

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three-month period ended
31 March 2023
and the Independent Auditor's Review Report

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
Unaudited Condensed Interim Financial Statements
For the three-month period ended 31 March 2023

	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 - 18



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 10104245494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٤٥٤٩٤
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 31 March 2023 condensed interim financial statements of Nayifat Finance Company (the "Company"), which comprises:

- the condensed statement of financial position as at 31 March 2023;
- the condensed statement of comprehensive income for the three-month period ended 31 March 2023;
- the condensed statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed statement of cash flows for the three-month period ended 31 March 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 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 31 March 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: 11 Shawwal 1444H
Corresponding to: 1 May 2023

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia, With the paid-up capital of (40,000,000) SAR, (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 مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "الشركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة التابعة لكي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(All amounts in Saudi Riyals in thousand unless otherwise stated)

		31 March 2023	31 December 2022
	<i>Notes</i>	(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents	6	47,258	44,650
Other balances with banks	7	5,554	9,952
Islamic financing receivables - net	8	1,881,689	1,748,507
Equity investments measured at fair value through OCI		893	893
Prepayments and other assets		54,815	62,452
Assets held for sale	9	18,453	18,453
Intangible assets		18,159	18,626
Property and equipment		33,927	35,048
Total assets		2,060,748	1,938,581
LIABILITIES AND EQUITY			
Accruals and other liabilities		54,511	47,044
Islamic bank financings and other liabilities	10	640,838	565,747
Provision for Zakat		26,330	19,830
Zakat payable		5,360	5,360
Provision for employees' end of service benefits		12,555	11,900
Total liabilities		739,594	649,881
Share capital		1,000,000	1,000,000
Statutory reserve		99,945	99,945
Retained earnings		221,209	188,755
Total equity		1,321,154	1,288,700
Total liabilities and equity		2,060,748	1,938,581

The accompanying notes from 1 through 18 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 PERIOD ENDED 31 MARCH 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	<i>Notes</i>	For the three-month period ended	
		31 March	
		<u>2023</u>	<u>2022</u>
Commission income from Islamic financing receivables		99,342	94,129
Commission expense on Islamic bank financing		(11,246)	(4,601)
Net commission income from Islamic financing receivables		88,096	89,528
(Charge) / reversal of expected credit loss allowance – net	8.5	(13,384)	3,913
Salaries and other related expenses	11	(20,199)	(24,252)
General and administrative expenses		(13,515)	(10,956)
Depreciation and amortization		(3,111)	(3,515)
Other income – net		1,067	304
Net income for the period before Zakat		38,954	55,022
Zakat charge for the period		(6,500)	(5,500)
Net income for the period		32,454	49,522
Other comprehensive income for the period		-	-
Total comprehensive income for the period		32,454	49,522
Basic and diluted earnings per share	12	0.32	0.50

The accompanying notes from 1 through 18 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Managing Director
And Chief Executive Officer

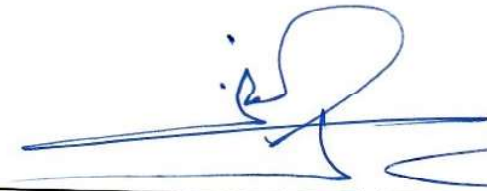

Chairman of
Board of Directors


NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 31 December 2022 (Audited)	1,000,000	99,945	188,755	1,288,700
Total comprehensive income for the period	-	-	32,454	32,454
Balance as at 31 March 2023 (Unaudited)	1,000,000	99,945	221,209	1,321,154
Balance as at 31 December 2021 (Audited)	1,000,000	82,799	109,444	1,192,243
Total comprehensive income for the period	-	-	49,522	49,522
Balance as at 31 March 2022 (Unaudited)	1,000,000	82,799	158,966	1,241,765

The accompanying notes from 1 through 18 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 CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	<i>Notes</i>	For the three-month ended 31 March	
		2023	2022
Cash flows from operating activities			
Net income for the period before Zakat		38,954	55,022
Adjustments for			
Depreciation and amortization		3,111	3,515
Provision for employees' end of service benefits		862	1,720
Charge / (reversal) of expected credit loss allowance – net	8.5	13,384	(3,913)
Commission expense on lease liabilities		7	12
Commission expense on Islamic bank financing		11,246	4,601
		<u>67,564</u>	<u>60,957</u>
Changes in operating assets and liabilities			
Islamic financing receivables – net		(146,566)	(39,556)
Prepayments and other assets		7,637	(2,954)
Accruals and other liabilities		7,467	4,911
Other balances with banks		4,398	613
		<u>(59,500)</u>	<u>23,971</u>
Employees' end of service benefits paid		(207)	(255)
Commission expense paid		(11,246)	(1,929)
Net cash (used in) / generated from operating activities		<u>(70,953)</u>	<u>21,787</u>
Cash flows from investing activities			
Acquisition of property and equipment		(32)	(498)
Acquisition of intangible assets		(1,491)	(3,197)
Net cash used in investing activities		<u>(1,523)</u>	<u>(3,695)</u>
Cash flows from financing activities			
Proceeds from Islamic bank financings and SAMA deposits		145,000	79,000
Repayment of Islamic bank financings and SAMA deposits		(69,771)	(114,239)
Payment of lease liabilities		(145)	(127)
Net cash generated from / (used in) financing activities		<u>75,084</u>	<u>(35,366)</u>
Net change in cash and cash equivalents		2,608	(17,274)
Cash and cash equivalents at the beginning of the period		44,650	59,123
Cash and cash equivalents at the end of the period	6	<u>47,258</u>	<u>41,849</u>

The accompanying notes from 1 through 18 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 THREE-MONTH PERIOD ENDED 31 MARCH 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). As per the SAMA (“Saudi Central Bank”) license No. 5/AS/201312 renewed on dated 23 Dhu'l-Hijjah 1439H (corresponding to 3 September 2018), expiring on 26 Safar 1445H (corresponding to 12 September 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.

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 are 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.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 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 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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cash at bank – note 6.1	<u>47,258</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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Margin deposits (restricted) – note 7.1	<u>5,554</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 THREE-MONTH PERIOD ENDED 31 MARCH 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:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<u>Tawarruq financing:</u>		
- Personal	1,427,741	1,367,022
- SME	409,110	336,766
- Islamic credit cards	44,838	44,719
	<u>1,881,689</u>	<u>1,748,507</u>
Due within 12 months	646,005	616,947
Due after 12 months	1,235,684	1,131,560
	<u>1,881,689</u>	<u>1,748,507</u>

8.1 Reconciliation of gross to net Islamic financing receivables:

31 March 2023

	Personal	SME	Islamic credit cards	Total
Gross receivables	2,233,730	551,459	53,766	2,838,955
Unearned commission income	(747,118)	(135,915)	-	(883,033)
	1,486,612	415,544	53,766	1,955,922
ECL allowance	(58,871)	(6,434)	(8,928)	(74,233)
Net receivables	<u>1,427,741</u>	<u>409,110</u>	<u>44,838</u>	<u>1,881,689</u>

31 December 2022

	Personal	SME	Islamic credit cards	Total
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)
Net receivables	<u>1,367,022</u>	<u>336,766</u>	<u>44,719</u>	<u>1,748,507</u>

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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:

31 March 2023 (Unaudited)

	Personal	SME	Islamic credit cards	Total
Stage 1	1,109,724	303,375	32,995	1,446,094
Stage 2	183,123	8,340	4,321	195,784
Stage 3	193,765	103,829	16,450	314,044
	1,486,612	415,544	53,766	1,955,922
ECL allowance	(58,871)	(6,434)	(8,928)	(74,233)
Net receivables	1,427,741	409,110	44,838	1,881,689

31 December 2022 (Audited)

	Personal	SME	Islamic credit cards	Total
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
	1,420,706	343,241	48,201	1,812,148
ECL allowance	(53,684)	(6,475)	(3,482)	(63,641)
Net receivables	1,367,022	336,766	44,719	1,748,507

8.3 Reconciliation of gross Islamic financing receivables

Movement in gross Islamic financing receivables is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balances as at 1 January 2023	1,331,152	194,472	286,524	1,812,148
Transfer from Stage 1	(102,870)	93,254	9,616	-
Transfer from Stage 2	41,764	(93,193)	51,429	-
Transfer from Stage 3	7,043	3,193	(10,236)	-
Net other movements*	169,005	(1,942)	(11,091)	155,972
	114,942	1,312	39,718	155,972
Written off during the period	-	-	(12,198)	(12,198)
Balances as at 31 March 2023	1,446,094	195,784	314,044	1,955,922

	Stage 1	Stage 2	Stage 3	Total
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
	(60,286)	163,251	123,016	225,981
Written off during the year	-	-	(38,494)	(38,494)
Balances as at 31 December 2022	1,331,152	194,472	286,524	1,812,148

*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 THREE-MONTH PERIOD ENDED 31 MARCH 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:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	10,845	15,009	37,787	63,641
Transfer from Stage 1	(668)	447	221	-
Transfer from Stage 2	3,429	(7,317)	3,888	-
Transfer from Stage 3	1,352	607	(1,959)	-
Financial assets settled	(658)	(708)	(1,847)	(3,213)
New financial assets originated	2,072	-	-	2,072
Net re-measurement of ECL allowance	(5,023)	9,103	19,851	23,931
	504	2,132	20,154	22,790
Written off during the period	-	-	(12,198)	(12,198)
ECL allowance as at 31 March 2023	11,349	17,141	45,743	74,233

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	1,291	65	48,852	50,208
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
	9,554	14,944	27,429	51,927
Written off during the year	-	-	(38,494)	(38,494)
ECL allowance as at 31 December 2022	10,845	15,009	37,787	63,641

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

	For the three-month period ended 31 March	
	2023	2022
Provision for ECL allowance – net of reversals	22,790	7,175
Recoveries against receivables previously written off – note 8.5.1	(9,406)	(11,088)
Charge / (reversal) of ECL allowance – net	13,384	(3,913)

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 two years were written off during the period ended 31 March 2023. This percentage is based on last four years' historical recoveries from loans past due by more than two years.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 0.6 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 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 re-pledge 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 31 March 2023, the receivables amount written off still subject to enforcement activity is SR 130 million (31 December 2022: SR 115 million).

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

Personal

	Gross exposure	ECL allowance	Net exposure
<u>31 March 2023</u>			
90 to 180 days	51,280	(9,202)	42,078
180 to 270 days	28,848	(5,171)	23,677
270 to 360 days	22,893	(4,113)	18,780
360 to 450 days	20,679	(3,703)	16,976
450 to 540 days	18,074	(3,238)	14,836
540 to 630 days	16,565	(2,977)	13,588
630 days & above	35,426	(3,269)	32,157
Total	193,765	(31,673)	162,092
	Gross exposure	ECL allowance	Net exposure
<u>31 December 2022</u>			
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
Total	179,000	(29,255)	149,745

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

8. ISLAMIC FINANCING RECEIVABLES - NET (CONTINUED)

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

SME

31 March 2023

	Gross exposure	ECL allowance	Net exposure
90 to 180 days	12,901	(638)	12,263
180 to 270 days	64,000	(3,002)	60,998
270 to 360 days	10,838	(617)	10,221
360 to 450 days	2,329	(587)	1,742
450 to 540 days	-	-	-
540 to 630 days	3,975	(563)	3,412
630 days & above	9,786	(447)	9,339
Total	103,829	(5,853)	97,975

	Gross exposure	ECL allowance	Net exposure
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
Total	97,776	(6,082)	91,694

Islamic credit cards

31 March 2023

	Gross exposure	ECL allowance	Net exposure
90 to 180 days	4,337	(836)	3,501
180 to 270 days	3,154	(608)	2,546
270 to 360 days	8,959	(6,772)	2,187
Total	16,450	(8,216)	8,234

	Gross exposure	ECL allowance	Net exposure
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
Total	9,748	(2,450)	7,298

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 2022.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals in thousand unless otherwise stated)

10. ISLAMIC BANK FINANCINGS AND OTHER LIABILITIES

	<i>Notes</i>	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Islamic bank financings	<i>10.1</i>	632,124	553,319
SAMA deposits	<i>10.2</i>	8,264	11,840
Lease liabilities		450	588
		<u>640,838</u>	<u>565,747</u>

10.1 The Company has long-term financing limits amounting to SR 1.9 billion (31 December 2022: SR 1.9 billion) with local banks to finance current and long-term funding needs of which SR 0.63 billion was utilized as of 31 March 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.

11. SALARIES AND OTHER RELATED EXPENSES

	For the three-month period ended 31 March	
	2023 (Unaudited)	2022 (Unaudited)
Salaries and related costs	12,272	12,585
Other employee related cost	5,852	9,171
Management fees and bonus	875	1,633
Directors and Board Committee's attendance fees	1,200	863
	<u>20,199</u>	<u>24,252</u>

12. EARNINGS PER SHARE

The basic and diluted earnings per share (EPS) have been computed by dividing net income for the period by the weighted average number of shares outstanding during the period.

	For the three-month period ended 31 March	
	2023 (Unaudited)	2022 (Unaudited)
Net income for the period	32,454	49,522
Weighted average number of shares for basic and diluted EPS	100,000	100,000
Basic and diluted EPS (in Saudi Arabian Riyals)	<u>0.32</u>	<u>0.50</u>

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

13. 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 31 March 2023 amounting to SR 8 million (31 December 2022: SR 10.1 million) and SME related commitments as at 31 March 2023 are nil (31 December 2022: SR 0.2 million).

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Nature of transactions	For the three-month period ended 31 March	
		2023 (Unaudited)	2022 (Unaudited)
Key management personnel (KMPs) - note 14.2	Compensation for the period (short-term)	2,782	3,536
	Employees' end of service benefits entitlement (post-employment benefits)	149	1,128
Directors and Board committee's members	Remuneration of directors and Board committee's members	1,200	863
Common directorship	Zakat / VAT consultancy fees	104	104
Affiliated company – Yaqeen Capital (note 14.3)	Commodities / securities dealings account – net transactions	500	500
	Rental charge	279	279
	Advisory charges and others	-	50

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 statement of financial position date were as follows:

Related party	Nature of outstanding balance	Amount receivable / (payable)	
		As at 31 March 2023 (Unaudited)	As at 31 December 2022 (Audited)
Affiliated company – Yaqeen Capital (note 14.3)	Commodities for facilitating Tawarruq financing – held on behalf of the Company	35,275	45,014
Directors and Board committee's members	Board remuneration payable	(4,406)	(3,769)
Key management personnel (KMPs) - note 14.2	End of service benefits payable	(1,936)	(1,801)

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals in thousand unless otherwise stated)

15. 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.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Aggregate financing to capital ratio (Islamic financing receivables divided by total equity)	1.42 times	1.36 times

16. 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.

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

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals in thousand unless otherwise stated)

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 an insignificant amount.

The fair value of Islamic financing receivables is classified as level 3 as per fair value hierarchy and has been determined using expected cash flows discounted at relevant current effective profit rate for respective segment. The fair value as at 31 March 2023 amounts to SR 1,842 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 are classified as level 3 as per the fair value hierarchy and have been determined by using expected cash flows discounted at relevant current effective profit rate.

All other assets 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 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.

The breakup of assets and liabilities for reportable segments is as follows:

As at 31 March 2023 (Unaudited)

	Personal	SME	Islamic credit cards	Total
Total assets	1,427,741	409,110	44,838	1,881,689
Total liabilities	570,952	148,238	5,321	724,511

As at December 31, 2022 (Audited)

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

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals in thousand unless otherwise stated)

17. OPERATING SEGMENTS

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

	As at 31 March 2023	As at 31 December 2022
	(Unaudited)	(Audited)
Total assets for reportable segments	1,881,689	1,748,507
Other unallocated amounts	179,059	190,074
Total assets as per statement of financial position	2,060,748	1,938,581
Total liabilities for reportable segments	724,511	639,149
Other unallocated amounts	15,083	10,732
Total liabilities as per statement of financial position	739,594	649,881

The breakup of income and expenses for reportable segments is as follows:

For the three-month period ended 31 March 2023 (Unaudited)

	Personal financing	SME financing	Islamic credit cards	Total
Total income	81,900	13,162	4,280	99,342
Total expenses	(25,751)	(4,366)	(2,406)	(32,523)
Net income before Zakat	56,149	8,796	1,874	66,819

For the three-month period ended 31 March 2022 (Unaudited)

	Personal Financing	SME financing	Islamic credit cards	Total
Total income	86,261	6,963	905	94,129
Total expenses	(10,250)	(1,882)	(1,738)	(13,870)
Net income / (loss) before Zakat	76,011	5,081	(833)	80,259

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

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Total income for reportable segments	99,342	94,129
Other unallocated amounts	1,067	304
Total income as per financial statements	100,409	94,433
Total expenses for reportable segments	32,523	13,870
Other unallocated amounts	28,932	25,541
Total expenses as per financial statements	61,455	39,411

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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

18. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on 25 April 2023.