

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**Interim condensed financial statements**  
**For the three-month and nine-month**  
**periods ended 30 September 2020**  
together with the  
**Independent auditor's review report**

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 30 September 2020

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's review report	1
Interim condensed statement of financial position	2
Interim condensed statement of income	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



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 30 September 2020  
(SR '000)

	<u>Note</u>	<b>30 September 2020</b> <i>(Unaudited)</i>	31 December 2019 <i>(Audited)</i>
<b><u>ASSETS</u></b>			
Cash and cash equivalents		42,836	19,831
Net investment in finance leases	4	2,355,492	2,426,665
Advances, prepayments and other receivables	5	97,409	79,936
Investment at FVOCI		893	893
Positive fair value of derivatives	6	-	1,918
Property and equipment		3,124	580
Intangible assets		311	211
Deferred tax asset	8	2,597	2,909
<b>Total assets</b>		<b><u>2,502,662</u></b>	<b><u>2,532,943</u></b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>Liabilities</b>			
Long-term loan	9	1,521,074	1,627,087
Accounts payable	10	38,830	45,632
Advance from customers		68,283	65,101
Due to related parties	7.b	20,402	5,842
Negative fair value of derivatives	6	42,076	21,742
Accrued expenses and other liabilities		13,634	11,657
Employees' end of service benefits		6,571	5,619
Provision for zakat and income tax	11	18,009	11,403
<b>Total liabilities</b>		<b><u>1,728,879</u></b>	<b><u>1,794,083</u></b>
<b>Shareholders' equity</b>			
Share capital		500,000	500,000
Statutory reserve		30,242	30,242
Cash flow hedge reserve		(42,076)	(19,824)
Retained earnings		285,617	228,442
<b>Total shareholders' equity</b>		<b><u>773,783</u></b>	<b><u>738,860</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>2,502,662</u></b>	<b><u>2,532,943</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 INCOME**  
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)  
(SR '000)

	<i>Note</i>	<b>For the three-month period ended</b>		<b>For the nine-month period ended</b>	
		<b>30 September 2020</b>	30 September 2019	<b>30 September 2020</b>	30 September 2019
<b>Income from operations</b>					
Lease finance income		<b>33,200</b>	34,580	<b>96,556</b>	103,987
Fees income	<i>12</i>	<b>53,207</b>	47,554	<b>151,245</b>	140,085
		<b>86,407</b>	82,134	<b>247,801</b>	244,072
<b>Operating expenses</b>					
Fees expenses	<i>12</i>	<b>(34,940)</b>	(36,503)	<b>(104,180)</b>	(104,177)
Salaries and employee related expenses		<b>(8,544)</b>	(8,260)	<b>(22,947)</b>	(24,807)
Rent		<b>4</b>	(104)	<b>(195)</b>	(311)
Depreciation		<b>(178)</b>	(39)	<b>(341)</b>	(105)
Amortization		<b>(69)</b>	(45)	<b>(190)</b>	(127)
General and administration expenses		<b>(1,628)</b>	(1,312)	<b>(4,276)</b>	(3,684)
Financial charges		<b>(11,833)</b>	(14,972)	<b>(37,456)</b>	(44,271)
Reversal / (allowance) for expected credit losses, net	<i>5.1</i>	<b>6,360</b>	(3,032)	<b>(772)</b>	3,306
		<b>(50,828)</b>	(64,267)	<b>(170,357)</b>	(174,176)
<b>Operating income</b>		<b>35,579</b>	17,867	<b>77,444</b>	69,896
Other income		<b>1,113</b>	1,416	<b>3,256</b>	3,973
<b>Net income for the period before zakat and income tax</b>		<b>36,692</b>	19,283	<b>80,700</b>	73,869
Zakat and income tax	<i>11</i>	<b>(7,424)</b>	(2,768)	<b>(23,525)</b>	(5,932)
<b>Net income for the period after zakat and income tax</b>		<b>29,268</b>	16,515	<b>57,175</b>	67,937

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**  
For the three-month and nine-month periods ended 30 September 2020 (Unaudited)  
(SR '000)

	<b>For the three-month period ended</b>		<b>For the nine-month period ended</b>	
	<b>30</b>	30	<b>30</b>	30
	<b>September</b>	September	<b>September</b>	September
<i>Note</i>	<b>2020</b>	2019	<b>2020</b>	2019
<b>Net income for the period after zakat and income tax</b>	<b>29,268</b>	16,515	<b>57,175</b>	67,937
<b><u>Other comprehensive income/(loss):</u></b>				
<i>Items that may be reclassified to statement of income in subsequent years:</i>				
Cash flow hedges – net change in fair value	6	<b>8,888</b>	(2,881)	<b>(22,252)</b>
		13,634	<b>34,923</b>	48,134
<b>Total comprehensive income for the period</b>	<b>38,156</b>	13,634	<b>34,923</b>	48,134

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**  
For the nine-months period ended 30 September 2020 (Unaudited)  
(SR '000)

<b>For the period ended 30 September 2020</b>	<b><u>Share capital</u></b>	<b><u>Statutory reserve</u></b>	<b><u>Cash flow hedge reserve</u></b>	<b><u>Retained earnings</u></b>	<b><u>Total</u></b>
<b>Balance as at 1 January 2020</b>	<b>500,000</b>	<b>30,242</b>	<b>(19,824)</b>	<b>228,442</b>	<b>738,860</b>
Net income for the period	--	--	--	<b>57,175</b>	<b>57,175</b>
Other comprehensive income	--	--	<b>(22,252)</b>	--	<b>(22,252)</b>
<b>Balance as at 30 September 2020</b>	<b>500,000</b>	<b>30,242</b>	<b>(42,076)</b>	<b>285,617</b>	<b>773,783</b>
For the period ended 30 September 2019	<b><u>Share Capital</u></b>	<b><u>Statutory reserve</u></b>	<b><u>Cash flow hedge reserve</u></b>	<b><u>Retained earnings</u></b>	<b><u>Total</u></b>
Balance at 1 January 2019	500,000	22,244	(273)	156,128	678,099
Net income for the period	--	--	--	67,937	67,937
Other comprehensive income	--	--	<b>(19,803)</b>	--	<b>(19,803)</b>
Balance as at 30 September 2019	500,000	22,244	20,076	224,065	726,233

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**  
For the nine-months period ended 30 September 2020 (Unaudited)  
(SR '000)

	<i>Note</i>	<b>30 September 2020</b>	30 September 2019
<b>Cash flows from operating activities</b>			
Net income for the period before zakat and income tax		<b>80,700</b>	73,869
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Depreciation		<b>341</b>	105
Amortization		<b>190</b>	127
Charge / (reversal) for expected credit losses, net	4	<b>772</b>	(3,306)
Employees' end of service benefits		<b>1,096</b>	1,042
Modification loss on investment in finance lease		<b>5,635</b>	-
Financing charges		<b>37,456</b>	44,271
		<b>126,190</b>	116,108
<b>Net decrease / (increase) in operating assets</b>			
Net investment in finance leases		<b>64,765</b>	(31,975)
Advances, prepayments and other receivables		<b>(17,473)</b>	(43,028)
Due from a related party		<b>-</b>	26
		<b>47,292</b>	74,977
<b>Net increase / (decrease) in operating liabilities</b>			
Accounts payable		<b>(6,802)</b>	20,843
Due to related parties		<b>14,560</b>	(4,318)
Advance from customers		<b>3,184</b>	12,586
Accrued expenses and other liabilities		<b>190</b>	(1,155)
		<b>11,132</b>	27,956
Zakat and income tax paid	11	<b>(16,607)</b>	(10,142)
Employees' end of service benefits, paid		<b>(144)</b>	(439)
<b>Net cash generated from operating activities</b>		<b>167,863</b>	58,506
<b>Cash flows from investing activities</b>			
Purchase of intangibles		<b>(290)</b>	(58)
Purchase of property and equipment		<b>(498)</b>	(321)
<b>Net cash used in investing activities</b>		<b>(788)</b>	(379)
<b>Cash flows from financing activities</b>			
Draw down of long-term loan		<b>355,062</b>	280,000
Payments of long-term loan		<b>(458,125)</b>	(410,000)
Financial charges paid		<b>(40,391)</b>	(47,141)
Cash payment for principal portion of lease liability		<b>(616)</b>	-
<b>Net cash used in financing activities</b>		<b>(144,070)</b>	(177,141)
Net increase / (decrease) in cash and cash equivalents		<b>23,005</b>	(119,014)
Cash and cash equivalents at the beginning of the period		<b>19,831</b>	126,413
<b>Cash and cash equivalents at the end of the period</b>		<b>42,836</b>	7,399
<b>Non-cash supplemental information:</b>			
<b>Right-of-use-assets</b>		<b>2,158</b>	-
<b>Lease liabilities</b>		<b>1,786</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-month and nine-month periods ended 30 September 2020  
(SR '000)

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

Saudi Fransi for Finance Leasing (“the Company”) is a Closed Joint Stock Company (“CJSC”) established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273 dated 25 Dhul Hijjah 1432H (corresponding to 21 November 2011).

As per the Saudi Arabian Monetary Authority (“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.

**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 2020 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”).

*b) Basis of measurement*

These interim condensed financial statements have been prepared under the historical cost convention except for commission rate swaps and investment at fair value through other comprehensive income, 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 in SAR has been rounded to the nearest SR in thousand.

**3 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 financial statements for the year ended 31 December 2019, except for the policy explained below:

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**IBOR Transition (Interest Rate Benchmark Reforms):**

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase 1 – The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase 2 – The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Company believes the current market structure supports the continuation of hedge accounting as at 30 September 2020.

The Company’s derivative positions are managed by the Parent, which is running a project on 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.

**4. NET INVESTMENT IN FINANCE LEASES**

	<b>30 September 2020 (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	1,196,731	1,834,026	3,030,757
Unearned lease income	(229,399)	(351,450)	(580,849)
	967,332	1,482,576	2,449,908
Provision for expected credit losses	4.1 (37,290)	(57,126)	(94,416)
Net investment in finance leases	930,042	1,425,450	2,355,492

These leased assets carry profit rates ranging from 3% to 7% per annum (31 December 2019: 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 2019 (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	1,130,795	2,052,035	3,182,830
Unearned lease income	(231,380)	(419,749)	(651,129)
	899,415	1,632,286	2,531,701
Provision for expected credit losses	4.1 (37,314)	(67,722)	(105,036)
Net investment in finance leases	862,101	1,564,564	2,426,665

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

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

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

	<b>For the period ended 30 September 2020 (Unaudited)</b>	For the year ended 31 December 2019 <i>Audited</i>
<b>Balance as at 1 January</b>	<b>105,036</b>	101,006
Charge for the period / year (Note 4.2)	772	4,762
Write off	<b>(11,392)</b>	(732)
	<b>94,416</b>	105,036

4.2 This includes management overlays of SR 4.78 million as detailed in note 18 of these interim condensed financial statements.

**5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 <i>(Audited)</i>
Prepaid insurance	<b>78,095</b>	63,645
VAT receivable, net	<b>4,173</b>	5,526
Dealer receivable	<b>5,843</b>	5,445
Advance VAT paid to dealers	<b>5,031</b>	3,564
Other receivables	<b>4,267</b>	1,756
	<b>97,409</b>	79,936

**6. DERIVATIVES**

	<b>30 September 2020 (Unaudited)</b>			
Derivative financial instruments	-----Notional amount-----			
Held for cash flow hedging	Within 3 months	3-12 months	1-5 year	Total
Commission rate swaps	<b>96,875</b>	<b>240,625</b>	<b>934,375</b>	<b>1,271,875</b>
	31 December 2019 (Audited)			
Derivative financial instruments	-----Notional amount-----			
Held for cash flow hedging	Within 3 months	3-12 months	1-5 year	Total
Commission rate swaps	104,375	290,625	1,175,000	1,570,000

The Company entered into commission rate swaps with its parent, BSF. The positive fair value of commission rate swaps as on 30 September 2020 is Nil (31 December 2019: SAR 1.92 million) and negative fair value of commission rate swaps is SAR 42.076 million (31 December 2019: SAR 21.742 million). The fair value of commission rate swaps is calculated using discounted cash flow model using a risk free discount rate adjusted for appropriate risk margin for counterparty risk including entity's own credit risk.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

**7. 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 nine-months period ended</u>	
		<u>30 September 2020</u> <i>(Unaudited)</i>	<u>30 September 2019</u> <i>(Unaudited)</i>
Lease rental collected	Sofinco Saudi Fransi (An affiliate)	<u>296</u>	<u>360</u>
IT maintenance and network related expenses	BSF	<u>972</u>	<u>800</u>
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	<u>37,456</u>	<u>44,271</u>
Commission on short term deposit	BSF	<u>--</u>	<u>(121)</u>
Salaries and employee related expenses	BSF	<u>3,581</u>	<u>3,721</u>
Finance Lease disbursed	BSF and certain member of the BOD	<u>1,108,082</u>	<u>776,930</u>
Insurance expense of leased assets	Allianz Saudi Fransi	<u>34,240</u>	<u>89,379</u>
Draw down of long-term loan	BSF	<u>355,062</u>	<u>280,000</u>
Payments of long-term loan	BSF	<u>(458,125)</u>	<u>(410,000)</u>

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

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

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

The above transactions mainly resulted in the following balances:

<b>b) Due to related parties (excluding term loan):</b>	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
BSF	11,873	4,303
Allianz Saudi Fransi	8,529	1,539
	<u>20,402</u>	<u>5,842</u>

c) The details of the other balances with related parties are as below:

<u>Nature of balances</u>	<u>Related party</u>	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Cash and Cash equivalents	Banque Saudi Fransi	42,834	19,829
Long-term loan	Banque Saudi Fransi	<u>1,521,074</u>	<u>1,627,087</u>

As at 30 September 2020, the Company had 8 lease contracts (31 December 2019: 11) with Banque Saudi Fransi with an aggregate outstanding principal amounting to SAR 0.348 million (31 December 2019: SAR 0.84 million).

d) The Company considers BOD members, chief executive officer and chief financial officer as key management personnel. The compensation of the key management personnel are listed below:

	<b>For the nine-months period ended</b>	
	<b>30 September 2020 (Unaudited)</b>	30 September 2019 (Unaudited)
Salaries	1,273	1,102
End of service benefits	88	93
Other allowances	12	18
	<u>1,373</u>	<u>1,213</u>

**8. DEFERRED TAX ASSET**

The Company has booked deferred tax asset amounting to SR 2.60 million as at 30 September 2020 (31 December 2019: SAR 2.91 million) pertaining to deductible temporary differences. These differences have arisen from allowance for expected credit losses ("ECL") property and equipment depreciation and end of service benefits. Movement of the account balance are as follows:

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Opening balance	2,909	--
Deferred tax (charge) / gain	(312)	2,909
Closing balance	<u>2,597</u>	<u>2,909</u>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

**9. LONG TERM LOAN**

The Company has a shariah compliant loan facility “Al Tawarroq” with a limit of SAR 2,000 million from its parent Banque Saudi Fransi (“BSF”). During the period, the Company has obtained interest free loan of SR 50 million from BSF for a period of six months. The maturity date of interest free loan is 1 November 2020.

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

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Current portion	<b>341,637</b>	452,087
Non-current portion	<b>1,179,437</b>	1,175,000
	<b><u>1,521,074</u></b>	<u>1,627,087</u>

The management have provided BSF with promissory notes against this facility.

**10. ACCOUNTS PAYABLE**

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Dealers payable	<b>15,245</b>	22,950
Third party insurance collected	<b>9,838</b>	11,827
Insurance Payable	<b>8,820</b>	5,155
Commission payable	<b>1,857</b>	3,668
Customer verification expense payable	<b>1,661</b>	1,133
Government fee payable	<b>880</b>	867
Others	<b>529</b>	32
	<b><u>38,830</u></b>	<u>45,632</u>

**11. ZAKAT AND TAX**

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

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Opening zakat and tax	<b>11,403</b>	13,245
Charge for the period / year:		
- current period	<b>15,777</b>	10,161
- prior year	<b>7,436</b>	--
Payment during the period / year	<b>(16,607)</b>	(12,003)
Closing zakat and tax	<b><u>18,009</u></b>	<u>11,403</u>

The Company had recorded zakat and income tax provision based on the ministerial resolution no. 2215 dated 7/7/1440H (Corresponding to 14/3/2019) issued by the GAZT and based on our interpretation of the requirements. At the time of filing of zakat and income tax return of the Company for the year ended 31 December 2019, the Company, based on guidelines issued by GAZT re-assessed its composition of non-zakatable assets and has accordingly revised upwards its zakat base. This revision resulted in an additional zakat liability which has been reflected in 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-month and nine-month periods ended 30 September 2020  
(SR '000)

**11. ZAKAT AND TAX (CONTINUED)**

**Status of assessments**

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2019 with the General Authority of Zakat and Income Tax ("GAZT").

During the period ended 30 September 2020, there has been no change in the status of the Company's zakat and income tax assessments from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2019.

**12. FEE INCOME AND EXPENSES**

	<b>For the nine-months period ended 30 September (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
<i>Fee income</i>		
Insurance income	<b>143,835</b>	131,863
Processing fee	<b>5,698</b>	5,878
Other operating income	<b>1,712</b>	2,344
	<b>151,245</b>	140,085
<i>Fee expenses</i>		
Insurance expenses	<b>(95,380)</b>	(94,980)
Commission	<b>(5,462)</b>	(6,523)
Registration fee	<b>(1,852)</b>	(2,030)
Verification expenses	<b>(1,486)</b>	(645)
	<b>(104,180)</b>	(104,178)

**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 2020 (Unaudited)</b>	<b>-----Fair Value-----</b>				
	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets:</i></b>					
Net investments in finance leases	<b>2,449,908</b>	--	--	<b>2,237,472</b>	<b>2,237,472</b>
<b><i>Financial liabilities:</i></b>					
Negative fair value of derivative	<b>42,076</b>	--	<b>42,076</b>	--	<b>42,076</b>

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

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

<i>31 December 2019 (Audited)</i>	-----Fair Value-----				
	<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>					
Positive fair value of derivative	1,918	--	1,918	--	1,918
Net investments in finance leases	2,531,701	--	--	2,254,302	2,254,302
<i><u>Financial liabilities:</u></i>					
Negative fair value of derivative	21,742	--	21,742	--	21,742

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 investment at fair value through other comprehensive income is not significantly different from the carrying values included in the financial statements.

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

**14. GEOGRAPHICAL CONCENTRATION**

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

**15. SEGMENT REPORTING**

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

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

<b><u>30 September 2020 (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>2,432,377</b>	<b>70,285</b>	<b>2,502,662</b>
<b>Total liabilities</b>	<b>1,726,471</b>	<b>2,408</b>	<b>1,728,879</b>
<b>Impairment allowance for expected credit losses</b>	<b>91,572</b>	<b>2,844</b>	<b>94,416</b>
<b>Total revenue</b>	<b>248,835</b>	<b>2,222</b>	<b>251,057</b>
<b>Total operating expenses</b>	<b>167,127</b>	<b>3,230</b>	<b>170,357</b>
<b>Net income / (loss) for the period before zakat and income tax</b>	<b>81,708</b>	<b>(1,008)</b>	<b>80,700</b>



**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

**15. SEGMENT REPORTING (CONTINUED)**

<u>31 December 2019 (Audited)</u>	Amount in SAR '000		
	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
Total assets	2,478,475	54,468	2,532,943
Total liabilities	1,793,160	923	1,794,083
Impairment allowance for credit losses	102,944	2,092	105,036
<u>30 September 2019 (Unaudited)</u>			
Total revenue	241,702	6,343	248,045
Total operating expenses	172,206	1,970	174,176
Net income for the period before zakat and income tax	69,496	4,373	73,869

**16. COMMITMENTS**

The Company has finance lease contracts approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SR 15.6 million (31 December 2019: SR 12.9 million).

As at 30 September 2020, the Company has an outstanding guarantee of SR 5 million (31 December 2019: SR 5 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 THE COMPANY'S OPERATIONS AND THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The prevailing economic conditions do require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. The Company has therefore recognised overlays of SR 4.78 million as at 30 September 2020. The Company will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

**18. SAMA PROGRAMS AND INITIATIVES LAUNCHED**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. Whilst the PSFSP encompasses several programs, the one most pertinent to the Company as at 30 September 2020 is the deferred payments program.

As part of the deferred payments program launched by SAMA, the Company was required to defer payments for six months on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company effected the payment reliefs by extending the tenure of the applicable financing facilities granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net lease finance income. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

Further to the above, on 1 September 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until 14 December 2020. The Company has affected the payment reliefs by deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 by extending the tenure of the applicable financing facilities granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Company recognizing an additional modification loss of SR 1 million during the period ended 30 September 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Company has recognised SR 4.1 million of related modification losses of which SR 0.66 million have been unwound.

Furthermore, in accordance with the PSFSP, the Company is also eligible for the deferral of its loan instalment payments to BSF. However, as at 30 September 2020, no such deferral has been agreed with BSF.

As at 30 September 2020, the Company has not participated in any other PSFSP program.

***Health care sector support***

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Company decided to voluntarily postpone payments for all public and private health care workers who have lease contracts with the Company for three months. This resulted in the Company recognising a modification loss of SR 1.885 million, net of unwinding for the nine months period ended 30 September 2020. The impact of these modification losses was presented as part of net lease finance income.

***SAMA program - customer support on deferral of financing***

In April 2020, SAMA issued further guidance to financing companies around providing the necessary support for individual customers that lost their jobs in the private sector due to COVID-19, whether directly or indirectly. Accordingly, the Company has received applications from various customers to avail this SAMA program and has effected the payment reliefs by extending the tenure of the applicable investments in finance lease for three months with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the investments in finance lease has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognising a modification loss of SR 0.31 million, net of unwinding for the nine months period ended 30 September 2020. The impact of these modification losses was presented as part of net lease finance income.

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2020  
(SR '000)

**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-months period ended 30 September 2020.

**20. BOARD OF DIRECTOR' APPROVAL**

The financial statements have been approved by the Board of Directors on 11 Rabi' al Awwal 1442H (corresponding to 28 October 2020).