

DAR AL TAMLEEK COMPANY
(A Saudi Closed Joint Stock Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
**For the three-month and nine-month periods ended
September 30, 2021**
together with the
Independent Auditors' Review Report

KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent Auditors' Report on Review of Condensed Interim Financial Statements

To the Shareholders of Dar Al Tamleek Company

Introduction

We have reviewed the accompanying condensed interim financial statements of **Dar Al Tamleek Company** ("the Company"), which comprises:

- the condensed statement of financial position as at September 30, 2021;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2021;
- the condensed statement of changes in shareholders' equity for the nine-month period ended September 30, 2021;
- the condensed statement of cash flows for the nine-month period ended September 30, 2021; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2021 condensed interim financial statements of **Dar Al Tamleek Company** ("the Company"), are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, October 28, 2021
Corresponding to Rabi Al Awal 22, 1443H

DAR AL TAMLEEK COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at September 30, 2021

Expressed in Saudi Arabian Riyals

	Notes	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	155,849,087	161,026,489
Accounts receivable and other assets	5	47,223,149	48,012,870
Properties for sale under finance leases		2,974,998	6,885,998
Net investment in finance leases	6	161,994,376	210,842,228
Servicing rights under agency arrangements	7	494,518,887	471,415,002
Investments at FVOCI		892,850	892,850
Right-of-use assets		10,015,615	9,363,354
Property and equipment		1,628,405	1,917,982
TOTAL ASSETS		875,097,367	910,356,773
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable and other liabilities	8	242,173,159	268,845,855
Loans and borrowings	9	42,931,295	33,103,618
Employees' end of service benefits		14,109,476	12,616,847
Share-based payments		7,000,000	7,000,000
Payable for properties for sale under finance leases		7,712,129	11,623,129
Lease liabilities		10,863,585	10,068,537
Total liabilities		324,789,644	343,257,986
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	10	358,750,000	358,750,000
Statutory reserve	10	55,227,268	55,227,268
Retained earnings		136,330,455	153,121,519
Total shareholders' equity		550,307,723	567,098,787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		875,097,367	910,356,773

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

DAR AL TAMLEEK COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended September 30, 2021

Expressed in Saudi Arabian Riyals

	Notes	For the three-month period ended September 30		For the nine-month period ended September 30	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income					
Income from finance leases		4,753,175	7,344,494	18,849,955	19,479,302
Income from agency arrangements		41,592,323	48,973,538	148,675,378	144,780,203
		46,345,498	56,318,032	167,525,333	164,259,505
Operating expenses					
Selling and marketing expenses		(11,326,032)	(13,480,771)	(38,517,420)	(39,846,798)
General and administrative expenses		(6,807,426)	(10,362,063)	(21,091,072)	(22,657,841)
Reversal / (charge) for expected credit losses	6.4	253,888	(797,583)	1,092,944	(1,400,758)
Amortization of servicing rights under agency arrangements	7	(19,284,012)	(16,228,286)	(50,582,824)	(41,079,376)
Net operating income		9,181,916	15,449,329	58,426,961	59,274,732
Financial charges		(444,693)	(456,792)	(1,068,429)	(1,592,815)
Other income		43,248	60,227	184,420	781,094
Profit for the period before Zakat		8,780,471	15,052,764	57,542,952	58,463,011
Zakat charge	12	(905,165)	(1,731,999)	(5,934,016)	(6,208,045)
Net profit and other comprehensive income for the period		7,875,306	13,320,765	51,608,936	52,254,966
Basic and diluted earnings per share (expressed in SR per share)	13	0.220	0.371	1.439	1.457

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

DAR AL TAMLEEK COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at January 1, 2021	358,750,000	55,227,268	153,121,519	567,098,787
Net profit and other comprehensive income for the period	--	--	51,608,936	51,608,936
Dividends (note 11)	<u>--</u>	<u>--</u>	<u>(68,400,000)</u>	<u>(68,400,000)</u>
Balance as at September 30, 2021	<u>358,750,000</u>	<u>55,227,268</u>	<u>136,330,455</u>	<u>550,307,723</u>
Balance as at January 1, 2020	358,750,000	46,665,860	131,868,851	537,284,711
Net profit and other comprehensive income for the period	--	--	52,254,966	52,254,966
Dividends (note 11)	<u>--</u>	<u>--</u>	<u>(55,800,000)</u>	<u>(55,800,000)</u>
Balance as at September 30, 2020	<u>358,750,000</u>	<u>46,665,860</u>	<u>128,323,817</u>	<u>533,739,677</u>

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

DAR AL TAMLEEK COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Operating activities:			
Profit for the period before Zakat		57,542,952	58,463,011
<i>Adjustments for:</i>			
Depreciation		1,021,409	970,787
Depreciation of right-of-use assets		1,824,907	1,493,010
Amortization of servicing rights under agency arrangements	7	50,582,824	41,079,376
(Reversal) / charge for the expected credit losses	6.4	(1,092,944)	1,400,758
Servicing rights under agency arrangements		(73,686,709)	(73,923,797)
Finance charges		719,712	1,592,815
Employees' benefits charge for the period		1,563,660	1,060,308
		<u>38,475,811</u>	<u>32,136,268</u>
Changes in operating assets and liabilities			
Accounts receivable and other assets		789,720	10,997,994
Properties for sale under finance leases		3,911,000	--
Net investment in finance leases		(6,765,814)	14,889,798
Accounts payable and other liabilities		(22,710,260)	44,286,044
Payable for properties for sale under finance leases		(3,911,000)	--
		<u>9,789,457</u>	<u>102,310,104</u>
Cash flow generated from operations			
Employees' benefits paid		(71,031)	(366,578)
Financial charges paid		(641,891)	(482,380)
Zakat paid		(9,896,452)	(12,559,754)
		<u>(819,917)</u>	<u>88,901,392</u>
Net cash (used in) / generated from operating activities			
Investing activities:			
Purchase of property and equipment		(731,832)	(682,675)
Financing activities:			
Proceeds from disposal of net investment in finance lease	6.3	56,706,611	--
Proceeds from bank borrowings		129,999,856	50,000,000
Repayments of bank borrowings		(120,250,000)	(3,515,571)
Dividends paid		(68,400,000)	(55,800,000)
Payment of lease liabilities		(1,682,120)	(1,677,808)
		<u>(3,625,653)</u>	<u>(10,993,379)</u>
Net cash used in financing activities			
Decrease / increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	4	161,026,489	94,282,101
Cash and cash equivalents at end of the period	4	<u>155,849,087</u>	<u>171,507,439</u>

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

DAR AL TAMLEEK COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Dar Al Tamleek Company (“the Company”) is a Saudi Closed Joint Stock Company, incorporated under the Ministerial Resolution No. 155 dated Jumada Awal 05, 1429H (corresponding to May 11, 2008). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030180844 dated Rajab 09, 1429H (corresponding to July 12, 2008) and fully owned by Saudi shareholders.

Pursuant to the promulgation of Real Estate Finance Law (“Real Estate Finance Law”) in the Kingdom of Saudi Arabia, the Company applied for, and received license from The Saudi Central Bank (“SAMA”) to operate as a leasing entity under the Real Estate Finance Law on Safar 28, 1435H (corresponding to December 31, 2013).

The Company is authorized to operate in the Kingdom of Saudi Arabia for the purpose of financing through, purchase, sale and ownership of land and real estate units, except in the cities of Makkah and Al Medina.

The Company’s core operating activities include originating, arranging and servicing real estate finance leases.

The Company operates through its following registered branches:

<u>Branch</u>	<u>Commercial Registration No.</u>
Riyadh	1010278650
Jeddah	4030194954
Jeddah	4030263817
Al Khobar	2050075914

The Company's head office is located at the following address:

Burj Al-Makhmal, Al-Roudah Street,
P. O. Box 55026, Jeddah 21534,
Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Company prepares its financial statements to comply with SAMA regulations applicable to Real Estate Finance Entities, the Regulation for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws. These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The financial statements of the Company as at and for the nine-month period ended September 30, 2021 were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of Zakat and other applicable taxes, the requirements of SAMA regulations applicable to Real Estate Finance Entities, the Regulation for Companies in the Kingdom of Saudi Arabia and the Company’s By- laws.

On July 17, 2019 SAMA instructed finance companies in the Kingdom of Saudi Arabia to account for Zakat and other applicable taxes in the statement of profit or loss and other comprehensive income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and with other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

(b) Basis of measurement

The condensed interim financial statements have been prepared under the historical cost convention, except for investments at fair value through other comprehensive income (“FVOCI”) and employees’ end of service benefits.

(c) Functional and presentation currency

These condensed interim financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Company’s functional currency.

(d) Critical accounting judgements, estimates and assumptions

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by the revision. The key areas requiring significant management judgments and estimates are consistent with those disclosed in note 2d to annual financial statements for the year ended December 31, 2020.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2021

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3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020.

The accounting policies and methods of computation applied in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 01, 2021 as mentioned below in note 17. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, comprise of the following:

	September 30, <u>2021</u> (Unaudited)	December 31, <u>2020</u> (Audited)
Cash in hand	41,127	4,189
Cash at bank (Note 4.1)	<u>155,807,960</u>	<u>161,022,300</u>
	<u>155,849,087</u>	<u>161,026,489</u>

- 4.1 Cash at bank include an amount of SR 17.6 million (December 31, 2020: SR 13.4 million) representing cheques issued for the transfer of legal title of properties under finance leases (due to local applicable legal requirements) and shall be adjusted upon completion of such transfer.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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Expressed in Saudi Arabian Riyals

5. ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets includes SR 11.02 million (December 31, 2020: SR nil) receivable from related parties in respect of lease instalments.

6. NET INVESTMENT IN FINANCE LEASES

6.1 Net investment in finance leases comprises of the following:

	<u>Current portion</u>	<u>Non-current portion</u>	<u>September 30, 2021</u>
<i>As at September 30, 2021 (Unaudited)</i>			
Gross investment in finance leases	24,075,764	271,489,196	295,564,960
Less: Unearned finance income	(12,835,560)	(102,102,562)	(114,938,122)
	<u>11,240,204</u>	<u>169,386,634</u>	180,626,838
Allowance for expected credit loss			<u>(18,632,462)</u>
Net investment in finance leases			<u>161,994,376</u>
<i>As at December 31, 2020 (Audited)</i>			
Gross investment in finance leases	30,661,138	350,778,160	381,439,298
Less: Unearned finance income	(16,664,226)	(134,207,438)	(150,871,664)
	<u>13,996,912</u>	<u>216,570,722</u>	230,567,634
Allowance for expected credit loss			<u>(19,725,406)</u>
Net investment in finance leases			<u>210,842,228</u>

6.2 Maturity analysis of the gross investment in finance lease is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Less than 1 year	24,075,764	30,661,138
1 to 5 years	113,760,990	145,201,686
Over 5 years	<u>157,728,206</u>	<u>205,576,474</u>
	<u>295,564,960</u>	<u>381,439,298</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

6. NET INVESTMENT IN FINANCE LEASES (continued)

6.3 During the period the Company has entered into a new agreement for the sale of certain originated finance leases amounting to SR 56,706,611.

6.4 Movement in allowance for expected credit loss for the nine-month period ended September 30, is as follows:

	For the nine- month period ended September 30, 2021 (Unaudited)	For the nine- month period ended September 30, 2020 (Unaudited)
Balance at the beginning of the period	19,725,406	18,783,825
Reversal / charge for the period	(1,092,944)	1,400,758
Write off	--	(442,195)
Balance at the end of the period	<u>18,632,462</u>	<u>19,742,388</u>

7. SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS

Movement in the servicing rights under agency arrangements is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at the beginning of the period / year	471,415,002	408,308,071
Addition during the period / year	73,686,709	112,926,454
Amortization for the period / year	(50,582,824)	(49,819,523)
Balance at the end of the period / year	<u>494,518,887</u>	<u>471,415,002</u>

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities includes SR nil (December 31, 2020: SR 68.38 million) payable to related parties in respect of lease instalments collected on their behalf under servicing arrangement and SR 12.42 million (December 31, 2020: SR 16.39 million) in respects to accrued zakat (see note 12).

9. LOANS AND BORROWING

The Company has sharia compliant credit facility agreements with local commercial banks for short and long term financing. The facilities are secured by promissory notes and assignment of certain revenues and bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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10. SHARE CAPITAL

As at September 30, 2021 the Company's authorised share capital as per its By-Laws is SR 358.75 million (December 31, 2020: SR 358.75 million) divided into 35.875 million shares of SR 10 each (December 31, 2020: 35.875 million shares of SR 10 each).

In accordance with the Company's By-laws and the Saudi Arabian Regulations for Companies, the Company set aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

11. DIVIDENDS

On March 10, 2021, the Board of Directors proposed a dividend of SR 68.40 million (SR 1.91 per share), [2020: SR 55.80 million (SR 1.56 per share)] which was approved by the shareholders via General Assembly meeting held on May 06, 2021.

12. ZAKAT

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of profit or loss and other comprehensive income.

Zakat expense is charged to the condensed statement of profit or loss and other comprehensive income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

The movement in the zakat provision for the period / year is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at the beginning of the period / year	16,386,267	21,213,399
Zakat charge for the period / year	5,934,016	9,894,993
Payment made during the period / year	(9,896,452)	(14,722,125)
Balance at the end of the period / year	<u>12,423,831</u>	<u>16,386,267</u>

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is not applicable to the Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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14. FAIR VALUE

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

As at the reporting date, management believes that the fair values of the Company's financial assets and liabilities are not materially different from their respective carrying values, with the exception of the Company's single Investment which is carried out at FVOCI, the other Financial Assets which is Investment in Finance Leases is carried out at Amortized Cost in accordance with IFRS-9.

As for the Company's Financial Liabilities, they are carried out at Amortized Cost.

15. CAPITAL MANAGEMENT

The Board of Director's policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business of the Company. Capital consists of ordinary shares and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The net debt to equity ratio as at September 30, 2021 and December 31, 2020 is as follows:

	September 30, <u>2021</u>	December 31, <u>2020</u>
Total liabilities	324,789,644	343,257,986
Less: Cash and cash equivalents	(155,849,087)	(161,026,489)
Adjusted net debt	168,940,557	182,231,497
Total shareholders' equity	550,307,723	567,098,787
Adjusted net debt to equity ratio	<u>31%</u>	<u>32%</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

16. 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 multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures and vaccinations. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date. During 2020 management performed a detailed assessment to ascertain the impact of the pandemic and related government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio.

The Company continues to evaluate the current situation by closely monitoring the COVID-19 outbreak and related precautionary measures impact on key macroeconomic variables, credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance. The steps taken by management includes ongoing review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the Government and SAMA support relief programs.

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Company to review and evaluate certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Company in ECL estimation. In 2020, the Company made certain adjustments to the macroeconomic factors and scenario weightings.

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..

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 Jumada II 16 , 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2021

Expressed in Saudi Arabian Riyals

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

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. Furthermore, SAMA on June 22, 2021 announced the extension of the DPP for three additional months from July 01, 2021 to September 30, 2021 for MSMEs that are 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 instalments falling due from 1 October 2021 to 31 December 2021. SAMA clarified that for this extension MSMEs will be subject to the assessment by the banks to the extent to which these MSMEs are still affected by the COVID-19 precautionary measures, in order to be qualified for the extension in accordance with the DPP guidelines issued by SAMA. This deferred payment program has no impact on the Company as it has no MSME customers.

Furthermore, in accordance with the PSFSP, the Company is also eligible for the deferral of its loan instalment payment to the banks. Accordingly, the Company has not availed such facility and has not deferred any of its instalments.

17. AMENDMENTS TO EXISTING STANDARDS AND PRONOUNCEMENTS ISSUED

The adoption of the following amendments to the existing standards had no significant impact on the condensed interim financial statements for the current period or prior periods and is expected to have no significant effect in future periods:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Extension to COVID-19 Related Rent Concession (Amendments to IFRS 16).

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted; however, the entity has not early adopted the new or amended standards in preparing these condensed interim financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Amendments to update a reference to “References to Conceptual Framework (Amendment to IFRS 3)”.
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds from Intended Use (Amendment to IAS 16);
- IFRS 17 Insurance Contracts and amendments to IFRS 17;
- Definition of Accounting Estimates (Amendments to IAS 8);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

18. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue on October 28, 2021, corresponding to Rabi Al Awal 22, 1443H.