

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**Interim condensed financial statements**  
**For the period ended 31 March 2022**  
together with the  
**Report on review of interim condensed financial statements**

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
As at 31 March 2022

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## Report on review of interim condensed financial statements

To the Shareholder of Saudi Fransi for Finance Leasing:  
(A Closed Joint Stock Company)

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Fransi for Finance Leasing (A Closed Joint Stock Company) (the "Company") as of March 31, 2022 and the related interim condensed statements of comprehensive income, changes in shareholder's equity and cash flows for the three-month period then ended, and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as 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 as 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**PricewaterhouseCoopers**

Bader I. Benmohareb  
License Number 471

May 19, 2022

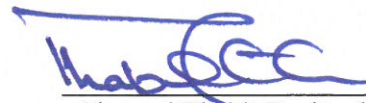


**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
(SR '000)

	<u>Notes</u>	<b>31 March 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		7,368	15,630
Net investment in finance leases	5	3,688,164	3,306,260
Prepayments		98,152	62,553
Other assets	6	86,521	68,400
Investment at fair value through other comprehensive income (FVOCI)		893	893
Positive fair value of derivatives	7	24,345	4,034
Property, equipment and right of use assets		3,980	4,245
Intangible assets		1,174	1,312
<b>Total assets</b>		<b>3,910,597</b>	<b>3,463,327</b>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>			
<b>Liabilities</b>			
Long-term loan	9	2,403,865	2,078,696
SAMA deposit, net		16,225	16,102
Accounts payable	10	370,962	294,707
Advance from customers		89,049	85,785
Due to related parties	8.b	11,058	10,738
Negative fair value of derivatives	7	1,938	16,878
Accrued expenses and other liabilities		9,061	15,716
Employees' end of service benefits (EOSB)		9,009	8,572
Provision for zakat	11	28,604	26,380
<b>Total liabilities</b>		<b>2,939,771</b>	<b>2,553,574</b>
<b>Shareholder's equity</b>			
Share capital		500,000	500,000
Statutory reserve		46,717	46,717
Other reserves		22,087	(13,164)
Retained earnings		402,022	376,200
<b>Total shareholders' equity</b>		<b>970,826</b>	<b>909,753</b>
<b>Total liabilities and shareholder's equity</b>		<b>3,910,597</b>	<b>3,463,327</b>



Mashhor Al Masudi  
Chief Executive Officer



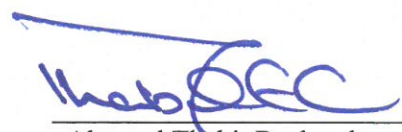
Ahamed Thabit Rasheed  
Chief Financial Officer

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
(SR '000)

	<b>For the three-months period ended</b>	
	<i>Notes</i> <b>31 March 2022</b>	<b>31 March 2021</b>
<b>Revenue</b>		
Lease finance income	<b>39,926</b>	33,896
Fees income	<i>12</i> <b>34,828</b>	50,824
Fees expenses	<i>12</i> <b>(22,529)</b>	(33,476)
Fees income, net	<b>12,299</b>	17,348
	<b>52,225</b>	51,244
<b>Operating expenses</b>		
Salaries and employee related expenses	<b>(10,875)</b>	(7,602)
Depreciation	<b>(265)</b>	(210)
Amortization	<b>(138)</b>	(40)
General and administration expenses	<b>(2,848)</b>	(1,953)
Financial charges	<b>(12,482)</b>	(11,422)
Allowance for expected credit losses, net	<i>5.1</i> <b>(1,373)</b>	(1,870)
	<b>(27,981)</b>	(23,097)
<b>Net operating income</b>	<b>24,244</b>	28,147
Other income	<b>4,447</b>	1,347
<b>Net income for the period before zakat</b>	<b>28,691</b>	29,494
Zakat	<i>11</i> <b>(2,869)</b>	(5,899)
<b>Net income for the period</b>	<b>25,822</b>	23,595
<b>Other comprehensive income for the period</b>		
<i>Items that will be reclassified to interim condensed statement of income in subsequent periods:</i>		
Cash flow hedges – net change in fair value	<b>35,251</b>	4,960
<b>Total comprehensive income for the period</b>	<b>61,073</b>	28,555

  
Mashhor Al Masudi  
Chief Executive Officer

  
Ahamed Thabit Rasheed  
Chief Financial Officer

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements.

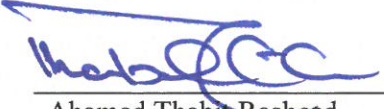
**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**(UNAUDITED)**  
*(SR '000)*

For the period ended 31 March 2022	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as at 1 January 2022</b>	500,000	46,717	(13,164)	376,200	909,753
Net income for the period	--	--	--	25,822	25,822
Other comprehensive income	--	--	35,251	--	35,251
<b>Balance as at 31 March 2022</b>	<b>500,000</b>	<b>46,717</b>	<b>22,087</b>	<b>402,022</b>	<b>970,826</b>

For the period ended 31 March 2021	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2021	500,000	37,461	(41,842)	292,899	788,518
Net income for the period	--	--	--	23,595	23,595
Other comprehensive income	--	--	4,960	--	4,960
Balance as at 31 March 2021	<b>500,000</b>	<b>37,461</b>	<b>(36,882)</b>	<b>316,494</b>	<b>817,073</b>

  
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Mashhor Al Masudi  
Chief Executive Officer

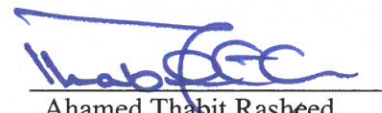
  
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Ahamed Thabit Rasheed  
Chief Financial Officer

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
(SR '000)

	<u>Notes</u>	<u>31 March 2022</u>	<u>31 March 2021</u>
<b>Cash flows from operating activities</b>			
Net income for the period before zakat		28,691	29,494
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Depreciation		265	210
Amortization		138	40
Allowance for expected credit losses, net	5.1	1,373	1,870
Provision for employees' EOSB		538	386
Financing charges		<u>12,482</u>	<u>11,422</u>
		<b>43,487</b>	<b>43,422</b>
<b>Net (increase) / decrease in operating assets</b>			
Net investment in finance leases		(383,277)	(97,504)
Prepayments		(35,599)	(30,829)
Other assets		<u>(18,121)</u>	<u>4,476</u>
		<b>(393,510)</b>	<b>(80,435)</b>
<b>Net increase / (decrease) in operating liabilities</b>			
Accounts payable		76,255	38,411
Due to related parties		320	329
Advance from customers		3,264	9,656
Accrued expenses and other liabilities (including SAMA deposit)		<u>(6,532)</u>	<u>(3,654)</u>
		<b>(320,203)</b>	<b>(35,693)</b>
Zakat paid		(645)	-
Employees EOSB paid		<u>(101)</u>	<u>(100)</u>
		<b>(320,949)</b>	<b>(35,793)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		-	(1,409)
		<u>-</u>	<u>(1,409)</u>
<b>Cash flows from financing activities</b>			
Draw down of long-term loan		445,000	165,000
Payments of long-term loan		(119,792)	(113,542)
Financial charges paid		(12,521)	(11,907)
Principal payment of lease liabilities		-	(274)
		<u>312,687</u>	<u>39,277</u>
Net change in cash and cash equivalents		(8,262)	2,075
Cash and cash equivalents at the beginning of the period		<u>15,630</u>	<u>7,554</u>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>7,368</u></b>	<b><u>9,629</u></b>
<b>Non-cash transactions</b>			
Cash flow hedge – net change in fair value		<u>35,251</u>	<u>4,960</u>

  
Mashhor Al Masudi  
Chief Executive Officer

  
Ahamed Thabit Rasheed  
Chief Financial Officer

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2022  
(SR '000)

**1. THE COMPANY AND NATURE OF OPERATIONS**

Saudi Fransi for Finance Leasing (“the Company”) is a Closed Joint Stock Company (“CJSC”) established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273 dated 24 Dhul Hijjah 1432H (corresponding to 21 November 2011).

As per the Saudi Central Bank (“SAMA”) directive, the Company obtained a license no. 201511/ ٣٨/ أش to practice finance activities.

The Company’s head office is located in Riyadh at the following address:

Saudi Fransi for Finance Leasing  
Prince Abdulaziz Ibn Musaid Ibn Jalawi Road  
P.O. Box 56006,  
Riyadh 11554  
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for assets.

**2. BASIS OF PREPARATION**

*a) Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 31 March 2022 have been prepared in accordance with the 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 Organisation for Chartered and Professional Accountants (“SOCPA”).

*b) Basis of measurement*

These interim condensed financial statements have been prepared on a going concern basis under the historical cost convention except for commission rate swaps and investment at fair value through other comprehensive income – equity instrument, which are measured at fair value. Further, employees’ EOSB are measured at present value of future obligations using the projected unit credit method.

The Company does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

*c) Functional and presentation currency*

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Company operates. These interim condensed financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Company’s functional and presentation currency. All financial information presented has been rounded-off to thousand unless otherwise stated.

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

*New standards, interpretations and amendments adopted by the Company*

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have a material impact on the interim condensed financial statements of the Company.



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2022  
(SR '000)

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)**

*New standards, interpretations and amendments adopted by the Company*

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The management has assessed that the amendments have no significant impact on the Company's interim condensed financial statements.

- Amendments to IAS 37 - 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.;
- Amendments to IAS 16 - 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.;
- Amendments to IFRS 3 - 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. ; and
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

The listing of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date are as follows. The Company intends to adopt these standards when they become effective.

<b>Standard/ Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2021.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2022  
(SR '000)

**5. NET INVESTMENT IN FINANCE LEASES**

<b>31 March 2022 (Unaudited)</b>			
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
Lease contract receivables	1,375,348	3,068,943	4,444,291
Unearned lease income	(212,386)	(470,070)	(682,456)
	1,162,962	2,598,873	3,761,835
<b>Allowance for expected credit losses</b>			
5.1	(23,335)	(50,336)	(73,671)
<b>Net investment in finance leases</b>	1,139,627	2,548,537	3,688,164

These leased assets carry profit rates ranging from 3% to 7% per annum (31 December 2021: 3% to 7%) and lease rentals are determined on the basis of implicit rate of profit based on the cash flows of the lease. The Company holds the title of the leased assets as a collateral against the finance leases.

<b>31 December 2021 (Audited)</b>			
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
Lease contract receivables	1,249,837	2,753,999	4,003,836
Unearned finance income	(195,982)	(429,296)	(625,278)
Net receivable from finance lease	1,053,855	2,324,703	3,378,558
<b>Allowance for expected credit losses</b>			
5.1	(22,838)	(49,460)	(72,298)
<b>Net investment in finance leases</b>	1,031,017	2,275,243	3,306,260

5.1 The movement in the allowance for expected credit losses is as follows:

	<b>For the period ended 31 March 2022 (Unaudited)</b>	<b>For the year ended 31 December 2021 Audited</b>
<b>Opening allowance for expected credit losses</b>	<b>72,298</b>	91,875
Charge / (reversal) for the period / year	<b>1,373</b>	(4,578)
Write off	-	(14,999)
<b>Closing allowance for expected credit losses (note 5.2)</b>	<b>73,671</b>	72,298

5.2 This includes management overlays of SR 4.78 million (31 December 2021: SR 4.78 million) as detailed in note 17 of these interim condensed financial statements.

**6. OTHER ASSETS**

	<b>31 March 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
VAT receivable, net	<b>62,920</b>	40,778
Dealers' receivable	<b>11,036</b>	16,211
Assets Held for Sale	<b>1,853</b>	2,920
Other receivables	6.1 <b>10,712</b>	8,491
	<b>86,521</b>	68,400

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2022  
(SR '000)

**6. OTHER ASSETS (CONTINUED)**

6.1 This includes amount pertaining to receivables from customers against fee receivables from customer care services equal to SR 3 million (31 December 2021: SR 2 million). As at 31 March 2022, the expected credit loss against these receivables are SR 1.5 million (31 December 2021: SR 1.5 million).

**7. DERIVATIVES**

<u>SR in 000'</u>	<u>Positive fair value of derivative</u>	<u>Negative fair value of derivative</u>	<u>Notional amount</u>			<u>Total</u>
			<u>Within 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	
<b>31 March 2022</b>	<b>24,345</b>	<b>(1,938)</b>	<b>119,792</b>	<b>359,375</b>	<b>1,046,875</b>	<b>1,526,042</b>
31 December 2021	4,034	(16,878)	119,792	359,375	1,166,667	1,645,834

The Company entered into commission rate swaps with its parent, BSF. The positive fair value of commission rate swaps is SAR 24.34 million (31 December 2021: SAR 4 million) and the negative fair value of commission rate swaps is SAR 1.9 million (31 December 2021: SAR 16.88 million). The fair value of commission rate swaps is calculated using discounted cash flow model using a risk-free discount rate adjusted for appropriate risk margin for counterparty risk including entity's own credit risk.

**8. RELATED PARTY TRANSACTIONS**

The related parties of the Company comprise BSF and its affiliated entities and certain key management personnel. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken in light of applicable rules and regulations. The Company in its ordinary course of business transacts with the following related parties. The terms of those billings and charges are on an agreed basis with these related parties:

<u>Name</u>	<u>Relationship</u>
Banque Saudi Fransi (BSF)	Parent
Sofinco Saudi Fransi (SSF)	Affiliate
Allianz Saudi Fransi (ASF)	Affiliate

In addition to the related party transactions and balances disclosed elsewhere in these interim condensed financial statements, significant transactions and balances arising from transactions with related parties are as follows:

**a) Transactions with related parties**

<u>Nature of transactions</u>	<u>Related parties</u>	<u>For the three-months period ended</u>	
		<u>31 March 2022</u>	<u>31 March 2021</u>
Lease rentals collected	SSF	-	119
IT maintenance and network related expenses	BSF	<b>330</b>	225
Financial charges on long-term loan and bank charges	BSF	<b>12,482</b>	11,422
Salaries and employee related expenses	BSF	-	538

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2022  
(SR '000)

**8. RELATED PARTY TRANSACTIONS (CONTINUED)**

**a) Transactions with related parties (continued)**

<u>Nature of transactions</u>	<u>Related parties</u>	<u>For the three-months period ended</u>	
		<u>31 March 2022</u>	<u>31 March 2021</u>
Insurance expense of leased assets	ASF	<u>160</u>	<u>4,946</u>
Draw down of long-term loan	BSF	<u>445,000</u>	<u>165,000</u>
Payments of long-term loan	BSF	<u>119,792</u>	<u>113,542</u>

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company; these expenses mainly included provision of rent-free premises, telephone expenses and electricity expenses.

**b) Due to related parties (excluding term loan):**

	<u>31 March 2022</u>	<u>31 December 2021</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Banque Saudi Fransi	<u>8,821</u>	<u>8,501</u>
Allianz Saudi Fransi	<u>2,237</u>	<u>2,237</u>
	<u>11,058</u>	<u>10,738</u>

**c) Other balances with a related party:**

<u>Nature of balances</u>	<u>Related party</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and Cash equivalents	Banque Saudi Fransi	<u>7,368</u>	<u>15,630</u>
Long-term loan	Banque Saudi Fransi	<u>2,403,865</u>	<u>2,078,696</u>

d) The Company considers Chief Executive Officer and Chief Financial Officer as key management personnel. The compensation of the key management personnel are listed below:

	<u>For the three-months period ended</u>	
	<u>31 March 2022</u>	<u>31 March 2021</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries	<u>412</u>	<u>364</u>
End of service benefits	<u>17</u>	<u>15</u>
Other allowances	<u>-</u>	<u>-</u>
	<u>429</u>	<u>379</u>

e) As at 31 March 2022, the Company had 1 lease contract (31 December 2021: 1 lease contract) with Banque Saudi Fransi with an aggregate outstanding principal amounting to SAR 0.011 million (31 December 2021: SAR 0.014 million).

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2022  
(SR '000)

**9. LONG TERM LOAN**

The Company has a shariah compliant loan facility “Al Tawarruq” with a limit of SAR 2.6 billion from its parent Banque Saudi Fransi (“BSF”).

The outstanding / utilized amounts from the above facility are as follows:

	<b>31 March 2022 (Unaudited)</b>	31 December 2021 (Audited)
Current portion	<b>481,990</b>	482,029
Non-current portion	<b>1,921,875</b>	1,596,667
	<b><u>2,403,865</u></b>	<u>2,078,696</u>

The long-term loans carry special commission rate equal to SIBOR plus bank margins payable on quarterly basis. The management have provided BSF with promissory notes against this facility.

**10. ACCOUNTS PAYABLE**

	<b>31 March 2022 (Unaudited)</b>	31 December 2021 (Audited)
Third party insurance collected	<b>4,875</b>	5,558
Dealers payable	<b>315,739</b>	256,104
Commission payable	<b>6,110</b>	5,990
Insurance payable	<b>40,256</b>	22,568
Customer verification expense payable	<b>1,989</b>	3,215
Government fee payable	<b>946</b>	845
Others	<b>1,047</b>	427
	<b><u>370,962</u></b>	<u>294,707</u>

**11. ZAKAT**

The movement in the provision for zakat is as follows:

	<b>31 March 2022 (Unaudited)</b>	31 December 2021 (Audited)
Opening balance	<b>26,380</b>	23,573
Charge for the period / year:		
- Current	<b>2,869</b>	22,038
- Prior years	<b>-</b>	1,934
Charge for the period / year	<b>2,869</b>	23,972
Payment during the period / year	<b>(645)</b>	(21,165)
Closing balance	<b><u>28,604</u></b>	<u>26,380</u>

**Status of assessments**

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2021 with the Zakat, Tax, and Customs Authority (“ZATCA”).

During the period ended 31 March 2022, there has been no significant development in the status of the Company’s zakat and income tax assessments from the status disclosed in the annual audited financial statements of the Company for the year ended 31 December 2021.

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**12. FEE INCOME AND EXPENSES**

<i>Fee income</i>	<b>For the three-months period ended 31 March (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
Insurance income	27,245	46,313
Processing fee	7,080	3,664
Other operating income	503	847
	<b>34,828</b>	<b>50,824</b>
<i>Fee expenses</i>		
Insurance expenses	(16,421)	(28,606)
Commission	(5,185)	(3,079)
Registration fee	(261)	(1,173)
Verification expenses	(662)	(618)
	<b>(22,529)</b>	<b>(33,476)</b>

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost except for derivative financial instruments and investment at fair value through other comprehensive income which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases.

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

<b>31 March 2022 (Unaudited)</b>	<b>Carrying Value</b>	<b>-----Fair Value-----</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b><u>Financial assets:</u></b>					
<b><u>Financial Assets not measured at Fair Value</u></b>					
Net investments in finance leases	3,688,164	--	--	4,070,993	4,070,993
<b><u>Financial Assets measured at Fair Value</u></b>					
Positive fair value of derivative	24,345	--	24,345	--	24,345
Investments at FVOCI	893	--	--	893	893
<b><u>Financial liabilities:</u></b>					
<b><u>Financial Liabilities measured at Fair Value</u></b>					
Negative fair value of derivative	1,938	--	1,938	--	1,938

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**13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**

31 December 2021 (Audited)	-----Fair Value-----				
	Carrying Value	Level 1	Level 2	Level 3	Total
<b><u>Financial assets:</u></b>					
<b><u>Financial Assets not measured at Fair Value</u></b>					
Net investments in finance leases	3,306,260	--	--	3,717,071	3,717,071
<b><u>Financial Assets measured at Fair Value</u></b>					
Positive fair value of derivative	4,034	--	4,034	--	4,034
Investments at FVOCI	893	--	--	893	893
<b><u>Financial liabilities:</u></b>					
Negative fair value of derivative	16,878	--	16,878	--	16,878

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the credit adjusted market rates. The rates are determined based on the risk profile of lease receivables and current commission rates.

Fair value of long-term loan is not significantly different from the carrying values included in the financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates.

Fair value of financial assets held at fair value through other comprehensive income – equity instruments is not significantly different from the carrying values included in the financial statements.

There had been no inter-level transfers during the period.

**14. GEOGRAPHICAL CONCENTRATION**

The Company's operations are restricted to the Kingdom of Saudi Arabia only.

**15. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess their performance.

A segment is a distinguishable component that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

<b><u>31 March 2022 (Unaudited)</u></b>	<b>Amount in SAR '000</b>		
	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
<b>Total assets</b>	<b>3,770,467</b>	<b>140,130</b>	<b>3,910,597</b>
<b>Total liabilities</b>	<b>2,934,539</b>	<b>5,232</b>	<b>2,939,771</b>
<b>Allowance for expected credit losses</b>	<b>67,776</b>	<b>5,895</b>	<b>73,671</b>
<b>Total revenue</b>	<b>46,592</b>	<b>5,633</b>	<b>52,225</b>
<b>Total operating expenses</b>	<b>24,379</b>	<b>3,602</b>	<b>27,981</b>
<b>Net income for the period before zakat</b>	<b>26,660</b>	<b>2,031</b>	<b>28,691</b>

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**15. SEGMENT REPORTING (CONTINUED)**

<u>31 December 2021 (Audited)</u>	Amount in SAR '000		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
Total assets	3,347,751	115,576	3,463,327
Total liabilities	2,549,735	3,839	2,553,574
Impairment allowance for credit losses	68,341	3,957	72,298
<u>31 March 2021 (Unaudited)</u>			
Total revenue	50,701	543	51,244
Total operating expenses	22,902	195	23,097
Net income for the period before zakat	28,418	1,076	29,494

**16. COMMITMENTS**

The Company has finance lease contracts approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SR 38 million (31 December 2021: SR 70.91 million).

As at 31 March 2022, the Company has an outstanding guarantee of SR 30.2 million (31 December 2021: SR 30.2 million) submitted in favour of Abdul Latif Jameel Retail Company Limited against purchases of vehicle for onward leasing to customers.

**17. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS**

During 2020 and 2021, the Coronavirus (“COVID-19”) pandemic disrupted global markets as many geographies are experiencing issues due to identification of multiple new variants of this infection. Significant improvement have been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Company continues to evaluate the current situation through close review of exposures at a granular level, in addition to other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. The Company has therefore continued to maintain overlays of SR 4.78 million as at 31 March 2022. These have been based on a sector-based analysis performed by the Company depending on the impacted portfolios.

***SAMA support programs and initiatives***

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;



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**17. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (CONTINUED)**

*SAMA support programs and initiatives (continued)*

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

<b>Support Programs</b>	<b>Instalment deferred (SAR' million)</b>	<b>Modification loss (SAR' million)</b>
April 2020 – September 2020	14.6	3.1
October 2020 – December 2020	7	1
January 2021 – March 2021	10.3	1.5
April 2021 – June 2021	8	1.5

Since the inception of the deferred payments program by SAMA and by the end of March 31, 2022, the Company has recognised SAR 7.1 million of related modification losses of which SAR 5 million have been unwound.

In order to compensate the related cost that the Company has incurred under the SAMA and other public authorities program, during the years 2021 and 2020, the Company has received multiple profit free deposits from SAMA amounting to SAR 18.5 million with varying maturities, which qualify as government grants. Further, during the three months period ended March 31, 2022, the Company has received profit free deposits amounting to SAR 0.073 million.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. Total income recognised in year 2020 and 2021 amounts to SAR 0.37 million.

The net impact on the statement of income of the grant income, restructuring impact of financings and borrowings is as follows:

	<b>For three-month period ended 31 March (Unaudited)</b>	
	SAR in millions	
	<b>2022</b>	<b>2021</b>
Modification loss on financing	-	3
Modification gain on restructuring of long term loans	<b>0.8</b>	3
Grant income	-	0.02
	<b>0.8</b>	<b>0.02</b>

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**18. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)**

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk Free Rate (“RFR”).

The Company’s derivative positions are managed by the Parent, which is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. As of 31 March 2022 the Company does not hold any significant instruments or other arrangements that are expected to be impacted by IBOR reforms.

**19. SUBSEQUENT EVENT**

There have been no events subsequent to the reporting date that would require adjustment nor disclosure to the interim condensed financial statements as at and for the three-months period ended 31 March 2022.

**20. BOARD OF DIRECTOR’ APPROVAL**

The financial statements have been approved by the Board of Directors on 18 Shawwal 1443H (corresponding to 19 May 2022).