentication." While technical challenges necessitated a six-month extension, NFH addressed these issues and implemented the 2FA, which went live in the first week of June 2024. This initiative reinforces the Group's ability to mitigate information security risks, protect against unauthorized access, and ensure the integrity of its online payment services.
- The Group placed a strong emphasis on the continuous education and training of its staff in Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF) practices. Refresher courses, delivered through in-house resources, were conducted to reinforce staff awareness and understanding of regulatory requirements and best practices in detecting and preventing financial crimes. Additionally, recognizing the critical importance of AML/CFT compliance, new employees underwent comprehensive internal and external training sessions as part of their onboarding process.
- The Group conducted a thorough review of its Key Risk Indicators (KRIs) and the annual Risk Control Self-Assessment (RCSA), which resulted in necessary amendments. This iterative process enhances the Group's

ability to effectively identify, monitor, and manage risks, thereby strengthening the overall risk management framework.

- The Group assessed the effectiveness of its Credit Scoring Risk Grading system for both individual and corporate clients. Amendments, particularly to scoring parameters, were made to better align the system with market conditions. This proactive approach highlights the Group's commitment to robust risk management practices and adapting strategies to mitigate potential risks.
- The Group complied with the Agreed Upon Procedures requirements to test compliance with customer due diligence and onboarding requirements as outlined in the Financial Crime Module, with no material observations identified.

RISK PHILOSOPHY & APPROACH

NFH is committed to maintaining a robust and proactive risk management framework that balances the Group's conservative risk appetite with its strategic objectives. This approach has consistently supported sound asset quality, sustainable operating performance, and long-term value creation for stakeholders.

Key elements of NFH's risk philosophy and approach include:

- **Conservative Risk Appetite:** The Group adopts a prudent risk appetite, recognizing and accepting reasonable levels of risk that are commensurate with its business type and aligned with its strategy.
- **Shareholder Value Creation:** Stability and liquidity are cultivated through a robust risk matrix designed to ensure operational and financial resilience.
- **Comprehensive Risk Management Framework:** The framework sets clear risk appetites and tolerances, as mandated by the Board, and integrates risk management into strategic planning and operations.
- **Techniques for Risk Assessment:** Normal risk levels are determined through advanced methodologies, including Credit Provisioning and Operational Loss Assessment.
- **Control Environment:** The Group adheres to the principles of segregation of duties and independence, ensuring effective risk mitigation measures and compliance with regulatory requirements.
- **Risk Culture:** A strong risk culture fosters transparency, accountability, and proactive risk identification and management across all levels of the organization.

By combining a robust framework with a forward-looking philosophy, NFH ensures financial stability, operational excellence, and enhanced stakeholder confidence while remaining agile in the face of evolving challenges.

RISK EXPOSURE

The Group's business operations involve exposure to a wide range of risks inherent to the financial services industry, including:

- Credit Risk
- Liquidity Risk
- Market Risk including interest rate risk & currency risk
- Operational Risk
- Legal, Compliance, and Regulatory Risk
- Reputation Risk

These risks represent critical aspects of the Group's operational landscape. They are rigorously monitored and managed through a robust risk management framework to ensure the Group's financial stability, regulatory compliance, and reputation are safeguarded.

RESPONSIBILITIES

Board of Directors

The Board of Directors holds ultimate responsibility for establishing and overseeing the Group's risk management framework. It defines the Group's overall risk parameters and tolerance levels by approving relevant risk management policies. Additionally, the Board has instituted the Audit, Compliance & Risk Committee to review and monitor risk metrics and ensure compliance with approved policies. This committee regularly reports to the Board on the Group's risk profile and risk management activities.

Management

The Chief Executive Officer (CEO) bears primary responsibility for authorizing risk-taking activities and ensuring operations remain within the risk management policies and tolerance levels defined by the Board of Directors. The risk management process is supported by a comprehensive structure of policies, procedures, and limits, as well as robust risk measurement and Management Information Systems (MIS) for controlling, monitoring, and reporting risks. The CEO is supported by the Head of Risk, Compliance and Money Laundering Reporting Officer (MLRO) and three risk-related committees.

Risk Management Committee

The Risk Management Committee is tasked with identifying all risks to which the Group may be exposed and implementing necessary policies, procedures, controls, and systems to effectively monitor and manage these risks.

Credit Committee

Chaired by the Chief Executive Officer, the Credit Committee serves as a forum for addressing matters related to credit risk. It establishes and reviews credit policies and procedures, oversees the credit process, and approves loans within its delegated limits.

Asset & Liability Committee

Chaired by the Chief Executive Officer, the Asset & Liability Committee is tasked with overseeing the management of the Group's assets and liabilities. Its responsibilities include ensuring sufficient funds are available to meet commitments under both normal and crisis conditions. The committee further manages liquidity risks, reviews loan interest rates, and addresses strategic issues related to liquidity and margin management.

RISK MANAGEMENT FUNCTION

The Risk Management function, which operates independently of business line management, holds primary accountability for establishing and maintaining the Group's risk management and internal control frameworks, along with supporting policies. Additionally, the function is tasked with providing risk oversight and independent reporting to various stakeholders, including the Audit, Compliance, and Risk Committees, Executive Management, Board-level and Management Committees, and the Board.

The roles and responsibilities of the Risk Management function encompass:

- Implementing the Risk Management Framework Group-wide and integrating climate change considerations, while identifying risk drivers and owners.
- Deploying the Internal Control Framework across the Group and identifying control gaps throughout all processes.
- Efficiently identifying, assessing, monitoring, mitigating, and reporting risks across all business units, processes, and climate-related exposures.
- Providing expert advice on risk management to management and departments.
- Independently monitoring and reporting incidents in key risk areas such as credit risk, market risk, and operational risk.

- Ensuring adherence to Board-approved risk limits and policy compliance.
- Developing appropriate Management Information Systems (MIS) and reporting systems, while furnishing decision-making authorities with reliable data, views, and recommendations.
- Overseeing operational risk incidents and loss management within the Group, including maintaining a database of operational loss events and their causes.
- Fostering a culture of risk awareness and internal control among all employees.
- Conducting risk profiling of new products and services, and proposing suitable controls.
- Ensuring the effectiveness of the internal control system for managing risk controls.
- Implementing the Anti-Money Laundering, Counter-Terrorism and Proliferation Financing policy.

ANTI-MONEY LAUNDERING

The Group has appointed a dedicated Money Laundering Reporting Officer (MLRO) and a Deputy Money Laundering Reporting Officer (DMLRO) to oversee its Anti-Money Laundering (AML), Counter-Terrorism Financing (CFT), and Counter-Proliferation Financing (CPF) efforts. A comprehensive AML, CFT, and CPF policy has been implemented, supported by annual staff training sessions to enhance awareness of identifying and reporting suspicious transactions, as well as detecting and mitigating fraud.

The Group adheres to prudent practices related to Customer Due Diligence and Beneficial Ownership by screening abnormal transactions and following Know Your Customer (KYC) principles, in alignment with the CBB's Financial Crime Module.

An annual Agreed-Upon Procedures (AUP) review of the Financial Crime Module, conducted by external auditors for the year ending 31 December 2023, reported no findings. Similarly, the review conducted by the Acting MLRO for the same period confirmed full compliance with AML procedures, regulations, and guidelines, with no instances of non-compliance identified.

CORPORATE GOVERNANCE REPORT

In 2024, National Finance House (NFH) reaffirmed its unwavering commitment to maintaining the highest standards of corporate governance, transparency, and compliance. Guided by industry best practices, NFH continues to foster fairness and accountability for all stakeholders. This steadfast dedication enhances the Group's organizational efficiency and effectiveness, ensuring its resilience in navigating evolving challenges while delivering sustainable value.

1. CORPORATE GOVERNANCE AND COMPLIANCE IN 2024

The adoption of a balanced corporate governance strategy remains integral to NFH's business prosperity and corporate accountability. It fosters transparency within the Group, inspires stakeholders' confidence, and ensures a commitment to sustainable growth and long-term value creation. A robust corporate governance strategy also mitigates risks and prevents unethical practices, establishing clear guidelines and procedures for decision-making that align with the best interests of the Group and its stakeholders.

In 2024, NFH continued to enhance compliance levels across all its operations by integrating optimal governance practices. To address evolving priorities, some charters and policies were reviewed and updated to incorporate Environmental, Social, and Governance (ESG) principles, reflecting the Group's growing commitment to sustainability and responsible business practices. The corporate governance framework, Board Committees' Charters, Management Committee Charters, risk management policies, and other Group policies were amended to align with both regulatory requirements and ESG considerations.

Additionally, compliance awareness training was conducted to further enhance employee engagement and understanding across all levels of the organization, with a particular emphasis on ESG-related compliance and best practices.

2. GOVERNANCE PHILOSOPHY

NFH remains committed to fostering an environment of the highest integrity, promoting a culture that upholds the best practices of corporate governance. Recognizing that transparency, fairness, compliance, and accountability are essential pillars of effective governance, the Group continues to embed these values into its operations. The Board of Directors remains directly responsible for the adoption and implementation of corporate governance, in alignment with the policies of regulatory authorities and statutory requirements in the Kingdom of Bahrain.

3. STRUCTURE

NFH upholds a robust corporate governance structure that clearly defines the Group's objectives and the mechanisms by which the Board and Management pursue these objectives in the best interests of the Group and its shareholders. This structure establishes and sustains an environment that adheres to the highest standards of ethical business conduct, facilitates effective oversight, and optimizes resource utilization to achieve operational excellence.

4. PRINCIPLES

NFH's corporate governance framework is rooted in critical principles designed to ensure sustainable success. These include maintaining an independent, active, and skilled Board of Directors capable of overseeing and guiding Management effectively; adherence to a Code of Conduct to direct the actions of directors, managers, and employees; implementing rigorous controls and monitoring systems; and ensuring the timely and accurate dissemination of information to shareholders, regulators, and other stakeholders.

5. BOARD OF DIRECTORS

Board Composition

NFH's Board of Directors comprises highly skilled, experienced, and well-respected professionals from diverse business backgrounds. The Board is fully committed to ensuring the Group's long-term sustainability while upholding the highest standards of corporate governance and ethical business practices across all aspects of its operations.

The Group's Memorandum and Articles of Association stipulate that the Board may consist of a maximum of 10 members. Currently, the Board comprises nine Directors, including two Independent Directors. The Board was appointed at the Annual General Meeting held on 14 March 2024, for a three-year term, with the next election/re-election scheduled for March 2027. The appointment of Directors is subject to the approval of the Central Bank of Bahrain (CBB). The Board periodically reviews its composition, as well as the contributions of individual Directors and Committees, to ensure alignment with the Group's objectives and regulatory requirements.

Board Meetings

The Board meets as frequently as necessary and convenes at least four times a year to fulfill its monitoring responsibilities. A minimum of five Members must be present at each meeting, including the Chairperson. In the absence of the Chairperson, the Vice Chairperson's attendance is mandatory. Meetings may also be conducted via teleconferencing. All Board Members are required to attend at least 75% of all Board meetings in a calendar year, and proxies are not permitted.

Roles & Responsibilities

The Board is accountable to the Group's shareholders and other stakeholders for ensuring that NFH is managed in a safe, sound, and sustainable manner, balancing financial performance with the fulfillment of its public purpose. Additionally, the Board is responsible to regulators for conducting the Group's business in compliance with legal and regulatory requirements.

The Board of Directors is also tasked with the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This includes establishing and maintaining internal controls deemed necessary to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Induction & Training

The Group is dedicated to the ongoing training and development of Board Members, fostering trust, understanding, and effective communication through a comprehensive induction program for new members. First-time Directors elected to the Board will receive training covering the Group's financial and business performance, industry insights, regulatory and legislative requirements, corporate governance practices, risk management, and the Code of Ethics and Business Conduct for Directors. Additionally, meetings with Executive Management will be arranged. Re-elected Directors who have already undergone induction may participate in a refresher program. During 2024, all approved persons, including members of the Board of Directors, successfully completed a minimum of 15 hours of continuous professional development.

Performance Evaluation

The Board conducts an annual self-assessment of its performance and reviews the self-evaluations of individual Board Members and each Board Committee. Any recommendations arising from these evaluations are carefully considered and acted upon as appropriate.

Board of Directors Remuneration

The remuneration of Independent Directors consists of a fixed component, while other members of the Board of

Directors receive both fixed and variable components. The fixed remuneration includes sitting fees for each meeting attended by the Board Member. The variable remuneration is tied to a percentage of the net profit for the financial year. Board Members' remuneration is linked to their attendance and performance, with participation in meetings via telephone or video conference considered as attendance. In total, directors received BHD 127,500 in remuneration and sitting fees for their contributions to the Board and Board Committees during 2024.

In accordance with the provisions of the Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to Article (188) of the Commercial Companies Law and Article (125) of its Executive Regulations (No. 3 of 2022), the Group disclosed the remuneration of Board Members and Executive Management for the fiscal year ended 31 December 2024 in the Chairman's Statement.

Code of Ethics & Business Conduct

The Board has approved a comprehensive Code of Ethics & Business Conduct for the Directors, Management, and Employees. The Code binds signatories to the highest ethical standards of personal and professional behaviour; and requires staff to display integrity, mutual respect and due diligence in discharging their duties. It also outlines areas of confidentiality and the responsibilities of signatories to reject bribery, kickbacks and corruption; and adhere to best employment practices. The Code of Business Conduct adopted by NFH has been posted on the website of the Group.

Whistle-blower Policy

The Group has implemented a whistle-blower scheme that allows employees to confidentially report any breach or suspected breach of established policies and procedures to designated officials. This policy fosters a culture of transparency and accountability within the organization, ultimately safeguarding the interests of all stakeholders.

Conflict of Interest Policy

The Board has approved a Conflict of Interest Policy to uphold high standards of corporate governance and ethical business practices. The policy outlines potential areas of conflict of interest, along with internal controls and procedures to prevent and manage such conflicts. It also specifies the disclosure requirements for conflicts of interest. If the Board or its Committees deliberate on matters involving a Director's conflict of interest, the concerned Director will abstain from voting. During the year, no potential conflicts of interest arose for any member of the Board of Directors between their responsibilities to the Group and their private interests or other duties.

Related Party Transactions

The Group's policies, charters, and agreements comprehensively govern related party transactions to ensure transparency and accountability. All dealings with shareholders and/or the Board of Directors are conducted on an arm's-length basis, including borrowings received from them. Loans extended to related parties are approved in line with the authorities delegated by the Board of Directors to Management. Lending transactions that exceed a certain level of exposure require Board approval. In such cases, the Board or Senior Management involved must abstain from the decision-making process for credit granted to companies or individuals related to them.

In compliance with Article 189 of the Commercial Companies Law, all transactions involving the Board of Directors are subject to Board approval. These transactions were reviewed and approved by the Board and summarized in the related party note annexed to the Financial Statements for 2024.

During 2024, the Group did not undertake any related party transactions of a materially significant nature involving its Directors, Management, or their relatives that could potentially conflict with the interests of the Group. Furthermore, as of 31 December 2024, no shares were held by Directors or Senior Managers.

Material transactions

Material transactions requiring approval from the Board or its Committees generally pertain to lending activities that exceed predefined exposure thresholds. Approval is also mandated for restructuring corporate loans, writing off loans that exceed specific exposure levels, or obtaining new credit facilities from banks.

Communications with Stakeholders

The Group has a public disclosure policy approved by the Board of Directors. It conducts all communications with its stakeholders in a transparent, accurate, and timely manner. The primary routes of communication include the annual general meeting, annual report, semi-annual and annual financial statements, corporate website, and regular announcements through appropriate local media.

The Group provides information on all events that require announcement, either on its website – www.nfh.com.bh – or through other publication methods. The annual results of the Group are published in two local newspapers, one in Arabic and one in English, and a copy is submitted to the Central Bank of Bahrain. Previous annual reports, quarterly and semi-annual interim financial results, and other public disclosures, as stated in the Public Disclosure Module of the CBB, are made available on the Group's website for a reasonable period.

Annual reports are distributed to shareholders, relevant regulatory authorities, main banking partners, and other stakeholders. These reports include comprehensive management discussion and analysis, ensuring transparency and presenting a fair view of the Group's operations.

6. BOARD COMMITTEES

The Board has established three committees to assist in carrying out its responsibilities: the Executive Committee, Audit, Compliance & Risk Committee, and Nomination & Remuneration Committee. The Board reserves the right to form temporary committees and discontinue them as necessary.

Performance Evaluation

Each Board Committee conducts a written annual self-assessment of its performance, including that of its members. The results, along with conclusions and recommendations, are reported to the Board at any regularly scheduled meeting.

Executive Committee Committee Composition

The Board nominates the members, including the Chairperson. The Committee comprises a minimum of three Directors and the Chief Executive Officer. Members are appointed for a period of three years, with the term of service for members who are also Directors being co-terminous with their service on the Board.

Committee Meetings

The Committee meets as necessary to fulfill its role effectively. Meetings may be requested by any member of the Committee or the Chairperson of the Board. In 2024, the Committee held four meetings. The quorum for a meeting is two members. In the absence of the Chairperson, the Vice Chairperson is available to chair the meeting.

Roles & Responsibilities

- Oversee the financial and business performance of the Group and guide its relationships with shareholders and other key stakeholders, including regulators and the media.
- Take overall responsibility for setting the business objectives and targets of the Group, as well as its strategic direction and control, within the authorities delegated by the Board.
- Approve credit facilities within a range specified by the Board.
- Review policies, the business plan, and the annual budget for submission to the Board for approval.
- Approve expenditure and other financial commitments within the authorities delegated to the Committee and make recommendations to the Board for proposals that exceed its powers.

Audit, Compliance & Risk Committee

Committee Composition

The Board nominates the members, including the Chairperson. The Committee comprises a minimum of three members, with the majority being Independent Directors, including the Chairperson. Members are appointed for a term of three years. The term of service for members who are also Directors will align with their tenure on the Board.

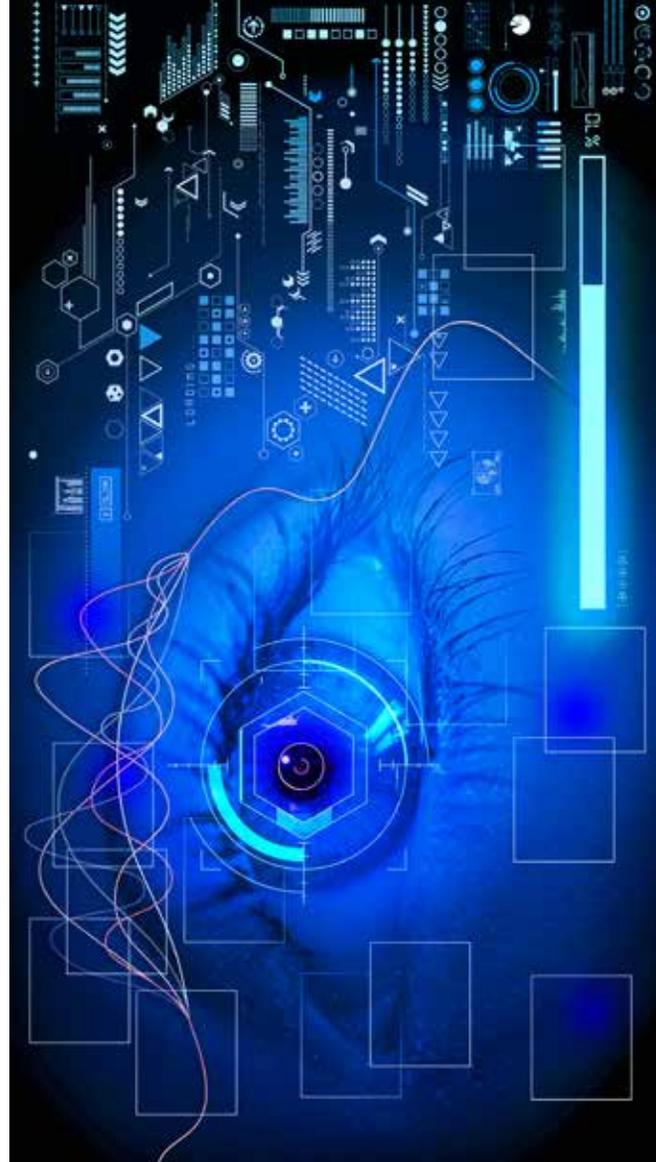
Committee Meetings

The Committee meets once in a calendar quarter to coincide with the financial reporting and audit cycle to review quarterly financial results.

Number of meetings held by the Committee in 2024 was six. The quorum for a meeting will be two members. All meetings must be attended by the Chairperson or Vice Chairman of the Committee.

Roles & Responsibilities

- Assist the Board of Directors in maintaining oversight of the Group's financial reporting system, internal controls, risk management processes, audit functions, compliance with legal and regulatory requirements, and Corporate Governance guidelines.
- Oversee the identification, assessment, management, and reporting of ESG-related risks and opportunities, ensuring their integration into the Group's governance, risk management, and disclosure frameworks while effectively mitigating environmental, social, and governance (ESG) risks within the overall risk management strategy.
- Support the Board in the appointment of external and internal auditors, ensuring their independence, appropriate compensation, and clear terms of engagement.
- Review and oversee the implementation, enforcement, and adherence to the Group's Code of Business Conduct.
- Monitor the Compliance and Anti-Money Laundering (AML) functions to ensure regulatory alignment.
- Review and evaluate the adequacy of the Corporate Governance framework, guidelines, policies, and controls; and recommend any necessary changes to the Board for approval.



Nomination & Remuneration Committee

Committee Composition

The Board nominates the members, including the Chairperson. The Committee consists of a minimum of three members, with the majority being Independent Directors, including the Chairperson. Members are appointed for a term of three years. The term of service for members who are also Directors will align with their tenure on the Board.

Committee Meetings

The Committee meets at least twice a year, typically coinciding with Board meetings, or as required to effectively fulfill its responsibilities. In 2024, the Committee held two meetings. The quorum for a meeting is two members, and all meetings must be attended by the Chairperson or the Vice Chairperson of the Committee.

Roles & Responsibilities

- Ensure the Board comprises individuals capable of effectively discharging the responsibilities of a Director, with an appropriate mix of skills, experience, and expertise.
- Evaluate and recommend the composition of the Board of Directors and its Committees.
- Consider and recommend the appointment of Directors, including Independent Non-Executive Directors.
- Review remuneration policies for the Board and Senior Management.
- Establish processes to evaluate the effectiveness of individual Directors and the Board as a whole.
- Ensure succession plans are in place for the orderly transition of the Senior Management team.
- Assess the Chief Executive Officer's performance against the Group's corporate goals, agreed strategy, objectives, and business plans.

Board & Board Committee Members as at 31 December 2024

On 14 March 2024, an Annual General Meeting (AGM) was held to elect or re-elect the Board of Directors for a new three-year term starting from the election date. On the same day, the Board convened and resolved to establish three permanent committees and appointed members to each committee.

The classification of 'Executive' Directors, 'Non-Executive' Directors and 'Independent' Directors is as per definitions stipulated by the CBB. None of the Directors have any direct inter-relationship.

Directors	Directorship Type	Board	Executive Committee	Audit, Compliance & Risk Committee	Nomination & Remuneration Committee
Talal Fuad Ebrahim Kanoo	Executive	Chairman			Chairman
Mohammed Farouk Y. Almoayyed	Executive	Deputy Chairman	Chairman		
Raed Abdulla Fakhri	Executive	Member	Member		
Ahmed Adnan Alaseeri	Executive	Member		Member	
Khaled Shaheen Saqer	Non-Executive	Member	Member		Member
Al Wadhah Al Adawi (Joined on 14 th March 2024)	Executive	Member			
Vincent Bhatt (Joined on 14 th March 2024)	Executive	Member			
Redha Abdulla Ali Faraj	Independent	Member		Chairman	
Tawfeeq Mohammed Bastaki	Independent	Member		Member	Member

Board & Board Committee Meetings and Record of Attendance during 2024

Attended Absent Not a member during this period  Attended by phone / Zoom

Board of Directors

	27 Feb	14 Mar	3 Jun	26 Aug	3 Dec	% of meetings attended
Talal Fuad Ebrahim Kanoo	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	100%
Mohammed Farouk Y. Almoayyed	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	80%
Raed Abdulla Fakhri	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	100%
Ahmed Adnan Alaseeri	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	100%
Khaled Shaheen Saqer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	100%
Al Wadhah Al Adawi (Joined on 14 th March 2024)	<input type="checkbox"/>					100%
Vincent Bhatt (Joined on 14 th March 2024)	<input type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	100%
Redha Abdulla Ali Faraj	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	100%
Tawfeeq Mohammed Bastaki	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	100%
Sanjay Kawatra (Ended tenure on 14 th March 2024)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100%
Mohammed Alwabil (Ended tenure on 14 th March 2024)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100%

Audit, Compliance & Risk Committee

	Feb 12	Mar 7	Mar 25	May 27	Aug 12	Nov 18
Redha A. Faraj	<input checked="" type="checkbox"/>					
Tawfeeq Mohamed Bastaki	<input checked="" type="checkbox"/>					
Ahmed Adnan Alaseeri (Joined on 14 th March 2024)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Khaled Shaheen Saqer (Ended tenure on 14 th March 2024)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Executive Committee

	Feb 5	Apr 25	Jul 23	Nov 5
Mohammed Farouk Y. Almoayyed	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Raed Abdulla Fakhri	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>
Khaled Shaheen Saqer (Joined on 14 th March 2024)	<input type="checkbox"/>			<input checked="" type="checkbox"/>
Ahmed Adnan Alaseeri (Ended tenure on 14 th March 2024)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tawfeeq Mohamed Bastaki (Ended tenure on 14 th March 2024)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Nomination & Remuneration Committee

	Feb 7	Nov 11
Talal Fuad Ebrahim Kanoo	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Khaled Shaheen Saqer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tawfeeq Mohamed Bastaki	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

7. Shareholders

List of the Group's Shareholders as at 31 December 2024:

Shareholder's Name	Country	% Of Ownership	No. of Shares	BHD Amount of Ownership
Bahrain National Holding Company	Bahrain	34.93%	26,195,240	2,619,524
E.K. Kanoo B.S.C.	Bahrain	18.00%	13,502,700	1,350,270
Y.K. Almoayyed & Sons	Bahrain	18.00%	13,502,700	1,350,270
Oman International Development and Investment Company	Oman	17.47%	13,100,000	1,310,000
Almutlaq Group	K.S.A.	11.60%	8,699,360	869,936
		100.00%	75,000,000	7,500,000

8. Management

Management The Board has delegated the authority for the Group's day-to-day management to the Chief Executive Officer (CEO). The CEO is supported by a skilled and experienced Management team, as well as five key committees: the Management Committee, Credit Committee, Risk Management Committee, Asset & Liability Committee, and IT Steering Committee. These management committees, comprising senior management personnel, bear ultimate responsibility for directing the Group's activities, ensuring efficient operations, and achieving the results for which the Group was established.

Managerial Remuneration

The remuneration of the Chief Executive Officer is determined annually by the Nomination & Remuneration Committee and approved by the Board, based on the CEO's performance. The remuneration of all permanent employees consists of both fixed and variable components.

Fixed remuneration is determined by the position held, length of service, level of responsibility, job complexity, performance, and local market salary practices for similar positions in comparable financial institutions. It includes the gross salary and fringe benefits applicable to all employees of the Group.

Variable remuneration consists of bonuses, with the staff bonus pool approved by the Nomination & Remuneration Committee or the Board of Directors. Bonuses are linked to the Group's overall performance and the performance of specific business units. The distribution of bonuses is based on individual performance and/or the performance of the business unit.

The total amount paid to Senior Managers is disclosed in the annual report.

Remuneration of Approved Persons & Material Risk Takers

The Group adheres to a policy of compensating all approved persons and material risk-takers fairly and responsibly, ensuring that compensation is adequate to retain, motivate, and attract individuals of the caliber required to effectively operate the Group. Notwithstanding this, remuneration should not surpass what is necessary to accomplish the particular goal. The remuneration of approved persons and material risk takers is aligned with the CBB remuneration practices.

Employment of Relatives

It is the Group's policy not to encourage direct relatives of staff, especially relatives of any approved persons occupying controlled functions. Direct relatives are defined as spouses, brothers, sisters, sons, daughters, and direct in-laws. As part of the annual reporting, the CEO must disclose to the Board, the identity of direct relatives of any approved persons occupying controlled functions within the Group.

For 2024, the direct relatives of approved persons occupying controlled functions within the Group were disclosed to the Board of Directors.

9. Auditors

The Shareholders of the Group appointed KPMG, one of the leading accounting firms in the Kingdom of Bahrain, as the external auditors for the year 2024. The external auditors charged BHD 22,300 for their services (BHD 10,150 for the audit, and BHD 12,150 for additional services such as the review of condensed interim financial information, PIRFM review, Public Disclosure review, Financial Crime Module review, and Annual License Fee "ALF" review). Throughout the fiscal year, the external auditors did not provide any additional material consultative or administrative services to the Group that would compromise their independence.

The internal audit function was outsourced to Grant Thornton Abdulaal Gulf Audit for the year ended 31 December 2024.

The scope of the internal audit function, approved by the Audit, Compliance & Risk Committee, includes audits and reviews of all business operations and support services. The internal audit process primarily focuses on assessing risks, evaluating internal controls, and ensuring compliance with established policies, procedures, and delegated authorities. The internal audit function operates independently and reports directly to the Audit, Compliance & Risk Committee. During 2024, BHD 10,200 was charged by the outsourced internal auditors for the auditing services rendered to the Group.

10. Compliance

The Group operates in full compliance with all relevant bye-laws, rules and regulations governing financial institutions. This includes adherence to the Central Bank of Bahrain rules and guidelines, legal compliance, and international accounting standards. NFH has established comprehensive 'Know Your Customer' guidelines, along with a customer due diligence policy, processes, and procedures.

The Group has appointed a Head of Risk, Compliance & Money Laundering Officer (MLRO), a Deputy MLRO and a Complaints Officer. The Compliance function operates independently, reporting directly to the Audit, Compliance & Risk Committee, and administratively to the CEO. Additionally, the Board Secretary has direct access to the Board of Directors, as per the requirements of Corporate Governance.

Throughout the year, the Group has maintained full compliance with all applicable regulations. There were no instances of material non-compliance, and no fines or penalties were imposed by the Central Bank of Bahrain (CBB).

11. Non-Compliance with High Level Controls Module of CBB Rulebook

For the year 2024, the Group was fully compliant with the requirements of the CBB's HC Module, except for the following, for which the Group obtained an exemption from the CBB on 25 April 2024. Additionally, no fines or penalties were imposed on the Group by any regulatory body during the year.

Board Composition

In accordance with HC-1.4.5, at least half of the Board must be non-executive directors, with at least three of them being independent directors. For a licensee with a controller, HC-1.5.2 requires that at least one-third of the Board comprises independent directors. Minority shareholders are generally expected to rely on independent directors to diligently safeguard their interests, rather than seeking specific representation on the Board.

The current Board composition includes one non-executive director, six executive directors, and two independent directors. As per HC-1.4.5 and HC-1.5.2, a total of three independent directors are required, based on the nine directors on the Board. NFH currently has two independent directors, which is slightly below this requirement.

Given that National Finance House B.S.C. (closed) is a smaller financial institution and all shareholders are adequately represented on the Board and its committees, robust Corporate Governance controls remain in place to protect the interests of all stakeholders.

Chairman of Board of Directors:

HC-1.4.6 states that the Chairman of the Board should be an independent director, and HC-1.4.8 states that the Chairman must not be an Executive Director.

Mr. Talal Kanoo, representing Bahrain National Holding (BNH) at NFH Board, serves as a non-independent Executive Director. Despite this role, NFH underscores its commitment to maintaining robust corporate governance standards. The Group believes that the significant business interactions between NFH, BNH, E.K. Kanoo, and Y.K. Almoayyed do not compromise its commitment to governance excellence.

NFH rigorously adheres to policies designed to manage conflicts of interest in Board decisions and consistently applies the arms-length principle to ensure transparency in tendering and approval processes. This unwavering commitment to ethical conduct and transparency reinforces NFH's confidence in upholding the highest standards of corporate governance.

Nomination & Remuneration Committee:

HC-4.2.2 & HC-5.3.2 state that the committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors and the chairman is an independent director.

Mr. Talal Kanoo, Chairman of the Group's Nomination & Remuneration Committee, is not an independent Executive Director; however, the independence of the decision-making process is safeguarded as the majority of the committee members are independent. All Board Members are required

to abide by the Group's policies, including the Code of Ethics & Business Conduct and the Conflict of Interest Policy, which promote integrity, transparency, and objectivity in decision-making.

Mr. Kanoo's extensive expertise in human capital management and corporate governance, along with his knowledge of nomination and remuneration matters, makes him an invaluable leader for the committee. The inclusion of both an independent director and an executive director on the Nomination & Remuneration Committee enhances the decision-making process by incorporating diverse perspectives, ensuring balanced and well-informed outcomes.

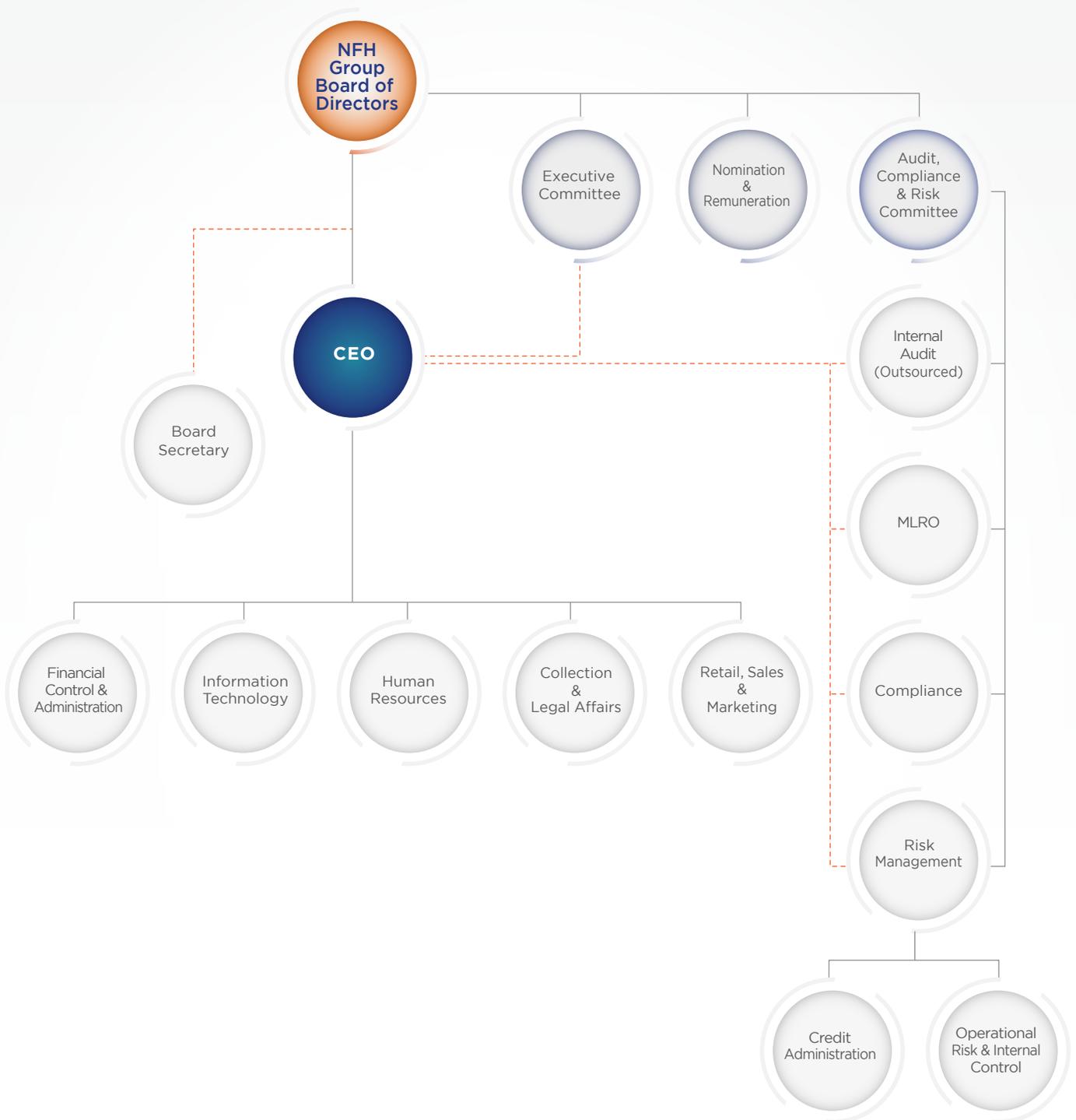
By adhering to the Group's policies, Board Members uphold the highest standards of corporate governance, fostering trust and confidence among stakeholders.

12. Acknowledgment by the Board of Directors

- The Board confirms, to the best of its knowledge and belief, that:
- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and other applicable standards and regulations;
- The efficiency and adequacy of NFH's internal control systems have been reviewed and are in compliance with internal rules and regulations;
- The financial statements have been prepared on a going concern basis, and there are no material factors that would affect NFH's ability to continue its operations in the foreseeable future.



GROUP GOVERNANCE and ORGANISATION STRUCTURE



EXECUTIVE MANAGEMENT

May Al-Mahmood (CPA, MBA)

Chief Executive Officer
Joined NFH in 2006

- More than three decades of financial industry experience, with three years of auditing sector experience.
- Certified Public Accountant (CPA), Colorado State Board of Accountancy, USA.
- MBA in Finance, University of Hull, UK.
- FinTech, Harvard University's Office of the Vice Provost for Advances in Learning, UK.
- BSc in Accounting, University of Bahrain.
- Member of American Institute of Certified Public Accountants (AICPA).

Ahmed Matar Al-Alawi (CMA)

Head of Financial Control
Joined NFH in 2011

- Over 20 years' experience in banking, financial sector and external auditing.
- Certified Management Accountant (CMA), USA.
- BSc in Accounting, University of Yarmouk, Jordan.
- Diploma in Accounting, University of Bahrain.
- Member of The Institute of Management Accountants (IMA).

Ali Redha Mohammed (MBA)

Head of Retail
Joined NFH in 2008

- Over 25 years' experience in retail banking and financial services.
- MBA in Finance, AMA International University, Bahrain.
- BSc in Banking & Finance, and a Diploma in Commercial Studies, University of Bahrain.
- Certification in Associate Professional Risk Manager (APRM).

Essa Raed Buhamood

Head of Risk, Compliance & MLRO
Joined NFH in 2024

- Over 7 years of experience in field of regulatory compliance and auditing.
- BSC Business Accounting, Polytechnic Bahrain.
- Member of International Compliance Association (ICA), UK.
- Certified Cyber Risk Officer (ICTTF), UK.

Hussain Eid (MBA, FinTech, Industry 4.0, CISM, ITIL, PMP, Odoo, MCSA, MCSE)

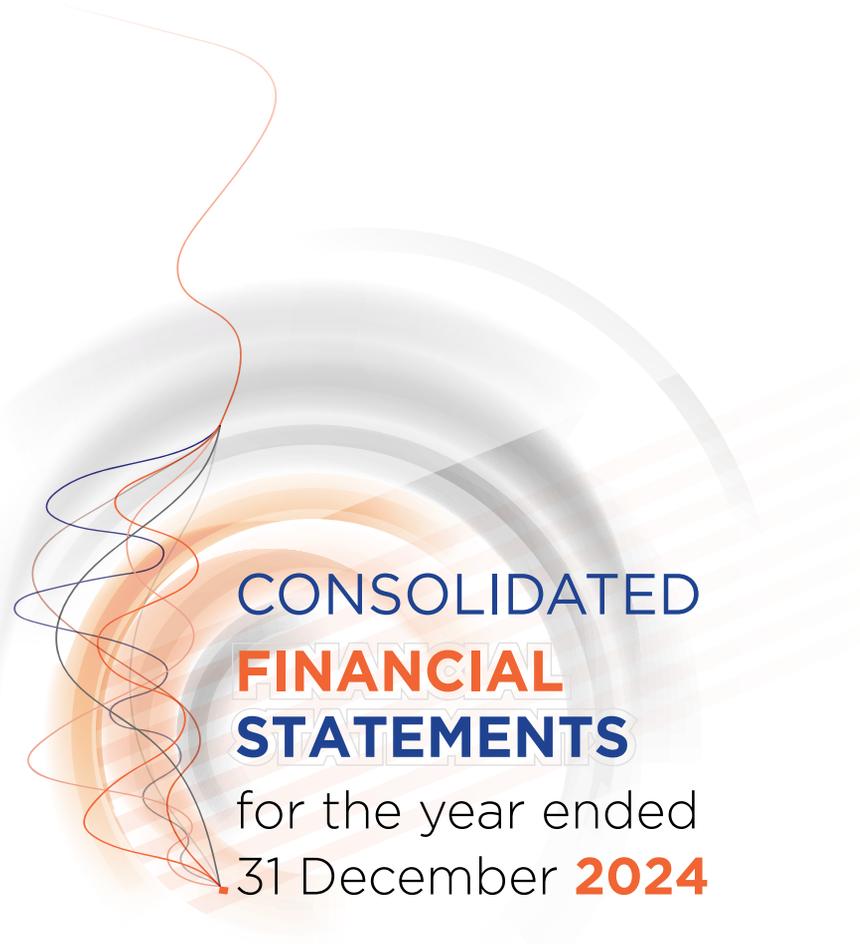
Head of Enterprise PMO (EPMO) and IT
Joined NFH in 2021

- Over 24 years' experience in IT Banking & Financial Services and Insurance (BFSI) business, Project Management Office (PMO), Implementation of Banking & Finance and Insurance core systems
- Master of Business Administration (MBA), University of Strathclyde, UK
- FinTech, The Hong Kong University of Science and Technology (HKUST)
- Industry 4.0, University at Buffalo and the State University of New York (SUNY)
- Certified Information Security Manager (CISM)
- Information Technology Infrastructure Library (ITIL)
- Project Management Professional (PMP)
- Certified On-Demand Open Object - Open ERP (Odoo)
- Microsoft Certified Systems Administrator (MCSA)
- Microsoft Certified Systems Engineer (MCSE)
- Bachelor of Science in Information Technology, Birila Institute of Technology, India
- Diploma in Business Information System, University of Bahrain
- Diploma in Computer Engineering, University of Bahrain

Noof Rajab Almusawi

Human Resources Assistant Manager
Joined NFH in 2024

- Over 10 years of human resources experience
- Master of Science in Human Resources, DePaul University
- Bachelor of Science in Business Management, University of Bahrain
- CIPD Level 5 in Human Resources Management
- Certified Professional in Human Resource Compliance (CPHRC), IHRME



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended
31 December **2024**

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36	Consolidated statement of financial position
37	Consolidated statement of profit or loss and other comprehensive income
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40-62	Notes to the consolidated financial statements

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Opinion

We have audited the consolidated financial statements of National Finance House B.S.C (c) (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the board of directors' report set out on pages 10-12.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

As required by the Commercial Companies Law 2001 (as amended) and Volume 5 of the Rule Book issued by the Central Bank of Bahrain (CBB), we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the report of the directors is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 5, applicable provisions of Volume 6 and CBB directives) or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



KPMG Fakhro

Partner Registration Number 100
26 February 2025

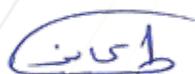
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024 (Bahraini Dinars)

	Note	2024	2023
ASSETS			
Cash and bank balances	4	880,675	1,504,828
Loans to customers	5	45,179,175	47,864,166
Property and equipment	6	373,655	256,621
Right-of-use assets	7	229,089	305,117
Other assets		403,168	454,855
Total assets		47,065,762	50,385,587
LIABILITIES AND EQUITY			
Liabilities			
Bank borrowings	8	26,379,881	30,472,961
Other liabilities	9	2,804,247	2,973,535
Total liabilities		29,184,128	33,446,496
Equity			
Share capital	11	7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		1,706,799	1,612,545
Retained earnings		8,562,335	7,714,046
Total equity		17,881,634	16,939,091
Total equity and liabilities		47,065,762	50,385,587

The consolidated financial statements have been approved by the Board of Directors on 26 February 2025 and signed on its behalf by:

Talal Fuad Ebrahim Kanoo
Chairman



Mohammed Farouk Y. Almoayyed
Deputy Chairman



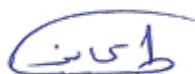
The accompanying notes 1 to 17 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024 (Bahraini Dinars)

	Note	2024	2023
Interest income	12	5,166,755	5,075,971
Interest expense		(2,593,006)	(2,928,396)
Net interest income		2,573,749	2,147,575
Automotive sales		3,196,159	2,609,327
Cost of sales		(2,987,863)	(2,463,082)
Gross profit on automotive sales		208,296	146,245
Fees and commission income		429,138	433,782
Fees and commission expense		(129,886)	(128,960)
Net fee and commission income		299,252	304,822
Other income	13	130,356	186,223
Total income		3,211,653	2,784,865
Salaries and related costs		914,209	856,331
Other operating expenses	14	690,672	691,097
Depreciation	6 & 7	143,541	176,525
Impairment losses on loans to customers	5	520,688	479,571
Total expenses		2,269,110	2,203,524
Profit for the year		942,543	581,341
Other comprehensive income		-	-
Total comprehensive income for the year		942,543	581,341
Basic and diluted earnings per share	11	12.57 fils	7.75 fils

Talal Fuad Ebrahim Kanoo
Chairman



Mohammed Farouk Y. Almoayyed
Deputy Chairman



The accompanying notes 1 to 17 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Bahraini Dinars)

2024	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2024	7,500,000	112,500	1,612,545	7,714,046	16,939,091
Profit and total comprehensive income for the year	-	-	-	942,543	942,543
Transfer to statutory reserve	-	-	94,254	(94,254)	-
At 31 December 2024	7,500,000	112,500	1,706,799	8,562,335	17,881,634

2023	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2023	7,500,000	112,500	1,554,411	7,790,839	16,957,750
Profit and total comprehensive income for the year	-	-	-	581,341	581,341
Dividends declared for 2022	-	-	-	(600,000)	(600,000)
Transfer to statutory reserve	-	-	58,134	(58,134)	-
At 31 December 2023	7,500,000	112,500	1,612,545	7,714,046	16,939,091

The accompanying notes 1 to 17 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024 (Bahraini Dinars)

Note	2024	2023
Operating activities		
Interest, fees and commission received	5,703,016	5,695,976
Fees and commission paid	(127,686)	(126,860)
Loans disbursed	(15,486,854)	(14,518,693)
Loan repayments	17,318,613	16,348,808
Receipt from sale of vehicles	3,196,159	2,609,327
Payment for purchase of vehicles	(2,897,320)	(2,461,680)
Payments for staff salaries and related costs	(875,464)	(883,059)
Payments for other operating expenses	(390,343)	(457,481)
Directors' remuneration and setting fees paid	(116,175)	(108,092)
Net cash generated from operating activities	6,323,946	6,098,246
Investing activities		
Purchase of property and equipment	(137,600)	(70,667)
Net cash used in investing activities	(137,600)	(70,667)
Financing activities		
Drawdown of bank borrowings	8 6,134,000	7,146,000
Repayment of bank borrowings	8 (10,227,080)	(9,536,643)
Interest paid	(2,624,215)	(2,909,944)
Payment of lease liabilities	(92,688)	(92,688)
Dividends paid	-	(600,000)
Net cash used in financing activities	(6,809,983)	(5,993,275)
Net (decrease) / increase in cash and cash equivalents	(623,637)	34,304
Cash and cash equivalents at 1 January	1,505,805	1,471,501
Cash and cash equivalents as at 31 December*	4 882,168	1,505,805

* Cash and cash equivalents as at 31 December 2024 is gross of the expected credit loss of BD 2,634 (2023: BD 2,634); and excluding restricted cash of BD 1,141 (2023: BD 1,657) collected from customers as insurance premium on behalf of the insurance company.

The accompanying notes 1 to 17 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (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 and corporate finance services in the form of motor vehicle financing and equipment financing.

The Company’s registered office is at Building 186, Road 66, Block 364, Bilad Al Qadeem, Kingdom of Bahrain.

The Company operates through 2 branches (58880-01 and 58880-02) (2023: 2 branches 58880-01 and 58880-02) in the Kingdom of Bahrain.

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. NFH Auto Mall was registered with the Ministry of Industry and Commerce on 19 March 2017 with registration no. 111539-1.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together, referred to as the “Group”).

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in conformity with the requirements of the Commercial Companies Law 2001 (as amended).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention. The accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented.

(c) Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars (“BD”), which is also the Group’s functional currency.

(d) New and amended standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements and does not expect to have significant impact on the consolidated financial statements from adapting these standards.

(e) Use of judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation and critical judgements in applying accounting policies on the amounts recognised in the consolidated financial statements are described in the following notes:

(i) Judgments

- Note 15 (a): establishing the criteria for determining whether credit risk on financial assets has increased significantly since initial recognition, determining methodology for incorporating forward-looking information in the measurement of ECL and selection and approval of models used to measure ECL.
- Note 3 (d): classification of financial assets assessment of business model which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI and the principal amount outstanding.

(ii) Assumptions and estimation on uncertainties

- Note 3 (d) (iii) and 15 (a): impairment of financial instruments: Determination of inputs into the ECL measurement model, including key assumptions used in establishing recoverable cash flows and incorporation of forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

3. MATERIAL ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiary is an enterprise controlled by the Group. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the Group, or the Group is able to govern the financial and operating policies of a subsidiary so as to obtain benefit from its activities. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-group balances and transactions and any gains and losses arising from inter-group transactions are eliminated in preparing the consolidated financial statements.

(b) Interest income and expense

Interest income and expense are recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(c) Fees and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Origination fees received by the Group and the related direct costs relating to the creation or acquisition of a financial asset other than a financial asset classified at fair value through profit or loss, are deferred and recognised as an adjustment to the effective interest rate.

(d) Automotive sales

Revenue from sale of motor vehicles is recognised at a point in time when the control of the goods is transferred to the customer, i.e. when the goods have been delivered to and accepted by the customer.

(e) Financial assets and liabilities

Financial Assets

(i) Recognition and initial measurement

The Group initially recognises loans to customers and borrowings from banks on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL. As at 31 December 2024 and 2023 the Group did not have any financial assets measured at FVOCI or FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(iii) Identification and measurement of impairment

The Group recognises loss allowances for ECL on loans to customers, deposits and balances with banks.

The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-month ECL: includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Stage 2: Life time ECL - not credit impaired: includes financial assets that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

Stage 3 Life time ECL - credit impaired: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted). However, regulatory requirements for credit impaired accounts will continue to apply under Stage 3.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For retail customers, the gross carrying amount when the financial asset is 3 years past due is written off based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

3. MATERIAL ACCOUNTING POLICIES (continued)

(f) Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, less any impairment losses.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment allowances. Work in progress in respect of capital expenditure is classified as capital work in progress.

(h) Depreciation

Depreciation on furniture, fixtures and equipment is provided on the straight-line method over their estimated useful lives as follows:

Furniture, fixture, equipment, and computer software	5 years
Computer hardware	3 years

(i) Cash and bank balances

Cash and bank balances represent cash in hand, bank accounts and deposits with banks with original maturities of three months or less.

(j) Statutory reserve

The Commercial Companies Law requires 10% of net profit for the year to be transferred to a statutory reserve, which is not normally distributable except in the circumstances stipulated in the Commercial Companies Law. Such transfers may cease once the reserve reaches 50% of paid up share capital.

(k) Bank borrowings

Bank borrowings are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(l) Employees' end of service benefits

(i) Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

(ii) Expatriate employees

Expatriate employees on fixed contracts are entitled to leave indemnity payable under the Bahraini Labour Law for the Private Sector of 2012, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left the Group at the statement of financial position date.

4. CASH AND BANK BALANCES

	2024	2023
Cash in hand	1,500	1,500
Balances with banks	880,668	1,504,305
Cash and cash equivalents	882,168	1,505,805
Restricted cash *	1,141	1,657
Less: expected credit loss **	(2,634)	(2,634)
Cash and bank balances	880,675	1,504,828

* This represents cash collected from customers as insurance premium on behalf of the insurance company.

** Represents 12-month ECL on stage 1 financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

5. LOANS TO CUSTOMERS

(a) Exposure

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers	41,474,712	2,997,426	3,356,747	47,828,885
Less: expected credit loss	(413,143)	(524,607)	(1,711,960)	(2,649,710)
Net loans	41,061,569	2,472,819	1,644,787	45,179,175

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers	44,976,812	2,059,900	3,385,701	50,422,413
Less: expected credit loss	(450,451)	(380,988)	(1,726,808)	(2,558,247)
Net loans	44,526,361	1,678,912	1,658,893	47,864,166

(b) Expected credit loss movement

2024	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	450,451	380,988	1,726,808	2,558,247
Transfer to Stage 1	132,495	(64,080)	(68,415)	-
Transfer to Stage 2	(33,339)	172,466	(139,127)	-
Transfer to Stage 3	(16,518)	(144,277)	160,795	-
Net re-measurement of loss allowance	(119,946)	179,510	461,124	520,688
Write off	-	-	(429,225)	(429,225)
At 31 December 2024	413,143	524,607	1,711,960	2,649,710

2023	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	497,957	368,489	1,678,690	2,545,136
Transfer to Stage 1	167,672	(58,984)	(108,688)	-
Transfer to Stage 2	(39,084)	116,292	(77,208)	-
Transfer to Stage 3	(89,379)	(94,316)	183,695	-
Net re-measurement of loss allowance	(86,715)	49,507	516,779	479,571
Write off	-	-	(466,460)	(466,460)
At 31 December 2023	450,451	380,988	1,726,808	2,558,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

6. PROPERTY AND EQUIPMENT

	Furniture and equipment	Computer software	Computer hardware	Capital work in progress	2024 Total	2023 Total
Cost						
At 1 January	624,193	642,231	236,492	135,977	1,638,893	1,632,957
Additions	6,210	-	545	177,792	184,547	70,667
Disposals	(1,250)	-	-	-	(1,250)	(15,711)
Transfer from WIP	-	3,000	36,457	(39,457)	-	-
Reclassification and other adjustments	-	-	-	-	-	(49,020)
At 31 December	629,153	645,231	273,494	274,312	1,822,190	1,638,893
Depreciation						
At 1 January	603,687	552,559	226,026	-	1,382,272	1,298,198
Charge for the year	14,531	27,655	25,327	-	67,513	99,785
Disposals	(1,250)	-	-	-	(1,250)	(15,711)
At 31 December	616,968	580,214	251,353	-	1,448,535	1,382,272
Net book value						
At 31 December 2024	12,185	65,017	22,141	274,312	373,655	
At 31 December 2023	20,506	89,672	10,466	135,977		256,621

7. RIGHT-OF-USE ASSETS

	2024	2023
Balance at 1 January	305,117	209,964
Additions during the year	-	171,893
Depreciation charge for the year	(76,028)	(76,740)
Balance at 31 December	229,089	305,117

Right-of-use asset relate to leased properties that do not meet the definition of investment property. The Group has on lease its main office premises, Sitra branch and showroom. These leases are for a period of five years, with an option to renew the lease after that date subject to mutual agreement. Lease payments can be renegotiated every five years to reflect market rentals.

Maturity analysis of contractual discounted cash flows of lease liability:

	2024	2023
Within one year	75,239	69,083
More than one year	172,811	248,050
	248,050	317,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

8. BANK BORROWINGS

	2024	2023
Repayable within one year	8,534,446	9,972,636
Repayable after one year	17,845,435	20,500,325
	26,379,881	30,472,961

These are term loans with floating interest rates, which are subject to re-pricing on a monthly, quarterly, or on half-yearly basis. The effective interest rate on borrowings was within the range of 7.42% to 9.67% p.a. (2023: of 4.01% to 9.67% p.a.).

BD 18 million (2023: BD 23 million) of the total borrowings, is secured by assignment of customer loans and the Group is subject to certain financial covenants that should maintain. The remaining balance of total borrowing is unsecured. Movement on bank borrowings is as follows:

	2024	2023
At 1 January	30,472,961	32,863,604
Proceeds from bank borrowings	6,134,000	7,146,000
Repayment of bank borrowings	(10,227,080)	(9,536,643)
At 31 December	26,379,881	30,472,961

9. OTHER LIABILITIES

	2024	2023
Payable to agents for vehicles financed	1,404,496	1,623,123
Payable to insurance companies	684,141	594,599
Accrued expenses and other liabilities	346,880	257,480
Lease liability (note 7)	248,050	317,133
Interest payables	120,680	151,889
Payable to equipment dealers	-	29,311
	2,804,247	2,973,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

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.

Related party transactions	2024	2023
Capital expenditure		
Furniture and equipment and capital work-in-progress (Shareholder)	24,527	11,388
Operating income		
Insurance commission - Motor vehicles (Shareholder)	31,546	46,235
Operating expenses		
Auto Mall purchases of vehicles (Shareholders)	1,295,994	633,621
Insurance premium charges (Shareholder)	228,837	232,823
Salaries and related costs (Shareholder) *	16,533	14,026
Other operating expenses (Shareholders)	64,174	57,001

* This amount relates to NFH Group contribution of employees saving scheme and does not include employee's contribution.

Related party balances	2024	2023
Payable for vehicles financed (Shareholders)	917,485	1,296,005
Payable for insurance premiums (Shareholder)	19,705	17,795
Prepaid expenses (Shareholders)	15,479	15,657
Payable for operating and capital expenditure (Shareholders)	27,498	10,252
Receivable of insurance agency commission (Shareholder)	3,072	2,699

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 (including staff loan) is as follows:

	2024	2023
Key management compensation	266,620	252,474
Board of directors remuneration and attendance allowance	127,500	103,000
Staff loans disbursed	-	7,080

Balances with key management personnel

	2024	2023
Board of Directors remuneration and attendance allowance	45,750	32,000
Staff loan	300	4,110

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2024 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

11. SHARE CAPITAL

	2024	2023
Authorised		
500,000,000 ordinary shares of 100 fils each	50,000,000	50,000,000
Issued capital		
75,000,000 ordinary shares of 100 fils each	7,500,000	7,500,000
Paid up capital		
75,000,000 ordinary shares of 100 fils each	7,500,000	7,500,000
Basic and diluted earnings per share	12.57 Fils	7.75 fils

The earning per share is calculated by dividing the net income of BD 988,293 (2023: BD 581,341) by the number of shares outstanding at the end of the year of 75 million shares (2023: 75 million shares). Diluted earnings per share is same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

The Board of Directors proposed a cash dividend of 10% of the paid-up capital. This amounts to BD 750,000 (2023: BD nil).

In addition, Board of Directors' remuneration proposed for the year was BD 45,750 (2023: BD32,000).

12. INTEREST INCOME

	2024	2023
Interest on loans to customers	5,156,074	5,068,118
Interest on bank term deposits	10,681	7,853
	5,166,755	5,075,971

13. OTHER INCOME

	2024	2023
Recoveries from loans previously written off	106,397	184,559
Other miscellaneous income	23,959	1,664
	130,356	186,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

14. OTHER OPERATING EXPENSES

	2024	2023
Legal and professional charges	175,755	140,775
Board of Directors' remuneration and attendance allowance	129,925	107,497
Computer maintenance and support expenses	51,724	96,653
Utilities	49,553	48,558
VAT expenses	46,717	50,247
Communication expense	42,744	44,418
Advertising and publicity expense	30,031	27,454
Printing and stationery expense	13,113	11,675
Parking and others	10,626	10,494
Others	140,484	153,326
	690,672	691,097

15. FINANCIAL RISK MANAGEMENT

Risk management framework and overview

The risks associated with the Group's business are credit risk, market risk, liquidity risk and operational risk. The Group has a risk management framework in place for managing these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Group consist of cash and bank balances, loans to customers and other assets. Financial liabilities of the Group consist of bank borrowings and other liabilities. Accounting policies in respect of financial assets and financial liabilities are set out in Note 3.

The Board of Directors of the Group has the overall responsibility for the establishment of and oversight over the Group's risk management framework. The Board has established an Audit, Compliance and Risk Committee, for developing and monitoring risk management policies. The Board of Directors set the Group's overall risk parameters and risk tolerances, and the significant risk management policies.

The Board Audit, Compliance and Risk Committee reviews and reports to the Board of Directors on the Group's risk profile and risk-taking activities.

The Risk Management Committee has the primary responsibility for sanctioning risk-taking activities and defining risk management policies within the overall risk parameters and tolerances defined by the Board of Directors. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks. The principal risks associated with the Group's businesses and the related risk management processes are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk

Credit risk is the risk that a customer fails to perform under its contractual payment obligations thus causing the Group to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Group in its financing activities. The Group is exposed to credit risk primarily on the loans to customers. Credit risk assessment and management is divided into personal and corporate loans.

The responsibility for the management of credit risk rest with management and the Credit Committee, comprising four members, Chief Executive Officer, Head of Financial Control, Head of Retail and Head of Risk Management.

The Credit Committee is responsible for oversight of the Group's credit risk, including:

- formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities. The authorisation limits are allocated to the Retail and Credit Administration Departments. Larger facilities require approval by Management Credit Committee or Board Credit Committee. Each business unit is required to implement Group's credit policies and procedures, with credit approval authorities delegated from the Group's Credit Committee;
- reviewing and assessing credit risk. Credit committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;
- limiting concentrations of exposure to counterparties, and industries for loans;
- reviewing and monitoring credit exposures on an ongoing basis to identify, as early as possible, customers that may be experiencing declining credit worthiness or financial difficulty; and
- reviewing compliance of business units with agreed exposure limits. Regular reports are provided to the Chief Executive Officer and Board of Directors on the credit quality of local portfolios and appropriate corrective action is taken.

The Group's credit policy sets out the Group's sanctioning power for granting loans. Granting Loans less than the designated limits of the Group's Credit Committee are approved the business units.

The credit risk on loans is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The creditworthiness of each borrower is evaluated prior to sanctioning of facilities. Credit review procedures are in place for corporate customers to identify at an early stage, exposures which require more detailed monitoring and review. Appropriate procedures for follow-up and recovery (including recourse to legal action) are in place to monitor the credit risk on loans.

The Group is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or to group of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. The maximum credit risk exposure of the loans to customer is the carrying value amount net of the unearned interest income and net of impairment allowance.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2024	2023
Balances with banks	879,175	1,503,328
Loans to customers	45,219,175	47,864,166
Other assets	28,850	73,094
	46,127,200	49,440,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk

The Group monitors concentration of credit risk by sector. An analysis of concentrations of credit risk on financial assets at the reporting date is shown below:

	2024	2023
Corporate	10,417,564	11,950,946
Retail	34,801,611	35,913,220
Financial institutions	879,175	1,503,328
Other assets	28,850	73,094
	46,127,200	49,440,588

Monitoring of credit risk

Generating the term structure of PD

Ageing buckets based on days past due ("Ageing buckets") are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by ageing buckets.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

Based on consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of PDs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is equal or more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

The Group renegotiates loans to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. Under the Group’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group’s forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group’s ability to collect interest and principal and the Group’s previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower’s payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of 3 months for individual and SMEs and a period of 6 months for corporate customers (“cooling-off period”) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on economic experts and consideration of a variety of external actual and forecast information. The Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

Key macro-economic indicators include: Oil price, Consumers purchase index (CPI), Real GDP growth, Real interest rate (RIR), Unemployment rate, Domestic credit growth, Central Government revenue as percentage of GDP and Central Government expenditure as percentage of GDP.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

All loans are domestic and are granted to borrowers within the Kingdom of Bahrain. The Group's credit risk profile based on ageing by sector / counterparty is as follows:

A. Corporate loans

2024	Stage 1	Stage 2	Stage 3	Total
Current	9,828,540	24,581	77,793	9,930,914
Past due loans:				
1 to 29 days	163,002	106,963	14,696	284,661
30 to 59 days	-	159,817	18,770	178,587
60 to 89 days	-	79,472	139,365	218,837
90 days to 1 year	-	-	156,367	156,367
1 year to 3 years	-	-	310,382	310,382
More than 3 years	-	-	3,765	3,765
Gross carrying value	9,991,542	370,833	721,138	11,083,513
Expected credit loss	(136,347)	(97,136)	(438,069)	(671,552)
Net carrying value	9,855,195	273,697	283,069	10,411,961
2023	Stage 1	Stage 2	Stage 3	Total
Current	11,410,587	1	8,237	11,418,825
Past due loans:				
1 to 29 days	271,308	6,881	25,713	303,902
30 to 59 days	-	59,854	30,804	90,658
60 to 89 days	-	98,007	129,500	227,507
90 days to 1 year	-	-	262,508	262,508
1 year to 3 years	-	-	360,164	360,164
More than 3 years	-	-	173	173
Gross carrying value	11,681,895	164,743	817,099	12,663,737
Expected credit loss	(128,290)	(53,748)	(530,753)	(712,791)
Net carrying value	11,553,605	110,995	286,346	11,950,946

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For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

B. Retail loans

2024	Stage 1	Stage 2	Stage 3	Total
Current	30,395,835	872,894	249,394	31,518,123
Past due loans:				
1 to 29 days	1,087,335	208,852	74,495	1,370,682
30 to 59 days	-	1,003,196	216,554	1,219,750
60 to 89 days	-	541,651	618,327	1,159,978
90 days to 1 year	-	-	701,546	701,546
1 year to 3 years	-	-	763,710	763,710
More than 3 years	-	-	11,583	11,583
Gross carrying value	31,483,170	2,626,593	2,635,609	36,745,372
Expected credit loss	(276,796)	(427,471)	(1,273,891)	(1,978,158)
Net carrying value	31,206,374	2,199,122	1,361,718	34,767,214
2023	Stage 1	Stage 2	Stage 3	Total
Current	31,952,509	256,888	271,674	32,481,071
Past due loans:				
1 to 29 days	1,342,408	29,229	122,267	1,493,904
30 to 59 days	-	986,665	318,223	1,304,888
60 to 89 days	-	622,375	519,275	1,141,650
90 days to 1 year	-	-	718,167	718,167
1 year to 3 years	-	-	600,578	600,578
More than 3 years	-	-	18,418	18,418
Gross carrying value	33,294,917	1,895,157	2,568,602	37,758,676
Expected credit loss	(322,161)	(327,240)	(1,196,055)	(1,845,456)
Net carrying value	32,972,756	1,567,917	1,372,547	35,913,220

Stage 2 includes exposures in the first two ageing buckets (i.e. Current to 1 to 29 days) which are not past due however continue to be classified as stage 2 until the completion of cooling-off period of 3 months for individuals and SMEs customers and 6 months for corporate customers.

Stage 3 includes exposures in the first four ageing buckets (i.e. Current to 60 to 89 days) which are not past due however continue to be classified as stage 3 until the completion of cooling-off period of 3 months for individuals and SMEs customers and 6 months for corporate customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

Non-performing exposure:

The Group has systems and procedures in place to generate alerts in case of past dues in any account. A stringent classification process is followed for all accounts with past dues of over 90 days.

Loans that are “past due below 90 days but not impaired” are those for which contractual interest and principal payments are past due but the Group believes that they are not impaired on the basis of the level of security or collateral available and / or the stage of collection of amounts owed to the Group. As at reporting date, loans past due below 90 days but not impaired amounted to BD 3,350,288 (2023: BD 3,416,727).

During the year, loans amounting to BD nil (2023: BD nil) were restructured and due to the minor nature of the restructuring concession, there was no significant impact on the Group’s provisions on loans and advances impairment and present and future earnings. The Group renegotiates loans to customers in financial difficulties (referred to as ‘forbearance activities’) to maximise collection opportunities and minimise the risk of default.

Under the Group’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit, Compliance and Risk Committee regularly reviews reports on forbearance activities.

The Group writes off a loan balance (and any related allowances for impairment losses) when Group determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Group holds collateral against loans to customers in the form of mortgage interests over vehicles financed. In case of loans granted using hire purchase contracts, the vehicles financed are solely registered in the name of the Group and hence they are considered more secured. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. The principal type of collateral is the vehicle financed.

As at 31 December 2024, the net book value of collaterals represents 81% (2023: 81%) of the Company’s credit exposure (loans to customers). As of 31 December 2024, loans include hire purchase contracts of BD 30,072,331 (2023: BD 28,311,383) representing 63% (2023: 56%) of the total portfolio.

As at 31 December 2024 total non-performing loans were BD 1,947,353 (2023: BD 1,960,007) excluding BD 1,409,394 of non-performing loans in cooling-off period and those less than 90 days past due (2023: BD 1,425,694). Interest on non-performing loans is suspended and is not recognised in the profit and loss until the interest is recovered from the borrower or the loan is upgraded after restructuring. In accordance with the Central Bank of Bahrain guidelines, loans that have been classified as non-performing should remain classified as non-performing for a cooling off period of not less than 6 months from the date of becoming performing.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Management of liquidity risk

The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. It manages its liquidity requirements mainly by collection of vehicle loans with varying maturities, borrowings from financial institutions and financial support from shareholders.

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Group, even in adverse conditions. In normal conditions, the objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. These objectives are met through the application of prudent liquidity controls. These controls provide security of access to funds without undue exposure to increased costs from the liquidation of assets or the aggressive bidding for deposits.

The liquidity position of the Group is monitored by the Chief Executive Officer and Financial Controller. Surplus and deficit of short- and long-term positions of the Group are managed as appropriate by the Finance Department. The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme. The contractual maturities of financial liabilities,

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For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

including interest payments is set out below. This shows the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity.

31 December 2024	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	More than 12 months
Bank borrowings	26,379,881	30,903,818	5,289,563	5,147,548	20,466,707
Other liabilities	2,798,497	2,830,563	2,596,791	46,344	187,428
	29,178,378	33,734,381	7,886,354	5,193,892	20,654,135
31 December 2023	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	More than 12 months
Bank borrowings	30,472,961	35,766,215	6,209,440	6,143,559	23,413,216
Other liabilities	2,973,535	3,029,206	2,749,090	185,376	94,740
	33,446,496	38,795,421	8,958,530	6,328,935	23,507,956

c) Market risks

Market risk is the risk that changes in market prices, such as interest rate and credit spreads (not relating to changes in the issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The principal market risk to which the Group is exposed is interest rate risk with its asset and liability management activities.

d) Interest rate risk

Interest rate risk is the risk that the Group's earnings will be affected as a result of movements in interest rates. The Group's interest rate exposures arise from its interest earning assets and interest-bearing liabilities i.e. balance with banks, deposits with bank, loans to customers and bank borrowings.

The distribution of financial instruments between interest rate categories is summarised below:

31 December 2024	Fixed rate	Floating rate	Non-interest bearing	Total
Cash and bank balances	880,675	-	-	880,675
Loans to customers	45,219,175	-	-	45,219,175
Other assets	-	-	28,850	28,850
	46,099,850	-	28,850	46,128,700
Bank borrowings	-	26,379,881	-	26,379,881
Other liabilities	-	-	2,798,497	2,798,497
	-	26,379,881	2,798,497	29,178,378

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For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

31 December 2023	Fixed rate	Floating rate	Non-interest bearing	Total
Cash and bank	1,504,828	-	-	1,504,828
Loans to customers	47,864,166	-	-	47,864,166
Other assets	-	-	73,094	73,094
	49,368,994	-	73,094	49,442,088
Bank borrowings	-	30,472,961	-	30,472,961
Other liabilities	-	-	2,973,535	2,973,535
	-	30,472,961	2,973,535	33,446,496

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2023.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2024				
Bank borrowings	(267,312)	267,312	(267,312)	267,312
31 December 2023				
Bank borrowings	(369,967)	369,967	(369,967)	369,967

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The Group's loans to customers are predominantly of a fixed rate nature and the Group has the right under the terms of the agreement with customers to vary the rate at its discretion after giving the customer due notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

31 December 2024	Carrying amount	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing
Cash and bank	880,675	880,675	-	-	-	-	-
Loans to customers	45,179,174	1,590,180	3,058,773	5,821,981	30,492,671	4,215,569	-
Other assets	28,850	-	-	-	-	-	28,850
	46,088,699	2,470,855	3,058,773	5,821,981	30,492,671	4,215,569	28,850
Bank borrowings	26,379,881	2,092,453	2,161,898	4,280,096	16,570,141	1,275,293	-
Other liabilities	2,804,247	18,283	18,617	38,338	172,812	-	2,556,197
	29,184,128	2,110,736	2,180,515	4,318,434	16,742,953	1,275,293	2,556,197
Interest rate gap	16,904,571	360,119	878,258	1,503,547	13,749,718	2,940,276	(2,527,347)
Cumulative interest rate gap	16,904,571	360,119	1,238,377	2,741,924	16,491,642	19,431,918	16,904,571
	Carrying amount	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing
31 December 2023							
Cash and bank	1,504,828	1,504,828	-	-	-	-	-
Loans to customers	47,864,166	1,542,691	3,235,641	6,155,635	35,339,843	1,590,356	-
Other assets	73,094	-	-	-	-	-	73,094
	49,442,088	3,047,519	3,235,641	6,155,635	35,339,843	1,590,356	73,094
Bank borrowings	30,472,961	2,350,325	2,557,437	5,064,874	19,520,375	979,950	-
Other liabilities	2,973,535	16,760	17,117	35,206	248,050	-	2,656,402
	33,446,496	2,367,085	2,574,554	5,100,080	19,768,425	979,950	2,656,402
Interest rate gap	15,995,592	680,434	661,087	1,055,555	15,571,418	610,406	(2,583,308)
Cumulative interest rate gap	15,995,592	680,434	1,341,521	2,397,076	17,968,494	18,578,900	15,995,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

e) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to currency risk is not significant as a significant portion of the Group's transactions are in Bahraini Dinars.

f) 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.

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.

g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business units.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with Group's policies is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit, Compliance and Risk Committee and senior management of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024 (Bahraini Dinars)

15. FINANCIAL RISK MANAGEMENT (continued)

h) Legal contingencies risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

i) Capital management

The Central Bank of Bahrain sets and monitors capital requirements for the Group. According to the terms of the license granted by the Central Bank of Bahrain, the Group is required to maintain a minimum paid-up capital of BD 5,000,000 and the borrowings may not exceed five times the capital and reserves (shareholders' equity). As at 31 December 2024, Group's paid up share capital was BD 7,500,000 (2023: BD 7,500,000) and the borrowing to capital and reserves ratio was 1.47 (2023: 1.79).

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans.

16. MATURITY PROFILE

The maturity profile of the Group's financial assets and liabilities based on the expected repayment arrangements is given below. The contractual maturities of assets and liabilities are not significantly different from the expected repayment dates.

31 December 2024	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Total
Assets						
Cash and bank	880,675	-	-	-	-	880,675
Loans to customers	1,590,180	3,058,773	5,821,981	30,492,672	4,215,569	45,179,175
Other assets	28,850	-	-	-	-	28,850
	2,499,705	3,058,773	5,821,981	30,492,672	4,215,569	46,088,700
Liabilities						
Bank borrowings	2,092,453	2,161,898	4,280,096	16,570,141	1,275,293	26,379,881
Other liabilities	2,574,480	18,617	38,338	172,812	-	2,804,247
	4,666,933	2,180,515	4,318,434	16,742,953	1,275,293	29,184,128

31 December 2023	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Total
Assets						
Cash and bank	1,504,828	-	-	-	-	1,504,828
Loans to customers	1,542,691	3,235,641	6,155,635	35,339,843	1,590,356	47,864,166
Other assets	73,094	-	-	-	-	73,094
	3,120,613	3,235,641	6,155,635	35,339,843	1,590,356	49,442,088
Liabilities						
Bank borrowings	2,350,325	2,557,437	5,064,874	19,520,375	979,950	30,472,961
Other liabilities	2,673,162	17,117	35,206	248,050	-	2,973,535
	5,023,487	2,574,554	5,100,080	19,768,425	979,950	33,446,496

The expected credit loss to the loans to customers of BD 2,649,710 (2023: BD 2,545,136) has been netted against the cash flows expected within 3 months.

17. COMPARATIVES

The comparative figures have been regrouped where necessary to conform with the current year's presentation. Such grouping did not affect previously reported profit for the year or total equity of the Group.

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