

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**Interim condensed financial statements**  
**For the period ended 30 September 2021**  
together with the  
**Independent auditor's review report**

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
As at 30 September 2021

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's review report	2
Interim condensed statement of financial position	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7-17



## KPMG Professional Services

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P. O. Box 92876  
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Headquarter

Commercial Registration No 1010425494

## كي بي إم جي للاستشارات المهنية

وأجهزة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# Independent auditor's review report on the interim condensed financial statements

To the shareholder of Saudi Fransi for Finance Leasing

## Introduction

We have reviewed the accompanying 30 September 2021 interim condensed financial statements of **Saudi Fransi for Finance Leasing** ("the Company"), which comprises:

- the interim condensed statement of financial position as at 30 September 2021;
- the interim condensed statement of comprehensive income for the three months and nine months periods ended 30 September 2021;
- the interim condensed statement of changes in equity for the nine months period ended 30 September 2021;
- the interim condensed statement of cash flows for the nine months period ended 30 September 2021; and
- the notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the 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 the International Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 interim condensed financial statements of **Saudi Fransi for Finance Leasing** are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services

**Dr. Abdullah Hamad Al Fozan**  
License no: 348

Riyadh: 22 Rabi Al-Awwal 1443H  
Corresponding to: 28 October 2021



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون"، و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 30 September 2021  
(SAR '000)

	<i>Note</i>	<b>30 September 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		3,727	7,554
Net investment in finance leases	5	3,015,072	2,507,492
Prepayments		93,021	70,581
Other assets	6	46,971	16,401
Investment at FVOCI		893	893
Property, equipment and right of use assets		3,919	2,912
Intangible assets		1,201	248
<b>Total assets</b>		<b><u>3,164,804</u></b>	<b><u>2,606,081</u></b>
<b><u>SHAREHOLDER'S EQUITY AND LIABILITIES</u></b>			
<b>Liabilities</b>			
Long-term loan	9	1,847,876	1,529,245
SAMA deposit, net	17	16,042	10,119
Accounts payable	10	237,276	80,627
Advance from customers		81,284	75,126
Due to related parties	8.b	31,951	30,951
Negative fair value of derivatives	7	27,478	42,347
Accrued expenses and other liabilities		14,031	18,693
Employees' end of service benefits		7,746	6,882
Provision for zakat and income tax	11	23,307	23,573
<b>Total liabilities</b>		<b><u>2,286,991</u></b>	<b><u>1,817,563</u></b>
<b>Shareholder's equity</b>			
Share capital		500,000	500,000
Statutory reserve		37,461	37,461
Other reserves		(26,973)	(41,842)
Retained earnings		367,325	292,899
<b>Total shareholder's equity</b>		<b><u>877,813</u></b>	<b><u>788,518</u></b>
<b>Total shareholder's equity and liabilities</b>		<b><u>3,164,804</u></b>	<b><u>2,606,081</u></b>

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)**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

	<i>Note</i>	<b>For the three-months period ended 30 September</b>		<b>For the nine-months period ended 30 September</b>	
		<b>2021</b>	2020	<b>2021</b>	2020
<b>Revenue</b>					
Lease finance income		<b>36,793</b>	33,200	<b>106,720</b>	96,556
Fees income	12	<b>42,073</b>	53,207	<b>138,904</b>	151,245
		<b>78,866</b>	86,407	<b>245,624</b>	247,801
<b>Operating expenses</b>					
Fees expenses	12	<b>32,407</b>	34,940	<b>98,368</b>	104,180
Salaries and employee related expenses		<b>9,160</b>	8,544	<b>24,716</b>	22,947
Depreciation		<b>237</b>	178	<b>682</b>	341
Amortization		<b>90</b>	69	<b>159</b>	190
General and administration expenses		<b>1,880</b>	1,624	<b>5,614</b>	4,471
Financial charges		<b>11,546</b>	11,833	<b>34,177</b>	37,456
(Reversal) / charge for expected credit losses	5.1	<b>1,892</b>	(6,360)	<b>(5,020)</b>	772
<b>Total operating expenses</b>		<b>57,212</b>	50,828	<b>158,696</b>	170,357
<b>Net operating income</b>		<b>21,654</b>	35,579	<b>86,928</b>	77,444
Other income		<b>2,549</b>	1,113	<b>5,432</b>	3,256
<b>Net income for the period before zakat and income tax</b>		<b>24,203</b>	36,692	<b>92,360</b>	80,700
Zakat and income tax	11	<b>(7,155)</b>	(7,424)	<b>(17,934)</b>	(23,525)
<b>Net income for the period</b>		<b>17,048</b>	29,268	<b>74,426</b>	57,175
<b>Other comprehensive income / (loss) for the period</b>					
<i>Items that may be reclassified to statement of income in subsequent periods:</i>					
Cash flow hedges – net change in fair value		<b>3,217</b>	8,888	<b>14,869</b>	(22,252)
<b>Total comprehensive income for the period</b>		<b>20,265</b>	38,156	<b>89,295</b>	34,923

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 EQUITY (UNAUDITED)**  
For the nine-months period ended 30 September 2021  
(SAR '000)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>For the period ended 30 September 2021</b>					
<b>Balance as at 1 January 2021</b>	<b>500,000</b>	<b>37,461</b>	<b>(41,842)</b>	<b>292,899</b>	<b>788,518</b>
Net income for the period	--	--	--	<b>74,426</b>	<b>74,426</b>
Other comprehensive income	--	--	<b>14,869</b>	--	<b>14,869</b>
<b>Balance as at 30 September 2021</b>	<b>500,000</b>	<b>37,461</b>	<b>(26,973)</b>	<b>367,325</b>	<b>877,813</b>
	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>For the period ended 30 September 2020</b>					
Balance as at 1 January 2020	500,000	30,242	(19,308)	227,926	738,860
Net income for the period	--	--	--	57,175	57,175
Other comprehensive income	--	--	(22,252)	--	(22,252)
Balance as at 30 September 2020	500,000	30,242	(41,560)	285,101	773,783

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)**  
For the nine-months period ended 30 September 2021  
(SAR '000)

	<u>Notes</u>	<u>30 September 2021</u>	<u>30 September 2020</u>
<b>Cash flows from operating activities</b>			
Net income for the period before zakat and income tax		92,360	80,700
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Depreciation		682	341
Amortization		159	190
(Reversal) / charge for expected credit losses, net	5.1	(5,020)	772
Employees' end of service benefits		1,158	1,096
Financing charges		<u>34,177</u>	<u>37,456</u>
		<b>123,516</b>	<b>120,555</b>
 <i>Net (increase) / decrease in operating assets</i>			
Net investment in finance leases		(502,561)	70,400
Prepayments		(22,440)	(14,157)
Other assets		<u>(30,570)</u>	<u>(3,316)</u>
		<b>(555,571)</b>	<b>52,927</b>
 <i>Net increase / (decrease) in operating liabilities</i>			
Accounts payable		156,649	(6,802)
Due to related parties		1,000	14,560
Advance from customers		6,158	3,184
Accrued expenses and other liabilities		<u>(4,246)</u>	<u>190</u>
		<b>159,561</b>	<b>11,132</b>
Zakat and income tax paid		(18,200)	(16,607)
Employees' end of service benefits paid		<u>(294)</u>	<u>(144)</u>
<b>Net cash (used in) / generated from operating activities</b>		<b><u>(290,988)</u></b>	<b><u>167,863</u></b>
 <b>Cash flows from investing activities</b>			
Purchase of intangibles		(1,112)	(290)
Purchase of property and equipment		<u>(1,689)</u>	<u>(498)</u>
<b>Net cash used in investing activities</b>		<b><u>(2,801)</u></b>	<b><u>(788)</u></b>
 <b>Cash flows from financing activities</b>			
Draw down of long-term loan		610,000	355,062
Payments of long-term loan		(290,625)	(458,125)
SAMA deposit received		8,162	--
SAMA deposit paid		(2,296)	--
Financial charges paid		(34,835)	(40,391)
Principal payment of lease liabilities		<u>(444)</u>	<u>(616)</u>
<b>Net cash generated from / (used in) financing activities</b>		<b><u>289,962</u></b>	<b><u>(144,070)</u></b>
Net (decrease) / increase in cash and cash equivalents		(3,827)	23,005
Cash and cash equivalents at the beginning of the period		<u>7,554</u>	<u>19,831</u>
<b>Cash and cash equivalents at the end of the period</b>		<b>3,727</b>	<b>42,836</b>

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 and nine-months periods ended 30 September 2021  
(SAR '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 25 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 objective of the Company is to provide lease financing for assets.

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

**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 2021 has 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’ end of service benefits 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 the SAR in thousand unless otherwise stated.

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

***Accounting standards issued but not yet effective***

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 2021, but do not have a material impact on the interim condensed financial statements of the Company.

***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 1 January 2021. The management has adopted these amendments and have determined that they do not have a material impact on the Company’s interim condensed financial statements.

- Amendments to IAS 1 - Presentation of financial statements, on classification of liabilities
- Amendments to IFRS 3 - Reference to the Conceptual Framework; and
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**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 2020.

The financial statements of the Company as at and for the year ended 31 December 2020, were prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

**5. NET INVESTMENT IN FINANCE LEASES**

<b>30 September 2021 (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	1,208,594	2,474,146	3,682,740
Unearned lease income	(196,030)	(399,781)	(595,811)
	1,012,564	2,074,365	3,086,929
Provision for expected credit losses	5.1 (23,706)	(48,151)	(71,857)
<b>Net investment in finance leases</b>	<b>988,858</b>	<b>2,026,214</b>	<b>3,015,072</b>

These leased assets carry profit rates ranging from 3% to 7% per annum (31 December 2020: 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 2020 (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	1,176,544	2,004,308	3,180,852
Unearned finance income	(215,061)	(366,424)	(581,485)
Net receivable from finance lease	961,483	1,637,884	2,599,367
Provision for expected credit losses	5.1 (33,979)	(57,896)	(91,875)
<b>Net investment in finance leases</b>	<b>927,504</b>	<b>1,579,988</b>	<b>2,507,492</b>

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

	<b>For the period ended 30 September 2021 (Unaudited)</b>	<b>For the year ended 31 December 2020 Audited</b>
<b>Opening allowance for expected credit losses</b>	<b>91,875</b>	105,036
Reversal for the period / year	<b>(5,020)</b>	(1,768)
Write off	<b>(14,998)</b>	(11,393)
<b>Closing allowance for expected credit losses (note 5.2)</b>	<b>71,857</b>	91,875

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**5. NET INVESTMENT IN FINANCE LEASES (CONTINUED)**

The following table shows reconciliations from the opening to the closing balance of the gross amount of the investment in finance lease and the related loss allowance account for the period ended 30 September 2021.

<u>Gross investments in finance lease</u>	<u>12 Month ECL</u>	<u>Lifetime ECL (not credit impaired)</u>	<u>Lifetime ECL (credit impaired)</u>	<u>Total</u>
Balance at 1 January 2021	2,486,969	58,473	53,925	2,599,367
Transfer from 12 Month ECL	(87,507)	71,106	16,401	--
Transfer from Lifetime ECL not credit impaired	16,792	(23,328)	6,536	--
Transfer from Lifetime ECL credit – impaired	4,566	1,953	(6,519)	--
Net repayment received during the period	(714,942)	(33,051)	(17,465)	(765,458)
New finance lease receivables originated during the period	1,250,104	16,665	1,249	1,268,018
Write Off	--	--	(14,998)	(14,998)
<b>Balance at 30 September 2021</b>	<b>2,955,982</b>	<b>91,818</b>	<b>39,129</b>	<b>3,086,929</b>

<u>Expected credit losses</u>	<u>12 Month ECL</u>	<u>Lifetime ECL (not credit impaired)</u>	<u>Lifetime ECL (credit impaired)</u>	<u>Total</u>
<b>Balance at 1 January 2021</b>	<b>33,060</b>	<b>5,752</b>	<b>53,063</b>	<b>91,875</b>
Transfer from 12 Month ECL	(2,231)	1,781	450	--
Transfer from Lifetime ECL not credit – Not impaired	808	(1,212)	404	--
Transfer from Lifetime ECL not credit – impaired	3,450	1,575	(5,025)	--
Net re-measurement of loss allowance	(13,471)	5,921	7,673	123
Financial assets that have been derecognized during the period	(5,482)	(949)	(12,901)	(19,332)
New finance lease receivables originated during the period	10,826	2,825	538	14,189
Write Off	--	--	(14,998)	(14,998)
<b>Balance at 30 September 2021</b>	<b>29,960</b>	<b>15,693</b>	<b>29,204</b>	<b>71,857</b>

The following table shows reconciliations from the opening to the closing balance of the gross amount of the investment in finance lease and the related loss allowance account for the year ended 31 December 2020.

<u>Gross investments in finance lease</u>	<u>12 Month ECL</u>	<u>Lifetime ECL (not credit impaired)</u>	<u>Lifetime ECL (credit impaired)</u>	<u>Total</u>
Balance at 1 January, 2020	2,270,238	124,449	137,014	2,531,701
Transfer from 12 Month ECL	(50,896)	36,479	14,417	--
Transfer from Lifetime ECL not credit impaired	55,990	(64,297)	8,307	--
Transfer from Lifetime ECL credit – impaired	38,653	9,888	(48,541)	--
Net repayment received during the year	(862,067)	(56,373)	(46,690)	(965,130)
New finance lease receivables originated during the year	1,035,051	8,327	811	1,044,189
Write Off	--	--	(11,393)	(11,393)
<b>Balance at 31 December 2020</b>	<b>2,486,969</b>	<b>58,473</b>	<b>53,925</b>	<b>2,599,367</b>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**5. NET INVESTMENT IN FINANCE LEASES (CONTINUED)**

<u>Expected credit losses</u>	<u>12 Month ECL</u>	<u>Lifetime ECL (not credit impaired)</u>	<u>Lifetime ECL (credit impaired)</u>	<u>Total</u>
Balance at 1 January, 2020	19,818	6,014	79,204	105,036
Transfer from 12 Month ECL	(955)	701	254	--
Transfer from Lifetime ECL not credit – Not impaired	2,966	(3,406)	440	--
Transfer from Lifetime ECL not credit – impaired	11,969	3,093	(15,062)	--
Net re-measurement of loss allowance	(8,511)	(2,194)	13,077	2,372
Financial assets that have been derecognized during the year	(4,589)	(1,510)	(14,082)	(20,181)
New finance lease receivables originated during the year	12,362	3,054	625	16,041
Write Off	--	--	(11,393)	(11,393)
<b>Balance at 31 December 2020</b>	<b><u>33,060</u></b>	<b><u>5,752</u></b>	<b><u>53,063</u></b>	<b><u>91,875</u></b>

The Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) models are subject to the Parent model risk policy that stipulates periodic model monitoring and defines approval procedures and authorities according to model materiality.

During the period, the Company has made following material changes in its ECL methodology to reflect the validation exercise undertaken by the Company:

- a) the Company has developed its macro-economic PD model based on appropriate internal and external data.
- b) the LGD model was refined based on updated data set.
- c) Certain inputs to the PD model has been refreshed based on the recalibration exercise.

The above model updates resulted in additional ECL of SAR 4.4 million which has been recorded during the period ended 30 September 2021.

**6. OTHER ASSETS**

	<b>30 September 2021</b>	31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
VAT receivable, net	26,539	8,879
Dealers receivable	7,765	1,955
Other receivables (note 6.1)	12,667	5,567
	<b><u>46,971</u></b>	<b><u>16,401</u></b>

6.1 This account mainly relates to insurance receivables amounting to SAR 9.5 million (31 December 2020: SAR 4.6 million).

**7. DERIVATIVES**

<u>SAR in 000'</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>30 September 2021</b> <i>(Unaudited)</i>	<b><u>(27,478)</u></b>	<b><u>88,542</u></b>	<b><u>359,375</u></b>	<b><u>1,286,458</u></b>	<b><u>1,734,375</u></b>
31 December 2020 <i>(Audited)</i>	<b><u>(42,347)</u></b>	<b><u>113,542</u></b>	<b><u>265,625</u></b>	<b><u>1,145,833</u></b>	<b><u>1,525,000</u></b>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**7. DERIVATIVES (CONTINUED)**

The Company entered into commission rate swaps with its parent, BSF. The negative fair value of commission rate swaps is SAR 27.48 million (31 December 2020: SAR 42.35 million). The fair value of commission rate swaps is calculated using discounted cash flow model.

**8. 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
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-month period ended 30 September (Unaudited)</u>		<u>For the nine-month period ended 30 September (Unaudited)</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Lease rental collected	SSF	42	142	183	296
IT maintenance and network related expenses	BSF	225	104	675	972
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	11,535	11,833	34,094	37,456
Salaries and employee related expenses	BSF	378	623	1,626	3,581
Finance Lease disbursed	BSF and certain member of the BOD	--	104	--	1,108
Insurance expense of leased assets	ASF	2,017	25,037	8,458	34,240
Draw down of long-term loan	BSF	195,000	65,000	610,000	355,062
Payments of long-term loan	BSF	(88,542)	(206,875)	(290,625)	(458,125)

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.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

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

<b>b) Due to related parties (excluding term loan):</b>	<b>30 September</b>	31 December
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Banque Saudi Fransi	<b>11,281</b>	8,727
Allianz Saudi Fransi	<b>20,670</b>	22,224
	<b><u>31,951</u></b>	<u>30,951</u>
<b>c) Other balances with a related party:</b>	<b>30 September</b>	31 December
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b><u>Nature of balances</u></b>	<b><u>Related party</u></b>	
Cash and Cash equivalents	Banque Saudi Fransi	<b>3,727</b>
Long-term loan	Banque Saudi Fransi	<b>7,554</b>
		<b><u>1,847,876</u></b>
		<u>1,529,245</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:		

	<b>For the three-month period</b>		<b>For the nine-month period</b>	
	<b>ended 30 September</b>		<b>ended 30 September</b>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Salaries	412	592	1,167	1,273
End of service benefits	82	61	116	88
Other allowances	-	12	-	12
	<b><u>494</u></b>	<b><u>665</u></b>	<b><u>1,283</u></b>	<b><u>1,373</u></b>

- e) As at 30 September 2021, the Company had 2 lease contracts (31 December 2020: 7 lease contracts) with Banque Saudi Fransi with an aggregate outstanding principal amounting to SAR 0.051 million (31 December 2020: SAR 0.21 million).

**9. LONG TERM LOAN**

The Company has a shariah compliant loan facility "Al Tawarruq" with a limit of SAR 2,000 million from its parent Banque Saudi Fransi ("BSF").

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

	<b>30 September</b>	31 December
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current portion	<b>451,417</b>	383,412
Non-current portion	<b>1,396,459</b>	1,145,833
	<b><u>1,847,876</u></b>	<u>1,529,245</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.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**10. ACCOUNTS PAYABLE**

	<b>30 September 2021 (Unaudited)</b>	31 December 2020 (Audited)
Third party insurance collected	6,055	8,602
Dealers payable	185,158	51,611
Commission payable	5,851	4,351
Insurance payable	33,248	12,130
Customer verification expense payable	4,589	1,974
Government fee payable	1,477	1,926
Others	898	33
	<u>237,276</u>	<u>80,627</u>

**11. ZAKAT AND TAX**

The movement in the provision for zakat and tax is as follows:

	<b>30 September 2021 (Unaudited)</b>	31 December 2020 (Audited)
Opening zakat and tax	23,573	8,494
Charge for the period / year:		
- Current	16,000	19,263
- Prior years	1,934	11,184
- Deferred tax	-	2,909
Charge for the period / year	17,934	33,356
Payment during the period / year	(18,200)	(18,277)
Closing zakat and tax	<u>23,307</u>	<u>23,573</u>

**Status of assessments**

The Company has submitted its zakat and income tax returns for the years up to 31 December 2020 with the Zakat, Tax and Customs Authority (“ZATCA”).

During the period, ZATCA issued assessments for the years 2019 and 2020 and claimed additional zakat liability of SAR 386,514 and SAR 1,547,745 respectively. The differences mainly resulted from the amendments made by ZATCA in equity, long term lease finance receivables and deferred tax assets. The Company has accepted ZATCA assessment and recorded a provision of SR 1,934,259 of additional zakat liability of the said assessments. The Company will pay this amount subsequent to the period ended 30 September 2021.

During the nine-month period ended 30 September 2021, apart from the above development there is no change in the zakat and income tax status of the Company as disclosed in the annual audited financial statements for the year ended 31 December 2020.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**12. FEE INCOME AND EXPENSES**

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b><i>Fee income</i></b>				
Insurance income	37,057	51,842	123,974	143,835
Processing fee	4,242	1,076	12,361	5,698
Other operating income	774	289	2,569	1,712
	<u>42,073</u>	<u>53,207</u>	<u>138,904</u>	<u>151,245</u>
<b><i>Fee expenses</i></b>				
Insurance expenses	(25,080)	(33,279)	(80,045)	(95,380)
Commission	(5,157)	(826)	(12,396)	(5,462)
Registration fee	(936)	(425)	(2,608)	(1,852)
Verification expenses	(1,234)	(410)	(3,319)	(1,486)
	<u>(32,407)</u>	<u>(34,940)</u>	<u>(98,368)</u>	<u>(104,180)</u>

**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).

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 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>30 September 2021</b> <b><i>(Unaudited)</i></b>	<b><i>Fair Value</i></b>				
	<b><i>Carrying Value</i></b>	<b><i>Level 1</i></b>	<b><i>Level 2</i></b>	<b><i>Level 3</i></b>	<b><i>Total</i></b>
<b><i>Financial assets:</i></b>					
Net investments in finance leases	3,015,072	--	--	3,305,380	3,305,380
<b><i>Financial liabilities:</i></b>					
Negative fair value of derivative	27,478	--	27,478	--	27,478

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

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

<i>31 December 2020 (Audited)</i>	<i>Fair Value</i>				
	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i><u>Financial assets:</u></i>					
Net investments in finance leases	2,507,492	--	--	2,843,952	2,843,952
<i><u>Financial liabilities:</u></i>					
Negative fair value of derivative	42,347	--	42,347	--	42,347

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 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.

Management assessed that the carrying amount of other financial instruments largely approximate fair value due to either short-term maturities on those instruments or re-pricing of those instruments. These financial instruments are classified as level 3.

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 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>30 September 2021 (Unaudited)</u></b>	<b>Amount in SAR '000</b>		
	<b><u>Retail</u></b>	<b><u>Corporate</u></b>	<b><u>Total</u></b>
<b>Total assets</b>	<b>3,057,615</b>	<b>107,189</b>	<b>3,164,804</b>
<b>Total liabilities</b>	<b>2,282,632</b>	<b>4,358</b>	<b>2,286,991</b>
<b>Allowance for expected credit losses</b>	<b>68,557</b>	<b>3,300</b>	<b>71,857</b>
<b>Total revenue</b>	<b>242,371</b>	<b>8,685</b>	<b>251,056</b>
<b>Total operating expenses</b>	<b>155,736</b>	<b>2,960</b>	<b>158,696</b>
<b>Net income for the period before zakat and income tax</b>	<b>86,635</b>	<b>5,725</b>	<b>92,360</b>



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

**15. SEGMENT REPORTING (CONTINUED)**

	Amount in SAR '000		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
<u>31 December 2020 (Audited)</u>			
Total assets	2,522,144	83,937	2,606,081
Total liabilities	1,813,808	3,755	1,817,563
Allowance for expected credit losses	88,606	3,269	91,875
<u>30 September 2020 (Unaudited)</u>			
Total revenue	248,835	2,222	251,057
Total operating expenses	167,127	3,230	170,357
Net income / loss for the period before zakat and income tax	81,708	(1,008)	80,700

**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 SAR 24.38 million (31 December 2020: SAR 19.418 million).

As at 30 September 2021, the Company has an outstanding guarantee of SAR 30.2 million (31 December 2020: SAR 30 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**

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are experiencing multiples waves of infections, despite having previously controlled the outbreak through aggressive precautionary measures. The government of the Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date.

The Company continues to evaluate the current situation through detailed 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.

During the period, the Company updated its ECL model and refined some of its assumptions including the impacts of current evolving situation of the COVID-19 pandemic, details of which are mentioned in note 5.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

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

***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 eligible (stage 1 and stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. Whilst the PSFSP encompasses several programs, the one most pertinent to the Company as at 30 September 2021 is the deferred payments program.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program subsequently announced, the Company deferred payments on lending facilities to all eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower’s potential cash flow shortages. The Company implemented the payment reliefs by deferring the instalments falling due from 14 March 2020 to 30 June 2021 amounting to SAR 38.22 million and extended the tenure of the applicable leases at no additional cost to the customer.

The accounting impact of above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SAR 7.1 million out of which SAR 1.6 million was recorded in nine-month period ended 30 September 2021 (30 September 2020: SAR 4.1 million).

Further to the above, SAMA on 22 June 2021 announced the extension of the DPP for three additional months from 1 July 2021 to 30 September 2021, only for those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. On 29 September 2021 for these effected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the instalment falling due from 1 October 2021 to 31 December 2021. The Company performed an assessment to determine the pool of customers eligible for continued deferment. The impact of this deferral is not material to the interim condensed financial statements.

During the nine-month period ended 30 September 2021, SAR 2.33 million (30 September 2020: SAR 0.66 million) has been recognized in the statement of income relating to unwinding of modification losses.

In order to compensate the related cost that the Company is expected to incur under the SAMA and other public authorities program, during the year 2020 and the nine-month period ended 30 September 2021, the Company received profit free deposit from SAMA amounting to SAR 18.5 million with varying maturities, which qualified as government grant.

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. By the end of the year 2020, total income of SAR 0.213 million had been recognised in the statement of income with the remaining amount deferred. During the nine-month period ended 30 September 2021, a total of SR 0.16 million (30 September 2020: SR Nil) has been recognized in the statement of income as deferred grant income.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-months and nine-months periods ended 30 September 2021  
(SAR '000)

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

A fundamental review and reform of major profit 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 Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

As the Company believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as at 30 September 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Company continues to monitor this guidance as it emerges.

The Company has exposure to IBOR rates that are subject to reform through its issuance of commission rate swaps with its parent BSF.

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. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

**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 nine-month period ended 30 September 2021.

**20. BOARD OF DIRECTORS’ APPROVAL**

The financial statements have been approved by the Board of Directors on 20 Rabi Al-Awwal 1443H (corresponding to 26 October 2021).