

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
Unaudited Condensed Interim Financial Statements
For the three-month period ended
31 March 2024
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 2024

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KPMG Professional Services

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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 31 March 2024 condensed interim financial statements of Nayifat Finance Company (the "Company"), which comprises:

- the condensed statement of financial position as at 31 March 2024;
- the condensed statement of comprehensive income for the three-month period ended 31 March 2024;
- the condensed statement of changes in equity for the three-month period ended 31 March 2024;
- the condensed statement of cash flows for the three-month period ended 31 March 2024; 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 31 March 2024 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.

KPMG Professional Services



Hani Hamzah A. Bedairi
License No. 460

Riyadh: 22 Shawwal 1445H
Corresponding to: 1 May 2024

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	<i>Notes</i>	31 March 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and cash equivalents	6	62,210	61,295
Other balances with banks	7	2,451	3,016
Islamic financing receivables - net	8	1,869,320	1,872,511
Equity investment measured at fair value through OCI		893	893
Prepayments and other assets		59,620	77,220
Assets held for sale	9	18,189	18,189
Intangible assets		10,682	11,700
Property and equipment		31,108	31,748
Total assets		2,054,473	2,076,572
LIABILITIES AND EQUITY			
Accruals and other payables		49,102	43,177
Islamic bank financings and other liabilities	10	574,341	624,816
Provision for Zakat		22,521	18,021
Provision for employees' end of service benefits		14,418	13,644
Total liabilities		660,382	699,658
Share capital		1,200,000	1,200,000
Statutory reserve		69,645	69,645
General reserve		8,822	8,822
Retained earnings		115,624	98,447
Total equity		1,394,091	1,376,914
Total liabilities and equity		2,054,473	2,076,572

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

Chief Financial Officer

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 2024
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	<i>Notes</i>	For the three-month ended	
		31 March	
		2024	2023
Commission income from Islamic financing receivables		85,531	99,342
Commission expense on Islamic bank financings		(12,198)	(11,246)
Net commission income from Islamic financing receivables		73,333	88,096
Charge of expected credit loss allowance – net	8.6	(12,038)	(13,384)
Salaries and other related expenses	11	(24,130)	(20,199)
Other administrative expenses		(13,198)	(13,515)
Depreciation and amortization		(2,503)	(3,111)
Other income – net		213	1,067
Net income for the period before Zakat		21,677	38,954
Zakat charge for the period		(4,500)	(6,500)
Net income for the period		17,177	32,454
Other comprehensive income		-	-
Total comprehensive income		17,177	32,454
Basic and diluted earnings per share	12	0.14	0.27

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



Chief Financial Officer



Chief Executive Officer

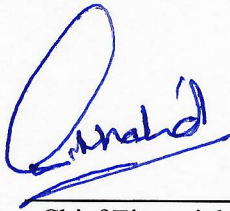


Chairman of
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Retained earnings	Total
2024					
Balance as at 31 December 2023 (Audited)	1,200,000	69,645	8,822	98,447	1,376,914
Total comprehensive income for the period	-	-	-	17,177	17,177
Balance as at 31 March 2024 (Unaudited)	1,200,000	69,645	8,822	115,624	1,394,091
2023					
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

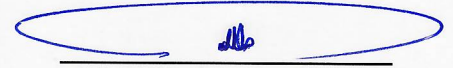
The accompanying notes from 1 through 19 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer

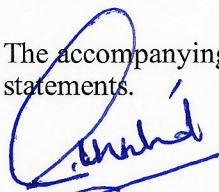


Chairman of
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	<i>Notes</i>	For the three-month ended	
		31 March	
		<u>2024</u>	<u>2023</u>
Cash flows from operating activities			
Net income for the period before Zakat		21,677	38,954
Adjustments for			
Depreciation and amortization		2,503	3,111
Provision for employees' end of service benefits		905	862
Charge of expected credit loss allowance – net	8.6	12,038	13,384
Commission expense on lease liabilities		2	7
Commission expense on Islamic bank financings		12,198	11,246
		<u>49,323</u>	<u>67,564</u>
Changes in operating assets and liabilities			
Islamic financing receivables – net		(8,847)	(146,566)
Prepayments and other assets		17,600	7,637
Accruals and other payables		5,925	7,467
Other balances with banks		565	4,398
		<u>64,566</u>	<u>(59,500)</u>
Employees' end of service benefits paid		(131)	(207)
Commission expense and charges paid		(12,198)	(11,246)
Net cash generated from / (used in) operating activities		<u>52,237</u>	<u>(70,953)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(10)	(32)
Acquisition of intangible assets		(835)	(1,491)
Net cash used in investing activities		<u>(845)</u>	<u>(1,523)</u>
Cash flows from financing activities			
Proceeds from Islamic bank financings		10,000	145,000
Repayment of Islamic bank financings		(60,477)	(69,771)
Payment of lease liabilities		-	(145)
Net cash (used in) / generated from financing activities		<u>(50,477)</u>	<u>75,084</u>
Net change in cash and cash equivalents		915	2,608
Cash and cash equivalents at the beginning of the period		<u>61,295</u>	<u>44,650</u>
Cash and cash equivalents at the end of the period	6	<u>62,210</u>	<u>47,258</u>

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



Chief Financial Officer



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 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

1. GENERAL INFORMATION

Nayifat Finance Company (the “Company”) is a Saudi joint stock company under Commercial Registration (“CR”) number 1010176451 issued in Riyadh on 9 Jumad al-Thani 1431 H (corresponding to 23 May 2010). The Company is licensed to operate under The Saudi Central Bank (“SAMA”) 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”) 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 31 December 2023.
- 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 MATERIAL ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of this 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 2023.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(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

Following standards, interpretations and amendments are effective from the current year and are adopted by the Company. The Company has assessed that these amendments have no significant impact on the Company's condensed interim financial statements.

Standards, interpretations and amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Amendment to IAS 1 – Non-current liabilities with covenants
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	IFRS S1, 'General requirements for disclosure of sustainability-related financial information'
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

Standards, interpretations and amendments not yet effective

The International Accounting Standard Board (IASB) has issued the following accounting standards, interpretation and amendments, which were effective from periods on or after 1 January 2025. The Company did not opt for early adoption of these pronouncements and do not expect the adoption to have a significant impact on the financial statements of the Company.

Standards, interpretations, and amendments issued but not yet effective up to the date of issuance of the Company's condensed interim financial statements are listed below. The Company intends to adopt these standards when they become effective.

Standards, interpretations and amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely

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 2023.

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 2023.

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Cash at bank – 6.1	62,210	61,295

6.1 This represents current accounts maintained with local banks.

7. OTHER BALANCES WITH BANKS

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Margin deposits (restricted) – 7.1	2,451	3,016

7.1 These represent non-profit bearing margin deposits 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.

8. ISLAMIC FINANCING RECEIVABLES – NET

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

8.1 The breakup of Islamic financing receivables is as follows:

31 March 2024

	Personal	SME	Islamic credit cards	Total
Performing	1,258,522	339,134	25,616	1,623,272
Non-performing	261,160	113,680	4,667	379,507
Gross receivables	1,519,682	452,814	30,283	2,002,779
ECL allowance	(120,927)	(10,099)	(2,433)	(133,459)
Net receivables	1,398,755	442,715	27,850	1,869,320

31 December 2023

	Personal	SME	Islamic credit cards	Total
Performing	1,251,701	374,484	28,402	1,654,587
Non-performing	248,897	84,309	7,000	340,206
Gross receivables	1,500,598	458,793	35,402	1,994,793
ECL allowance	(113,941)	(5,908)	(2,433)	(122,282)
Net receivables	1,386,657	452,885	32,969	1,872,511

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

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

8. ISLAMIC FINANCING RECEIVABLES – NET (continued)

8.2 Reconciliation of gross to net Islamic financing receivables:

31 March 2024

	Personal	SME	Islamic credit cards	Total
Gross receivables	2,202,188	570,797	30,283	2,803,268
Unearned commission income	(682,506)	(117,983)	-	(800,489)
	1,519,682	452,814	30,283	2,002,779
ECL allowance	(120,927)	(10,099)	(2,433)	(133,459)
Net receivables	1,398,755	442,715	27,850	1,869,320

31 December 2023

	Personal	SME	Islamic credit cards	Total
Gross receivables	2,190,821	592,892	35,402	2,819,115
Unearned commission income	(690,223)	(134,099)	-	(824,322)
	1,500,598	458,793	35,402	1,994,793
ECL allowance	(113,941)	(5,908)	(2,433)	(122,282)
Net receivables	1,386,657	452,885	32,969	1,872,511

8.3 Stage wise analysis of Islamic financing receivables:

31 March 2024

	Personal	SME	Islamic credit cards	Total
Stage 1	1,096,854	296,915	24,286	1,418,055
Stage 2	161,668	42,219	1,330	205,217
Stage 3	261,160	113,680	4,667	379,507
	1,519,682	452,814	30,283	2,002,779
ECL allowance	(120,927)	(10,099)	(2,433)	(133,459)
Net receivables	1,398,755	442,715	27,850	1,869,320

31 December 2023

	Personal	SME	Islamic credit cards	Total
Stage 1	1,081,868	340,739	25,664	1,448,271
Stage 2	169,833	33,745	2,738	206,316
Stage 3	248,897	84,309	7,000	340,206
	1,500,598	458,793	35,402	1,994,793
ECL allowance	(113,941)	(5,908)	(2,433)	(122,282)
Net receivables	1,386,657	452,885	32,969	1,872,511

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

8. ISLAMIC FINANCING RECEIVABLES – NET (continued)

8.4 Reconciliation of gross Islamic financing receivables

The movement in gross Islamic financing receivables is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balances as at 1 January 2024	1,448,271	206,316	340,206	1,994,793
Transfer from Stage 1	(138,419)	111,492	26,927	-
Transfer from Stage 2	49,636	(92,194)	42,558	-
Transfer from Stage 3	5,023	1,701	(6,724)	-
Net other movements*	53,544	(22,098)	(12,301)	19,145
	(30,216)	(1,099)	50,460	19,145
Write-off during the period	-	-	(11,159)	(11,159)
Balances as at 31 March 2024	1,418,055	205,217	379,507	2,002,779

	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	(205,678)	119,207	86,471	-
Transfer from Stage 2	35,417	(103,772)	68,355	-
Transfer from Stage 3	76,979	12,116	(89,095)	-
Net other movements*	210,401	(15,707)	54,145	248,839
	117,119	11,844	119,876	248,839
Written off during the year	-	-	(66,194)	(66,194)
Balances as at 31 December 2023	1,448,271	206,316	340,206	1,994,793

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

8.5 Movement in ECL allowance of Islamic financing receivables:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2024	18,252	23,206	80,824	122,282
Transfer from Stage 1	(3,422)	3,037	385	-
Transfer from Stage 2	4,958	(11,569)	6,611	-
Transfer from Stage 3	2,359	781	(3,140)	-
Financial assets settled	(1,155)	(954)	(3,207)	(5,316)
New financial assets originated	2,761	-	-	2,761
Net re-measurement of loss allowance	(5,072)	6,681	23,282	24,891
	429	(2,024)	23,931	22,336
Written off during the period	-	-	(11,159)	(11,159)
ECL allowance as at 31 March 2024	18,681	21,182	93,596	133,459

	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	(42,113)	16,306	25,807	-
Transfer from Stage 2	2,900	(8,054)	5,154	-
Transfer from Stage 3	1,750	496	(2,246)	-
Financial assets settled	(2,415)	(3,153)	(7,904)	(13,472)
New financial assets originated	27,585	-	-	27,585
Net re-measurement of loss allowance	19,700	2,602	88,420	110,722
	7,407	8,197	109,231	124,835
Written off during the year	-	-	(66,194)	(66,194)
ECL allowance as at 31 December 2023	18,252	23,206	80,824	122,282

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

8. ISLAMIC FINANCING RECEIVABLES – NET (continued)

8.6 Charge of expected credit loss allowance – net

	For the three-month period ended March 31	
	2024	2023
Provision for expected credit loss allowance – net of reversal	22,336	22,790
Recoveries against receivables previously written off	(10,298)	(9,406)
Charge of expected credit loss allowance – net	12,038	13,384

8.7 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.8 billion (31 December 2023: SR 0.8 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.57 billion (31 December 2023: SR 0.62 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the related risks and rewards, primarily credit risk. The Company is liable for the repayments of their assigned receivables to local commercial banks in case of customer default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement, the Company is not allowed to repledge those receivables and the financial institution lenders have recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and the liability is approximate to its fair value.

8.8 Amounts written off still subject to enforcement activity

As at 31 March 2024, the receivables amount written off still subject to enforcement activity is SR 165 million (31 December 2023: SR 156 Million).

8.9 Aging analysis of Tawarruq related stage 3 (non-performing) Islamic financing receivables:

Tawarruq – Personal financing

31 March 2024	Gross exposure	ECL allowance	Net exposure
90 to 180 days	55,511	(19,015)	36,496
180 to 270 days	39,503	(13,521)	25,982
270 to 360 days	40,767	(13,942)	26,825
360 to 450 days	42,605	(14,570)	28,035
450 days & above	82,774	(21,627)	61,147
Total	261,160	(82,675)	178,485
31 December 2023	Gross exposure	ECL allowance	Net exposure
90 to 180 days	58,191	(18,544)	39,647
180 to 270 days	45,332	(14,321)	31,011
270 to 360 days	44,949	(13,898)	31,051
360 to 450 days	31,871	(9,997)	21,874
450 days & above	68,554	(16,452)	52,102
Total	248,897	(73,212)	175,685

NAYIFAT FINANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(All amounts in Saudi Riyals in thousand unless otherwise stated)

8. ISLAMIC FINANCING RECEIVABLES – NET (continued)

8.9 Aging analysis of Tawarruq related stage 3 (non-performing) Islamic financing receivables (continued):

Tawarruq – SME

<u>31 March 2024</u>	Gross Exposure	ECL allowance	Net exposure
90 to 180 days	30,033	(4,179)	25,854
180 to 270 days	4,301	(215)	4,086
270 to 360 days	4,734	(231)	4,503
360 to 450 days	104	(5)	99
450 days & above	74,508	(4,462)	70,046
Total	113,680	(9,092)	104,588

<u>31 December 2023</u>	Gross Exposure	ECL allowance	Net exposure
90 to 180 days	4,298	(215)	4,083
180 to 270 days	4,732	(230)	4,502
270 to 360 days	104	(5)	99
360 to 450 days	11,784	(631)	11,153
450 days & above	63,391	(4,607)	58,784
Total	84,309	(5,688)	78,621

Tawarruq – Credit Cards

<u>31 March 2024</u>	Gross Exposure	ECL allowance	Net exposure
90 to 180 days	2,081	(816)	1,265
180 to 270 days	1,567	(614)	953
270 to 360 days	1,019	(399)	620
Total	4,667	(1,829)	2,838

<u>31 December 2023</u>	Gross Exposure	ECL allowance	Net exposure
90 to 180 days	2,505	(685)	1,820
180 to 270 days	1,877	(513)	1,364
270 to 360 days	2,618	(715)	1,903
Total	7,000	(1,913)	5,087

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.

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10. ISLAMIC BANK FINANCINGS AND OTHER LIABILITIES

	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
Islamic bank financings – note 10.1	574,195	624,672
Lease liabilities	146	144
	<u>574,341</u>	<u>624,816</u>

- 10.1** The Company has long-term financing limits amounting to SR 1.9 billion (31 December 2023: SR 2.0 billion) with local banks to finance current and long-term funding needs of which SR 0.57 billion was utilized as of 31 March 2024 (31 December 2023: SR 0.62 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 1.25% to 2%.

As at 31 March 2024, the balance of Islamic bank financing includes accrued commission expense of SR 3.3 million (31 December 2023: SR 3.8 million).

Under the terms of the financing arrangements, the Company adhered to financial covenants. The Company is required to maintain margin deposits (note 7). These margin deposits 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.

11. SALARIES AND OTHER RELATED EXPENSES

	For the three-month period ended 31 March (Unaudited)	
	2024	2023
Salaries and related costs	12,407	12,272
Other employee related costs	8,698	5,852
Accrual for bonus	1,225	875
Directors and Board committees' fees	1,800	1,200
	<u>24,130</u>	<u>20,199</u>

12. EARNINGS PER SHARE

	For the three-month period ended 31 March (Unaudited)	
	2024	2023
Net income for the period	17,177	32,454
Weighted average number of shares for basic and diluted EPS	120,000	120,000
Basic and diluted EPS (in Saudi Riyals)	0.14	0.27

13. CONTINGENCIES AND COMMITMENTS

There is no significant change in the status of contingencies since the year ended 31 December 2023. Further, there are no significant commitments other than irrevocable commitments to extend credit related to undrawn credit card limits as at 31 March 2024 amounting to SR 6.7 million (31 December 2023: SR 5.9 million) and SME related commitments as at 31 March 2024 amounting to SR Nil million (31 December 2023: SR 0.3 million).

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14. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include shareholders, affiliated company, directors and key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms.

14.1 Related party transactions during the period were as follows:

Related party	Nature of transaction	For the three-month period ended 31 March (Unaudited)	
		2024	2023
Key management personnel (KMPs)-Number of KPMs :13 (2023:14)	Compensation for the period (short-term)	2,519	2,782
	Employees' end of service benefits entitlement (post-employment benefit)	143	149
Directors and Board committees' members	Remuneration of directors and Board committees' members	1,800	1,200
Affiliated Company (Yaqeen Capital)	Commodities / securities dealings account – net transactions	-	500

14.1.1 Key management personnel of the Company include Chief executive officer and his direct reports.

14.1.2 Affiliated company is under common control of major shareholder.

14.2 Balances with related parties as at statement of financial position date were as follows:

Related party	Nature of balance outstanding	Amount receivable / (payable)	
		31 March 2024 (Unaudited)	31 December 2023 (Audited)
Affiliated Company (Yaqeen Capital)	Commodities for facilitating Tawarruq financing and other receivables – held on behalf of the Company	35,854	36,435
Directors and Board Committees' members	Board remuneration payable	(1,800)	(1,880)
Key management personnel (KMP)	End of service benefits payable	(1,783)	(2,276)

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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 2024 (Unaudited)	31 December 2023 (Audited)
Aggregate financing to capital ratio (Islamic financing receivables – net divided by total equity)	1.34 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 using other valuation techniques.

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.

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

Valuation models (continued)

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 2024 amounts to SR 1,800 million (31 December 2023: SR 1,804 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 at banks and margin deposits 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.

There have been no transfers between levels of the fair value hierarchy during the current and prior period.

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

The segment wise breakup is as follows:

As at 31 March 2024

	Personal	SME	Islamic credit cards	Total
Total assets	1,398,755	442,715	27,850	1,869,320
Total liabilities	470,888	146,200	8,657	625,745

As at 31 December 2023

	Personal	SME	Islamic credit cards	Total
Total assets	1,386,657	452,885	32,969	1,872,511
Total liabilities	506,691	161,084	5,748	673,523

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17. OPERATING SEGMENTS (continued)

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

	As at 31 December	
	2023	2023
Total assets for reportable segments	1,869,320	1,872,511
Other unallocated amounts	185,153	204,061
Total assets as per condensed statement of financial position	2,054,473	2,076,572
Total liabilities for reportable segments	625,745	673,523
Other unallocated amounts	34,637	26,135
Total liabilities as per condensed statement of financial position	660,382	699,658

The segment wise breakup of income and expenses is as follows:

For the three months ended 31 March 2024

	Personal	SME	Islamic credit cards	Total
Commission income	72,973	12,815	(257)	85,531
Commission expense	(9,127)	(2,889)	(182)	(12,198)
Direct operating expense	(8,791)	(1,035)	(681)	(10,507)
Impairment charge	(6,720)	(4,191)	(1,127)	(12,038)
Net income / (loss) before Zakat	48,335	4,700	(2,247)	50,788

For the three months ended 31 March 2023

	Personal	SME	Islamic credit cards	Total
Commission income	81,900	13,162	4,280	99,342
Commission expense	(8,533)	(2,445)	(268)	(11,246)
Direct operating expense	(8,430)	(667)	(796)	(9,893)
Impairment (charge) / reversals	(9,039)	41	(4,386)	(13,384)
Net income / (loss) before Zakat	55,898	10,091	(1,170)	64,819

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

	For the three-month period ended 31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Total income for reportable segments and as per condensed statement of comprehensive income	85,744	100,409
Total expenses for reportable segments	34,743	34,523
Other unallocated amounts	29,324	26,932
Total expenses as per condensed statement of comprehensive income	64,067	61,455

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18. SUBSEQUENT EVENTS

There were no events subsequent to the condensed statement of financial position date which required adjustments to or disclosure in these condensed interim financial statements.

19. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on 30 April 2024.