

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

**Unaudited Condensed Interim Financial Statements
For the three-month and nine-month periods ended
September 30, 2022
and the Independent Auditor's Review Report**

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
Unaudited Condensed Interim Financial Statements
For the three-month and nine-month periods ended September 30, 2022

	Page
Independent auditor's review report on the condensed interim financial statements	1
Condensed statement of financial position	2
Condensed statement of comprehensive income	3
Condensed statement of changes in equity	4
Condensed statement of cash flows	5
Notes to the condensed interim financial statements	6 - 17



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 ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

Independent auditor's report on the review of condensed interim financial statements

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

Introduction

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

- the condensed statement of financial position as at 30 September 2022;
- the condensed statement of comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed statement of cash flows for the nine-month period ended 30 September 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 30 September 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 condensed interim financial statements of Nayifat Finance Company ("the Company") for the three-month and nine-month periods ended 30 September 2021, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 11 October 2021 and the financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 January 2022.

KPMG Professional Services



Hani Hamzah A. Bedairi
License Number 460

Riyadh: 27 Rabi Al Awwal 1444 H
Corresponding to 23 October 2022



KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as "KPMG Al Fozan & Partners Certified Public Accountants". A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مغلقة مسجلة في المملكة العربية السعودية، رأسمالها (٢٥,٠٠٠,٠٠٠) ريال سعودي منفوخ بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة التجزئة محدودة بضمنان. جميع الحقوق محفوظة.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

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

	<i>Notes</i>	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Cash and cash equivalents	6	84,124	59,123
Balances with other banks	7	70,004	98,748
Islamic financing receivables	8	1,677,970	1,574,453
Equity investments measured at fair value through OCI		893	893
Prepayments and other assets		50,012	50,540
Assets held for sale	9	18,661	18,661
Intangible assets		23,957	26,975
Property and equipment		35,975	38,154
Total assets		1,961,596	1,867,547
LIABILITIES AND EQUITY			
Accruals and other liabilities		38,708	33,027
Provision for Zakat		16,530	25,970
Islamic bank financings and other liabilities	10	630,957	593,327
Zakat payable		11,092	11,541
Provision for employees' end of service benefits		11,762	11,439
Total liabilities		709,049	675,304
Share capital		1,000,000	1,000,000
Statutory reserve		82,799	82,799
Retained earnings		169,748	109,444
Total equity		1,252,547	1,192,243
Total liabilities and equity		1,961,596	1,867,547

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

		
Chief Financial Officer	Managing Director and 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-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the three-month period ended September 30		For the nine-month period ended September 30	
		2022	2021	2022	2021
Commission income from Islamic financing receivables		100,603	97,274	293,612	293,722
Finance costs		(7,881)	(3,491)	(18,244)	(13,441)
Net commission income from Islamic financing receivables		92,722	93,783	275,368	280,281
Other (expenses) / income		(249)	317	286	1,174
(Charge) / reversal of expected credit loss allowance – net	8.5	(6,978)	4,375	(6,204)	12,691
Salaries and other related expenses	11	(20,964)	(22,443)	(68,502)	(64,086)
General and administrative expenses		(13,665)	(9,122)	(38,756)	(27,803)
Depreciation and amortization		(3,431)	(2,982)	(10,491)	(9,109)
Net income for the period before Zakat		47,435	63,928	151,701	193,148
Zakat charge for the period		(5,397)	(6,300)	(16,397)	(19,500)
Net income for the period		42,038	57,628	135,304	173,648
Other comprehensive income		-	-	-	-
Total comprehensive income		42,038	57,628	135,304	173,648
Basic and diluted earnings per share	12	0.42	0.58	1.35	1.74

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

		
Chief Financial Officer	Managing Director and 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
2022				
Balance as at December 31, 2021 (Audited)	1,000,000	82,799	109,444	1,192,243
Total comprehensive income for the period	-	-	135,304	135,304
Dividend paid	-	-	(75,000)	(75,000)
Balance as at September 30, 2022 (Unaudited)	1,000,000	82,799	169,748	1,252,547
2021				
Balance as at December 31, 2020 (Audited)	1,000,000	60,290	59,085	1,119,375
Total comprehensive income for the period	-	-	173,648	173,648
Dividend paid	-	-	(77,220)	(77,220)
Balance as at September 30, 2021 (Unaudited)	1,000,000	60,290	155,513	1,215,803


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

 <hr style="width: 100%;"/> <p>Chief Financial Officer</p>	 <hr style="width: 100%;"/> <p>Managing Director and Chief Executive Officer</p>	 <hr style="width: 100%;"/> <p>Chairman of Board of Directors</p>
--	---	---

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the nine-month period ended September 30	
		2022	2021
Cash flows from operating activities			
Net income for the period before Zakat		151,701	193,148
Adjustments for			
Depreciation and amortization		10,491	9,109
Provision for employees' end of service benefits		2,338	2,152
Reversal of previously recognized loss on repossessed assets		-	(450)
Charge / (reversal) of expected credit loss allowance – net	8.5	6,204	(12,691)
Finance costs		18,244	13,441
		<u>188,978</u>	<u>204,709</u>
Changes in operating assets and liabilities			
Islamic financing receivables		(109,721)	(22,212)
Prepayments and other assets		528	(10,847)
Accruals and other liabilities		5,681	9,027
Balances with other banks		28,744	45,814
		<u>114,210</u>	<u>226,491</u>
Employees' end of service benefits paid		(2,015)	(532)
Zakat paid		(25,837)	(23,341)
Finance costs and charges paid		(14,803)	(22,376)
Net cash generated from operating activities		<u>71,555</u>	<u>180,242</u>
Cash flows from investing activities			
Acquisition of property and equipment		(1,534)	(2,200)
Acquisition of intangible assets		(3,760)	(7,262)
Net cash used in investing activities		<u>(5,294)</u>	<u>(9,462)</u>
Cash flows from financing activities			
Proceeds from Islamic bank financings		268,215	297,518
Repayment of Islamic bank financings		(234,015)	(366,289)
Dividend paid		(75,000)	(77,220)
Payment of lease liabilities		(460)	(1,638)
Net cash used in financing activities		<u>(41,260)</u>	<u>(147,629)</u>
Net change in cash and cash equivalents		<u>25,001</u>	<u>23,151</u>
Cash and cash equivalents at the beginning of the period		59,123	70,092
Cash and cash equivalents at the end of the period	6	<u>84,124</u>	<u>93,243</u>

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


Chief Financial Officer


Managing Director
and
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 NINE MONTH PERIOD ENDED SEPTEMBER 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 9 Jumad al-Thani 1431 H (corresponding to May 23, 2010). As per 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 financing in the Kingdom of Saudi Arabia.

In November 2021, the Company’s shares were listed on Tadawul (Saudi stock exchange) which resulted in the change in the Company’s status from closed joint stock company to a 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 assets and liabilities in the condensed statement of financial position are 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.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

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 beginning on or after January 1, 2022. Management has assessed that the amendments will have no significant impact on the Company's condensed interim financial statements.

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 judgements 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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash at bank – current accounts	<u>84,124</u>	<u>59,123</u>

7. BALANCES WITH OTHER BANKS

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Margin deposits (Restricted)	9,952	28,538
Other bank deposits – note 7.1 (Restricted)	<u>60,052</u>	<u>70,210</u>
	<u>70,004</u>	<u>98,748</u>

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

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

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 break-up of Islamic financing receivables is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Tawarruq financing - Personal financing	1,348,321	1,357,124
Tawarruq financing - SME financing	288,372	194,156
Tawarruq financing - Islamic credit cards	41,277	23,173
	<u>1,677,970</u>	<u>1,574,453</u>
Due within 12 months	582,598	503,409
Due after 12 months	1,095,372	1,071,044
	<u>1,677,970</u>	<u>1,574,453</u>

8.1 Reconciliation of gross to net Islamic financing receivables:

September 30, 2022 (Unaudited)

Tawarruq financing

	Personal financing	SME financing	Islamic credit cards	Total
Gross receivables	2,111,785	382,701	44,048	2,538,534
Unearned commission income	(709,035)	(92,721)	-	(801,756)
	<u>1,402,750</u>	<u>289,980</u>	<u>44,048</u>	<u>1,736,778</u>
Allowance for expected credit losses	(54,429)	(1,608)	(2,771)	(58,808)
Net receivables	<u>1,348,321</u>	<u>288,372</u>	<u>41,277</u>	<u>1,677,970</u>

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)
	<u>1,405,850</u>	<u>194,156</u>	<u>24,655</u>	<u>1,624,661</u>
Allowance for expected credit losses	(48,726)	-	(1,482)	(50,208)
Net receivables	<u>1,357,124</u>	<u>194,156</u>	<u>23,173</u>	<u>1,574,453</u>

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)

8.2 Stage wise analysis of Islamic financing receivables:

September 30, 2022 (Unaudited) <i>Tawarruq</i>	Personal financing	SME financing	Islamic credit cards	Total
Stage 1 receivables	1,075,361	184,352	30,652	1,290,365
Stage 2 receivables	155,114	77,495	4,323	236,932
Stage 3 receivables	172,275	28,133	9,073	209,481
	1,402,750	289,980	44,048	1,736,778
Allowance for expected credit losses	(54,429)	(1,608)	(2,771)	(58,808)
Net receivables	1,348,321	288,372	41,277	1,677,970
December 31, 2021 <i>Tawarruq</i>	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)
Net receivables	1,357,124	194,156	23,173	1,574,453

8.3 Movement in allowance for expected credit losses of Islamic financing receivables:

	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	(110)	110	-	-
Transfer from Stage 2	37	(85)	48	-
Transfer from Stage 3	880	475	(1,355)	-
Financial assets settled	(267)	(29)	(7,767)	(8,063)
New financial assets originated	11,724	-	-	11,724
Net re-measurement of loss allowance	(3,165)	12,159	23,242	32,236
	9,099	12,630	14,168	35,897
Written off during the period*	-	-	(27,297)	(27,297)
Loss allowance as at September 30, 2022	10,390	12,695	35,723	58,808
	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 (December 31, 2021: SR 0.2 million).

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)

8.4 Reconciliation of gross Islamic financing receivables

The movement in gross Islamic financing receivables for personal financing and SME:

	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	(171,028)	171,028	-	-
Transfer from Stage 2	34,282	(69,040)	34,758	-
Transfer from Stage 3	20,804	18,137	(38,941)	-
Net other movements**	2,699	97,152	19,770	119,621
	(113,243)	217,277	15,587	119,621
Written off during the period	-	-	(26,897)	(26,897)
Balances as at September 30, 2022	1,259,713	247,359	185,658	1,692,730
	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 Stage 1	(103,976)	103,976	-	-
Transfer from Stage 2	6,254	(101,691)	95,437	-
Transfer from Stage 3	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 movements include financing originated, financing repaid and other measurements.

8.5 Charge / (reversal) of expected credit loss allowance – net

	For the nine-month period ended September 30	
	2022	2021
Provision for expected credit loss allowance – net of reversal	35,897	16,560
Recoveries against receivables previously written off – note 8.5.1	(29,693)	(29,251)
Charge / (reversal) of expected credit loss allowance – net	6,204	(12,691)

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 past due for more than 2 years were written off during the period ended September 30, 2022.

8.6 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.8 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 assessed to be approximate to its fair value.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

8. ISLAMIC FINANCING RECEIVABLES (CONTINUED)

8.7 Amounts written off still subject to enforcement activity

As of September 30, 2022, the receivables amount written off still subject to enforcement activity is SR 93 million (December 31, 2021: SR 108 million).

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

Tawarruq – Personal financing

<u>September 30, 2022</u>	Gross exposure	Expected credit loss allowance	Net exposure
90 to 180 days	41,268	(4,691)	36,577
180 to 270 days	25,073	(5,718)	19,355
270 to 360 days	20,829	(4,820)	16,009
360 to 450 days	19,875	(4,618)	15,257
450 to 540 days	21,670	(5,028)	16,642
540 to 630 days	15,791	(3,674)	12,117
630 days & above	27,769	(4,055)	23,714
Total	172,275	(32,604)	139,671

<u>December 31, 2021</u>	Gross exposure	Expected credit loss allowance	Net Exposure
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
Total	151,613	(47,451)	104,162

Tawarruq – SME

<u>September 30, 2022</u>	Gross exposure	Expected credit loss allowance	Net exposure
90 to 180 days	13,987	(892)	13,095
180 to 270 days	348	(157)	191
360 to 450 days	3,981	-	3,981
540 to 630 days	9,817	-	9,817
Total	28,133	(1,049)	27,084

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

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 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: (continued)

Tawarruq – Credit cards

<u>September 30, 2022</u>	Gross exposure	Expected credit loss allowance	Net exposure
90 to 180 days	4,743	(1,098)	3,645
180 to 270 days	2,073	(480)	1,593
270 to 360 days	2,257	(523)	1,734
Total	9,073	(2,101)	6,972

<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	5,034	(1,427)	3,607

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 is based on the latest valuation carried out on December 31, 2021.

10. ISLAMIC BANK FINANCINGS AND OTHER LIABILITIES

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Islamic bank financings – note 10.1	618,453	583,621
SAMA deposits	11,923	8,695
Lease liabilities	581	1,011
	630,957	593,327

- 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 September 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 months / 6 months SIBOR along with margin of 1.3% to 2%.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022
(All amounts in Saudi Riyals in thousand unless otherwise stated)

11. SALARIES AND OTHER RELATED EXPENSES

	For the nine-month period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and related costs	37,517	35,608
Other employee related cost	24,380	19,640
Accrual for bonus	4,017	6,250
Directors and Board committee fees	2,588	2,588
	68,502	64,086

12. BASIC AND DILUTED EARNINGS PER SHARE

	For the nine-month period ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Net income for the period	135,304	173,648
Weighted average number of shares for basic and diluted EPS	100,000	100,000
Basic and diluted EPS (in Saudi Riyals)	1.35	1.74

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 0.5 million (December 31, 2021: SR 6.4 million) as at the statement of financial position date.

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Nature of transaction	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Shareholders	Cash dividend declared and paid	75,000	77,220
Key management personnel (note 14.2)	Compensation for the period	10,675	8,710
	Employees' end of service benefits	1,324	673
Directors and Board Committee members	Remuneration of Directors and Board Committee members	2,588	2,588
Common directorship	Zakat / VAT consultancy fee	233	288
	IT software services rendered	3,005	4,590
	Assessment of ECL	234	-
Affiliated company – Yaqeen Capital (note 14.3)	Commodities / securities dealings account – deposit made	3,050	2000
	Rental charge	837	1,133
	Advisory charges and others	117	70

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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.

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

Related party	Nature of outstanding balance	Amount receivable / (payable)	
		As at September 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Affiliated company – Yaqeen Capital (note 14.3)	Assets subject to Tawarruq financing – held on behalf of the Company	35,027	35,170
Directors and Board Committee members	Board remuneration payable	(2,906)	(3,229)
Key management personnel (note 14.2)	Compensation payable	-	(3,353)
	EOSB payable	(3,236)	(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.

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Aggregate financing to capital ratio (Islamic financing receivables divided by total equity)	1.34 times	1.32 times

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.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022

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

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.

The segment wise breakup is as follows:

As at September 30, 2022

	Personal financing	SME financing	Islamic credit cards	Total
Total assets	1,348,321	288,372	41,277	1,677,970
Total liabilities	618,453	11,923	-	630,376

As at December 31, 2021

	Personal financing	SME financing	Islamic credit cards	Total
Total assets	1,357,124	194,156	23,173	1,574,453
Total liabilities	583,621	8,695	-	592,316

17.1 Reconciliation of reportable segment assets and liabilities

	As at September 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Total assets for reportable segments	1,677,970	1,574,453
Other unallocated amounts	283,626	293,094
Total assets as per statement of financial position	1,961,596	1,867,547
Total liabilities for reportable segments	630,376	592,316
Other unallocated amounts	78,673	82,988
Total liabilities as per statement of financial position	709,049	675,304

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2022
 (All amounts in Saudi Riyals in thousand unless otherwise stated)

17. OPERATING SEGMENTS (CONTINUED)

For the nine-month period ended September 30, 2022 (Unaudited)

	Personal financing	SME financing	Islamic credit cards	Total
Total income	258,631	28,265	6,716	293,612
Total expenses	(116,293)	(17,912)	(7,706)	(141,911)
Net income / (loss) before Zakat	142,338	10,353	(990)	151,701

For the nine-month period ended September 30, 2021 (Unaudited)

	Personal Financing	SME financing	Islamic credit cards	Total
Total income	275,926	15,757	2,039	293,722
Total expenses	(90,247)	(5,862)	(4,465)	(100,574)
Net income / (loss) before Zakat	185,679	9,895	(2,426)	193,148

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:

Account title		Amount
From	To	
Investment Property*	Assets held for sale	18,661
Balances with other banks	Prepayments and other assets	34,500
Prepayments and other assets	Balances with other banks	210

*During the period, investment property was reclassified to assets held for sale as it meets the criteria for classification as non-current assets held for sale as per IFRS 5 'Non-current assets held for sale and discontinued operations' This impact of this reclassification is not material.

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 18 October 2022.