

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

**Unaudited Condensed Interim Financial Statements**  
**For the nine-month period ended**  
**30 September 2023**  
**and the Independent Auditor's Review Report**

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**Unaudited Condensed Interim Financial Statements**  
**For the nine-month period ended 30 September 2023**

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## KPMG Professional Services

Roshn 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 روشن، 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 2023 condensed interim financial statements of Nayifat Finance Company (the "Company"), which comprises:

- the condensed statement of financial position as at 30 September 2023;
- the condensed statement of comprehensive income for the three-month and nine-month period ended 30 September 2023;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2023;
- the condensed statement of cash flows for the nine-month period ended 30 September 2023; 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 condensed interim financial statements 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 2023 condensed interim financial statements of the 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.

## KPMG Professional Services

Hani Hamzah A. Bedairi  
License No. 460



Riyadh: 9 Rabi Al Thani 1445H  
Corresponding to: 24 October 2023


**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2023**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

		<b>30 September 2023</b>	31 December 2022
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	51,247	44,650
Other balances with banks	7	3,016	9,952
Islamic financing receivables - net	8	1,903,301	1,748,507
Equity investments measured at fair value through OCI		893	893
Prepayments and other assets		55,128	62,452
Assets held for sale	9	18,453	18,453
Intangible assets		14,947	18,626
Property and equipment		32,395	35,048
<b>Total assets</b>		<b>2,079,380</b>	<b>1,938,581</b>
<b>LIABILITIES AND EQUITY</b>			
Accruals and other payables		44,230	47,044
Islamic bank financing and other liabilities	10	640,025	565,747
Provision for Zakat		15,221	19,830
Zakat payable		5,360	5,360
Provision for employees' end of service benefits		13,002	11,900
<b>Total liabilities</b>		<b>717,838</b>	<b>649,881</b>
Share capital	11	1,200,000	1,000,000
Statutory reserve		69,645	99,945
Retained earnings		91,897	188,755
<b>Total equity</b>		<b>1,361,542</b>	<b>1,288,700</b>
<b>Total liabilities and equity</b>		<b>2,079,380</b>	<b>1,938,581</b>

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 the  
Board of Directors

**NAYIFAT FINANCE COMPANY**

(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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

	<i>Notes</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Commission income from Islamic financing receivables		99,590	100,603	300,635	293,612
Commission expense on Islamic bank financing		(12,866)	(7,881)	(37,018)	(18,244)
<b>Net commission income from Islamic financing receivables</b>		<b>86,724</b>	<b>92,722</b>	<b>263,617</b>	<b>275,368</b>
Charge of expected credit loss allowance – net	8.5	(25,016)	(6,978)	(62,508)	(6,204)
Salaries and other related expenses	12	(22,670)	(20,964)	(64,736)	(68,502)
General and administrative expenses		(13,909)	(13,665)	(38,320)	(38,756)
Depreciation and amortization		(2,609)	(3,431)	(11,604)	(10,491)
Other income / (expenses) – net		215	(249)	1,493	286
<b>Net income for the period before Zakat</b>		<b>22,735</b>	<b>47,435</b>	<b>87,942</b>	<b>151,701</b>
Zakat charge for the period		(3,600)	(5,397)	(15,100)	(16,397)
<b>Net income for the period</b>		<b>19,135</b>	<b>42,038</b>	<b>72,842</b>	<b>135,304</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>19,135</b>	<b>42,038</b>	<b>72,842</b>	<b>135,304</b>
<b>Basic and diluted earnings per share</b>	13	<b>0.16</b>	<b>0.35</b>	<b>0.61</b>	<b>1.13</b>

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 the Board of Directors

**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	<i>Note</i>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as at 31 December 2022 (Audited)</b>		1,000,000	99,945	188,755	1,288,700
Issue of bonus shares	11	200,000	(30,300)	(169,700)	-
Total comprehensive income for the period		-	-	72,842	72,842
<b>Balance as at 30 September 2023 (Unaudited)</b>		<u>1,200,000</u>	<u>69,645</u>	<u>91,897</u>	<u>1,361,542</u>
Balance as at 31 December 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 30 September 2022 (Unaudited)		<u>1,000,000</u>	<u>82,799</u>	<u>169,748</u>	<u>1,252,547</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 the  
Board of Directors



**NAYIFAT FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Notes	For the nine-month ended	
		30 September	
		2023	2022
<b>Cash flows from operating activities</b>			
Net income for the period before Zakat		87,942	151,701
<b>Adjustments for</b>			
Depreciation and amortization		11,604	10,491
Provision for employees' end of service benefits		2,066	2,338
Charge of expected credit loss allowance – net	8.5	62,508	6,204
Commission expense on lease liabilities		14	30
Commission expense on Islamic bank financing		37,018	18,244
		<u>201,152</u>	<u>189,008</u>
<b>Net changes in operating assets and liabilities</b>			
Islamic financing receivables – net		(217,302)	(109,721)
Prepayments and other assets		7,324	528
Accruals and other payables		(2,814)	5,681
Other balances with banks		6,936	28,744
		<u>(4,704)</u>	<u>114,240</u>
Employees' end of service benefits paid		(964)	(2,015)
Zakat paid		(19,709)	(25,837)
Commission expense paid		(36,632)	(14,803)
<b>Net cash (used in) / generated from operating activities</b>		<u>(62,009)</u>	<u>71,585</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		(291)	(1,534)
Acquisition of intangible assets		(4,981)	(3,760)
<b>Net cash used in investing activities</b>		<u>(5,272)</u>	<u>(5,294)</u>
<b>Cash flows from financing activities</b>			
Proceeds from Islamic bank financing and SAMA deposits		286,865	268,185
Repayment of Islamic bank financing and SAMA deposits		(212,528)	(233,985)
Dividend paid		-	(75,000)
Payment of lease liabilities		(459)	(490)
<b>Net cash generated from / (used in) financing activities</b>		<u>73,878</u>	<u>(41,290)</u>
<b>Net change in cash and cash equivalents</b>		<u>6,597</u>	<u>25,001</u>
Cash and cash equivalents at the beginning of the period	6	<u>44,650</u>	<u>59,123</u>
<b>Cash and cash equivalents at the end of the period</b>	6	<u>51,247</u>	<u>84,124</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 the  
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 30 SEPTEMBER 2023**  
(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 1431H (corresponding to 23 May 2010). The Company is licensed to operate under SAMA (“Saudi Central Bank”) having license no. 5/AS/201312 expiring on 25 Safar 1450H (corresponding to 18 July 2028). The Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance, debt crowdfunding and credit cards finance in the Kingdom of Saudi Arabia.

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”) that is 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 31 December 2022.

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 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 31 December 2022.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(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 1 January 2023 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 1 January 2024. The management has assessed that the amendments will have no significant impact on the Company's condensed interim financial statements. The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective.

**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, 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 were the same as those that were applied to the annual audited financial statements as at and for the year ended 31 December 2022.

The 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 31 December 2022.

**6. CASH AND CASH EQUIVALENTS**

	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Audited)
Cash at bank – note 6.1	<u>51,247</u>	<u>44,650</u>

6.1 These comprise of current account balances held with local banks having sound credit ratings.

**7. OTHER BALANCES WITH BANKS**

	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Audited)
Margin deposits (restricted) – note 7.1	<u>3,016</u>	<u>9,952</u>

7.1 Margin deposits are held with local banks against financing facilities obtained and the tenor of these deposits is in line with the maturity of the underlying financing facilities.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

**8. ISLAMIC FINANCING RECEIVABLES – NET**

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>30 September 2023 (Unaudited)</b>	31 December 2022 (Audited)
<b><u>Tawarruq financing:</u></b>		
- Personal	1,398,710	1,367,022
- SME	468,499	336,766
- Islamic credit cards	36,092	44,719
	<u>1,903,301</u>	<u>1,748,507</u>
Due within 12 months	677,143	616,947
Due after 12 months	1,226,158	1,131,560
	<u>1,903,301</u>	<u>1,748,507</u>

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

**30 September 2023 (Unaudited)**

	<u>Personal</u>	<u>SME</u>	<u>Islamic credit cards</u>	<u>Total</u>
Gross receivables	2,203,105	618,581	38,800	2,860,486
Unearned commission income	(708,695)	(144,129)	-	(852,824)
	1,494,410	474,452	38,800	2,007,662
ECL allowance	(95,700)	(5,953)	(2,708)	(104,361)
<b>Net receivables</b>	<u>1,398,710</u>	<u>468,499</u>	<u>36,092</u>	<u>1,903,301</u>

**31 December 2022 (Audited)**

	<u>Personal</u>	<u>SME</u>	<u>Islamic credit cards</u>	<u>Total</u>
Gross receivables	2,135,844	454,433	48,201	2,638,478
Unearned commission income	(715,138)	(111,192)	-	(826,330)
	1,420,706	343,241	48,201	1,812,148
ECL allowance	(53,684)	(6,475)	(3,482)	(63,641)
<b>Net receivables</b>	<u>1,367,022</u>	<u>336,766</u>	<u>44,719</u>	<u>1,748,507</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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

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

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

<b>30 September 2023 (Unaudited)</b>	<b>Personal</b>	<b>SME</b>	<b>Islamic credit cards</b>	<b>Total</b>
Stage 1	1,066,241	359,715	27,543	1,453,499
Stage 2	183,910	17,027	3,022	203,959
Stage 3	244,259	97,710	8,235	350,204
	<u>1,494,410</u>	<u>474,452</u>	<u>38,800</u>	<u>2,007,662</u>
ECL allowance	<u>(95,700)</u>	<u>(5,953)</u>	<u>(2,708)</u>	<u>(104,361)</u>
Net receivables	<u><u>1,398,710</u></u>	<u><u>468,499</u></u>	<u><u>36,092</u></u>	<u><u>1,903,301</u></u>

<b>31 December 2022 (Audited)</b>	<b>Personal</b>	<b>SME</b>	<b>Islamic credit cards</b>	<b>Total</b>
Stage 1	1,080,714	217,087	33,351	1,331,152
Stage 2	160,992	28,378	5,102	194,472
Stage 3	179,000	97,776	9,748	286,524
	<u>1,420,706</u>	<u>343,241</u>	<u>48,201</u>	<u>1,812,148</u>
ECL allowance	<u>(53,684)</u>	<u>(6,475)</u>	<u>(3,482)</u>	<u>(63,641)</u>
Net receivables	<u><u>1,367,022</u></u>	<u><u>336,766</u></u>	<u><u>44,719</u></u>	<u><u>1,748,507</u></u>

**8.3 Reconciliation of gross Islamic financing receivables**

Movement in gross Islamic financing receivables is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Balances as at 1 January 2023</b>	<b>1,331,152</b>	<b>194,472</b>	<b>286,524</b>	<b>1,812,148</b>
Transfer from Stage 1	(127,815)	127,815	-	-
Transfer from Stage 2	37,275	(105,692)	68,417	-
Transfer from Stage 3	19,143	2,740	(21,883)	-
Net other movements*	193,744	(15,376)	66,163	244,531
	<u>122,347</u>	<u>9,487</u>	<u>112,697</u>	<u>244,531</u>
Written off during the period	-	-	(49,017)	(49,017)
<b>Balances as at 30 September 2023</b>	<b><u>1,453,499</u></b>	<b><u>203,959</u></b>	<b><u>350,204</u></b>	<b><u>2,007,662</u></b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances as at 1 January 2022	1,391,438	31,221	202,002	1,624,661
Transfer from Stage 1	(421,586)	302,848	118,738	-
Transfer from Stage 2	68,673	(103,789)	35,116	-
Transfer from Stage 3	134,604	39,518	(174,122)	-
Net other movements*	158,023	(75,326)	143,284	225,981
	<u>(60,286)</u>	<u>163,251</u>	<u>123,016</u>	<u>225,981</u>
Written off during the year	-	-	(38,494)	(38,494)
Balances as at 31 December 2022	<u><u>1,331,152</u></u>	<u><u>194,472</u></u>	<u><u>286,524</u></u>	<u><u>1,812,148</u></u>

\*Net other movements include financing originated, financing repaid and other measurements.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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

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

**8.4 Movement in ECL allowance of Islamic financing receivables:**

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>ECL allowance as at 1 January 2023</b>	<b>10,845</b>	<b>15,009</b>	<b>37,787</b>	<b>63,641</b>
Transfer from Stage 1	(16,647)	7,819	8,828	-
Transfer from Stage 2	3,076	(8,349)	5,273	-
Transfer from Stage 3	2,039	500	(2,539)	-
Financial assets settled	(1,789)	(2,190)	(6,250)	(10,229)
New financial assets originated	20,271	-	-	20,271
Net re-measurement of ECL allowance	(1,398)	10,994	70,099	79,695
	<u>5,552</u>	<u>8,774</u>	<u>75,411</u>	<u>89,737</u>
Written off during the period	-	-	(49,017)	(49,017)
<b>ECL allowance as at 30 September 2023</b>	<b><u>16,397</u></b>	<b><u>23,783</u></b>	<b><u>64,181</u></b>	<b><u>104,361</u></b>

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>ECL allowance as at 1 January 2022</b>	<b>1,291</b>	<b>65</b>	<b>48,852</b>	<b>50,208</b>
Transfer from Stage 1	(419)	344	75	-
Transfer from Stage 2	47	(84)	37	-
Transfer from Stage 3	36,669	9,611	(46,280)	-
Financial assets settled	(657)	(35)	(777)	(1,469)
New financial assets originated	15,694	-	-	15,694
Net re-measurement of ECL allowance	(41,780)	5,108	74,374	37,702
	<u>9,554</u>	<u>14,944</u>	<u>27,429</u>	<u>51,927</u>
Written off during the year	-	-	(38,494)	(38,494)
<b>ECL allowance as at 31 December 2022</b>	<b><u>10,845</u></b>	<b><u>15,009</u></b>	<b><u>37,787</u></b>	<b><u>63,641</u></b>

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

	<b>For the nine-month period ended 30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Provision for ECL allowance – net of reversals	<b>89,737</b>	35,897
Recoveries against receivables previously written off – note 8.5.1	<b>(27,229)</b>	(29,693)
<b>Charge of ECL allowance – net</b>	<b><u>62,508</u></b>	<u>6,204</u>

8.5.1 This represents 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 two years were written off during the period ended 30 September 2023. This percentage is based on last four years' historical recoveries from loans past due by more than two years.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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

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

**8.6 Assignment of Islamic financing receivables**

The Company assigned Islamic financing receivables amounting to SR 0.8 billion (31 December 2022: SR 0.7 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.6 billion (31 December 2022: SR 0.6 billion). These Islamic financing receivables have not been derecognized from the condensed 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 condensed statement of financial position. Pursuant to the terms of the transfer agreement, the Company is not allowed to re-pledge those receivables and the financial institution lenders have recourse only to the receivables in the event the Company defaults against its obligations. 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 30 September 2023, the receivables amount written off still subject to enforcement activity is SR 151 million (31 December 2022: SR 115 Million).

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

**Personal**

<b><u>30 September 2023 (Unaudited)</u></b>	<b><u>Gross exposure</u></b>	<b><u>ECL allowance</u></b>	<b><u>Net exposure</u></b>
90 to 180 days	65,516	(16,451)	49,065
180 to 270 days	49,048	(12,052)	36,996
270 to 360 days	34,080	(8,490)	25,590
360 to 450 days	24,138	(6,041)	18,097
450 to 540 days	19,630	(4,925)	14,705
540 to 630 days	17,740	(4,453)	13,287
630 days & above	34,107	(3,828)	30,279
<b>Total</b>	<b>244,259</b>	<b>(56,240)</b>	<b>188,019</b>
<b><u>31 December 2022 (Audited)</u></b>	<b><u>Gross exposure</u></b>	<b><u>ECL allowance</u></b>	<b><u>Net exposure</u></b>
90 to 180 days	41,584	(7,459)	34,125
180 to 270 days	26,361	(4,728)	21,633
270 to 360 days	21,908	(3,929)	17,979
360 to 450 days	19,556	(3,508)	16,048
450 to 540 days	18,114	(3,249)	14,865
540 to 630 days	20,589	(3,693)	16,896
630 days & above	30,888	(2,689)	28,199
<b>Total</b>	<b>179,000</b>	<b>(29,255)</b>	<b>149,745</b>



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

**8.8 The ageing analysis of stage 3 (non-performing) Islamic financing receivables (continued)**

**SME**

<b><u>30 September 2023 Unaudited)</u></b>	<b><u>Gross exposure</u></b>	<b><u>ECL allowance</u></b>	<b><u>Net exposure</u></b>
90 to 180 days	4,825	(234)	4,591
180 to 270 days	104	(5)	99
270 to 360 days	12,912	(628)	12,284
360 to 450 days	63,550	(3,291)	60,259
450 to 540 days	627	(31)	596
540 to 630 days	1,982	(892)	1,090
630 days & above	13,710	(675)	13,035
<b>Total</b>	<b>97,710</b>	<b>(5,756)</b>	<b>91,954</b>

<b><u>31 December 2022 (Audited)</u></b>	<b><u>Gross exposure</u></b>	<b><u>ECL allowance</u></b>	<b><u>Net exposure</u></b>
90 to 180 days	69,814	(4,118)	65,696
180 to 270 days	11,840	(593)	11,247
270 to 360 days	2,330	(669)	1,661
450 to 540 days	3,980	(200)	3,780
630 days & above	9,812	(502)	9,310
<b>Total</b>	<b>97,776</b>	<b>(6,082)</b>	<b>91,694</b>

**Islamic credit cards**

<b><u>30 September 2023 Unaudited)</u></b>	<b><u>Gross exposure</u></b>	<b><u>ECL allowance</u></b>	<b><u>Net exposure</u></b>
90 to 180 days	2,747	(729)	2,018
180 to 270 days	2,930	(777)	2,153
270 to 360 days	2,558	(679)	1,879
<b>Total</b>	<b>8,235</b>	<b>(2,185)</b>	<b>6,050</b>

<b><u>31 December 2022 (Audited)</u></b>	<b><u>Gross exposure</u></b>	<b><u>ECL allowance</u></b>	<b><u>Net exposure</u></b>
90 to 180 days	5,116	(1,285)	3,831
180 to 270 days	2,983	(750)	2,233
270 to 360 days	1,649	(415)	1,234
<b>Total</b>	<b>9,748</b>	<b>(2,450)</b>	<b>7,298</b>

**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 during the year 2023. The Company has initiated the process of selling the properties and is in discussion with prospective buyer(s).

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

		<b>30 September 2023</b>	31 December 2022
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
Islamic bank financing	10.1	<b>635,667</b>	553,319
SAMA deposits	10.2	<b>4,215</b>	11,840
Lease liabilities		<b>143</b>	588
		<b>640,025</b>	<b>565,747</b>

10.1 The Company has long-term financing limits amounting to SR 1.8 billion (31 December 2022: SR 1.9 billion) with local banks to finance current and long-term funding needs of which SR 0.6 billion was utilized as of 30 September 2023 (31 December 2022: SR 0.6 billion). These financing facilities are repayable in three to four years in monthly, quarterly or bi-annual instalments. The commission rates on the financing availed range from 1 month / 3 months / 6 months SIBOR along with margin of 1.3% to 2%.

Under the terms of the financing arrangement, the Company adhered to financial covenants. The Company is required to maintain margin deposits. The cash held as margin deposit cannot be withdrawn or used by the Company for liquidity purposes whilst the financing amount is outstanding, the same amount can be offset against the financing in the event of default, though there is no intention of net settlement on part of the Company.

10.2 SAMA deposits comprise of commission-free deposits received from SAMA as part of the Private Sector Financing Support Program which is payable on 12 November 2023.

**11. SHARE CAPITAL**

As at 31 December 2022, the authorized, issued and fully paid-up share capital of the Company was SR 1,000 million divided into 100 million shares with a nominal value of SR 10 each.

On 29 November 2022, the Board of Directors approved a proposed increase in the Company's share capital through a one-for-five bonus share which was approved by the shareholders in the extra ordinary general assembly held on 18 June 2023 and resultantly the share capital increased from SR 1,000 million to SR 1,200 million through transfer of SR 169.7 million and SR 30.3 million from retained earnings and statutory reserve respectively.

**12. SALARIES AND OTHER RELATED EXPENSES**

	<b>For the nine-month period ended 30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and related costs	<b>36,708</b>	37,517
Other employee related costs	<b>21,810</b>	24,380
Management fees and bonus	<b>361</b>	4,017
Directors and Board Committee attendance fees	<b>5,857</b>	2,588
	<b>64,736</b>	<b>68,502</b>

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**13. EARNINGS PER SHARE**

The basic and diluted earnings per share (EPS) has been computed by dividing net income for the period by the weighted average number of shares outstanding during the period. The prior period EPS has been adjusted to account for the impact on issue of bonus shares.

	<b>For the nine-month period ended 30 September</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Net income for the period	<b>72,842</b>	135,304
Weighted average number of shares for basic and diluted EPS	<b>120,000</b>	120,000
Basic and diluted EPS (in Saudi Arabian Riyals)	<b>0.61</b>	1.13

**14. CONTINGENCIES AND COMMITMENTS**

There is no significant change in the status of contingencies since the year ended 31 December 2022. Further, there are no significant commitments other than irrevocable commitments to extend credit related to undrawn credit card limits as at 30 September 2023 amounting to SR 7 million (31 December 2022: SR 10.1 million). SME related commitments as at 30 September 2023 are nil (31 December 2022: SR 0.2 million).

**15. RELATED PARTY TRANSACTIONS AND BALANCES**

15.1 Significant related party transactions not disclosed elsewhere in the interim condensed financials during the period were as follows:

<u>Related party</u>	<u>Nature of transactions</u>	<b>For the nine-month period ended 30 September</b>	
		<b>2023 (Unaudited)</b>	<b>2022 (Audited)</b>
Shareholders	Cash dividend declared and paid	-	75,000
Key management personnel (KMPs) - note 15.2	Compensation for the period (short-term)	<b>8,514</b>	10,675
	Employees' end of service benefits entitlement (post-employment benefits)	<b>2,172</b>	1,324
Directors and Board committee's members	Remuneration of directors and Board committee's members	<b>5,857</b>	2,588
Affiliated company – AL – Bayouk – Chartered Accountants	Zakat / VAT consultancy fees	<b>255</b>	233
Affiliated company – Yaqeen Capital (note 15.3)	Commodities / securities dealings account – net transactions	<b>1,000</b>	3,050
	Rental charge	<b>1,342</b>	837
	Advisory charges and others	<b>36</b>	117

15.2 Key management personnel of the Company include Chief Executive Officer and senior management.

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

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**15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

15.4 Significant balances of related parties as at statement of financial position date were as follows:

<u>Related party</u>	<u>Nature of outstanding balance</u>	<u>Amount receivable / (payable)</u>	
		<u>As at 30 September 2023 (Unaudited)</u>	<u>As at 31 December 2022 (Audited)</u>
Affiliated company – Yaqeen Capital (note 15.3)	Commodities for facilitating Tawarruq financing – held on behalf of the Company	<b>35,489</b>	45,014
Directors and Board committee members	Board remuneration payable	<b>(1,813)</b>	(3,769)
Key management personnel (KMPs) – note 15.2	End of service benefits payable	<b>(2,172)</b>	(1,801)

**16. CAPITAL MANAGEMENT**

The Company's objective 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 seeks 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 of three times.

	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Audited)
Aggregate financing to capital ratio (Islamic financing receivables divided by total equity)	<b>1.40 times</b>	1.36 times

**17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

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 valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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**17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Valuation models**

The Company measures fair values 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.

There were no transfers between various levels of fair value hierarchy during the current or prior period.

***Fair value information for financial instruments measured at fair value***

All financial assets and liabilities which are carried at fair value are of an insignificant amount.

***Fair value information for financial instruments not measured at fair value***

The fair value of Islamic financing receivables which is measured at amortized cost has been determined using expected cash flows discounted at relevant current effective profit rate for respective segment and is classified as level 3 as per fair value hierarchy. The fair value as at 30 September 2023 amounts to SR 1,877 million (31 December 2022: SR 1,676 million).

For all other financial assets and liabilities which are not measured at fair value, the Company has assessed that the carrying amount approximates their fair value due to their short-term nature and frequent re-pricing. Cash and cash equivalents and other balances with banks have been classified as level 1 while all remaining financial assets and liabilities have been determined using expected cash flows discounted at relevant current effective profit rate and are classified as level 3 as per the fair value hierarchy.

**18. 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 relate to personal financing provided to retail segment.
- 2) SME financing:** These relate to financing provided to SMEs and HNWI's.
- 3) Islamic credit cards:** These relate to Islamic credit cards provided to retail customers.



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**18. OPERATING SEGMENTS (CONTINUED)**

The break-up of assets and liabilities for reportable segments is as follows:

*As at 30 September 2023 (Unaudited)*

	<u>Personal</u>	<u>SME</u>	<u>Islamic credit cards</u>	<u>Total</u>
<b>Total assets</b>	<b>1,398,710</b>	<b>468,499</b>	<b>36,092</b>	<b>1,903,301</b>
<b>Total liabilities</b>	<b>515,902</b>	<b>167,149</b>	<b>6,176</b>	<b>689,227</b>

*As at 31 December 2022 (Audited)*

	<u>Personal</u>	<u>SME</u>	<u>Islamic credit cards</u>	<u>Total</u>
Total assets	1,367,022	336,766	44,719	1,748,507
Total liabilities	519,446	118,065	1,638	639,149

**18.1 Reconciliation of reportable segment assets and liabilities to the condensed statement of financial position**

	<u>As at 30 September 2023 (Unaudited)</u>	<u>As at 31 December 2022 (Audited)</u>
Total assets for reportable segments	<b>1,903,301</b>	1,748,507
Other unallocated amounts	<b>176,079</b>	190,074
Total assets as per condensed statement of financial position	<b><u>2,079,380</u></b>	<b><u>1,938,581</u></b>
Total liabilities for reportable segments	<b>689,227</b>	639,149
Other unallocated amounts	<b>28,611</b>	10,732
Total liabilities as per condensed statement of financial position	<b><u>717,838</u></b>	<b><u>649,881</u></b>

The break-up of income and expenses for reportable segments is as follows:

*For the nine-month period ended 30 September 2023 (Unaudited)*

	<u>Personal financing</u>	<u>SME financing</u>	<u>Islamic credit cards</u>	<u>Total</u>
<b>Total income</b>	<b>246,493</b>	<b>42,597</b>	<b>11,545</b>	<b>300,635</b>
<b>Total expenses</b>	<b>(110,633)</b>	<b>(14,677)</b>	<b>(3,948)</b>	<b>(129,258)</b>

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

	<u>Personal Financing</u>	<u>SME financing</u>	<u>Islamic credit cards</u>	<u>Total</u>
Total income	258,631	28,265	6,716	293,612
Total expenses	(51,295)	(6,745)	(4,011)	(62,051)

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**18. OPERATING SEGMENTS (CONTINUED)**

**18.2 Reconciliation of reportable segment income and expenses to the condensed statement of comprehensive income**

	<b>For the nine-month period ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Total income for reportable segments and as per condensed statement of comprehensive income	<b>300,635</b>	293,612
Total expenses for reportable segments	<b>129,258</b>	62,051
Other unallocated amounts	<b>83,435</b>	79,860
Total expenses as per condensed statement of comprehensive income	<b><u>212,693</u></b>	<b><u>141,911</u></b>

**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 22 October 2023.