

**SAUDI HOME LOANS COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE MONTH AND NINE MONTH PERIODS  
ENDED 30 SEPTEMBER 2022**

**SAUDI HOME LOANS COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders  
Saudi Home Loans Company  
(A Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Saudi Home Loans Company (A Saudi Joint Stock Company) (the "Company") as of September 30, 2022 and the related statements of profit or loss and other comprehensive income for the three month and nine month periods ended September 30, 2022 and the related statements of changes in shareholders' equity and cash flows for the nine month period ended September 30, 2022. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

### **Other matter**

The financial statements of the Company for the year ended December 31, 2021 and the interim financial information for the three month and nine month periods ended September 30, 2021 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on those statements and that information on March 6, 2022 and October 27, 2021 respectively.

Deloitte and Touche & Co.  
Chartered Accountants



Mazen A. Al-Omari  
Certified Public Accountant  
License No. 480

2 Rabi' II, 1444H  
October 27, 2022



**SAUDI HOME LOANS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2022**  
(Expressed in Saudi Riyal)

	Notes	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	134,422,961	214,467,647
Advances to property owners	4.1	2,422,009	11,716,500
Due from a related party	5	973,499	739,733
Prepaid expenses and other assets	6	6,993,777	9,953,914
Other receivables, net	7	30,374,019	36,879,639
Investment held at fair value through other comprehensive income ("FVOCI")		892,850	892,850
Positive fair value of derivative financial instrument	16	29,686,808	-
Investments in finance lease, net	8	3,844,599,316	4,013,303,094
Murabaha receivables, net	9	281,439,918	74,786,137
Deferred origination fees	5	15,372,504	18,204,844
Other real estate		19,220,635	8,636,219
Right-of-use asset		6,046,728	7,015,918
Property and equipment		3,477,455	4,137,340
Intangible assets		2,184,624	2,896,071
Deferred tax	13	2,445,383	4,402,330
<b>TOTAL ASSETS</b>		<b>4,380,552,486</b>	<b>4,408,032,236</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	10	12,636,794	7,417,401
Accrued expenses and other liabilities	11	14,846,918	11,666,926
Advance lease rentals		9,573,641	7,969,186
Lease liability		5,506,339	6,753,491
Provision for zakat and income tax	12	18,130,562	22,618,176
Tawarruq financing facilities	14	2,617,705,494	2,653,074,515
End of service benefits	15	9,372,309	8,598,413
<b>Total liabilities</b>		<b>2,687,772,057</b>	<b>2,718,098,108</b>
<b>Shareholders' equity</b>			
Share capital	17	1,000,000,000	1,000,000,000
Statutory reserve	18	119,715,334	116,479,630
Other reserve	15	2,035,684	1,829,576
Retained earnings		571,029,411	571,624,922
<b>Total shareholders' equity</b>		<b>1,692,780,429</b>	<b>1,689,934,128</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,380,552,486</b>	<b>4,408,032,236</b>

  
Yousef Al Shalash

Chairman

  
Bandar Al Ghamdi

Chief Executive Officer

  
Muath Jabr



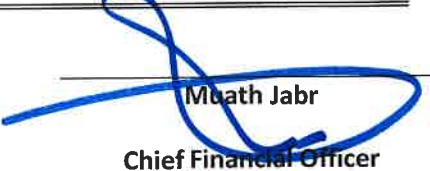
Chief Financial Officer

The accompanying notes from (1) to (27) are an integral part of these condensed interim financial statements

**SAUDI HOME LOANS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**

(Expressed in Saudi Riyal)

	Notes	For the three month period ended September 30 (unaudited)		For the nine month period ended September 30 (unaudited)	
		2022	2021	2022	2021
Finance income		65,437,298	70,296,126	193,964,531	210,957,427
Service fees, net		940,767	1,319,814	3,161,397	4,177,283
Application and evaluation fee income		357,050	975,612	1,532,177	3,872,033
Asset sale income		684,003	2,384,909	1,489,870	5,254,138
<b>Total revenue</b>		<b>67,419,118</b>	<b>74,976,461</b>	<b>200,147,975</b>	<b>224,260,881</b>
Fair value gain on derivative financial instrument	16	8,062,718	-	29,686,808	-
Other income		154,333	418,089	1,768,634	609,552
<b>Total operating income</b>		<b>75,636,169</b>	<b>75,394,550</b>	<b>231,603,417</b>	<b>224,870,433</b>
Finance charges		(31,296,804)	(18,301,430)	(71,880,038)	(55,749,925)
General and administrative expenses	21	(27,536,775)	(25,385,843)	(78,224,953)	(76,036,831)
Write off and reversal of expected credit losses ("ECL") 7, 8 & 9		5,126,351	(1,046,004)	15,214,998	10,582,382
Selling and marketing expenses	20	(2,783,427)	(3,178,147)	(9,269,423)	(9,654,365)
<b>Net income before zakat and income tax</b>		<b>19,145,514</b>	<b>27,483,126</b>	<b>87,444,001</b>	<b>94,011,694</b>
Zakat and income tax	12	(2,805,005)	(3,155,986)	(9,876,304)	(9,641,944)
Zakat and income tax for previous periods	12	-	-	4,429,443	(914,495)
Deferred tax	13	43,653	15,898	(1,956,947)	(353,021)
<b>Net income for the period</b>		<b>16,384,162</b>	<b>24,343,038</b>	<b>80,040,193</b>	<b>83,102,234</b>
<b>Other comprehensive loss</b> <i>Item that cannot be reclassified to the statement of income in subsequent periods:</i>					
Actuarial gains on end of service benefits	15	365,978	601,486	206,108	466,576
<b>Total comprehensive income for the period</b>		<b>16,750,140</b>	<b>24,944,524</b>	<b>80,246,301</b>	<b>83,568,810</b>
Basic and diluted earnings per share (Saudi Riyal)	22	0.17	0.25	0.80	0.84
 Yousef Al Shalash Chairman				 Bandar Al Ghàndi Chief Executive Officer	 Muath Jabr Chief Financial Officer

The accompanying notes from (1) to (27) are an integral part of these condensed interim financial statements

**SAUDI HOME LOANS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

(Expressed in Saudi Riyal)

For the nine month period ended 30 September 2022 (Unaudited)						
Notes	Share Capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity	
	1,000,000,000	116,479,630	1,829,576	571,624,922	1,689,934,128	
	-	-	-	80,040,193	80,040,193	
15	-	-	206,108	-	206,108	
	-	-	206,108	80,040,193	80,246,301	
18	-	3,235,704	-	(3,235,704)	-	
19	-	-	-	(77,400,000)	(77,400,000)	
	<b>1,000,000,000</b>	<b>119,715,334</b>	<b>2,035,684</b>	<b>571,029,411</b>	<b>1,692,780,429</b>	

Balance at beginning of the period  
Net income for the period  
Actuarial gain on end of service benefits  
Total comprehensive income for the period  
Transfer to statutory reserve  
Dividends paid  
Balance at end of the period

For the nine month period ended 30 September 2021 (Unaudited)						
Notes	Share capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity	
	1,000,000,000	106,160,070	1,157,460	478,748,883	1,586,066,413	
	-	-	-	83,102,234	83,102,234	
15	-	-	466,576	-	466,576	
	-	-	466,576	83,102,234	83,568,810	
18	-	8,310,223	-	(8,310,223)	-	
	<b>1,000,000,000</b>	<b>114,470,293</b>	<b>1,624,036</b>	<b>553,540,894</b>	<b>1,669,635,223</b>	

Balance at beginning of the period  
Net income for the period  
Actuarial gain on end of service benefits  
Total comprehensive income for the period  
Transfer to statutory reserve  
Balance at end of the period

Yousef Al Shalash

Chairman

Bandar Al Ghamdi

Chief Executive Officer

Muath Jebr

Chief Financial Officer

The accompanying notes from (1) to (27) are an integral part of these condensed interim financial statements

**SAUDI HOME LOANS COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**  
(Expressed in Saudi Riyal)

	For the nine month period ended September 30 (unaudited)	
	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and income tax	87,444,001	94,011,694
<i>Adjustments to net income before zakat and income tax</i>		
Depreciation and amortisation	3,468,503	3,361,686
Amortisation of deferred origination fees	2,832,340	2,777,087
Fair value gain on derivative financial instrument	(29,686,808)	-
Impairment loss on real estate assets	976,272	62,165
Write off and reversal of expected credit losses	(16,348,683)	(10,582,382)
Write off rejected insurance claims	1,133,685	-
Provision for end of service benefits	1,332,518	1,286,283
Amortization of discount on lease liability	339,739	195,751
<i>Net (increase)/decrease in operating assets:</i>		
Other receivables, net	9,801,378	5,467,571
Prepaid expenses and other assets, net	2,960,137	3,900,231
Due from a related party	(233,766)	45,722
Advances to property owners	9,294,491	(6,776,866)
Investments in finance lease	174,051,567	71,790,775
Murabaha receivables	(207,213,575)	(28,101,064)
<i>Net increase/(decrease) in operating liabilities:</i>		
Accounts payable	5,219,393	(1,501,995)
Accrued expenses and other liabilities	3,179,992	4,230,287
Advance lease rentals	1,604,455	5,306,462
<b>Net cash from operations</b>	<b>50,155,639</b>	<b>145,473,407</b>
Zakat and income tax paid	(14,363,918)	(13,348,768)
End of service benefits paid	(352,514)	(582,489)
Deferred origination fees paid	-	(25,210)
<b>Net cash generated from operating activities</b>	<b>35,439,207</b>	<b>131,516,940</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(552,934)	(661,500)
Proceeds from disposal of property and equipment	395,802	-
Purchase of intangible assets	(39,700)	(221,896)
<b>Net cash used in investing activities</b>	<b>(196,832)</b>	<b>(883,396)</b>
<b>FINANCING ACTIVITIES</b>		
Additions in Tawarruq financing facilities	150,000,000	154,487,749
Repayment of Tawarruq financing facilities	(185,369,021)	(317,428,343)
Payment of lease liability	(2,518,040)	(2,753,640)
Dividends paid	(77,400,000)	-
<b>Net cash used in financing activities</b>	<b>(115,287,061)</b>	<b>(165,694,234)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(80,044,686)</b>	<b>(35,060,690)</b>
Cash and cash equivalents at beginning of the period	214,467,647	142,327,982
<b>Cash and cash equivalents at end of the period</b>	<b>134,422,961</b>	<b>107,267,292</b>
<b>NON-CASH TRANSACTIONS:</b>		
Additions to right-of-use assets and lease liabilities	931,149	-
Capital work-in-progress transferred to intangible assets and property and equipment	-	1,566,662

The accompanying notes from (1) to (27) are an integral part of these condensed interim financial statements

**SAUDI HOME LOANS COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**  
(Expressed in Saudi Riyal unless otherwise stated)

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**1. ORGANIZATION AND ACTIVITIES**

Saudi Home Loans Company (the "Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under the commercial registration no. 1010241934 dated 22 Dhul Hijjah 1428H (corresponding to 1 January 2008), unified number (7001540165). The Company operates under Ministry of Investment license no: 102030072425-01 dated 23 Rajab 1430H (corresponding to 16 July 2009), also the Company is regulated and licensed by Saudi Central Bank ("SAMA") license no: 14/A SH/201403 dated 27 Rabi Al-Thani 1435H (corresponding to 27 February 2014) which will expire on 25 Rabi'II 1445H (corresponding to 9 November 2023). The address of the Company is as follows:

Saudi Home Loans Company  
P.O. Box 27072  
Riyadh 11417  
Kingdom of Saudi Arabia

The principal activities of the Company are to finance the purchase of houses and residential land and apartments, financing of real estate properties and financing the establishment of commercial and industrial projects, except in Makkah and Madinah.

On 20 April 2022, the trading of the 30% listed share capital of the Company started on Saudi Stock Exchange ("Tadawul"). The Company's legal status also changed from Closed Joint Stock Company to Joint Stock Company.

**Branches of the Company**

As at September 30, 2022, and December 31, 2021, the Company operates through following branches. The accompanying condensed interim financial statements include the assets, liabilities and results of these branches. The details of these branches are as follows:

<u>Branch</u>	<u>CR Number</u>	<u>Date</u>
Jeddah Branch	4030289627	22/08/1437 H
Dammam Branch	2050109572	22/08/1437 H

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

The condensed interim financial statements of the Company as at and for the three month and nine month periods ended 30 September 2022 have been prepared in accordance with the International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2021.

The results for the interim period of three month and nine month periods ended September 30, 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

**b) Basis of measurement and presentation**

These financial statements have been prepared on a historical cost basis, except for the equity investment which is measured at fair value through other comprehensive income ("FVOCI"), end of



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**  
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service benefits liability which is measured at present value of future obligations using the projected unit credit method and the derivative financial instrument that is valued using valuation techniques with market observable inputs at end of each reporting period.

**c) Functional and presentation currency**

These condensed interim financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. The figures in these financial statements are rounded to the nearest Saudi Riyal.

**2.1 New and amended International Financial Reporting Standards (“IFRSs”) Standards that are effective for the current period**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these condensed interim financial statements.

The adoption has not had any material impact on the disclosures or on the amounts reported in these condensed interim financial statements.

<b>New and revised IFRS</b>	<b>Summary</b>
Reference to the Conceptual Framework (Amendments to IFRS 3)	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Standards 2018–2020	Makes amendments to the following standards: <b>IFRS 1</b> - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs. <b>IFRS 9</b> - The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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	<p><b>IFRS 16</b> - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.</p> <p><b>IAS 41</b> - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.</p>
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**2.2 New and revised IFRS in issue but not yet effective and not early adopted**

At the date of authorisation of these condensed interim financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<b>IFRS 17 Insurance contracts</b> and amendments to IFRS 17	1 January 2023
<b>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</b> (Amendment to IFRS 17)	When an entity first applies IFRS 17
<b>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</b> . Entities reporting under IFRS 4 would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.	1 January 2023
<b>Classification of Liabilities as Current or Non-Current</b> (Amendments to IAS 1)	1 January 2023
<b>Disclosure of Accounting Policies</b> (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
<b>Definition of Accounting Estimates</b> (Amendments to IAS 8)	1 January 2023
<b>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</b> (Amendments to IAS 12)	1 January 2023
<b>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)</b> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management is in the process of assessing the potential financial impact of application and do not expect that the adoption of the standards listed above will have a material impact on the condensed interim financial statements of the Company in future periods.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**  
(Expressed in Saudi Riyal unless otherwise stated)

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**3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The accounting policies, judgements, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2021, except as mentioned below which is a new accounting policy adopted by the Company.

*Derivative financial instrument*

The Company uses derivative financial instrument held at fair value through profit and loss ("FVTPL") to hedge its exposure to changes in interest rates on certain finance lease contracts. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivative financial instrument is carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivative financial instruments are included within the net income for the period. The Company does not apply hedge accounting.

**4. CASH AND CASH EQUIVALENTS**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Cash in hand	<b>32,000</b>	22,000
Cash at bank	<b>134,390,961</b>	214,445,647
	<b>134,422,961</b>	214,467,647

As at each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

**4.1 Advances to property owners**

This balance represents the value of certified cheques issued under the property owner's name, for the purchase of properties under the approved Ijara and Murabaha contracts and for which the transfer of title deeds, in the name of the Company is under process. These certified cheques are submitted by official Company representatives directly at the government offices at the time of transfer of title deeds. Risk and rewards and control of such underlying properties is not transferred to the Company as of the reporting date and there is no contractual rights and obligation of Company as of the reporting date under such Ijara and Murabaha contracts.

**5. RELATED PARTY TRANSACTIONS**

The related parties of the Company include the shareholders and an affiliate (i.e., a company with a common shareholder), and key management personnel. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract term approved by the Company's management and on an agreed basis with these related parties:

<b>Name</b>	<b>Relationship</b>
Arab National Bank ("ANB")	Shareholder
International Financial Corporation ("IFC")	Shareholder
Kingdom Instalment Company	Shareholder
Dar Al Arkan	Shareholder
Tharwat Alasool Real Estate Company	Affiliate

**SAUDI HOME LOANS COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**  
(Expressed in Saudi Riyal unless otherwise stated)

The significant transactions during the period are as follows:

	For the three month period 30 September (Unaudited)		For the nine month period 30 September (Unaudited)	
	2022	2021	2022	2021
Tawaruq financing charges (ANB)	<b>18,642,944</b>	11,996,858	<b>44,235,570</b>	36,023,726
Residential unit purchased (Dar Alarkan)	<b>1,160,900</b>	5,654,550	<b>3,817,400</b>	18,502,014
Service fees, net (ANB)	<b>940,767</b>	1,319,814	<b>3,161,397</b>	4,177,283
Tawaruq financing charges (IFC)	<b>1,234,586</b>	965,202	<b>3,056,471</b>	2,894,090
Rent paid (Tharwat Alasool Real Estate Company)	-	-	<b>2,179,940</b>	2,179,940
Deferred origination fee	-	-	-	25,120

The following related party balances are included in the condensed interim statement of financial position:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Loan obtained from a shareholder (ANB) (note 14)	<b>1,592,742,191</b>	1,672,545,150
Loan obtained from a shareholder (IFC) (note 14)	<b>95,147,869</b>	109,517,304
Deferred origination fees (ANB)	<b>15,372,504</b>	18,204,844
Prepaid financing facility fees (IFC)	<b>548,236</b>	783,208
Due from a related party related to service fees (ANB)	<b>973,499</b>	739,733

**Compensation of key management personnel ("KMP")**

KMP are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMP includes the Board of Directors (including executive and non-executive directors) and selected key employees who meet the above criteria.

The compensation details of Company's KMP is provided below:

	For the three month period 30 September (Unaudited)		For the nine month period 30 September (Unaudited)	
	2022	2021	2022	2021
Salaries	<b>1,076,460</b>	480,000	<b>3,229,380</b>	1,440,000
End of service benefits	<b>50,705</b>	40,000	<b>152,115</b>	120,000
Other allowances	<b>297,975</b>	146,052	<b>893,926</b>	438,157
	<b>1,425,140</b>	666,052	<b>4,275,421</b>	1,998,157

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**6. PREPAID EXPENSES AND OTHER ASSETS**

Prepaid expenses and other assets comprise of the following:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Advance tax	<b>1,167,466</b>	3,348,312
Prepaid financing facility fees	<b>2,575,736</b>	3,446,333
Prepaid Insurance	<b>1,220,958</b>	1,047,527
Prepaid software maintenance	<b>897,048</b>	968,923
Prepaid cyber security payments	<b>695,204</b>	388,231
Others	<b>437,365</b>	754,588
	<b>6,993,777</b>	9,953,914

**7. OTHER RECEIVABLES, NET**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Insurance claims receivable on deceased case leases	<b>38,096,248</b>	47,626,621
Legal claims	<b>10,845,664</b>	8,321,026
VAT receivable	<b>5,924,947</b>	6,140,137
Due from Saudi Real Estate Refinance Company ("SRC")	-	206,430
Deferred expenses	-	2,594,633
Employees' advances and receivables	<b>143,859</b>	114,250
	<b>55,010,719</b>	65,003,097
Allowance against insurance and legal claims	<b>(24,636,700)</b>	(28,123,458)
	<b>30,374,019</b>	36,879,639

Allowance against insurance and legal claims comprise the following:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Allowance against insurance claims receivable on deceased case leases (see note below)	<b>21,027,145</b>	24,910,881
Allowance against legal claims	<b>3,609,555</b>	3,212,577
	<b>24,636,700</b>	28,123,458

During the three month period ended 30 September 2022, for the contracts signed after 1<sup>st</sup> October 2018, the management has written off insurance claims receivable, rejected by the insurers of SR 1.13 million directly to condensed interim statement of profit or loss and SR 3.88 million against the allowance recognized previously.

Rejected insurance claims receivables are fully provided on contracts signed before 1<sup>st</sup> October 2018. The Company is following the collection rules and procedures to settle and recover these due amounts.

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**8. INVESTMENTS IN FINANCE LEASE, NET**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>Investments in finance lease, gross</b>	<b>5,847,491,734</b>	6,200,514,939
Less: Unearned finance income	<b>(1,960,916,737)</b>	(2,123,208,607)
<b>Investments in finance lease before ECL</b>	<b>3,886,574,997</b>	4,077,306,332
Less: Allowance for ECL	<b>(41,975,681)</b>	(64,003,238)
<b>Investments in finance lease, net</b>	<b>3,844,599,316</b>	4,013,303,094

Total number of outstanding lease agreements as at 30 September 2022 is 6,501 (31 December 2021: 6,827).

The Company generates all of its revenues from leasing real estate properties in the Kingdom of Saudi Arabia. Investment in finance lease represents amounts due from individual customers.

8.1 The movement in the allowance for expected credit losses is shown below:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Balance at the beginning of the period	<b>64,003,238</b>	82,430,269
Reversal during the period/year	<b>(22,027,557)</b>	(18,427,031)
<b>Balance at the end of the period</b>	<b>41,975,681</b>	64,003,238

During the three month and nine month periods ended September 30, 2022, the Company has written off an amount of SR 0.91 million and SR 5.2 million respectively directly in the statement of profit or loss and other comprehensive income as required by new SAMA rules governing credit risk exposure classification and provisioning.

8.2 The credit quality of investments in finance lease is as follows:

<b>30 September 2022 (Unaudited)</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Investments in finance lease before ECL	<b>3,433,313,797</b>	<b>253,149,275</b>	<b>200,111,925</b>	<b>3,886,574,997</b>
Allowance for ECL	<b>(1,556,203)</b>	<b>(6,172,280)</b>	<b>(34,247,198)</b>	<b>(41,975,681)</b>
Net carrying amount	<b>3,431,757,594</b>	<b>246,976,995</b>	<b>165,864,727</b>	<b>3,844,599,316</b>
<b>31 December 2021 (Audited)</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Investments in finance lease before ECL	<b>3,553,703,369</b>	<b>283,026,793</b>	<b>240,576,170</b>	<b>4,077,306,332</b>
Allowance for ECL	<b>(1,433,525)</b>	<b>(6,905,996)</b>	<b>(55,663,717)</b>	<b>(64,003,238)</b>
Net carrying amount	<b>3,552,269,844</b>	<b>276,120,797</b>	<b>184,912,453</b>	<b>4,013,303,094</b>

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8.3 Maturity profile of the lease receivables is as follows:

Year	30 September 2022 (unaudited)			31 December 2021 (audited)
	Gross lease receivables	Unearned finance income	Investments in finance lease	Investments in finance lease
Within one year	444,426,563	112,443,777	331,982,786	334,840,996
Year two	517,311,800	226,462,613	290,849,187	291,319,632
Year three	495,902,025	207,185,194	288,716,831	291,056,331
Year four	472,391,919	187,444,223	284,947,696	283,734,145
Year five and later	3,917,459,427	1,227,380,930	2,690,078,497	2,876,355,228
	<b>5,847,491,734</b>	<b>1,960,916,737</b>	<b>3,886,574,997</b>	<b>4,077,306,332</b>

8.4 The ageing of gross lease receivables which are past due is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
1 - 3 months	14,912,439	14,202,528
4 - 6 months	1,447,557	757,270
7 - 12 months	814,364	585,516
Over 12 months	36,136,190	43,002,088
	<b>53,310,550</b>	<b>58,547,402</b>

The not yet due portion of above overdue lease receivables as at 30 September 2022 amounts to SR 1,854 million (31 December 2021: SR 1,940 million).

The Company in ordinary course of its business, holds collateral in respect of the finance lease receivables (being the title of properties leased out) in order to mitigate the credit risk associated with them. These collaterals (i.e. real estate) are not readily convertible into cash and are accepted by the Company with intent to dispose-off in case of customer default.

**9. MURABAHA RECEIVABLES, NET**

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<b>Murabaha receivables, gross</b>	<b>448,813,294</b>	115,402,936
Less: Unearned finance income	<b>(166,813,622)</b>	(40,545,808)
<b>Murabaha receivables before ECL</b>	<b>281,999,672</b>	74,857,128
Less: Allowance for ECL	<b>(559,754)</b>	(70,991)
<b>Murabaha receivables, net</b>	<b>281,439,918</b>	<b>74,786,137</b>

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The movement in allowance for expected credit losses is shown below:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Balance at the beginning of the period	70,991	-
Charge for the period	488,763	70,991
<b>Balance at the end of the period</b>	<b>559,754</b>	<b>70,991</b>

Maturity profile of the Murabaha receivables is as follows:

<b>Year</b>	<b>30 September 2022 (Unaudited)</b>		31 December 2021 (Audited)	
	<b>Minimum Murabaha receivables</b>	<b>Unearned finance income</b>	<b>Murabaha receivables</b>	<b>Murabaha receivables</b>
Within one year	30,151,722	17,973,400	12,178,322	2,948,634
Year two	29,591,967	17,183,313	12,408,654	3,126,968
Year three	29,591,967	16,333,850	13,258,117	3,317,132
Year four	29,591,967	14,281,274	15,310,693	3,519,999
Year five and later	329,885,671	101,041,785	228,843,886	61,944,395
	<b>448,813,294</b>	<b>166,813,622</b>	<b>281,999,672</b>	<b>74,857,128</b>

The ageing of gross Murabaha receivables which are past due is as follows:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
1 - 3 months	533,643	87,626

The not yet due portion of above overdue Murabaha receivables as at 30 September 2022 amounts to SR 58.56 million (31 December 2021: SR 18.37 million). The Company's exposure as of 30 September 2022 is mainly classified as stage 1.

**10. ACCOUNTS PAYABLE**

Accounts payable includes amounts pertaining to VAT payable to Zakat, Tax and Customs Authority ("ZATCA") and payable for evaluation and other services provided to the Company.

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Employees' related expenses	6,857,540	6,875,322
Accrued Insurance expenses	3,581,124	-
Accrued annual maintenance charges	2,319,623	3,013,577
Provision for maintenance on finance lease contracts	453,776	469,071
Accrued legal and consultation fees	772,100	492,500
Servicing right liability	307,561	347,195
Accrued brokerage fees	57,488	57,488
Others	497,706	411,773
<b>Total</b>	<b>14,846,918</b>	<b>11,666,926</b>



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**12. PROVISION FOR ZAKAT AND INCOME TAX**

Movements in the provision for zakat and income tax is as follows:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Balance at the beginning of the period	22,618,176	24,644,795
Provision for zakat for the current period	7,622,188	9,694,054
Provision for tax for the previous periods	-	914,495
Provision for income tax for the current period	2,254,116	4,772,292
Payment during the period	<u>(14,363,918)</u>	<u>(17,407,460)</u>
<b>Balance at the end of the period</b>	<b><u>18,130,562</u></b>	<b><u>22,618,176</u></b>

The estimate provided at interim period is the best estimate of management, therefore, actual figures may differ at the year-end.

**Status of assessment**

The years from 2008 to 2013 were closed based on settlement agreed with the Zakat, tax and Customs Authority ("ZATCA"). In February 2019, the Company received a settlement agreement from ZATCA to settle the outstanding assessments relating to zakat for the financial years 2014 to 2017 and provided a settlement calculation method for 2018. The Company accepted this settlement agreement and the remaining balance payable as part of this settlement as at 30 September 2022 is SR 8.12 million (31 December 2021: SR 8.12 million). The zakat and income tax return for the year 2019 to 2021 are under review with ZATCA.

During September 2022, the Company received refund of of SR 4.43 million from Zakat, Tax and Custom authority which relates to prior years income tax adjustments

**13. DEFERRED TAX**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Balance at the beginning of the period	4,402,330	4,837,338
Movement during the period	<u>(1,956,947)</u>	<u>(435,008)</u>
Balance at end of the period	<b><u>2,445,383</u></b>	<b><u>4,402,330</u></b>

The Company's deferred tax assets arise primarily from expected credit losses.

**14. TAWARRUQ FINANCING FACILITIES**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Current portion of facilities	534,659,154	702,791,374
Non-current portion of facilities	<u>2,073,148,626</u>	<u>1,946,175,830</u>
Total excluding financial charges	<u>2,607,807,780</u>	<u>2,648,967,204</u>
Accrued Tawarruq financing charges	<u>9,897,714</u>	<u>4,107,311</u>
	<b><u>2,617,705,494</u></b>	<b><u>2,653,074,515</u></b>

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The following summarises the outstanding Tawarruq financing facilities from different banks and SRC to finance the investments in finance lease as follows:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
ANB	<b>1,592,742,191</b>	1,672,545,150
Gulf International Bank ("GIB")	<b>384,127,569</b>	411,908,999
IFC	<b>95,147,869</b>	109,517,304
Saudi National Bank	<b>343,180,189</b>	357,742,546
SRC	<b>202,507,676</b>	101,360,516
	<b><u>2,617,705,494</u></b>	<u>2,653,074,515</u>

All facilities are secured by promissory notes and assignment of contracts and proceeds from investments in finance lease, these facilities bear finance charges at interest margin plus market variable rates. Facility repayment schedule is based on equal semi-annual or quarter payment.

**15. END OF SERVICE BENEFITS**

The Company operates an end of service benefit plan for its staff based on prevailing Saudi Labor Laws. The movements in the present value of defined benefit obligation is as follows:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Defined benefit obligation at the beginning of the period	<b>8,598,413</b>	8,371,800
Current service cost	<b>1,109,246</b>	1,527,171
Interest cost on defined benefit obligation	<b>223,272</b>	180,353
Benefits paid to outgoing employees	<b>(352,514)</b>	(808,795)
Actuarial gains on obligation	<b>(206,108)</b>	(672,116)
Defined benefit obligation at the end of the period	<b><u>9,372,309</u></b>	<u>8,598,413</u>

**16. DERIVATIVE FINANCIAL INSTRUMENT**

The Company has entered into an Interest Rate Swap ("IRS") facility to hedge its interest rate exposure on certain finance lease contract. However, it does not currently apply hedge accounting treatment. The positive fair value of the IRS as at 30 September 2022 was SR 29,686,808, with a notional amount of SR 191.67 million (December 31, 2021: SR 200 million). The notional amount provides an indication of the volumes of the transactions outstanding at the end of the period and does not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Company's exposure to credit risk nor market risk.

Derivative financial instrument is valued using valuation techniques with market observable inputs. The fair value of interest rate swaps is generally calculated as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.

**17. SHARE CAPITAL**

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each.

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During the nine month period ended 30 September, 2022, the Company floated 30% of its existing share capital on Tadawul and the trading started on 20 April, 2022. Following the listing, the revised shareholding of the Company is as follows:

	<b>Number of shares of SR 10 each</b>	<b>Share capital</b>
ANB	29,400,000	294,000,000
Dar Al Arkan Real Estate Development Company	10,500,000	105,000,000
Kingdom Instalment Company	6,300,000	63,000,000
Youssef bin Abdullah Al Shalash	5,600,000	56,000,000
Public and others (listed on Tadawul)	48,200,000	482,000,000
	<b>100,000,000</b>	<b>1,000,000,000</b>

As at 31 December, 2021, the shareholding of the Company was as follows:

	<b>Number of shares of SR 10 each</b>	<b>Share capital</b>
ANB	40,000,000	400,000,000
Dar Al Arkan Real Estate Development Company	15,000,000	150,000,000
Kingdom Instalment Company	9,000,000	90,000,000
Youssef bin Abdullah Al Shalash	8,000,000	80,000,000
Tareq Mohammad Al Jarallah	6,000,000	60,000,000
Hathloul Bin Saleh Al Hathloul	6,000,000	60,000,000
IFC	5,000,000	50,000,000
Abdulatif Bin Abdullah Al Shalash	5,000,000	50,000,000
Inma Almadaen Company	4,000,000	40,000,000
Daem Al Khaleej Company	2,000,000	20,000,000
	<b>100,000,000</b>	<b>1,000,000,000</b>

**18. STATUTORY RESERVE**

In accordance with the Company's By-laws, minimum 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

**19. DIVIDENDS DISTRIBUTION**

On 29 May 2022, The Board of Directors, based on the authorization of the general assembly held on 5 April 2022, resolved to approve a distribution of cash dividend of SR 77,400,000 to the shareholders of the Company. The dividend was paid on 14 June 2022.

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**20. SELLING AND MARKETING EXPENSES**

	For the three month period ended September 30 (Unaudited)		For the nine month period ended September 30 (Unaudited)	
	2022	2021	2022	2021
	Sales & title commission	882,175	1,096,146	3,074,766
Evaluation fees	567,950	622,300	1,877,596	2,718,328
Origination expenses	821,080	933,101	2,832,340	2,777,087
Marketing expenses	310,022	-	572,195	159,125
Others	202,200	526,600	912,526	664,600
	<b>2,783,427</b>	<b>3,178,147</b>	<b>9,269,423</b>	<b>9,654,365</b>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	For the three month period ended September 30 (Unaudited)		For the nine month period ended September 30 (Unaudited)	
	2022	2021	2022	2021
	Employees' salaries and other benefits	14,450,056	13,387,865	41,925,180
Insurance expenses	4,841,557	5,883,301	16,627,992	17,926,965
Consultation fees	1,960,787	2,337,340	4,398,081	5,623,550
Depreciation and amortisation	1,162,691	1,142,353	3,468,503	3,361,686
Software support charges	660,807	571,469	2,226,365	2,055,685
Collection Commission	839,275	646,075	2,129,850	2,008,125
VAT expense	575,659	644,074	1,987,366	2,405,461
Telecommunication expenses	200,000	210,000	815,687	642,052
Bank charges	468,437	110,699	685,080	318,149
Printing and stationary	56,726	36,301	145,736	131,584
Travel expenses	60,327	62,311	198,709	228,103
Recruitment related expenses	67,561	96,728	156,747	175,049
Withholding tax	12,627	4,626	48,237	47,215
Repairs and maintenance	57,477	37,407	229,225	153,872
Impairment loss	875,244	2,000	976,272	62,165
Others	1,247,544	213,294	2,205,923	1,156,494
	<b>27,536,775</b>	<b>25,385,843</b>	<b>78,224,953</b>	<b>76,036,831</b>

**22. EARNINGS PER SHARE**

The basic and diluted earnings per share have been computed by dividing net profit after zakat and income tax for the period by the weighted average number of shares outstanding during the period.

**23. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

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- In the absence of a principal market, in the most advantageous market for asset or liability, the principal or the most advantageous market is accessible by the Company.

Financial instruments comprise mainly of cash and cash equivalents, due from related parties, other receivables, investment held at FVOCI, derivative financial instrument, investments in finance leases, murabaha receivables, tawarruq financing facilities, accounts payable and lease liabilities.

All financial assets and financial liabilities are measured at amortized cost except for derivative financial instrument classified as FVTPL.

Investment classified as held at FVOCI is measured at cost as measurement of fair value would entail undue cost and efforts and any changes are not expected to be material to the condensed interim financial statements.

Tawarruq financing facilities bear floating rate of interest based on SIBOR and hence, there is no material difference between the carrying value and fair value.

The fair values of the financial instruments are not materially different from their carrying amounts except for the finance lease receivables and Murabaha receivables measured at amortized cost.

***Fair value hierarchy***

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of interest rate swaps is generally calculated using level 2 techniques as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.

**24. PURCHASE AND AGENCY AGREEMENTS**

The Company has entered into Portfolio Purchase Agreements and Servicing Agreements (collectively referred to as the "Agreements") with SRC. Under the terms of these Agreements, the Company first sells eligible receivables to SRC and then manages them on behalf of SRC as an agent for a monthly fee as per the terms of the Servicing Agreements. Upon sale, the Company derecognizes the receivables from its books and recognizes the difference as either gain or loss on derecognition of receivables.

During the nine month period ended 30 September 2022, the Company sold SR 38.98 million (31 December 2021: SR 266.67 million) of its outstanding principal balances and the total amount received from SRC in respect of such sale was SR 39.26 million (31 December 2021: SR 272.45 million). Net gain recognized on derecognition of these receivables is SR 0.23 million during the nine month period ended 30 September 2022 (30 September 2021: SR 2.18 million).

The expected remaining collections from derecognized receivables as at 30 September 2022 is SR 513.47 million (31 December 2021: SR 483.19 million). The present value of net servicing liability as at 30 September 2022 is SR 307,561 (31 December 2021: SR 347,195)

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(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2022**  
(Expressed in Saudi Riyal unless otherwise stated)

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In 2014, the Company also entered into Leased Assets Sale Agreements and Service Agreements with ANB, a shareholder and sold eligible lease agreements with all associated rights and obligations to ANB and then services them on behalf of ANB as an agent for a monthly fee as per the terms of the Service Agreements. The services mainly relate to arranging insurance coverage for the entire period of the lease agreements sold and in respect of coverage of no less than the outstanding principal balance. The Company has contractually transferred the rights to cashflows of the sold contracts.

The Company recognized servicing fee income of SR 3.16 million during the nine month period 30 September 2022 (30 September 2021: SR 4.18 million)

**25. COMMITMENT AND CONTINGENCIES**

The Company during its normal activity face certain lawsuits and claims related to the nature of its business. However, significant claims are not expected to result from the outstanding lawsuits as at the reporting date.

**26. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL")**

The 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. The Government of Kingdom of Saudi Arabia (the "Government") however has managed to successfully control the outbreak to date.

During 2020, the management performed a detailed assessment to ascertain the impact of the pandemic and resultant 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 and its impact on key credit, liquidity, operational and solvency ratios and performance indicators in addition to other risk management practices. The evaluation of current situation also takes into consideration the impact of the government and SAMA support relief programs.

The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. 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.

It continues to be challenging to reliably ascertain the specific effects the pandemic and the government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it is too early for any potential credit impairment to be reflected through the application of the staging criteria and has instead put more emphasis on the macroeconomic model underpinning the PD and LGD determinations. The Company will continue to individually assess significant counterparty exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**27. APPROVAL OF THE BOARD OF DIRECTORS**

These financial statements were approved by the Board of Directors on 29 Rabi' I 1444H (corresponding to 25 October 2022).