

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**Unaudited Condensed Interim Financial Statements**  
**For the six-month period ended**  
**June 30, 2022**  
**and Independent Auditor's Review Report**

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**Unaudited Condensed Interim Financial Statements**  
**For the six-month period ended June 30, 2022**

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## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No. 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد 92876  
الرياض 11663  
المملكة العربية السعودية  
سجل تجاري رقم 1010425494

المركز الرئيسي في الرياض

# Independent Auditor's Review Report on the Condensed Interim Financial Statements

To the Shareholders of Nayifat Finance Company (A Saudi Joint Stock Company)

## Introduction

We have reviewed the accompanying June 30, 2022 condensed interim financial statements of Nayifat Finance Company ("the Company"), which comprise:

- the condensed statement of financial position as at June 30, 2022;
- the condensed statement of comprehensive income for the three-month and six-month periods ended June 30, 2022;
- the condensed statement of changes in equity for the six-month period ended June 30, 2022;
- the condensed statement of cash flows for the six-month period ended June 30, 2022; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2022 condensed interim financial statements of Nayifat Finance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## Other matter

The financial statements of Nayifat Finance Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 30, 2022.

## KPMG Professional Services

Hani Hamzah A. Bedairi  
License Number 460

Riyadh: 5 Muharram 1444 H  
Corresponding to 3 August 2022



**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	6	29,847	59,123
Balances with other banks	7	98,788	98,748
Islamic financing receivables	8	1,646,499	1,574,453
Equity investments measured at fair value through OCI		893	893
Prepayments and other assets		51,401	50,540
Assets held for sale	9	18,661	18,661
Intangible assets		26,551	26,975
Property and equipment		36,390	38,154
<b>Total assets</b>		<b>1,909,030</b>	<b>1,867,547</b>
<b>LIABILITIES AND EQUITY</b>			
Accruals and other liabilities		37,550	33,027
Provision for zakat		11,133	25,970
Islamic bank financings and other liabilities	10	627,408	593,327
Zakat payable		10,950	11,541
Provision for employees' end of service benefits		11,480	11,439
<b>Total liabilities</b>		<b>698,521</b>	<b>675,304</b>
Share capital		1,000,000	1,000,000
Statutory reserve		82,799	82,799
Retained earnings		127,710	109,444
<b>Total equity</b>		<b>1,210,509</b>	<b>1,192,243</b>
<b>Total liabilities and equity</b>		<b>1,909,030</b>	<b>1,867,547</b>

The accompanying notes from 1 through 19 form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Acting  
Chief Executive Officer

  
Chairman of  
Board of Directors

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2022**  
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the three months period ended June 30		For the six months period ended June 30	
		2022	2021	2022	2021
Commission Income from Islamic financing receivables		<b>98,880</b>	97,389	<b>193,009</b>	196,448
Finance costs		<b>(5,762)</b>	(3,951)	<b>(10,363)</b>	(9,950)
Net commission income from Islamic financing receivables		<b>93,118</b>	93,438	<b>182,646</b>	186,498
Other income		<b>231</b>	532	<b>535</b>	857
(Charge) / reversal of expected credit loss allowance – net	8.5	<b>(3,139)</b>	2,907	<b>774</b>	8,316
Salaries and other related expenses	11	<b>(23,286)</b>	(20,856)	<b>(47,538)</b>	(41,643)
Other general and administrative expenses		<b>(14,135)</b>	(8,380)	<b>(25,091)</b>	(18,681)
Depreciation and amortization		<b>(3,545)</b>	(3,045)	<b>(7,060)</b>	(6,127)
<b>Net income for the period before zakat</b>		<b>49,244</b>	64,596	<b>104,266</b>	129,220
Zakat charge for the period		<b>(5,500)</b>	(6,500)	<b>(11,000)</b>	(13,200)
<b>Net income for the period</b>		<b>43,744</b>	58,096	<b>93,266</b>	116,020
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>43,744</b>	58,096	<b>93,266</b>	116,020
<b>Basic and diluted earnings per share</b>	12	<b>0.44</b>	0.58	<b>0.93</b>	1.16

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Chief Financial Officer

  
Acting  
Chief Executive Officer

  
Chairman of  
Board of Directors

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

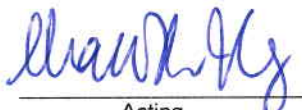
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
<b>2022</b>				
Balance as at December 31, 2021 (Audited)	1,000,000	82,799	109,444	1,192,243
Total comprehensive income for the period	-	-	93,266	93,266
Dividend paid	-	-	(75,000)	(75,000)
<b>Balance as at June 30, 2022</b> (Unaudited)	<b>1,000,000</b>	<b>82,799</b>	<b>127,710</b>	<b>1,210,509</b>
<b>2021</b>				
Balance as at December 31, 2020 (Audited)	1,000,000	60,290	59,085	1,119,375
Total comprehensive income for the period	-	-	116,020	116,020
Dividend paid	-	-	(77,220)	(77,220)
<b>Balance as at June 30, 2021</b> (Unaudited)	<b>1,000,000</b>	<b>60,290</b>	<b>97,885</b>	<b>1,158,175</b>

The accompanying notes from 1 through 19 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Acting  
Chief Executive Officer



Chairman of  
Board of Directors

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**  
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the six months ended June 30,	
		2022	2021
<b>Cash flows from operating activities</b>			
Net income for the period before zakat		104,266	129,220
<b>Adjustments for</b>			
Depreciation and amortization		7,060	6,127
Provision for employees' end of service benefits		1,794	1,483
Reversal of previously recognized loss on repossessed Assets		-	(450)
Reversal of expected credit loss allowance – net	8.5	(774)	(8,316)
Finance costs		10,363	9,950
		<u>122,709</u>	<u>138,014</u>
<b>Changes in operating assets and liabilities</b>			
Islamic financing receivables		(71,272)	(27,793)
Prepayments and other assets		(861)	(8,319)
Accruals and other liabilities		4,523	9,699
Balances with other banks		(40)	48,898
		<u>55,059</u>	<u>160,499</u>
Employees' end of service benefits paid		(1,750)	(301)
Zakat paid		(25,837)	(23,341)
Finance costs and charges paid		(7,929)	(15,621)
<b>Net cash generated from operating activities</b>		<u>19,543</u>	<u>121,236</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(770)	(2,021)
Acquisition of intangible assets		(4,102)	(4,959)
<b>Net cash used in investing activities</b>		<u>(4,872)</u>	<u>(6,980)</u>
<b>Cash flows from financing activities</b>			
Proceeds from Islamic bank financings		203,215	162,998
Repayment of Islamic bank financings		(172,017)	(177,282)
Dividend paid		(75,000)	(77,220)
Rentals paid		(145)	(1,288)
<b>Net cash used in financing activities</b>		<u>(43,947)</u>	<u>(92,792)</u>
<b>Net change in cash and cash equivalents</b>		<u>(29,276)</u>	<u>21,464</u>
Cash and cash equivalents at the beginning of the period		59,123	70,092
<b>Cash and cash equivalents at the end of the period</b>	6	<u>29,847</u>	<u>91,556</u>

The accompanying notes from 1 through 19 form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Acting  
Chief Executive Officer

  
Chairman of  
Board of Directors



**NAYIFAT FINANCE COMPANY  
(A Saudi Joint Stock Company)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**1. GENERAL INFORMATION**

Nayifat Finance Company (the "Company") is a Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on Jumad al-Thani 9, 1431 H (corresponding to May 23, 2010). As per the SAMA ("Saudi Central Bank") license No. 5/AS/201312 renewed on dated 23 Dhu'l-Hijjah 1439 H (corresponding to September 3, 2018), expiring on 26 Safar 1445 H (corresponding to September 12, 2023), the Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

In November 2021, the Company's shares got listed on Tadawul (Saudi stock exchange) which resulted in the change in the Company's status from closed joint stock company to joint stock company.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company  
7633 Al Ulaya – Al Woroud Dist.  
Unit No. 1555  
Riyadh 12253 - 2105  
Kingdom of Saudi Arabia

**2. BASIS OF PREPARATION**

- 2.1 These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard – 34 "*Interim Financial Reporting*" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed statement of financial position is presented in order of liquidity.

- 2.2 These condensed interim financial statements do not include all information and disclosures required for a complete set of financial statements and should be read in conjunction with the Company's last annual audited financial statements as at and for the year ended December 31, 2021.
- 2.3 These condensed interim financial statements have been prepared on a going concern basis under the historical cost convention except for equity investments measured at fair value through OCI which are carried at fair value. Further, provision for employees' end of service benefits is measured at present value of defined benefit obligation using the Projected Unit Credit Method.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective. The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the last annual audited financial statements for the year ended December 31, 2021.

**4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

***Standards, interpretations and amendments effective during the year***

New accounting standards, interpretations and amendments to existing accounting standards effective from January 1, 2022 and onwards do not have any significant effect on the Company's condensed interim financial statements.

***Standards, interpretations and amendments not yet effective***

The International Accounting Standard Board (IASB) has issued a number of accounting standards, interpretations and amendments, which are effective from periods on or after July 1, 2022. The management has assessed that the amendments will have no significant impact on the Company's condensed interim financial statements.



**NAYIFAT FINANCE COMPANY**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**5. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the annual audited financial statements as at and for the year ended December 31, 2021.

Management has concluded that the critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances and there are no changes to the significant judgements and estimates disclosed in the annual audited financial statements for the year ended December 31, 2021.

**6. CASH AND CASH EQUIVALENTS**

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Cash at bank – current accounts	<u>29,847</u>	<u>59,123</u>

**7. BALANCES WITH OTHER BANKS**

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Margin deposits	28,402	28,538
Other bank deposits – note 7.1	<u>70,386</u>	<u>70,210</u>
	<u><b>98,788</b></u>	<u><b>98,748</b></u>

7.1 These are held with a local bank as commission bearing deposits at prevailing market rates.

**8. ISLAMIC FINANCING RECEIVABLES**

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq cash financing and Islamic credit cards.

The breakup of Islamic financing receivables is as follows:

	<b>June 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Tawarruq financing - Personal financing	1,346,522	1,357,124
Tawarruq financing - SME financing	266,733	194,156
Tawarruq financing - Islamic credit cards	<u>33,244</u>	<u>23,173</u>
	<u><b>1,646,499</b></u>	<u><b>1,574,453</b></u>
Due within 12 months	544,119	503,409
Due after 12 months	<u>1,102,380</u>	<u>1,071,044</u>
	<u><b>1,646,499</b></u>	<u><b>1,574,453</b></u>

**NAYIFAT FINANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)**

**8.1 Reconciliation of gross to net Islamic financing receivables:**

June 30, 2022

**Tawarruq financing**

	Personal financing	SME financing	Islamic credit cards	Total
Gross receivables	2,099,127	365,293	35,226	2,499,646
Unearned commission income	(703,156)	(98,060)	-	(801,216)
	1,395,971	267,233	35,226	1,698,430
Allowance for expected credit losses	(49,449)	(500)	(1,982)	(51,931)
<b>Net receivables</b>	<b>1,346,522</b>	<b>266,733</b>	<b>33,244</b>	<b>1,646,499</b>

December 31, 2021

**Tawarruq financing**

	Personal financing	SME financing	Islamic credit cards	Total
Gross receivables	2,115,170	272,009	24,655	2,411,834
Unearned commission income	(709,320)	(77,853)	-	(787,173)
	1,405,850	194,156	24,655	1,624,661
Allowance for expected credit losses	(48,726)	-	(1,482)	(50,208)
<b>Net receivables</b>	<b>1,357,124</b>	<b>194,156</b>	<b>23,173</b>	<b>1,574,453</b>

**8.2 Stage wise analysis of Islamic financing receivables is as follows:**

June 30, 2022

**Tawarruq**

	Personal financing	SME financing	Islamic credit cards	Total
Stage 1 receivables	1,191,721	218,823	25,711	1,436,255
Stage 2 receivables	40,641	18,382	2,693	61,716
Stage 3 receivables	163,609	30,028	6,822	200,459
	1,395,971	267,233	35,226	1,698,430
Allowance for expected credit losses	(49,449)	(500)	(1,982)	(51,931)
<b>Net receivables</b>	<b>1,346,522</b>	<b>266,733</b>	<b>33,244</b>	<b>1,646,499</b>

December 31, 2021

**Tawarruq**

	Personal financing	SME financing	Islamic credit cards	Total
Stage 1 receivables	1,224,335	148,801	18,302	1,391,438
Stage 2 receivables	29,902	-	1,319	31,221
Stage 3 receivables	151,613	45,355	5,034	202,002
	1,405,850	194,156	24,655	1,624,661
Allowance for expected credit losses	(48,726)	-	(1,482)	(50,208)
<b>Net receivables</b>	<b>1,357,124</b>	<b>194,156</b>	<b>23,173</b>	<b>1,574,453</b>

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)**

**8.3 The movement in allowance for expected credit losses of Islamic financing receivables is as follows:**

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at January 1, 2022	1,291	65	48,852	50,208
Transfer from Stage 1	(99)	80	19	-
Transfer from Stage 2	41	(83)	42	-
Transfer from Stage 3	1,092	421	(1,513)	-
Financial assets settled	(176)	(20)	(4,815)	(5,011)
New financial assets originated	4,437	-	-	4,437
Net re-measurement of loss allowance	8,694	2,235	8,351	19,280
	13,989	2,633	2,084	18,706
Written off during the period*	-	-	(16,983)	(16,983)
Loss allowance as at June 30, 2022	15,280	2,698	33,953	51,931

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at January 1, 2021	4,607	242	38,488	43,337
Transfer from Stage 1	(212)	212	-	-
Transfer from Stage 2	41	(267)	226	-
Transfer from Stage 3	582	63	(645)	-
Financial assets settled	(1,412)	(48)	(11,197)	(12,657)
New financial assets originated	5,072	-	-	5,072
Net re-measurement of loss allowance	(7,387)	(137)	40,950	33,426
	(3,316)	(177)	29,334	25,841
Written off during the year*	-	-	(18,970)	(18,970)
Loss allowance as at December 31, 2021	1,291	65	48,852	50,208

\*includes write-off of credit cards amounting to SR 0.4 million (31 Dec 2021: SR 0.2 million).

**8.4 Reconciliation of Islamic financing receivables**

The movement in Islamic financing receivables for personal financing and SME is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balances as at January 1, 2022	1,372,956	30,082	196,968	1,600,006
Transfer from Stage 1	(145,835)	109,399	36,436	-
Transfer from Stage 2	38,397	(68,877)	30,480	-
Transfer from Stage 3	37,245	2,582	(39,827)	-
Net other movements**	107,781	(14,163)	(13,837)	79,781
	37,588	28,941	13,252	79,781
Written off during the period			(16,583)	(16,583)
Balances as at June 30, 2022	1,410,544	59,023	193,637	1,663,204

**NAYIFAT FINANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)**

**8.4 Reconciliation of Islamic financing receivables (continued)**

	Stage 1	Stage 2	Stage 3	Total
Balances as at January 1, 2021	1,399,839	25,170	130,045	1,555,054
Transfer from performing	(103,976)	103,976	-	-
Transfer from under-performing	6,254	(101,691)	95,437	-
Transfer from non-performing	7,351	662	(8,013)	-
Net other movements**	63,488	1,965	(1,750)	63,703
	(26,883)	4,912	85,674	63,703
Written off during the year	-	-	(18,751)	(18,751)
Balances as at December 31, 2021	1,372,956	30,082	196,968	1,600,006

\*\*net other movement includes financing originated, financing repaid and other measurements.

**8.5 Reversal of expected credit loss allowance – net**

	For the six-month period ended June 30	
	2022	2021
Provision for expected credit allowance for the period	18,706	11,988
Recoveries against receivables previously written off – note 8.5.1	(19,480)	(20,304)
Reversal of expected credit loss allowance – net	(774)	(8,316)

8.5.1 This includes recoveries from written-off balances in the previous years.

Considering the recoveries from previously written off balances, receivables to the extent of 60% of outstanding balance which was past due for more than 2 years of respective contracts were written off during the period ended June 30, 2022.

**8.6 Assignment of Islamic financing receivables**

The Company assigned Islamic financing receivables amounting to SR 0.7 billion (December 31, 2021: SR 0.6 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.6 billion (December 31, 2020: SR 0.6 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the related risks and rewards, primarily credit risk. The Company is liable for the repayments of their assigned receivables to local commercial banks in case of customer default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement, the Company is not allowed to repledge those receivables and the financial institution lenders have recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and the liability is approximate to its fair value.

**8.7 Amounts written off still subject to enforcement activity**

As of June 30, 2022, the receivables amount written off still subject to enforcement activity is SR 125 million (December 31, 2021: SR 108 million).

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)**

**8.8 The aging analysis of Tawarruq related stage 3 (non-performing) Islamic financing receivables is as follows:**

**Tawarruq – Personal financing**

	<b>Gross Exposure</b>	<b>Expected credit loss allowance</b>	<b>Net exposure</b>
<b><u>June 30, 2022</u></b>			
90 to 180 days	38,165	(8,540)	29,625
180 to 270 days	22,834	(5,080)	17,754
270 to 360 days	21,057	(4,687)	16,370
360 to 450 days	23,847	(5,295)	18,552
450 to 540 days	17,251	(3,835)	13,416
540 to 630 days	13,990	(3,120)	10,870
630 days & above	26,465	(2,616)	23,849
<b>Total</b>	<b>163,609</b>	<b>(33,173)</b>	<b>130,436</b>

	<b>Gross Exposure</b>	<b>Expected credit loss allowance</b>	<b>Net exposure</b>
<b><u>December 31, 2021</u></b>			
90 to 180 days	34,399	(4,704)	29,695
180 to 270 days	29,005	(7,426)	21,579
270 to 360 days	20,294	(6,750)	13,544
360 to 450 days	16,147	(6,681)	9,466
450 to 540 days	14,847	(7,508)	7,339
540 to 630 days	12,157	(6,785)	5,372
630 days & above	24,764	(7,597)	17,167
<b>Total</b>	<b>151,613</b>	<b>(47,451)</b>	<b>104,162</b>

**Tawarruq – SME**

	<b>Gross Exposure</b>	<b>Expected credit loss allowance</b>	<b>Net exposure</b>
<b><u>June 30, 2022</u></b>			
90 to 180 days	16,182	(13)	16,169
180 to 270 days	-	-	-
270 to 360 days	3,982	-	3,982
450 to 540 days	9,864	-	9,864
<b>Total</b>	<b>30,028</b>	<b>(13)</b>	<b>30,015</b>

	<b>Gross Exposure</b>	<b>Expected credit loss allowance</b>	<b>Net exposure</b>
<b><u>December 31, 2021</u></b>			
90 to 180 days	35,570	-	35,570
180 to 270 days	-	-	-
270 to 360 days	9,785	-	9,785
360 to 450 days	-	-	-
<b>Total</b>	<b>45,355</b>	<b>-</b>	<b>45,355</b>

**Tawarruq – Credit cards**

	<b>Gross Exposure</b>	<b>Expected credit loss allowance</b>	<b>Net exposure</b>
<b><u>June 30, 2022</u></b>			
90 to 180 days	3,061	(709)	2,352
180 to 270 days	2,369	(548)	1,821
270 to 360 days	1,392	(322)	1,070
<b>Total</b>	<b>6,822</b>	<b>(1,579)</b>	<b>5,243</b>

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**8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)**

<u>December 31, 2021</u>	Gross Exposure	Expected credit loss allowance	Net exposure
90 to 180 days	2,488	(464)	2,024
180 to 270 days	1,616	(591)	1,025
270 to 360 days	930	(372)	558
Total	<u>5,034</u>	<u>(1,427)</u>	<u>3,607</u>

**9. ASSETS HELD FOR SALE**

These represent properties in the Kingdom of Saudi Arabia which were repossessed by the Company against settlement of Islamic financing receivables. The fair value of these properties as at June 30, 2022 is SR 30.4 million (December 31, 2021: SR 30.4 million).

**10. ISLAMIC BANK FINANCINGS AND OTHER LIABILITIES**

	<b>June 30, 2022</b> <b>(Unaudited)</b>	December 31 , 2021 (Audited)
Islamic bank financings – note 10.1	<b>613,556</b>	583,621
SAMA deposits	<b>12,964</b>	8,695
Lease liabilities	<b>888</b>	1,011
	<u><b>627,408</b></u>	<u>593,327</u>

10.1 The Company has long-term financing limits amounting to SR 2.3 billion (December 31, 2021: SR 2.2 billion) with local banks to finance current and long-term funding needs of which SR 0.6 billion was utilized as of June 30, 2022 (December 31, 2021: SR 0.6 billion). These financing facilities are repayable in three to four years in monthly, quarterly or bi-annual instalments. The profit rates on the financing availed range from 1 month / 3 month SIBOR along with margin of 1.4% to 2.5%.

**11. SALARIES AND OTHER RELATED EXPENSES**

	<b>For the six months period ended June 30, (Unaudited)</b>	
	<u>2022</u>	2021
Salaries and related costs	<b>25,536</b>	23,429
Other employee related cost	<b>16,910</b>	12,322
Accrual for bonus	<b>3,367</b>	4,167
Directors and Board committee fees	<b>1,725</b>	1,725
	<u><b>47,538</b></u>	<u>41,643</u>

**12. EARNINGS PER SHARE**

	<b>For the six months period ended June 30 (Unaudited)</b>	
	<u>2022</u>	2021
Net income for the period	<b>93,266</b>	116,020
Weighted average number of shares for basic and diluted EPS	<b>100,000</b>	100,000
Basic and diluted EPS (in Saudi Riyals)	<b>0.93</b>	1.16

**13. CONTINGENCIES AND COMMITMENTS**

There is no significant change in the status of contingencies since the year ended December 31, 2021. Further, there are no significant commitments other than irrevocable commitments to extend credit related to unused credit card limits amounting to SR 2 million (December 31, 2021: SR 6.4 million) as at the statement of financial position date.

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**14. RELATED PARTY TRANSACTIONS AND BALANCES**

14.1 Significant related party transactions during the period were as follows:

<b>Related party</b>	<b>Nature of transaction</b>	<b>June 30, 2022 (Unaudited)</b>	<b>June 30, 2021 (Unaudited)</b>
Shareholders	Cash dividend declared and paid	<b>75,000</b>	77,220
Key management personnel (note 14.2)	Compensation for the period	<b>7,262</b>	5,894
	Employees' end of service benefits	<b>764</b>	480
Directors and Board Committee members	Remuneration of Directors and Board Committee members Committee members	<b>1,725</b>	1,700
Common directorship	Zakat / VAT consultancy fee	<b>233</b>	269
	IT software services rendered	<b>2,083</b>	3,589
	Assessment of ECL	<b>234</b>	-
Affiliated Company (Yaqeen Capital) – note 14.3	Commodities / securities dealings account – deposit made	<b>1,300</b>	1,500
	Rental charge	<b>558</b>	641
	Advisory charges and others	<b>56</b>	-

14.2 Key management personnel of the Company include Chief executive officer and senior management.

14.3 Affiliated Company is under common control of the Parent company – Falcom Holding Company.

14.3 Significant balances of related parties as at the condensed statement of financial position date were as follows:

<b>Related party</b>	<b>Nature of balance outstanding</b>	<b>Amount receivable / (payable)</b>	
		<b>As at June 30, 2022 (Unaudited)</b>	<b>As at December 31, 2021 (Audited)</b>
Affiliated Company (Yaqeen Capital)	Assets subject to Tawarruq financing – held on behalf of the Company	<b>34,657</b>	35,170
Directors and Board Committee members	Board remuneration payable	<b>(2,044)</b>	(3,229)
Key management personnel	Compensation payable	<b>(5,520)</b>	(3,353)
	EOSB payable	<b>(1,127)</b>	(3,266)

**15. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, maintain healthy capital ratios in order to support its business and to provide an optimal return to its shareholders.

The Board of Directors seek to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements which requires to maintain aggregate financing to capital ratio up to three times.

	<b>June 30, 2022 (Unaudited)</b>	<b>December 2021 (Audited)</b>
Aggregate financing to capital ratio (Islamic financing receivables divided by total equity)	<b>1.36 times</b>	1.32 times



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**16. FAIR VALUES 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 between market participants at the measurement date. 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 by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

**Valuation models**

The Company measures fair value of financial assets and financial liabilities using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All financial assets and liabilities which are carried at fair value are of insignificant amount. All other financial assets and financial liabilities are measured at amortized cost, which approximate their fair value, and accordingly fair value hierarchy disclosure has not been provided.

**17. OPERATING SEGMENTS**

Operating segments are identified based on internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and assess their performance. Performance of each segment is measured based on return from respective portfolio, as management believes that this indicator is the most relevant in evaluating the results of segments.

The Company's reportable segments are as follows:

- 1) Personal financing:** These personal financing are provided to retail segment under Tawarruq.
- 2) Islamic credit cards:** Islamic credit cards are provided to retail customers under Tawarruq.
- 3) SME financing:** These constitute financing to provided to small and medium enterprises under Tawarruq.
- 4) Head office:** Head office is responsible for providing support services to business functions and managing liquidity of the Company.

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**17. OPERATING SEGMENTS (CONTINUED)**

The segment wise breakup is as follows:

*As at June 30, 2022*

	<b>Personal financing</b>	<b>SME financing</b>	<b>Islamic credit cards</b>	<b>Head office</b>	<b>Total</b>
Total assets	1,346,522	266,733	33,244	262,531	1,909,030
Total liabilities	613,556	12,964	-	72,001	698,521

*For the six months period ended June 30, 2022*

	<b>Personal financing</b>	<b>SME financing</b>	<b>Islamic credit cards</b>	<b>Head office</b>	<b>Total</b>
Total income	172,576	17,431	3,537	-	193,544
Total expenses	(72,450)	(11,259)	(5,569)	-	(89,278)
Net income / (loss) before zakat	100,126	6,172	(2,032)	-	104,266

*As at December 31, 2021*

	<b>Personal financing</b>	<b>SME financing</b>	<b>Islamic credit cards</b>	<b>Head office</b>	<b>Total</b>
Total assets	1,357,124	194,156	23,173	293,094	1,867,547
Total liabilities	583,621	8,695	-	82,988	675,304

*For the six months period ended June 30, 2021*

	<b>Personal Financing</b>	<b>SME financing</b>	<b>Islamic credit cards</b>	<b>Head office</b>	<b>Total</b>
Total income	186,197	10,080	1,029	-	197,306
Total expenses	(61,333)	(3,970)	(2,783)	-	(68,086)
Net income / (loss) before zakat	124,864	6,110	(1,754)	-	129,220

**18. RECLASSIFICATION OF COMPARATIVES**

Certain reclassification adjustments have been made in the condensed interim financial statements for better presentation and have no impact on the condensed statement of comprehensive income. The details are as follows:

<b>Account title</b>		<b>Amount</b>
<b>From</b>	<b>To</b>	
Investment Property	Assets held for sale	18,661
Term Deposits	Prepayments and other assets	34,500
Prepayments and other assets	Term Deposits	210

**19. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on 3 August 2022.