

**NATIONAL FINANCE HOUSE COMPANY (A SAUDI  
CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2025**

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

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For the year ended 31 December 2025

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)**

### **Opinion**

We have audited the financial statements of National Finance House Company (A Saudi Closed Joint Stock Company) (the "Company") which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other matter**

The financial statements for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 March 2025 (corresponding to 5 Ramadhan 1446H).

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISA that are endorsed in the Kingdom of Saudi Arabia 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 financial statements.



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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

For Ernst & Young Professional Services

Hussain Saleh Asiri  
Certified Public Accountant  
License No. (414)



Jeddah: 15 Ramadhan 1447H  
(4 March 2026G)

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2025

	<i>Note</i>	<b>2025 SR</b>	<b>2024 SR</b>
<b>ASSETS</b>			
Cash and bank balances	5	<b>17,931,166</b>	49,641,237
Term deposits	6	<b>13,453,399</b>	
Prepayments and other receivables	7	<b>17,909,420</b>	5,203,407
Net investment in Islamic financing	8	<b>804,679,027</b>	645,573,971
Restricted cash deposit	9	<b>28,566,086</b>	20,146,366
Property and equipment	10	<b>505,404</b>	541,184
Intangible assets	11	<b>7,006,391</b>	7,541,053
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>890,050,893</b>	728,647,218
		<hr/> <hr/>	<hr/> <hr/>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	<b>300,000,000</b>	300,000,000
Accumulated profit/ (losses)		<b>4,164,930</b>	(6,126,513)
		<hr/>	<hr/>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>304,164,930</b>	293,873,487
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Trade payables		<b>27,427,545</b>	35,425,878
Other payables and accruals	13	<b>12,465,473</b>	10,439,136
Due to related parties	14	<b>904,722</b>	8,759,262
Financial facilities	15	<b>540,523,235</b>	376,109,463
Provision for zakat	16	<b>2,682,465</b>	3,083,797
Employees' defined benefit liabilities	17	<b>1,882,523</b>	956,195
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>585,885,963</b>	434,773,731
		<hr/>	<hr/>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>890,050,893</b>	728,647,218
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 27 form an integral part of these financial statements.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**STATEMENT OF PROFIT OR LOSS**

For the year ended 31 December 2025

	<i>Note</i>	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Income from islamic financing, net	18	<b>135,008,546</b>	105,116,439
Finance cost, net	19	<b>(37,409,761)</b>	(25,241,003)
<b>Net income from financing</b>		<b>97,598,785</b>	79,875,436
General and administrative expenses	20	<b>(46,874,666)</b>	(35,817,718)
Selling and marketing expenses	21	<b>(1,853,667)</b>	(1,212,670)
Other income	22	<b>6,071,981</b>	4,978,470
<b>PROFIT BEFORE EXPECTED CREDIT LOSSES</b>		<b>54,942,433</b>	47,823,518
Impairment on Islamic financing	8.4	<b>(46,243,331)</b>	(32,862,881)
Recovery from debts previously written-off		<b>4,309,017</b>	-
<b>PROFIT BEFORE ZAKAT</b>		<b>13,008,119</b>	14,960,637
Zakat	16	<b>(2,692,224)</b>	(2,857,052)
<b>NET PROFIT FOR THE YEAR</b>		<b>10,315,895</b>	12,103,585

The attached notes 1 to 27 form an integral part of these financial statements.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2025

	<i>Note</i>	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
<b>NET PROFIT FOR THE YEAR</b>		<b>10,315,895</b>	12,103,585
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement loss on employees' defined benefit liabilities	17	<u>(24,452)</u>	<u>(2,903)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>10,291,443</u></b>	<b><u>12,100,682</u></b>

The attached notes 1 to 27 form an integral part of these financial statements.

**NATIONAL FINANCE HOUSE COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended 31 December 2025

	Share capital SR	Accumulated (losses) / profits SR	Total SR
Balance as at 1 January 2025	300,000,000	(6,126,513)	293,873,487
Net profit for the year	-	10,315,895	10,315,895
Other comprehensive loss	-	(24,452)	(24,452)
Total comprehensive income for the year	-	10,291,443	10,291,443
Balance as at 31 December 2025	<u>300,000,000</u>	<u>4,164,930</u>	<u>304,164,930</u>
Balance as at 1 January 2024	150,000,000	(18,227,195)	131,772,805
Net profit for the year	-	12,103,585	12,103,585
Other comprehensive loss	-	(2,903)	(2,903)
Total comprehensive income for the year	-	12,100,682	12,100,682
Issuance of share capital (note 12)	150,000,000	-	150,000,000
Balance as at 31 December 2024	<u>300,000,000</u>	<u>(6,126,513)</u>	<u>293,873,487</u>

The attached notes 1 to 27 form an integral part of these financial statements.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2025

	<i>Note</i>	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		<b>13,008,119</b>	14,960,637
Adjustments for:			
Impairment on islamic financing	8	<b>46,243,331</b>	32,862,881
Finance cost	19	<b>37,409,761</b>	25,241,003
Interest income	22	<b>(1,496,503)</b>	(778,155)
Depreciation of property and equipment	10	<b>382,046</b>	348,808
Amortization of intangible assets	11	<b>1,189,325</b>	971,019
Employees' defined benefit obligation	17	<b>953,194</b>	463,740
<i>Working capital adjustments:</i>			
Changes in operating assets and liabilities:			
Prepayments and other receivables		<b>(12,706,013)</b>	(1,353,015)
Net investment in islamic financing		<b>(205,348,387)</b>	(236,611,133)
Trade payables		<b>(7,998,334)</b>	(29,211,994)
Other payables and accruals		<b>2,026,337</b>	2,838,157
Due to related parties		<b>(7,854,540)</b>	(9,922,398)
Cash used in operations		<b>(134,191,664)</b>	(200,190,450)
Zakat paid	16	<b>(3,093,556)</b>	(473,142)
Employees' defined benefit obligation paid	17	<b>(51,318)</b>	(92,887)
<b>Net cash used in operating activities</b>		<b>(137,336,538)</b>	(200,756,479)
<b>INVESTING ACTIVITIES</b>			
Purchase of intangible assets	11	<b>(654,663)</b>	(1,474,472)
Purchase of property and equipment	10	<b>(346,266)</b>	(282,407)
Restricted cash deposit		<b>(8,122,623)</b>	(7,159,769)
Purchase of term deposits		<b>(217,900,000)</b>	(96,000,000)
Proceeds from encashment of term deposits		<b>204,900,000</b>	96,000,000
Interest received on term deposits		<b>746,007</b>	795,018
<b>Net cash used in investing activities</b>		<b>(21,377,545)</b>	(8,121,630)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital	12	-	150,000,000
Proceeds from financial facilities	15.2	<b>308,884,617</b>	207,506,980
Repayments of financial facilities	15.2	<b>(143,786,594)</b>	(84,286,153)
Financial charges paid		<b>(38,094,011)</b>	(24,762,396)
<b>Net cash from financing activities</b>		<b>127,004,012</b>	248,458,431
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year	5	<b>(31,710,071)</b>	39,580,322
		<b>49,641,237</b>	10,060,915
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
	5	<b>17,931,166</b>	49,641,237
<b>Supplemental non-cash information</b>			
Net investment in Islamic financing written off	8	<b>45,552,604</b>	23,277,595
Actuarial loss arising from change in financial assumptions	17	<b>(24,452)</b>	(2,903)

The attached notes 1 to 27 form an integral part of these financial statements.

# **NATIONAL FINANCE HOUSE COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)**

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## **NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2025

### **1 ORGANIZATION AND ACTIVITIES**

National Finance House Company (the "Company") is a Saudi Closed Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration number 4030394711 and unified number 7008216371 dated 27 Safar 1442H (corresponding to 14 October 2020) having obtained the necessary approval from the Ministry of Commerce ("MOC") and the Notary Public.

In accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank ("SAMA") to obtain its license as a financing company. The Company obtained the license from SAMA number 202106/SA/59 on 25 Shawwal 1442H (corresponding to 06 June 2021), authorizing to engage in the finance lease activities. The principal activities of the Company include financial lease, financing to Small and Medium Enterprises (SMEs) and Consumer financing. The Company commenced its commercial operations in terms of investing in Islamic financing dated 28 July 2021.

The new Companies Law issued through Royal Decree M/132 on 1 Dhul Hijjah 1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). The management has assessed the impact of the New Companies Law and updated the By-Laws accordingly to ensure alignment with its provisions.

The objectives of the Company are to engage in financial lease, consumer financing and small and medium enterprise financing.

The Company's Head Office is located at the following address:  
National Finance House Company  
Building number 3388, Al Amir Muhammad Bin AbdulAziz Branch,  
Secondary number 6320, Ar Rawdah Dist.  
P.O. Box 23432  
Jeddah  
Kingdom of Saudi Arabia

### **2 BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (collectively referred to as "IFRSs that are endorsed in KSA").

The statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate to the Company's operations.

#### **2.2 Basis of measurement**

These financial statements have been prepared on a historical cost convention using accrual basis of accounting, except for financial assets classified at fair value through other comprehensive income ("FVOCI").

These financial statements have been prepared on going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

#### **2.3 Functional and presentation currency**

These financial statements have been presented in Saudi Riyal ("SR"), which is also the functional and presentation currency of the Company, except as otherwise indicated.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**2 BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

*Determination of discount rate for present value calculations*

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

*Useful lives of office equipment, furniture, and computer hardware*

The management determines the estimated useful lives of its office equipment, furniture, and computer hardware for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Useful life of intangible assets*

The Company's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Impairment of non-financial assets*

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or a cash generating unit ("CGU") exceeds the recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**2 BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgments, estimates and assumptions (continued)**

*Classification of financial assets*

Assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.

*Impairment of financial assets*

The measurement of impairment losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's model for determination of defaults, which assigns Probabilities of Default (PDs) to the individual pool of receivables and assessing the exposure at default (EAD)
- The Company's criteria for assessing the credit losses for finance and murabaha financing receivables to be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The segmentation of finance leases and murabaha financing receivables when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the appropriate inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as government spending, and the effect on PDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

*Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as prepayment risk, liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial Instruments.

*Actuarial valuation of employee benefits liabilities*

The cost of the end-of-service ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, defined unfunded benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

*Calculation of loss allowance*

The determination of expected credit losses involves key estimates by management. Management has exercised judgment in assessing the impact of current and future economic conditions, as well as other relevant factors that may affect the collectability of financial assets. Key estimates include the estimation of credit risk, probability of default, exposure at default, and loss given default.

The ECL model relies on forward-looking information. Management continually monitors changes in economic conditions and adjusts the ECL estimates as necessary. Given the inherent uncertainty in forecasting economic conditions, the Company performs sensitivity analyses to assess the potential impact of changes in key assumptions on the expected credit losses.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**2 BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgments, estimates and assumptions (continued)**

*Business model assessment*

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

**3 MATERIAL ACCOUNTING POLICIES INFORMATION**

The material accounting policies set out below have been applied consistently, except if mentioned otherwise, in the preparation of these financial statements:

**3.1. Cash and cash equivalents**

Cash and cash equivalents may include cash in hand and at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any.

**3.2. Leases**

**Lease arrangements where the Company is a lessee**

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.2. Leases (continued)**

**Lease arrangements where the Company is a lessee (continued)**

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect finance cost on the lease liability (using the effective profit method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.2. Leases (continued)**

**Lease arrangements where the Company is a lessee (continued)**

The Company applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

**Lease arrangements where the Company is a lessor**

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9 'Financial Instruments', recognizing an allowance for expected credit losses on the lease receivable.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which finance income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

**Ijara receivables**

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable (by an option to purchase the asset at the end of the respective financing term through an independent sale contract). The difference between the Ijarah contracts receivable and the cost of the Ijarah assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

**3.3. Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

**3.3.1. Financial assets**

**Initial measurement**

At initial recognition, the Company recognizes the financial asset at its fair value.

**Murabaha receivables**

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale price payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the sold asset is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

**Tawarruq receivables**

Tawarruq is an agreement whereby the Company sells to a customer an asset, which the Company has already purchased and received either physically or constructively, and subsequently, to such sale, the customer arranges to sell the underlying asset and receives the sale proceeds. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale price payments on the Tawarruq agreement (Tawarruq sale contract receivable).

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.3. Financial instruments (continued)**

**3.3.1. Financial assets (continued)**

**Tawarruq receivables (continued)**

The difference between the Tawarruq sale contracts receivable and the cost of the sold asset is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq sale contracts receivable.

**Subsequent measurement**

After initial recognition financial assets can be measured at amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL").

**Financial asset at amortized cost**

A financial asset is measured at amortized 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 solely payments of principal and profit on the principal amount outstanding.

**Business model assessment**

The Company assesses 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 the 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 a contractual profit, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and 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 financing in prior years, the reasons for such financing and its expectations about future financing activities. However, information about financing activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Assessments whether contractual cash flows are solely payments of principal and profit**

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

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.3. Financial instruments (continued)**

**3.3.1. Financial assets (continued)**

**Assessments whether contractual cash flows are solely payments of principal and profit (continued)**

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company 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 Company considers:

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

**De-recognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between:

- (i) the carrying amount (measured at the date of derecognition) and
- (ii) the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

**Impairment**

The Company recognizes loss allowances for ECL on financial instruments at amortised cost. No impairment loss is recognized on equity investments carried at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Financial instruments on which credit risk has not increased significantly since their initial recognition.
- 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company categories' the financing in the following 3 stages for the purpose of impairment:

**Stage 1:** 12-month ECL applies to all financial assets that have not experienced SICR since origination and are not credit impaired. The ECL will be computed using a factor that represents the PD occurring over the next 12 months and LGD and profit is calculated on a gross basis;

**Stage 2:** Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD, and EAD, and profit is calculated on a gross basis. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1;

**Stage 3:** Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit-impaired, and an amount equal to the lifetime ECL will be recorded for the financial assets, and profit is calculated on a net basis.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.3. Financial instruments (continued)**

**3.3.1. Financial assets (continued)**

**Measurement of ECL**

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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 Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized 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:

- the significant financial difficulty of the customer or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of financing or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Financing that has been renegotiated due to deterioration in the customer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, financing that is overdue for 90 days or more is considered credit-impaired.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL, for financial assets measured at amortized cost, are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

**Write-off**

Financial assets are written off as per the below:

- (i) unsecured exposures are written-off within 360 days once they are classified as stage 3 exposures;
- (ii) secured exposures are written-off within 720 days once they are classified as stage 3 exposures; or
- (iii) exposures with mortgage are written-off within 1080 days once they are classified as stage 3 exposures.

However, deceased customer's exposure is written off early as and when documentation is complete confirming the death of the customer. The write-off for a deceased customer's exposure is approved by Chief Risk Officer and Chief Executive Officer as delegated by the Board.

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as income in the statement of profit or loss.

**3.3.2. Financial liabilities**

**Initial measurement**

At initial recognition, the Company recognizes financial liability at its fair value.

**Subsequent measurement**

After initial recognition, the Company classifies its financial liabilities, other than financial guarantees & financing commitments and Shari'a alternatives for financial derivative instruments, at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Profit Rate (EPR).

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.3. Financial instruments (continued)**

**3.3.2. Financial liabilities (continued)**

**Derecognition of financial liabilities**

Financial liabilities are derecognized when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

**Regular way contracts**

All regular way purchase and sales of financial assets are recognized and derecognized on the trade date i.e., the date on which the Company commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the marketplace.

**Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**Effective profit method**

The effective profit method is a method of calculating the amortized cost of financial asset and liability and of allocating income and expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**3.4. Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and impairment if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Office equipment	5
Furniture and fixtures	3-5
Computer hardware	3

Depreciation on additions is charged from the month the assets are available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.5. Intangible assets**

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives of 5 to 8 years. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the profit and loss account in the year in which they arise.

Capital work in progress at year-end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant asset categories and are amortized once they are available for their intended use.

**3.6. Impairment of non-financial assets**

At each reporting date, the carrying amounts of non-financial assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized as an expense in the statement of profit or loss immediately.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.7. Impairment of non-financial assets**

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets or cash-generating unit in prior year. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

**3.8. Proposed dividend and transfer between reserves**

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of IAS 10, 'Events after the Reporting Year' in the year in which they are approved / transfers are made.

**3.9. Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation to its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

**3.10. Onerous contracts**

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**3.11. Employees' defined benefit liabilities**

The liability or asset recognized in the statement of financial position in respect of defined benefit. The plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

**Service cost**

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

**Interest cost**

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

**Re-measurement gains or losses**

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

**3.12. Contingent liabilities**

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depend on statutory procedures.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.13. Revenue recognition**

Income from Islamic financing is recognized in the statement of profit or loss using the effective profit method, using the applicable effective profit rate "EPR", on the outstanding balance over the term of the contract.

The calculation of EPR includes transaction costs and fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets.

Origination fees charged in respect of processing and other services are recognized as income using EPR over the term of the financing agreement.

Other fee commission income is recognized at a point in time when services are delivered.

**3.14. Foreign currency transactions**

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of the transaction and the resulting gain/loss recognized in the statement of profit or loss monetary assets and liabilities in foreign currencies are translated at the rates of exchange that are prevailing on the statement of financial position date. Gains and losses on translation are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

**3.15. General and Administrative expenses and Selling and Marketing expenses**

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. Allocations between general and administrative expenses and direct costs, when required, are made on a consistent basis.

Selling and marketing expenses principally comprised of costs incurred in the sale and marketing of the Company's products/services. All other expenses are classified as general and administrative expenses.

**3.16. Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Custom Authority (ZATCA) in the Kingdom of Saudi Arabia and on the accrual basis. Zakat charge for the year is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

**3.17. Value added tax ("VAT")**

Assets and expenses are recognized net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

**3.18. Withholding tax**

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.19. Financial facilities**

Financial facilities are initially recognized at fair value, net of transaction costs incurred. Financial facilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of profit or loss over the period of the facilities using the effective interest method. Financial facilities are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The financial facilities are classified as a current liability when the remaining maturity is less than 12 months.

**4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**(a) Standards, interpretations and amendments that became effective during the year**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***Lack of exchangeability – Amendments to IAS 21***

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments did not have a material impact on the Company's financial statements.

**(b) Standards and Amendments Issued but Not Yet Effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

***IFRS 18 Presentation and Disclosure in Financial Statements***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 'Statement of Cash Flows', which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

**(b) Standards and Amendments Issued but Not Yet Effective (continued)**

***IFRS 19 Subsidiaries without Public Accountability: Disclosures***

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

***Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7***

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the ‘settlement date’ and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute ‘non-recourse features’ and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Company does not anticipate that the amendments will have a material effect on the Company’s financial statements.

***Annual Improvements to IFRS Accounting Standards - Volume 11***

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’, IFRS 7 ‘Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7’, IFRS 9 ‘Financial Instruments’, IFRS 10 ‘Consolidated Financial Statements’ and IAS 7 ‘Statements of Cash Flows’.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

The amendments are not expected to have a material impact on the Company’s financial statements.

***Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7***

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the ‘own-use’ requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a Group’s financial performance and cash flow.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

**(b) Standards and Amendments Issued but Not Yet Effective (continued)**

*Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7*

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Company does not expect that the amendments will have a material impact on the financial statements.

**5 CASH AND CASH EQUIVALENTS**

	<b>2025</b>	<b>2024</b>
	<b>SR</b>	<b>SR</b>
<i>Financial assets carried at amortized cost</i>		
Cash at banks	<b>17,931,052</b>	49,641,237
Cash in hand	<b>114</b>	-
	<b>17,931,166</b>	49,641,237

As of each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**6 TERM DESPOSITS**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
<i>Financial assets carried at amortized cost</i>		
Term deposits		
- Original maturity – more than three months	<b>13,000,000</b>	-
Accrued profit on term deposits	<b>453,399</b>	-
	<b>13,453,399</b>	-

6.1 The Company has placed term deposits of SR 13.0 million with a local bank. The profit rate on these term deposits ranges from 4.10% to 5.25% per annum.

**7 PREPAYMENTS AND OTHER RECEIVABLES**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Value Added Tax receivable	<b>5,238,745</b>	3,600,591
Prepaid loan origination structure fees	<b>1,382,380</b>	756,509
Prepaid rent	<b>366,000</b>	281,668
Other prepaid expenses	<b>973,442</b>	509,871
Repossession receivables	<b>9,948,853</b>	-
Other receivable	-	54,768
	<b>17,909,420</b>	5,203,407

**8 NET INVESTMENT IN ISLAMIC FINANCING**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Financial assets carried at amortized cost – unsecured		
Tawarruq	<b>218,990,210</b>	193,031,382
Murabaha	<b>2,764,264</b>	2,774,075
Investment classified as a finance lease – secured		
Ijarah	<b>607,962,332</b>	475,852,370
	<b>829,716,806</b>	671,657,827

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**8 NET INVESTMENT IN ISLAMIC FINANCING (continued)**

8.1. Details of net investment in Islamic financings:

	<i>Tawarruq</i>		<i>Murabaha</i>		<i>Ijarah</i>		<i>Total</i>	
	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>
Gross investment in islamic financings	<b>326,374,790</b>	292,753,871	<b>4,107,663</b>	4,032,501	<b>851,389,403</b>	681,133,679	<b>1,181,871,856</b>	977,920,051
Unearned / deferred islamic financing income	<b>(107,384,580)</b>	(99,722,489)	<b>(1,343,399)</b>	(1,258,426)	<b>(243,427,071)</b>	(205,281,309)	<b>(352,155,050)</b>	(306,262,224)
	<b>218,990,210</b>	193,031,382	<b>2,764,264</b>	2,774,075	<b>607,962,332</b>	475,852,370	<b>829,716,806</b>	671,657,827
Unearned origination fees							<b>(4,120,889)</b>	(3,122,721)
Deferred transaction costs							<b>9,010,250</b>	6,275,278
Expected credit losses							<b>(29,927,140)</b>	(29,236,413)
Net investment in islamic financing							<b>804,679,027</b>	645,573,971
Current portion							<b>178,327,148</b>	114,181,639
Non-current portion							<b>626,351,879</b>	531,392,332

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**8 NET INVESTMENT IN ISLAMIC FINANCING (continued)**

8.2. The Company in the ordinary course of its business holds collateral in respect of Islamic financing (being the title of assets leased out) in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

8.3. The Company has assigned Islamic financing receivables amounting to SR 680 million (31 December 2024: 450 million) to local commercial banks for obtaining financial facilities. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.

8.4. The movement in the provision for impairment of islamic financings during the year is as follows:

	<b>2025</b>	<b>2024</b>
	<b>SR</b>	<b>SR</b>
At the beginning of the year	<b>29,236,413</b>	19,651,127
Charge during the year	<b>46,243,331</b>	32,862,881
Written-off during the year	<b>(45,552,604)</b>	(23,277,595)
At the end of the year	<b>29,927,140</b>	29,236,413

8.5. During the year, the Credit and Risk Committee of the Company, authorized by the Board of directors, approved a write-off of gross investment in Islamic financing receivable amounting to SR 45.55 million (31 December 2024: 23.3 million) for certain customers with an existing provision of SR 45.55 million (31 December 2024: 23.3 million). These amounts are subject to enforcement activities.

8.6. The Company's islamic financing arrangements do not include variable payments.

8.7. The Company is not exposed to foreign currency risk as a result of the financing arrangements, as all financings are denominated in Saudi Riyals.

**9 RESTRICTED CASH DEPOSIT**

The Company has placed these funds in restricted bank account. Out of total deposit, SR 28.19 million has been deposited as restricted time deposits for certain financing facilities granted to the Company. The Company also earns a profit on this balance. The yield on the restricted cash deposit is ranging from 4.30% to 5.05% (31 December 2024: 5.05%).

	<b>2025</b>	<b>2024</b>
	<b>SR</b>	<b>SR</b>
Restricted cash deposit	<b>28,185,500</b>	20,062,877
Accrued profit on restricted cash deposit	<b>380,586</b>	83,489
	<b>28,566,086</b>	20,146,366

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**10 PROPERTY AND EQUIPMENT**

Property and equipment at 31 December 2025 comprise of the following:

	Office equipment	Furniture and fixtures	Computer hardware	Total
<b>Cost:</b>				
At 1 January 2024	15,326	321,753	687,028	1,024,107
Additions during the year	1,834	110,556	170,017	282,407
At 31 December 2024	<b>17,160</b>	<b>432,309</b>	<b>857,045</b>	<b>1,306,514</b>
Additions during the year	-	<b>125,611</b>	<b>220,655</b>	<b>346,266</b>
<b>At 31 December 2025</b>	<b>17,160</b>	<b>557,920</b>	<b>1,077,700</b>	<b>1,652,780</b>
<b>Accumulated depreciation:</b>				
At 1 January 2024	3,830	95,844	316,848	416,522
Charge for the year	3,301	116,512	228,995	348,808
At 31 December 2024	<b>7,131</b>	<b>212,356</b>	<b>545,843</b>	<b>765,330</b>
Charge for the year	<b>3,431</b>	<b>152,679</b>	<b>225,936</b>	<b>382,046</b>
<b>At 31 December 2025</b>	<b>10,562</b>	<b>365,035</b>	<b>771,779</b>	<b>1,147,376</b>
<b>Net carrying value at 31 December 2025</b>	<b>6,598</b>	<b>192,885</b>	<b>305,921</b>	<b>505,404</b>
Net carrying value at 31 December 2024	10,029	219,953	311,202	541,184

**11 INTANGIBLE ASSETS**

	License SR	Computer software SR	Capital work in progress SR	Total SR
<b>Cost:</b>				
At 1 January 2024	200,000	7,158,767	871,657	8,230,424
Additions during the year	-	1,473,670	802	1,474,472
At 31 December 2024	<b>200,000</b>	<b>8,632,437</b>	<b>872,459</b>	<b>9,704,896</b>
Additions during the year	-	<b>25,190</b>	<b>629,473</b>	<b>654,663</b>
Transfers during the year	-	<b>1,334,214</b>	<b>(1,334,214)</b>	-
<b>At 31 December 2025</b>	<b>200,000</b>	<b>9,991,841</b>	<b>167,718</b>	<b>10,359,559</b>
<b>Amortization:</b>				
At 1 January 2024	100,164	1,092,660	-	1,192,824
Charge for the year	40,110	930,909	-	971,019
At 31 December 2024	<b>140,274</b>	<b>2,023,569</b>	-	<b>2,163,843</b>
Charge for the year	<b>40,000</b>	<b>1,149,325</b>	-	<b>1,189,325</b>
<b>At 31 December 2025</b>	<b>180,274</b>	<b>3,172,894</b>	-	<b>3,353,168</b>
<b>Net carrying value at 31 December 2025</b>	<b>19,726</b>	<b>6,818,947</b>	<b>167,718</b>	<b>7,006,391</b>
Net carrying value at 31 December 2024	59,726	6,608,868	872,459	7,541,053

Project under progress include payments made to vendors for developments and upgrades in-process for computer software.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**12 SHARE CAPITAL**

The share capital of the Company is divided into 30,000,000 shares (31 December 2024: 30,000,000) of SR 10 each. As at 31 December 2025 and 31 December 2024, the share capital of the Company was owned as follows:

	<i>No. of shares of SR 10 each</i>	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>	<i>Percentage of ownership %</i>
Balubaid Holding Company Limited (Ultimate Parent Company)	<b>30,000,000</b>	300,000,000	300,000,000	<b>100%</b>
	<b>30,000,000</b>	300,000,000	300,000,000	<b>100%</b>

The Company's shareholders in their first EGA dated 4 Shaban 1445H (corresponding to 14 February 2024) approved the issuance of additional share capital of SR. 75 million at par value of SR. 10 each. The Saudi Central Bank (SAMA's) non-objection certificate was received on 02 Shaban 1445H (corresponding to 12 February 2024) and the proceeds for additional share capital was received by the Company on 15 Shaban 1445H (corresponding to 25 February 2024).

Further, in second EGM held on 20 Shawwal 1445H (corresponding to 29 April 2024), the Company's shareholders approved to increase the share capital to SR. 300 million by issuance of additional share capital of SR. 75 million at par value of SR. 10 each. The SAMA's non-objection certificate was received on 13 Shawwal 1445H (corresponding to 22 April 2024) and the proceeds for additional share capital was received by the Company on 05 Dhul-Qi'dah 1445H (corresponding to 13 May 2024).

Accordingly, as of 31 December 2024, the share capital of the Company was adjusted. The legal formalities including updating the commercial registration and by-laws were also completed during the year ended 31 December 2024.

**13 OTHER PAYABLES AND ACCRUALS**

	<i>2025 SR</i>	<i>2024 SR</i>
Employees related accruals	<b>3,994,882</b>	2,703,181
Accrued due diligence costs	<b>776,993</b>	2,233,801
Accrued software development cost	-	805,561
Remuneration payable	<b>970,333</b>	730,500
Accrued consultancy expenses	<b>1,315,838</b>	706,235
Other payables and miscellaneous accruals	<b>4,859,228</b>	3,104,330
Advance from customers	<b>548,199</b>	155,528
	<b>12,465,473</b>	10,439,136

**14 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties (other related parties). Related party transactions are undertaken at mutually agreed terms and conditions and approved by the Company's management.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

14.1 Following are the details of major related party transactions entered during the year:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of the transactions</i>	
		<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Balubaid Holding Company Limited	Training course	-	6,765
	Amount repaid to shareholder	(6,765)	(2,293)
Furniture Leaders Co.	Purchases for furniture	126,953	123,583
	Amount repaid to affiliate	(126,953)	(178,208)
Balubaid Automotive Company	Purchases for Islamic financing	38,393,156	55,870,456
	Amount repaid to affiliate	(44,473,091)	(65,578,681)
Omar Abu Bakr Balubaid Company Limited	Information Technology Services	1,825,663	1,536,709
	Amount repaid to affiliate	(3,593,501)	(1,700,729)
Board of Directors	Remuneration to the members	510,833	415,000
Members of Audit Committee	Remuneration to the members	128,500	92,833
Shariah Committee	Remuneration to the members	122,503	58,165
Award Committee	Remuneration to the members	82,000	53,000
Risk Committee	Remuneration to the members	130,000	100,000
Executives	Remuneration to the members	112,000	-
Key executive employees	Salaries and other short-term employee benefits	6,056,401	5,106,166
	Employees' post-employment benefits	239,396	219,925

14.2 Due to related parties comprise the following:

	<i>31 December</i> <i>2025</i> <i>SR</i>	<i>31 December</i> <i>2024</i> <i>SR</i>
Balubaid Automotive Company	808,680	6,888,616
Omar Abu Bakr Balubaid Company	96,042	1,863,881
Balubaid Holding Company Limited	-	6,765
	<u>904,722</u>	<u>8,759,262</u>

14.3 Remuneration of the key management personnel of the Company is as follows:

	<i>31 December</i> <i>2025</i> <i>SR</i>	<i>31 December</i> <i>2024</i> <i>SR</i>
Short-term employee benefits	797,475	807,540
Post-employment benefit	708,741	527,712
Board remuneration	970,333	730,500
	<u>2,476,549</u>	<u>2,065,752</u>

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**15 FINANCIAL FACILITIES**

	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>
Long term loans	<b>538,989,495</b>	373,891,473
Finance charge payable	<b>1,533,740</b>	2,217,990
	<b><u>540,523,235</u></b>	<b><u>376,109,463</u></b>

15.1 The Company has obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs and financing to customers. These bank facilities bear finance costs according to the internal lending rates of Saudi banks (SIBOR) in addition to an agreed profit margin which ranges from 2.25% to 2.5% and also have restricted cash deposits (see note 9). Under the loan agreement with banks, December 2025.

15.2 The movements in term loan recognized in the statement of financial position are as follows:

	<i>31 December 2025 SR</i>	<i>31 December 2024 SR</i>
Opening balance	<b>376,109,463</b>	252,410,029
Add: facilities obtained during the year	<b>308,884,617</b>	207,506,980
Less: payments made during the year	<b>(143,786,594)</b>	(84,286,153)
Finance cost during the year	<b>34,983,417</b>	23,928,210
Less: finance cost paid during the year	<b>(35,667,668)</b>	(23,449,603)
	<b><u>540,523,235</u></b>	<b><u>376,109,463</u></b>

15.3 Maturity profile of long-term financial facilities:

Current portion	<b>180,848,275</b>	119,439,180
Non-current portion	<b>358,141,220</b>	254,452,293
	<b><u>538,989,495</u></b>	<b><u>373,891,473</u></b>

**16 ZAKAT**

The movement in the zakat provision for the year is as follows:

	<i>2025 SR</i>	<i>2024 SR</i>
At the beginning of the year	<b>3,083,797</b>	699,887
Charge for the year	<b>2,692,224</b>	3,083,797
Payment during the year	<b>(3,093,556)</b>	(473,142)
Prior year - reversal	-	(226,745)
	<b><u>2,682,465</u></b>	<b><u>3,083,797</u></b>

**Status of assessments**

The Company submitted its Zakat and income tax returns to the ZATCA until the year ended 31 December 2024 and obtained a certificate from the ZATCA valid until 30 April 2026. There has been no assessment rendered to the Company by ZATCA from the year of registration through to 2024.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**17 EMPLOYEES' DEFINED BENEFIT LIABILITIES**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Employees' defined benefit liabilities	<u>1,882,523</u>	<u>956,195</u>

The major financial assumptions used to calculate the employees' defined benefit liabilities (end-of-service benefits) are as follows:

<b>Principal actuarial assumptions</b>	<i>2025</i>	<i>2024</i>
Discount rate	<b>5.12%</b>	5.52%
Future salary growth / expected rate of salary increases for 1 year	<b>5.00%</b>	5.00%
Retirement age		

a) The movements in present value of employees' defined benefit liabilities recognized in the statement of financial position are as follows:

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
At beginning of the year	<b>956,195</b>	582,439
<b><i>Included in statement of profit or loss</i></b>		
Current service cost	<b>755,834</b>	458,755
Interest cost	<b>48,526</b>	24,173
Past service cost	<b>148,834</b>	(19,188)
<b><i>Included in statement of other comprehensive income</i></b>		
Actuarial loss arising from change in financial assumptions	<b>24,452</b>	2,903
Payments made during the year	<b>(51,318)</b>	(92,887)
<b>31 December</b>	<u><b>1,882,523</b></u>	<u>956,195</u>

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The average remaining duration of the employees' defined benefit obligations is 4 years (2024: 4 years).

*Sensitivity analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employees' defined benefit liabilities by the amounts shown below.

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Discount rate (1% movement)	<b>(172,502)</b>	<b>(27,362)</b>	(37,553)	40,754
Future salary growth (1% movement)	<b>(28,016)</b>	<b>(173,222)</b>	40,562	(38,080)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**18 INCOME FROM ISLAMIC FINANCING, NET**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Income from Tawarruq	53,569,528	49,999,392
Income from Murabaha	653,667	674,715
Income from Ijara	80,785,351	54,442,332
	<u>135,008,546</u>	<u>105,116,439</u>

**19 FINANCE COSTS**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Finance charges	34,983,417	23,928,210
Facility management fees	2,327,578	1,234,347
Bank charges	50,240	54,273
Employees' post-employment benefits	48,526	24,173
	<u>37,409,761</u>	<u>25,241,003</u>

**20 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Salaries and other employee's benefits	27,549,174	21,051,145
Consultancy charges	6,927,559	4,905,606
Governmental expenses	3,374,733	3,563,332
Collection commission expense	4,603,188	3,176,426
Amortization of intangible assets (note 11)	1,189,325	971,019
Utilities	741,358	496,649
Rent	543,335	422,165
Depreciation on property and equipment (note 10)	382,046	348,808
Repairs and maintenance	186,765	228,664
Withholding tax	48,605	38,068
Others	1,328,578	615,836
	<u>46,874,666</u>	<u>35,817,718</u>

**21 SELLING AND MARKETING EXPENSES**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Marketing expenses	1,807,006	1,175,896
Agency fees	46,661	36,774
	<u>1,853,667</u>	<u>1,212,670</u>

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**22 OTHER INCOME**

	<i>2025</i> <i>SR</i>	<i>2024</i> <i>SR</i>
Vendors rebate	4,329,957	2,018,404
Interest on term deposits	1,496,503	778,155
Insurance claim-back	-	1,551,036
Other	245,521	630,875
	<u>6,071,981</u>	<u>4,978,470</u>

**23 FINANCIAL RISK MANAGEMENT**

The Company's significant financial liabilities include accounts payable, due to related parties, term loans, lease liabilities and other liabilities and are initially measured at fair value and thereafter stated at their amortized cost. Financial assets comprise of cash and bank balances, net investment in finance lease and murabaha finance receivables, and other receivables and are initially measured at fair value and thereafter stated at cost or amortized cost as reduced by allowance for impairment, if any.

The Company is exposed to market risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a Treasury Department that advises on the financial risks and the appropriate financial risk governance framework. The Treasury Department provides assurance to the senior management that the financial risk activities are governed by appropriate policies and procedures and that the financial risks are identified, measured and managed in accordance with the policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

**23.1. Risk management structure**

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement, and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk, and liquidity risk.

**Board of Directors**

The Board of Directors are responsible for establishing the Company's policies, including risk management framework, and reviewing the performance of the Company to ensure compliance with these policies.

**Credit and risk management committee**

The credit and risk management committee are appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

**Audit committee**

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, and the soundness of the internal controls of the Company.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**Internal audit**

All key operational, financial, and risk management processes are audited by Internal Audit. The internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

**23.2. Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in the credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises three types of risks: currency risk, profit rate risk, and other price risks.

**23.2.1. Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Company is not exposed to any significant currency risk.

**23.2.2 Profit rate risk**

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company is exposed to long-term obligations with floating profit rates due to long-term financial facilities.

**23.2.3 Other price risks**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risks.

**23.3. Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on cash and bank balances, net investment in finance lease, murabaha financing receivables, due from related parties and other receivables. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines.

**Amounts arising from ECL – Significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company 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 Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

**Generating the term structure of PD**

The Company employs statistical models to analyze 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 macroeconomic factors as well as an in-depth analysis of the impact of certain other factors (e.g., forbearance experience) on the risk of default.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.3. Credit risk (continued)**

**Determining whether credit risk has increased significantly**

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.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that 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 Company considers that a significant increase in credit risk occurs no later than when an asset is 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 year that might be available to the customer.

**Definition of 'Default'**

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as liquidating collateral (if any is held); or
- the customer is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a customer is in default. The Company considers indicators that are:

- qualitative- e.g., breaches of the covenant, SIMAH scoring, sector of economies, employment type;
- quantitative- e.g., overdue status and;
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

**Backward Transition (Cure Period Treatment)**

Cure rate provides methodology for getting back into performing Status. Cure Rate is used to derive the criteria for accounts that will revert to 'performing' status from 'non- performing' status within due passage of time.

- For Retail Customers, the cure period requirement is also applicable where the customer has moved to Stage 2B i.e. past due by more than 60 days. In this case a 60 days cure period shall be applied before the exposure is moved back to Stage 1. Exposure which are in Stage 2A can move back to Stage 1 without observing any cure period on payment of required past due installments such that their days past due has reduced to 30 or less.
- Cure period for moving stage 3 exposures into stage 1 exposures is 6 months (4 months for restaging from Stage 3A to Stage 2B and 2 months for restaging from Stage 2B to Stage 1).

**Incorporation of forward-looking information**

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic scenario used includes the key indicators of Gross Domestic Product (GDP) forecast, average consumer prices, Brent oil prices, and general governmental total expenditure.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.3. Credit risk (continued)**

**Measurement of ECL**

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

- i. The probability of default (PD);
- ii. Loss given default (LGD);
- iii. 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.

Probability of Default (PD) measures the estimated likelihood of default over a time horizon. For the model, PD has been calculated as a probability that an exposure will move to 91 DPD or above over next 12 months. Through the Cycle (TTC) default rates have been calculated and later they have been converted using scalar factor.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. Outstanding balance, installment amount, and profit rate are used to derive an amortizing balance curve for each account.

Sensitivity of ECL allowance:

The increase or decrease of 10% change in macro-economic factor will result in SR 0.02 million increase or SR 0.01 million decrease in the ECL provision.

Stress testing of macro-economic scenarios with a weightage of 30% for upside and downside scenarios will result in SR 0.06 million increase or SR 0.08 million decrease in the ECL provision.

Out of the total assets of SR 890.1 million (2024: SR 728.7 million), the assets which were subject to credit risk amounted to SR 874.6 million (2024: SR 715.5 million). The management analyzes the credit risk in the following:

	<b>2025</b>	<b>2024</b>
	<b>SR</b>	<b>SR</b>
Net investment in Islamic financings	<b>804,679,027</b>	645,573,971
Cash and cash equivalents	<b>17,931,166</b>	49,641,237
Restricted cash deposit	<b>28,566,086</b>	20,146,366
Term deposits	<b>13,453,399</b>	-
Other receivables	<b>9,948,853</b>	54,768
	<b>874,578,531</b>	715,416,342

**23.3.1. Bank balances and other receivables**

The credit quality of the Company's bank balances and restricted cash deposit is assessed with reference to external credit ratings which, in all cases, are above investment-grade ratings. Other receivables are neither significant nor exposed to significant credit risk. No ECL was taken for restricted cash deposits and bank balances as the impact of the ECL was not determined to be material by the management.

	<b>2025</b>	<b>2024</b>
	<b>SR</b>	<b>SR</b>
Cash and cash equivalents	<b>17,931,166</b>	56,656,466
Term deposits	<b>13,453,399</b>	-
Restricted cash deposit	<b>28,566,086</b>	13,131,137
	<b>59,950,651</b>	69,787,603

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.3. Credit risk (continued)**

**23.3.2. Net investment in Islamic financings**

The investment in Islamic financings generally exposes to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' creditworthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the Islamic financing portfolio.

The aging of net investment in Islamic financings contracts is as under:

	<b>2025</b>	<b>2024</b>
	<b>SR</b>	<b>SR</b>
Neither past nor due	<b>797,076,686</b>	651,226,514
Past due 1-30 days	<b>5,768,441</b>	4,192,574
Past due 31-90 days	<b>6,766,725</b>	4,066,596
Past due 91-180 days	<b>8,320,298</b>	5,080,322
Past due 181-365 days	<b>9,769,066</b>	6,093,517
Past due over 1 year	<b>2,015,590</b>	998,304
	<hr/>	<hr/>
Net Investment in Islamic financing before adjustment	<b>829,716,806</b>	671,657,827
Unearned origination fees	<b>(4,120,889)</b>	(3,122,721)
Deferred transaction costs	<b>9,010,250</b>	6,275,278
	<hr/>	<hr/>
Net Investment in Islamic financing before provision	<b>834,606,167</b>	674,810,384
Less: Impairment for Islamic financing	<b>(29,927,140)</b>	(29,236,413)
	<hr/>	<hr/>
Net of Impairment loss	<b>804,679,027</b>	645,573,971
	<hr/>	<hr/>
Total portfolio coverage ratio (impairment divided by Net Investment in Islamic financing before adjustment)	<b>3.61%</b>	4.35%

The portfolio that is neither past due nor impaired has a satisfactory history of repayment, where applicable. As at the statement of financial position date, the Company has adequate collateral to cover the overall credit risk exposure after making an impairment provision.

Management classifies the investment in Islamic financing that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing:

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
Performing	<b>746,567,360</b>	595,174,796
Non-performing	<b>83,149,446</b>	76,483,031
	<hr/>	<hr/>
	<b>829,716,806</b>	671,657,827

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.3. Credit risk (continued)**

**23.3.2. Net investment in Islamic financings (continued)**

An analysis of gross exposure of islamic financing receivables and the corresponding ECL allowance is as follows:

	Stage 1	Stage 2	Stage 3	Total
	-----SR-----			
<i>At 31 December 2025</i>				
Carrying amount before ECL	709,203,090	28,408,828	92,104,888	829,716,806
ECL	5,518,481	372,889	24,035,770	29,927,140
<i>At 31 December 2024</i>				
Carrying amount before ECL	576,210,723	13,065,626	82,381,478	671,657,827
ECL	4,140,987	190,113	24,905,313	29,236,413

The movement in provision for impairment for Islamic financing receivables is as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>1 January 2025</b>	4,140,987	190,113	24,905,313	29,236,413
Transfer from stage 1	(522,988)	111,506	411,482	-
Transfer from stage 2	45,531	(172,123)	126,592	-
Transfer from stage 3	556,486	342,527	(899,013)	-
Financial assets – settled	(345,335)	(5,861)	(1,045,009)	(1,396,205)
Financial assets - originated	2,845,968	191,380	3,751,121	6,788,469
Net re-measurement of loss allowance	(1,202,168)	(284,653)	42,337,888	40,851,067
Write-off during the year	-	-	(45,552,604)	(45,552,604)
<b>31 December 2025</b>	5,518,481	372,889	24,035,770	29,927,140
	Stage 1	Stage 2	Stage 3	Total
<b>1 January 2024</b>	2,519,133	1,916,807	15,215,187	19,651,127
Transfer from stage 1	(459,712)	44,785	414,927	-
Transfer from stage 2	380,538	(1,713,687)	1,333,149	-
Transfer from stage 3	1,000,190	135,341	(1,135,531)	-
Financial assets – settled	(102,616)	(85,776)	(863,026)	(1,051,418)
Financial assets - originated	2,181,517	91,839	3,538,591	5,811,947
Net re-measurement of loss allowance	(1,378,063)	(199,196)	29,679,611	28,102,352
Write-off during the year	-	-	(23,277,595)	(23,277,595)
<b>31 December 2024</b>	4,140,987	190,113	24,905,313	29,236,413

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.3. Credit risk (continued)**

**23.3.2. Net investment in Islamic financings (continued)**

The movement of gross financing receivables at gross exposure by stages is as follows:

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>1 January 2025</b>	<b>576,210,723</b>	<b>13,065,626</b>	<b>82,381,478</b>	<b>671,657,827</b>
Transfer from stage 1	(61,321,851)	15,820,543	45,501,308	-
Transfer from stage 2	2,725,060	(10,129,658)	7,404,598	-
Transfer from stage 3	2,032,970	751,576	(2,784,546)	-
Financial assets – settled	(23,366,227)	(258,618)	(2,627,012)	(26,251,857)
Financial assets - originated	307,528,301	10,962,132	15,415,885	333,906,318
Net re-measurement of loss allowance	(94,605,886)	(1,802,773)	(7,634,219)	(104,042,878)
Write-off during the year	-	-	(45,552,604)	(45,552,604)
<b>31 December 2025</b>	<b>709,203,090</b>	<b>28,408,828</b>	<b>92,104,888</b>	<b>829,716,806</b>

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
<b>1 January 2024</b>	404,963,743	13,261,826	41,191,716	459,417,285
Transfer from stage 1	(51,052,179)	6,056,134	44,996,045	-
Transfer from stage 2	3,275,821	(12,028,905)	8,753,084	-
Transfer from stage 3	3,202,914	555,800	(3,758,714)	-
Financial assets – settled	(22,466,644)	(711,584)	(1,924,241)	(25,102,469)
Financial assets - originated	290,724,921	5,853,847	14,515,069	311,093,837
Net re-measurement of loss allowance	(52,437,853)	78,508	1,886,114	(50,473,231)
Write-off during the year	-	-	(23,277,595)	(23,277,595)
<b>31 December 2024</b>	<b>576,210,723</b>	<b>13,065,626</b>	<b>82,381,478</b>	<b>671,657,827</b>

**23.4. Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company'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 Company's reputation. The shareholders of the Company are committed to provide the necessary financial support to the Company for its working capital, as and when needed.

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.4. Liquidity risk (continued)**

The table below summarizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

<i>At 31 December 2025</i>	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Up to three months</i>	<i>More than three months and up to one year</i>	<i>One to five years</i>
Trade payables	27,427,545	27,427,545	27,427,545	-	-
Other payables and accruals	4,266,253	4,266,253	4,266,253	-	-
Due to related parties	904,722	904,722	832,690	72,032	-
Financial facilities	540,523,235	612,023,895	55,395,643	159,580,093	397,048,159
	<u>573,121,755</u>	<u>644,622,415</u>	<u>87,922,131</u>	<u>159,652,125</u>	<u>397,048,159</u>
				<i>More than three months and up to one year</i>	<i>One to five years</i>
<i>At 31 December 2024</i>	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Up to three months</i>	<i>More than three months and up to one year</i>	<i>One to five years</i>
Trade payables	35,425,878	35,425,878	25,610,469	9,815,409	-
Other payables and accruals	2,690,261	2,690,261	2,690,261	-	-
Due to related parties	8,759,262	8,759,262	8,642,997	116,265	-
Financial facilities	376,109,463	422,975,461	37,300,205	107,351,030	278,324,226
	<u>422,984,864</u>	<u>469,850,862</u>	<u>74,243,932</u>	<u>117,282,704</u>	<u>278,324,226</u>

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**23.4. Liquidity risk (continued)**

**Analysis of financial assets and liabilities based on contractual maturities**

The table shows an analysis of financial assets and liabilities according to contractual maturities:

<i>At 31 December 2025</i>	<i>Carrying amount</i>	<i>Up to three months</i>	<i>More than three months and up to one year</i>	<i>More than one year</i>
Cash and bank balances	17,931,166	17,931,166	-	-
Term deposits	13,453,399	9,345,802	4,107,597	-
Restricted cash deposit	28,566,086	183,478	197,108	28,185,500
Other receivables	9,948,853	9,948,853	-	-
Net investment in Islamic financing	804,679,027	66,437,588	111,889,560	626,351,879
<b>Financial assets</b>	<b>874,578,531</b>	<b>103,846,887</b>	<b>116,194,265</b>	<b>654,537,379</b>
Trade payables	27,427,545	27,427,545	-	-
Other payables and accruals	4,266,253	4,266,253	-	-
Due to related parties	904,722	832,690	72,032	-
Financial facilities	540,523,235	47,190,524	135,191,488	358,141,223
<b>Financial liabilities</b>	<b>573,121,755</b>	<b>79,717,012</b>	<b>135,263,520</b>	<b>358,141,223</b>
Maturity gap	301,456,776	24,129,875	(19,069,255)	296,396,156
Cumulative maturity gap	-	24,129,875	5,060,620	301,456,776
<i>At 31 December 2024</i>	<i>Carrying amount</i>	<i>Up to three months</i>	<i>More than three months and up to one year</i>	<i>More than one year</i>
Cash and bank balances	49,641,237	49,641,237	-	-
Restricted cash deposit	20,146,366	-	18,846,366	1,300,000
Other receivables	54,768	54,768	-	-
Net investment in islamic financing	645,573,971	42,395,373	71,786,266	531,392,332
<b>Financial assets</b>	<b>715,416,342</b>	<b>92,091,378</b>	<b>90,632,632</b>	<b>531,392,332</b>
Trade payables	35,425,878	25,610,469	9,815,409	-
Other payables and accruals	2,690,261	2,690,261	-	-
Due to related parties	8,759,262	8,642,997	116,265	-
Financial facilities	376,109,463	32,274,931	89,382,238	254,452,294
<b>Financial liabilities</b>	<b>422,984,864</b>	<b>69,218,658</b>	<b>99,313,912</b>	<b>254,452,294</b>
Maturity gap	292,431,478	22,872,720	(8,681,280)	278,240,038
Cumulative maturity gap	-	22,872,720	14,191,440	292,431,478

**NATIONAL FINANCE HOUSE COMPANY  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**23 FINANCIAL RISK MANAGEMENT (continued)**

**Capital Management**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2025.

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

	<i>31 December 2025</i>	<i>31 December 2024</i>
Capital adequacy ratio	<u><b>2.73 Time</b></u>	<u>2.29 Time</u>

Capital adequacy ratio is calculated as net investment in finance leases and murabaha financing receivables divided by total shareholders' equity.

**24 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There are no transfers in the fair value levels during the years ended 31 December.

The Company's financial assets consist of cash and bank balances, term deposit, net investment in Islamic financing, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The fair values of the financial instruments are not materially different from their carrying amounts except for the net investment in Islamic financing, net.

**25 CONTINGENCIES AND COMMITMENTS**

There were no contingent liabilities and commitments as at 31 December 2025 and 2024.

**NATIONAL FINANCE HOUSE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2025

**26 COMPARATIVE FIGURES**

Certain prior period information has been reclassified/represented to conform with the presentation in the current period. As a result of such reclassification, there is no impact on the statement of profit or loss, statement of other comprehensive income, statement of cashflows and statement of changes in shareholders' equity.

**27 BOARD OF DIRECTORS' APPROVAL**

These financial statements were approved by the Board of Directors on 14 Ramadhan 1447H (corresponding to 3 March 2026G).