

**SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)**

**Interim condensed financial statements
For the period ended 31 March 2024
together with the
Report on review of interim condensed financial statements**

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2024

INDEX	PAGE
Report on review of interim condensed financial statements	1
Interim condensed statement of financial position	3
Interim condensed statement of income	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in shareholder's equity	6
Interim condensed statement of cash flows	7-8
Notes to the interim condensed financial statements	9-18

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE 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 at 31 March 2024, and the related interim condensed statements of income, comprehensive income, changes in shareholder's equity and cash flows for the three-month period then ended, and explanatory notes. 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 statement 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The interim condensed financial statements of the Company for the three months period ended 31 March 2023 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 14 Shawwal 1444H (corresponding to 4 May 2023).

for Ernst & Young Professional Services


Rashid S. Roshod
Certified Public Accountant
License No. (366)



Riyadh: 26 Shawwal 1445H
05 May 2024

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(SAR '000)

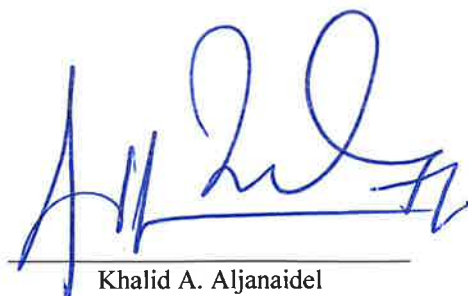
	<u>Notes</u>	<u>31 March</u> <u>2024</u> <i>(Unaudited)</i>	<u>31 December</u> <u>2023</u> <i>(Audited)</i>
ASSETS			
Cash and cash equivalents		38,921	38,018
Net investment in finance leases	5	3,942,525	3,922,906
Personal financing, net	6	341,938	231,856
Positive fair value of derivatives	9	36,086	28,606
Prepayments		111,293	105,764
Other assets	7	175,029	160,886
Investments at fair value through other comprehensive income (FVOCI)	8	893	893
Intangible assets		3,767	4,253
Property, equipment and right of use assets		3,232	3,522
Total assets		<u>4,653,684</u>	<u>4,496,704</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Liabilities			
Accounts payable	12	849,927	580,397
Advance from customers		85,594	68,091
Due to related party	10.b	1,939	1,074
Negative fair value of derivatives	9	-	2,326
Provision, accrued expenses and other liabilities	13	38,611	33,609
Provision for zakat	14	5,974	5,893
Long-term Tawarruq Financing	11	2,612,255	2,757,102
Employees' end of service benefits		13,051	12,393
Total liabilities		<u>3,607,351</u>	<u>3,460,885</u>
Shareholder's equity			
Share capital	15	500,000	500,000
Statutory reserve		55,448	55,448
Other reserve		35,392	25,586
Retained earnings		455,493	454,785
Total shareholder's equity		<u>1,046,333</u>	<u>1,035,819</u>
Total shareholder's equity and liabilities		<u>4,653,684</u>	<u>4,496,704</u>



Mohammed Al Shaeikh
Chairman



Haitham Aljarbooa
Chief Executive Officer



Khalid A. Aljanaidel
Chief Financial Officer

The accompanying notes (1) through (21) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
(SAR '000)


	<i>Notes</i>	For the three-months period ended	
		31 March 2024	31 March 2023
Lease finance income		60,853	46,763
Fees income	16	9,503	12,443
Fees expenses	16	(8,170)	(9,238)
Fees income, net		1,333	3,205
Total operating income		62,186	49,968
Salaries and employee-related expenses		(20,237)	(12,363)
Depreciation		(340)	(237)
Amortization		(485)	(134)
Other general and administration expenses		(8,681)	(6,449)
Financial charges		(32,413)	(30,301)
Charge of expected credit losses, net	5.1.1	(12,389)	(1,991)
Total operating expenses		(74,545)	(51,475)
Net Operating loss		(12,359)	(1,507)
Gain on disposal of net investment in finance lease	5.1.3	14,930	-
Provision for financial guarantee on lease receivables sold	5.1.3	(4,939)	-
Other income		3,157	3,927
		13,148	3,927
Net income for the period before zakat		789	2,420
Zakat and income tax	14	(81)	(242)
Net income for the period		708	2,178



Mohammed Al Shaeikh
Chairman



Haitham Aljarbooa
Chief Executive Officer



Khalid A. Aljanaidel
Chief Financial Officer

The accompanying notes (1) through (21) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(SAR '000)

	<u>Notes</u>	<u>For the three-months period ended</u>	
		<u>31 March 2024</u>	<u>31 March 2023</u>
Net income for the period		708	2,178
<u>Other comprehensive income:</u>			
<i>Items that will be reclassified to statement of income in subsequent periods:</i>			
Cash flow hedges:			
- Effective portion of net change in fair value	8	9,806	(8,999)
Total comprehensive income / (loss) for the period		10,514	(6,821)



Mohammed Al Shaeikh
Chairman



Haitham Aljarbooa
Chief Executive Officer



Khalid A. Aljanaidel
Chief Financial Officer

The accompanying notes (1) through (21) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S
EQUITY (UNAUDITED)
(SAR '000)

For the three-months period ended
31 March 2024

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2024	500,000	55,448	25,586	454,785	1,035,819
Net income for the period	-	-	-	708	708
Other comprehensive income	-	-	9,806	-	9,806
Total comprehensive income	-	-	9,806	708	10,514
Balance as at 31 March 2024	<u>500,000</u>	<u>55,448</u>	<u>35,392</u>	<u>455,493</u>	<u>1,046,333</u>

For the three-months period ended
31 March 2023

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2023	500,000	53,710	43,770	439,142	1,036,622
Net income for the period	-	-	-	2,178	2,178
Other comprehensive loss	-	-	(8,999)	-	(8,999)
Total comprehensive loss	-	-	(8,999)	2,178	(6,821)
Balance as at 31 March 2023	<u>500,000</u>	<u>53,710</u>	<u>34,771</u>	<u>441,320</u>	<u>1,029,801</u>



Mohammed Al Shaeikh
Chairman



Haitham Aljarbooa
Chief Executive Officer



Khalid A. Aljanaidel
Chief Financial Officer

The accompanying notes (1) through (21) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(SAR '000)

	<u>Notes</u>	For the year three months ended 31 March 2024	For the year three months ended 31 March 2023
Cash flows from operating activities			
Net income for the year before zakat and income tax		789	2,420
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Depreciation		340	237
Amortization		485	134
Gain/Loss on disposal of net investment in finance lease		(14,930)	-
Provision for financial guarantee on lease receivables sold	5.1.3	4,939	-
Charge for expected credit losses, net	5.1.1	12,389	1,991
Employees' end of service benefits		658	604
Financial charges		<u>32,413</u>	<u>30,301</u>
Operating income before changes in operating assets and liabilities		37,083	35,687
Net increase in operating assets			
Net investment in finance leases		(934,487)	(33,525)
Personal financing		(119,004)	(16,708)
Prepayments		(5,529)	(13,500)
Other assets		<u>(14,143)</u>	<u>(28,473)</u>
		(1,073,163)	(92,206)
Net decrease / (increase) in operating liabilities			
Accounts payable		333,974	(19,025)
Due to related parties		865	109,713
Advance from customers		17,502	6,061
Accrued expenses and other liabilities		<u>5,003</u>	<u>(12,039)</u>
Cash used in operations		357,344	84,710
Zakat and income tax paid	14	-	-
Employees' end of service benefits paid net of transfers in		-	(335)
Net cash used in operating activities		<u>(678,736)</u>	<u>27,856</u>
Cash flows from investing activities			
Purchase of intangibles		-	56
Purchase of property and equipment		<u>(50)</u>	<u>-</u>
Net cash generated from investing activities		<u>(50)</u>	<u>56</u>
Cash flows from financing activities			
Drawdown of long-term loan	11	500,000	-
Payments of long-term loan	11	(643,542)	(331,146)
SAMA deposit received		-	(74)
Financial charges paid		(33,718)	(30,301)
Proceeds from the sale of net investment in finance lease		<u>856,949</u>	<u>-</u>
Net cash generated from in financing activities		<u>679,689</u>	<u>(361,521)</u>
Net increase in cash and cash equivalents		903	(333,609)
Cash and cash equivalents at the beginning of the period		<u>38,018</u>	<u>477,570</u>
Cash and cash equivalents at the end of the period		<u>38,921</u>	<u>143,961</u>

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

STATEMENT OF CASH FLOWS (continued)
(SAR '000)

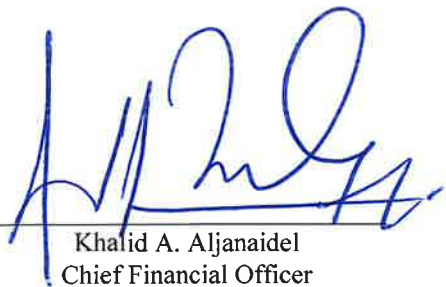
	<u>Notes</u>	For the year three months ended 31 March 2024	For the year three months ended 31 March 2023
Supplemental non-cash information:			
Net change in the fair value of cash flow hedges and transfer to the statement of income	9	<u>9,806</u>	<u>(8,999)</u>



Mohammed Al Shaeikh
Chairman



Haitham Aljarbooa
Chief Executive Officer



Khalid A. Aljanaidel
Chief Financial Officer

The accompanying notes (1) through (21) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY (A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-months period ended 31 March 2024
(SAR '000)

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi Fransi for Finance Leasing Company ("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/ 38/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 and personal financing.

2. BASIS OF PREPARATION

a) Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 30 September 2023 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") and in compliance with the provisions of the regulations for companies in the Kingdom of Saudi Arabia and by-laws of the company.

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 interim condensed 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.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

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

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 2024, but do not have a material impact on the interim condensed financial statements of the Company.

(i) 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, 2024. The management has assessed that the amendments have no significant impact on the Company's interim condensed financial statements.

Standard, interpretation, amendments	Description	Effective Date
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	January 01, 2024
Amendments 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.	January 01, 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.	January 01, 2024

(ii) New standards or amendments issued but are not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after January 1, 2025. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 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.	January 01, 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

4. MATERIAL ACCOUNTING POLICIES INFORMATION

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2023.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

5 NET INVESTMENT IN FINANCE LEASES

	Note	31 March 2024 (Unaudited)		Total
		Not later than one year	Later than one year and less than five years	
Lease contract receivables		1,276,833	3,630,917	4,907,750
Unearned finance income		(237,742)	(667,405)	(905,147)
Net receivable from finance lease		<u>1,039,091</u>	<u>2,963,512</u>	<u>4,002,603</u>
Provision for expected credit losses	5.1.2			(60,078)
Net investment in finance leases				<u>3,942,525</u>

	Note	31 December 2023 (Audited)		Total
		Not later than one year	Later than one year and less than five years	
Lease contract receivables		1,408,893	3,473,595	4,882,488
Unearned finance income		(264,461)	(636,281)	(900,742)
Net receivable from finance lease		<u>1,144,432</u>	<u>2,837,314</u>	<u>3,981,746</u>
Provision for expected credit losses	5.1.2			(58,840)
Net investment in finance leases				<u>3,922,906</u>

These leased assets carry profit rates ranging from 3% to 9.99% per annum (31 December 2023: 3% to 9.99%) 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.

5.1.1 Charge of impact on expected credit losses, net

	For the period ended 31 March 2024	For the year ended 31 December 2023
Charge for the period for Investment in finance lease	3,466	7,897
Charge for the period for Investment in Personal finance	8,923	8,356
	<u>12,389</u>	<u>16,253</u>

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

	For the period ended 31 March 2024	For the year ended 31 December 2023
Balance as at 1 January	58,840	63,028
Charge for the period/year (5.1.1)	3,466	7,897
Write off for the period/year	(2,228)	(12,085)
Balance as at 31 December	<u>60,078</u>	<u>58,840</u>

5.1.3 During the period, the Company sold finance lease receivables amounting to SR 1,060 million (December 31, 2023: SR 1,327 million) including principal value of SR 824 million (December 31, 2023: SR 1,046 million) to local commercial bank "Banque Saudi Fransi" or "BSF", Parent for SR 921 million (December 31, 2023: SR 1,178 million) in pursuant to a portfolio sale agreement with BSF, where the Company retained maximum 0.5% of the risk of transferred portfolio. As per the assessment performed by the management significant risk and rewards related to the sold finance lease receivables have been transferred to BSF and these finance lease receivables have been derecognised from the statement of financial position. Gain on disposal of finance lease receivable amounting to SAR 14.9 million (March 31, 2023: Nil). The amount received of SAR 857 million (December 31, 2023: SR 1,095 million) on assignment of finance lease receivables has been recognised as sale proceeds in the Statement of Financial Position.

Pursuant to the terms of the transfer agreement, the Company is not allowed to repledge those receivable, and the financial institution has recourse only to the receivables in the event the Company defaults its obligation.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

6 PERSONAL FINANCING

		31 March 2024 (Unaudited)		
		Not later than one year	Later than one year and less than five years	Total
	<i>Note</i>			
Contract receivables		132,128	329,812	461,940
Unearned income		(29,377)	(73,331)	(102,708)
		<u>102,751</u>	<u>256,481</u>	<u>359,232</u>
Provision for expected credit losses	5.2.1			(17,294)
Personal financing				<u>341,938</u>
		31 December 2023 (Audited)		
		Not later than one year	Later than one year and less than five years	Total
	<i>Note</i>			
Contract receivables		78,314	238,540	316,854
Unearned income		(18,939)	(57,688)	(76,627)
		<u>59,375</u>	<u>180,852</u>	<u>240,227</u>
Provision for expected credit losses	5.2.1			(8,371)
Personal financing				<u>231,856</u>

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

	For the period ended 31 March 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Balance as at 1 January	8,371	15
Provision for the period/year	8,923	8,356
Balance as at	<u>17,294</u>	<u>8,371</u>

7. OTHER ASSETS

		31 March 2024 (Unaudited)	31 December 2023 (Audited)
	<i>Note</i>		
VAT receivable, net		117,924	81,876
Other receivables	7.1	40,711	30,904
Dealers' receivable		13,732	15,743
Insurance receivable		1,919	31,045
Assets held for sale		743	1,318
		<u>175,029</u>	<u>160,886</u>

7.1 This account is mainly related to insurance receivables amounting to SAR 15.8 million (31 December 2023: SAR 10.6 million), receivable against interest rate swap amounting to SAR 7.1 million (31 December 2023: SAR 8.3 million) and receivables from customers against fee receivables from customer care services amounting to SAR 4.7 million (31 December 2023: 4.9 million) net of expected credit loss amounting to SAR 1.1 million (31 December 2023: SAR 1.1 million).

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

8. INVESTMENT AT FVOCI

Pursuant to Article 18/1 of the financial leasing law, Saudi Financial Lease Contract Registry Company (SIJIL) was established on 3/2/1439, corresponding to 23 October 2017, under CR No. 1010612415, and SAMA approval no. 381000124076 dated 23/12/1438, corresponding to 14 September 2017.

This Company has been set up by SAMA as a means to further regulate the market and facilitate transfer of leases between suppliers of finance and counterparties. SIJIL has 700,000 shares of SR 10 each. These 700,000 shares have been divided between finance lease companies registered and operating in Saudi Arabia. The Company purchased 89,285 shares at SR 10 each, amounting to SR 892,850.

As at the date of these financial statements, the carrying value of this investment is not materially different to its fair value.

9. DERIVATIVE

<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>	
31 March 2024 <i>(Unaudited)</i>	<u>36,086</u>	<u>-</u>	<u>201,042</u>	<u>531,250</u>	<u>1,374,166</u>	<u>2,106,458</u>
31 December 2023 <i>(Audited)</i>	<u>28,606</u>	<u>(2,326)</u>	<u>176,042</u>	<u>528,125</u>	<u>1,278,333</u>	<u>1,982,500</u>

The Company entered into a commission rate swap with its parent, Banque Saudi Fransi (BSF), the Company is exposed to variability in future commission cash flows on long term borrowings which bear commission at a variable rate. The company uses commission rate swaps as cash flow hedges of these commission rate risks. As at 31 March 2024, there was no ineffective portion between hedge item (borrowing) and the hedge instrument (IRS). The positive fair value of commission rate swaps as on 31 March 2024 is SAR 36 million (31 December 2023: SAR 28.60 million) and the negative fair value of commission rate swaps is SAR Nil (31 December 2023: SAR 2.3 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 the entity's own credit risk.

10. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of 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

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

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Transactions with related parties

<u>Nature of transactions</u>	<u>Related parties</u>	For three-months period ended 31 March 2024 (Unaudited)	For three-months period ended 31 March 2023 (Unaudited)
IT maintenance and network related expenses	BSF	(1,082)	(1,082)
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	(32,413)	(30,301)
Draw down of long-term loan	BSF	500,000	-
Payments of long-term loan	BSF	(643,542)	(331,146)
Profit Paid – Borrowing	BSF	(43,667)	(120,205)
Guarantee Issued	BSF	30,200	30,200
Proceeds from Sold Portfolio	BSF	856,949	-
Provision against Partial Recourse	BSF	15,068	-
Derivative Cashflow Hedge	BSF	2,106,458	2,453,125

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.

The above transactions mainly resulted in the following balances:

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

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Banque Saudi Fransi	1,939	1,074

c) Other balances with a related party:

<u>Nature of balances</u>	<u>Related party</u>	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Cash and Cash equivalents	Banque Saudi Fransi	38,921	38,018
Long-term Tawarruq Financing	Banque Saudi Fransi	2,588,958	2,757,102

d) The company considers chief executive officer, chief financial officer, chief risk officer, chief business development officer, chief sales officer, chief information technology officer and chief governance and legal officer as key management personnel. The compensation of the key management personnel is listed below:

	For three months period ended 31 March 2024 (Unaudited)	For three months period ended 31 March 2023 (Unaudited)
Salaries	1,675	1,447
End of service benefits	66	33
	1,741	1,480

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

11. LONG -TERM TAWARRUQ FINANCING

The Company has a shariah-compliant facility "Al Tawarruq" with a limit of SAR 2,600 million from its parent company Banque Saudi Fransi ("BSF"). There was an additional one-time special approval of SAR 200 million from BSF.

As at 31 December, the outstanding / utilized amounts from the above facility which are as follows:

	31 March 2024 <i>(Unaudited)</i>	31 December 2023 <i>(Audited)</i>
Current portion	755,588	728,769
Non-current portion	<u>1,856,667</u>	<u>2,028,333</u>
	<u>2,612,255</u>	<u>2,757,102</u>

The long-term loans carry profit rate equal to SIBOR plus 0.5% per annum payable on maturity. The management have provided BSF with promissory notes against this facility.

The movement in borrowings for the period was as follows:

	31 March 2024 <i>(Unaudited)</i>	31 December 2023 <i>(Audited)</i>
Balance at beginning of the period / year	2,757,102	2,884,722
Borrowings during the period / year	500,000	750,000
Principal repayments during the period / year	(643,542)	(887,300)
Profit accrued during the period / year	42,362	151,111
Profit repayments during the period / year	(43,667)	(141,431)
Balance at end of the period / year	<u>2,612,255</u>	<u>2,757,102</u>

12. ACCOUNTS PAYABLE

	31 March 2024 <i>(Unaudited)</i>	31 December 2023 <i>(Audited)</i>
Dealers payable	499,416	402,823
Insurance payable	228,019	145,272
Payable sold portfolio	81,982	-
Commission payable	13,884	11,599
Third-party insurance collected	9,447	9,107
Government fee payable	1,791	1,478
Customer verification expense payable	9,238	4,682
Others	6,150	5,436
	<u>849,927</u>	<u>580,397</u>

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2024 <i>(Unaudited)</i>	31 December 2023 <i>(Audited)</i>
Payable to service providers	15,593	11,735
Financial Guarantee	15,068	10,129
Salaries and employee related expenses	5,311	10,317
Lease Liability	784	775
Legal and professional charges	617	561
Others	1,238	92
	<u>38,611</u>	<u>33,609</u>

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

14. ZAKAT

The movement in the provision for zakat is as follows:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Opening zakat and tax	5,893	11,670
Charge for the period:		
- Current	81	2,146
- Prior years	-	1,285
Charge for the period	81	3,431
Payment during the period	-	(9,208)
Closing zakat and tax	<u>5,974</u>	<u>5,893</u>

Status of assessments

The Company has submitted its zakat returns for the years ended 31 December 2012 to 2022 with the Zakat, Tax and Customs Authority ("ZATCA").

During the period, zakat assessment is made on a consolidated basis and to be paid by BSF on behalf of the Company. The charge for the Company was billed by BSF at the end of the year. No assessments have been raised by ZATCA for the year 2022.

During the period ended 31 March 2024, there has been no significant development in the status of the Company's zakat and income tax assessments for the status disclosed in the annual audited financial statement of the Company for the year ended 31 December 2023.

15. SHARE CAPITAL

The authorised, issued and paid-up share capital of the Company is SAR 500 million (31 December 2023: SAR 500 million) divided into 50 million (31 December 2023: 50 million) shares of SAR 10 (31 December 2023: SAR 10) each and 100% owned by BSF.

16. FEE INCOME AND EXPENSES

	For the three months period ended 31 March 2024	For the three months period ended 31 March 2023
Fee income		
Insurance income	7,280	6,748
Processing fee	736	3,985
Other operating income	1,487	1,710
	<u>9,503</u>	<u>12,443</u>
Fee expenses		
Insurance expenses	(3,582)	(5,191)
Commission	(789)	(2,933)
Registration fee	(13)	(154)
Verification expenses	(3,786)	(960)
	<u>(8,170)</u>	<u>(9,238)</u>

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

17. 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).

Level 3: 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 equity instruments 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.

31 March 2024 (Unaudited)	-----Fair Value-----				Total
	Carrying Value	Level 1	Level 2	Level 3	
<u>Financial assets:</u>					
Net receivable from finance lease	4,002,603	-	-	4,302,857	4,302,857
Net receivable from Personal finance	359,232	-	-	352,748	352,748
Investment (FVOCI)	893	-	-	893	893
Other Assets	175,029	-	-	175,029	175,029
Positive fair value of derivative	36,086	-	36,086	-	36,086
<u>Financial liabilities:</u>					
Long Term Tawarruq Financing	2,612,255	-	-	2,612,255	2,612,255
Due to Related Party	1,939	-	-	1,939	1,939

31 December 2023 (Audited)	-----Fair Value-----				Total
	Carrying Value	Level 1	Level 2	Level 3	
<u>Financial assets:</u>					
Net receivable from finance lease	3,981,746	-	-	4,340,066	4,340,066
Net receivable from Personal finance	240,227	-	-	243,013	243,013
Investment (FVOCI)	893	-	-	893	893
Other Assets	68,380	-	-	68,380	68,380
Positive fair value of derivative	28,606	-	28,606	-	28,606
<u>Financial liabilities:</u>					
Negative fair value of derivative	2,326	-	2,326	-	2,326
Long Term Tawarruq Financing	2,757,102	-	-	2,757,102	2,757,102
Due to Related Party	1,074	-	-	1,074	1,074

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-months period ended 31 March 2024
(SAR '000)

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

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.

18. GEOGRAPHICAL CONCENTRATION

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

19. 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 SAR 54.44 million (31 December 2023: SR 40.02 million).

As at 31 March 2024, the Company has an outstanding guarantee of SR 30.2 million (31 December 2023: SR 30.2 million) submitted in favour of Abdul Latif Jameel Retail Company Limited against purchases of vehicle for onward leasing to customers.

20. SUBSEQUENT EVENTS

There have been no subsequent events to the reporting date that would require adjustment or disclosure to the interim condensed financial statement as at and for the period ended 31 March 2024.

21. BOARD OF DIRECTORS' APPROVAL

The financial statements have been approved by the Board of Directors on **3rd May 2024** (corresponding to 24th Shawwal, 1445 AH).