Nayifat Finance Company Prospectus

A Saudi closed joint stock company pursuant to Ministerial Resolution No. 361/Q dated 29/11/1430H (corresponding to 17/11/2009G), and No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G), Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G), and SAMA licence No. 5/ASh/201312 dated 28/02/1435H (corresponding to 31/12/2013G).

Offering of thirty-five million (35,000,000) ordinary shares, representing 35% of Nayifat Finance Company's share capital, through public offering at an offer price of thirty four Saudi Riyals (SAR 34) per share.

Offering Period: two (2) days

starting from Sunday 02/04/1443H (corresponding to 07/11/2021G)
and ending on Monday 03/04/1443H (corresponding to 08/11/2021G)

Nayifat Finance Company (the "**Company**" or the "**Issuer**") is a Saudi closed joint stock company pursuant to Ministry of Commerce Resolutions No. 361/Q dated 29/11/1430H (corresponding to 17/11/2009G), and No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) and is registered under Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) issued in Riyadh. The current Commercial Registration certificate expires on 20/02/1447H (corresponding to 15/08/2025G). The Company's registered address is at Al Worood District, Al Olaya Main Street, FALCOM Financial Services Building, P.O. Box 27389, Postal Code 11417, Riyadh, Kingdom of Saudi Arabia. The current share capital of the Company is one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share ("**Shares**").

The Company was originally incorporated as a limited liability company owned by Abdulaziz Saud Omar Al Blehed, Saud Huwaimel Farraj Al Dosari, Abdulaziz Turki Abdullah Al Otaishan, Hamad Mohammed Abdullah Bin Suaidan and Fahad Abdulaziz Fahad Al Saeed, under the name 'Nayifat Instalments Company' under Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) issued in Riyadh, with a share capital of ten million Saudi Riyals (SAR 10,000,000) divided into a hundred thousand (100,000) ordinary shares with a nominal value of a hundred Saudi Riyals (SAR 100) per share. The Company obtained a membership certification from the Chamber of Commerce in Riyadh with the membership No. 121759, issued on 21/02/1423H (corresponding to 04/05/2002G), valid until 20/02/1447H (corresponding to 14/08/2025G). The Company is licensed by SAMA and is authorized to perform consumer financing, SME financing, credit card financing, lease financing and FinTech lending activities which currently consist of peer-to-peer lending. The Company obtained a non-objection letter from SAMA to test the debt crowdfunding platform under the regulatory sandbox environment, which expires within three months from 22/07/2021G, and the Company is currently in the process of obtaining a permanent license to conduct this type of business. On 03/11/1429H (corresponding to 01/11/2008G) and pursuant to a partners decision, the Company's share capital was increased to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into two million five hundred thousand (2,500,000) shares with a nominal value of a hundred Saudi Riyals (SAR 100) per share, through the issuance of new cash shares with a value of two hundred forty million Saudi Riyals (SAR 240,000,000), through the entry of new partners with one hundred ninety-one million, five hundred thousand Saudi Riyals (SAR 191,500,000), in addition to the capitalization of forty-eight million, five hundred thousand Saudi Riyals (SAR 48,500,000) from the retained earnings account and the current partners' current accounts upon amendment of the Company's Articles of Association on 03/11/1429H (corresponding to 01/11/2008G). On 09/06/1431H (corresponding to 23/05/2010G), upon the partners' decision, the Company was converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G), with a share capital of two hundred fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. Hence, Ministerial Resolution No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) was issued, announcing the conversion of the Company into a closed joint stock company with the paid share capital. On 28/02/1435H (corresponding 31/12/2013G), the Company obtained the SAMA licence No. 5/ASh/201312 for the following activities: lease financing, small and medium enterprise finance, consumer financing and credit card financing. On 07/07/1435H (corresponding to 06/05/2014G), the Company's Extraordinary General Assembly approved the amendment of the Company's name to be "Nayifat Finance Company" and the increase of the Company's share capital from two hundred fifty million Saudi Riyals (SAR 250,000,000) to four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 3 to 5 ratio (by granting three free shares for each five shares held by the shareholders), through the capitalization of one hundred thirty-eight million Saudi Riyals (SAR 138,000,000) from the Company's retained earnings account, and twelve million Saudi Riyals (SAR 12,000,000) of the Company's statutory reserve (the Company obtained the approval of SAMA on that matter). On 16/07/1436H (corresponding to 05/05/2015G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from four hundred million Saudi Riyals (SAR 400,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 1 to 4 ratio (by granting one free share for every four shares), through the capitalization of seventy-four million, four hundred twenty-four thousand, seven hundred eighty-eight Saudi Riyals (SAR 74,424,788) from the Company's retained earnings account, and twenty-five million, five hundred seventy-five thousand, two hundred twelve Saudi Riyals (SAR 25,575,212) of the Company's statutory reserve (the Company obtained SAMA approval). On 26/06/1437H (corresponding to 04/04/2016G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from five hundred million Saudi Riyals (SAR 500,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) divided into sixty million (60,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 1 to 5 ratio (by granting one free share for every five shares held by the shareholders), through the capitalization of ninety-three million Saudi Riyals (SAR 93,000,000) from the Company's retained earnings account, and seven million Saudi Riyals (SAR 7,000,000) of the Company's statutory reserve (the Company obtained SAMA approval). On 24/03/1439H (corresponding to 12/12/2017G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred million Saudi Riyals (SAR 600,000,00) to six hundred thirty-five million Saudi Riyals (SAR 635,000,000) divided into sixty-three million, five hundred thousand (63,500,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by granting new shares to the chairman of the executive committee of the Company, and a limited number of employees (the Company obtained the approval of SAMA, through a loan of thirty-five million Saudi Riyals (SAR 35,000,000) awarded to executive officers under a "three-year performance-based bonus program" to be paid in instalments during this period. On 12/06/1439H (corresponding to 28/02/2018G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred thirty-five million Saudi Riyals (SAR 635,000,000) to eight hundred fifty million Saudi Riyals (SAR 850,000,000) divided into eighty-five million (85,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalisation of one hundred seventy-nine million, four hundred thirty-six thousand Saudi Riyals (SAR 179,436,000) from the Company's retained earnings account, and thirty-five million, five hundred sixty-four thousand Saudi Riyals (SAR 35,564,000) of the Company's statutory reserve (the Company obtained SAMA approval). On 05/04/1441H (corresponding to 02/12/2019G), the Extraordinary General Assembly agreed to increase the Company's share capital from eight hundred fifty million Saudi Riyals (SAR 850,000,000) to one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalization of one hundred fifty million Saudi Riyals (SAR 150,000,000) from the retained earnings account (the Company obtained SAMA approval) (for more details, see Section 4.7 "History of the Company and its Share Capital Development").

The initial public offering ("**the Offering**") will be for thirty-five million (35,000,000) Shares of the Company (collectively the "Offer Shares," and each an "**Offer Share**") at an offer price of thirty four Saudi Riyals (SAR 34) per share with a nominal value of ten Saudi Riyals (SAR 10) per share ("**Offer Price**"). The Offer Shares represent thirty-five percent (35%) of the Company's share capital.

The Offering shall be restricted to the following two groups of investors:

Tranche (A) Participating Parties: this tranche comprises the parties entitled to participate in the book-building process as specified under the CMA's Instructions on Book-Building and Allocation of Shares in Initial Public Offerings (the "**Book-Building Instructions**") (collectively, the "**Participating Parties**" and each a "**Participating Party**") (for more details, see Section 1 ("Definitions and Abbreviations")). The number of Offer Shares to be allocated to Participating Parties actually participating in the book-building process is thirty-five million (35,000,000) Shares, representing 100% of the total Offer Shares. The final allocation will be made after the end of the subscription period for Individual Investors. The Lead Manager (as defined in Section 1 ("Definitions and Abbreviations")) shall have the right, if there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirty-one million, five hundred thousand (31,500,000) shares, representing ninety percent (90%) of the total Offer Shares.

Tranche (B): Individual Investors: this tranche comprises Saudi Arabian nationals, including Saudi female divorcees or widows with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or any GCC national, in each case who has a bank account at one of the Recieving Entities and is allowed to open an investment account (collectively, the "**Individual Investors**" and each an "**Individual Investor**" and together with Qualified Foreign Financial Institutions "**Investors**"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of three million, five hundred thousand (3,500,000) Offer Shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. If Individual Investors do not subscribe for all shares allocated to them, the Bookrunners may reduce the number of Offer Shares allotted to them in proportion to the number of Offer Shares subscribed for thereby.

The Offer Shares will be offered to certain foreign investors who are based outside the United States (including Qualified Foreign Financial Institutions, GCC Companies and Funds and other foreign investors through (SWAP) agreements in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**").

The Shares have not been, and will not be, registered under the U.S. Securities Act or under any U.S. state securities laws. The Offer Shares offered through this Prospectus (the "**Prospectus**") may not be offered or sold within the United States. This Offering does not constitute an offer to sell or solicitation of an offer to buy securities in any country where such an act would be unlawful.

The Company's current shareholders (collectively, "**Current Shareholders**") hold all of the Company's shares prior to the Offering. The Offer Shares are to be sold by the Current Shareholders (collectively, the "**Selling Shareholders**") in accordance with Table 35: ("Ownership Structure of the Company Pre-and Post-Offering" of this Prospectus). Upon completion of the Offering, the Current Shareholders will collectively own 65% of the Company Shares and will consequently retain a controlling interest. The Offering proceeds, less the Offering expenses ("**Net Proceeds**"), will be distributed to the Selling Shareholders based on their percentage of ownership of the Offer Shares, and the Company will not receive any part of the Net Proceeds (for more details, see Section 8 ("Use of Offering Proceeds")). The Underwriters have committed to fully underwrite the Offering (for more details, see Section 13 ("Underwriting")). In addition, Substantial Shareholders, who hold five percent (5%) or more of the Company's shares as at the date of this Prospectus ("**Substantial Shareholders**"), may not dispose of their shares for a period of six (6) months from the date the Company's Shares are traded on the Saudi Stock Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**"). After the Lock-up Period, the Substantial Shareholders may dispose of their shares without obtaining CMA's prior approval. The Company›s Substantial Shareholders, who hold five percent (5%) or more of its Shares, are: FALCOM Holding Company, Saud Huwaimel Farraj Al Dosari, and Abdulaziz Saud Omar Al Blehed. Table 2: contained in the Section "Offering Summary" of this Prospectus sets out "Substantial Shareholders and their Ownership Percentages in the Company Pre-Offering and Post-Offering".

The Offering Period starts on Sunday 02/04/1443H (corresponding to 07/11/2021G) and remains open for a period of two (2) days including closing day and up to Monday 03/04/1443H (corresponding to 08/11/2021G) ("**Offering Period**"). Subscription to the Offer Shares can be made through any of the branches of the Receiving Entities (the "**Receiving Entities**") listed on Page (xi) of this Prospectus during the Offering Period (for more details, see the Section "Key Dates and Subscription Procedures" Table 3: "Expected Offering Timetable" and Section 17 "Subscription Terms and Conditions"). Participating Parties may subscribe for the Offer Shares through the Bookrunners during the book-building process, which will take place prior to the offering of the Shares to Individual Investors.

Each Individual Investor must apply for a minimum of ten (10) shares, noting that the minimum allocation per Individual Investor is ten (10) shares, and the maximum is 300,000 shares. The balance of the Offer Shares, if any, will be allocated as proposed by the Company and the Financial Advisor. In the event that the number of Individual Investors exceeds three hundred and fifty thousand (350,000) subscriber, the Company will not guarantee the minimum allocation of ten (10) Offer Shares per Investor, in which case the Offer Shares will be allocated as proposed by the Company and the Financial Advisor. Excess subscription amounts, if any, will be refunded to Individual Investors without subtracting any charge or withholding by the Receiving Entities. Announcement of the final allotment will be made on or before Saturday 08/04/1443H (corresponding to 13/11/2021G), and the refund of excess subscription amounts, if any, will be made at the latest on or before Monday 10/04/1443H (corresponding to 15/11/2021G) (for more details, see the Subsection 17.5"Allocation o and Refunds " in Section 17 "Subscription Terms and Conditions").

Each Shareholder (a "**Shareholder**") has the right to attend and vote at the shareholders' general assembly meetings (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will be entitled to receive dividends declared and paid by the Company as at the date of this Prospectus and subsequent financial years (for more details, see Section 7 "Dividend Distribution Policy").

Prior to the Offering, there has been no public market for the Shares in the Kingdom of Saudi Arabia (the "**Kingdom**") or elsewhere. The Company has submitted an application to the Capital Market Authority of Saudi Arabia (the "**CMA**") for registration and offer of the Shares and to the Exchange for admission to listing of the Shares. All supporting documents required by the relevant authorities have been submitted and all requirements have been met, including requirements for listing of the Company on the Exchange, and all approvals pertaining to the Offering, including this Prospectus, have been granted. Trading in the Shares on the Exchange is expected to commence upon completion of final allocation, with all relevant regulatory requirements being met (for more details, see the Section "Key Dates and Subscription Procedures" Table 3: "Expected Offering Timetable"). After the Company's Shares have been admitted to listing on the Exchange, Saudi Arabian nationals, non-Saudi Arabian nationals holding valid residency permits in the Kingdom, and companies, banks, and investment funds established in the Kingdom or in GCC countries, as well as GCC nationals, will be permitted to trade in the Shares after trading in the Shares on the Exchange starts. Qualified Foreign Financial Institutions will be permitted to trade in the Shares in accordance with the CMA›s Rules for Qualified Foreign Financial Institutions Investment in Listed Securities for more details, see Section 1 "Definitions and Abbreviations"). In addition, Foreign Strategic Investors may trade in the Shares in accordance with the Instructions for Foreign Strategic Investors› Ownership in Listed Companies (as defined in this Prospectus). Non-GCC individuals residing outside the Kingdom and establishments that are incorporated outside GCC countries and operate outside the Kingdom (collectively the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to acquire an economic interest in the Shares by entering into swap agreements (SWAP) with a Capital Market Institution licensed by the CMA to buy and trade in shares listed on the Exchange for the benefit of Foreign Investors. Under the swaps, the Capital Market Institutions are the legal owners of the shares.

Investment in the Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before deciding to subscribe for the Offer Shares, the Section "Important Notice" on Page (i) and Section 2 "Risk Factors" of this Prospectus should be carefully reviewed prior to making a decision to invest in the Offer Shares.

Financial Advisor, Lead Manager, Lead Bookrunner and Lead Underwriter

HSBC

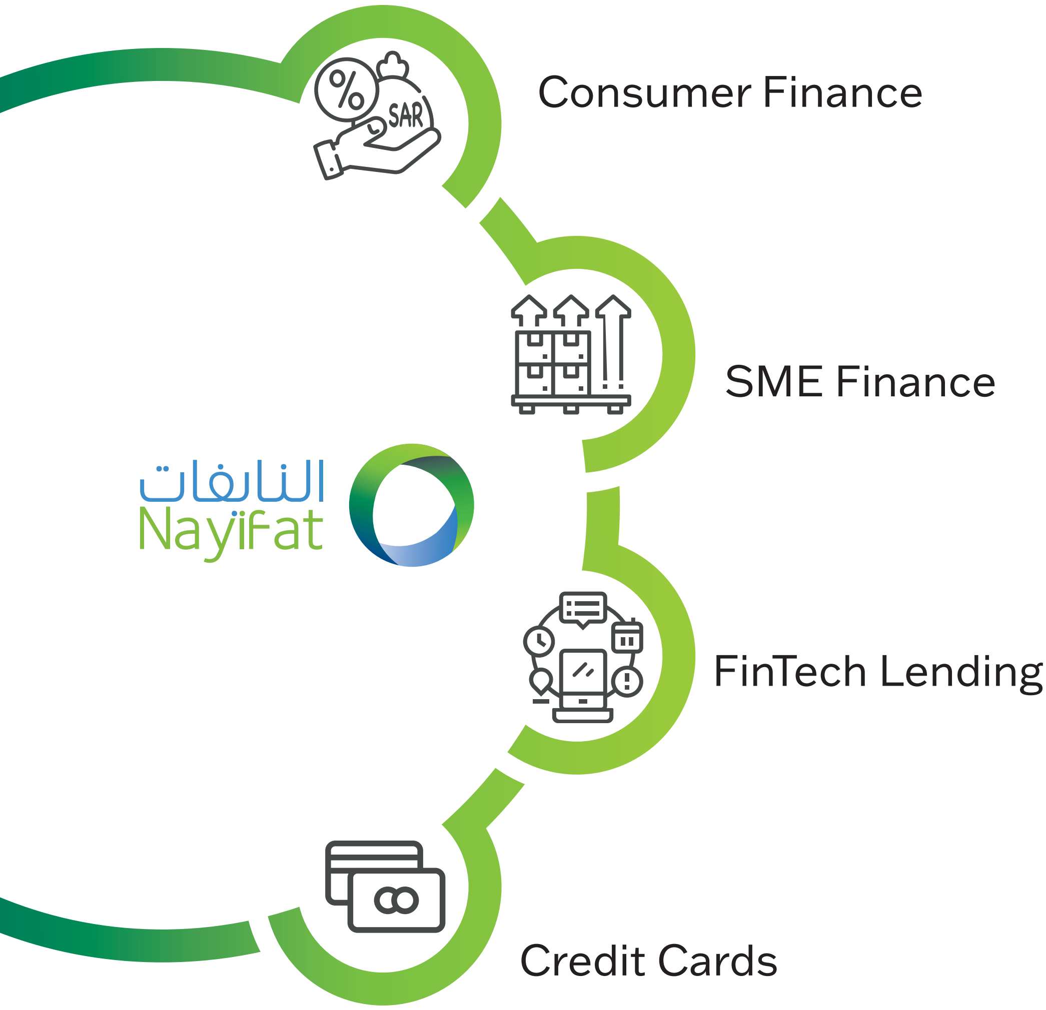
Joint Bookrunner and Co-Underwriter

GIB CAPITAL جي آي بي كابيتال

السعودي الفرنسي كابيتال Saudi Fransi Capital

This Prospectus includes information provided as part of the application for registration and offer of securities as per the Saudi Capital Markets Authority's ("CMA") Rules on the Offer of Securities and Continuing Obligations and the application for listing of securities as per the Exchange's Listing Rules. The Directors, whose names appear on Table 1: "Company's Board of Directors", collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The CMA and the Exchange take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 22/02/1443H (corresponding to 29/09/2021G).


Consumer Finance
SME Finance
النايفات
Nayifat
FinTech Lending
Credit Cards

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, Participating Parties and Individual Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available from the Company, the Lead Manager, or the Receiving Entities or by visiting the websites of the Company (www.nayifat.com), the CMA (www.cma.org.sa), the Saudi Stock Exchange (Tadawul) (www.saudiexchange.sa), or the Financial Advisor, Lead Manager, Lead Bookrunner and Lead Underwriter (www.hsbcsaudi.com).

With respect to the offering of the Offer Shares listed in this Prospectus, HSBC Saudi Arabia has been appointed by the Company as the financial advisor (the "**Financial Advisor**"), lead bookrunner (the "**Lead Bookrunner**"), lead manager (the "**Lead Manager**"), and lead underwriter (the "**Lead Underwriter**"). The Company also appointed GIB Capital and Saudi Fransi Capital as co-underwriters (the "**Co-Underwriters**") and joint bookrunners (the "**Joint Bookrunners**") (For more information, please see Section 13 (**"Underwriting"**) of this Prospectus).

This Prospectus includes information that has been presented in accordance with the CMA's Rules on the Offer of Securities and Continuing Obligations and the Exchange's Listing Rules. The Directors, whose names appear on Table 1: "Company's Board of Directors", collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date of its publication, a substantial portion of the information herein relevant to the market and industry in which the Company operates is derived from external sources, and information, data and analyses issued by data, information and news providers such as The Economist Intelligence Unit - EIU (the "**Data Provider**"). In spite of efforts made to confirm the validity of this information, the Data Provider and its affiliates do not assume any liability for a person's reliance on this information.

While neither the Company nor any of the Company's advisors, whose names appear on Pages (viii) to (x) of this Prospectus (collectively with the Financial Advisor **"Advisors"**), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus, as at the date hereof, is subject to change. In particular, the financial position of the Company and the value of the Offer Shares may be adversely affected by future developments related to inflation, interest rates, taxation or other economic, political or other factors over which the Company has no control (for more details, see Section 2 ("Risk Factors"). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, nor should be, construed as, or relied upon in any way as, a promise or representation of future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Receiving Entities or the Advisors to subscribe to the Offer Shares. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives or the financial situation or particular investment needs of prospective investors. Prior to making an investment decision, each recipient of this Prospectus, or person accessing it from a reliable source, is responsible for obtaining independent professional advice from a CMA-licensed financial advisor in relation to the Offering and for considering the appropriateness of the investment opportunity and information herein with regard to their individual objectives, financial situation and needs, including the merits and risks involved in an investment in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors and not others. Prospective investors should not rely on another party's decision whether to invest or not to invest as a basis for their own examination of the investment opportunity and their individual circumstances.

Subscribing for the Offer Shares shall be limited to two tranches of investors as follows:

Tranche (A): Participating Parties: this tranche comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for more details, see Section 1 ("Definitions and Abbreviations")).

Tranche (B): Individual Investors: this tranche comprises Saudi Arabian natural persons, including any Saudi female divorcees or widows with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account and is allowed to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Offer Shares by any person in any country where such offer or solicitation by this person would be unlawful. The Offer Shares are being offered outside of the United States in offshore transactions in reliance on Regulation S.

The distribution of this Prospectus or the sale of Offer Shares to any person in any country other than the Kingdom is expressly prohibited except for Qualified Foreign Financial Institutions and/or Foreign Investors by entering into swap agreements, subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offer Shares and the sale of Offer Share and to observe all such restrictions. Both eligible Individual Investors and Participating Parties shall read this Prospectus in full and seek advice from their attorneys, financial advisors and any of their professional advisors regarding statutory, tax, regulatory and economic considerations related to their investment in the Shares, and will personally bear the fees associated with that advice from their attorneys, accountants and other advisors regarding all matters related to investment in the Company's Shares. No assurance can be made that profits will be realised.

Industry and Market Information

The information and data in Section 3 ("**Market Overview**"), were derived from the market study report dated 08/07/1442H (corresponding to 20/02/2021G) prepared by Arabian Market Vision Co. Ltd - 4SIGHT ("**Market Consultant**") for the Company in relation to the financing companies market sector in the Kingdom ("**Market Study**").

The Market Consultant was established in Riyadh in 1430H pursuant to the laws of the Kingdom of Saudi Arabia. Its business activities include business undertakings and marketing on behalf of third parties, consulting services in senior management, general management, financial management and marketing management, in addition to public relations and production management. The Market Consultant's head office is located in Al Sulaymaniyah District, 12241 Musa Ibn Nusair Street, Building No. 10, Sercon Buildings in Riyadh for more details, please visit the Market Consultant's website (https://4sightglobal.com).

The Market Consultant does not, nor do any of its subsidiaries, associates, partners, shareholders, directors, managers or relatives thereof, own any shares or any interest of any kind in the Company or its subsidiaries. The Market Consultant has given, and not withdrawn at the date of this Prospectus, its written consent for the use of its name, logo and statements and the market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

Subject to Page (iii) (Forecasts and Forward-Looking Statements), the Directors believe that the information and data of the Market Study provided in this Prospectus and that obtained from other sources, including information provided by the Market Consultant, is reliable information and data. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of these parties bear any liability for the accuracy or completeness of said information.

Financial and Statistical Information

The 2018G Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of Zakat and income tax. The 2019G Financial Statements and 2020G Financial Statements have been prepared in accordance with IFRS. The 2018G Financial Statements, 2019G Financial Statements, and 2020G Financial Statements have been audited by the Company's auditor, PricewaterhouseCoopers - Certified Public Accountants, as stated in their audit reports for the 2018G Financial Statements, 2019G Financial Statements, and 2020G Financial Statements. The 2021G Three Month Interim Period Financial Statements were prepared in accordance with IAS 34. The financial information as at and for the years ended 31 December 2018G and 2019G included in this Prospectus has, unless otherwise indicated, been derived without material adjustment from the comparative columns of the 2019G Financial Statements and 2020G Financial Statements, respectively. The financial information as at and for the year ended 31 December 2020G included in this Prospectus has, unless otherwise indicated, been derived without material adjustments from the 2020G Financial Statements.

In preparing the 2019G Financial Statements and 2020G Financial Statements, the Company reclassified certain of 2018G transactions that appear in the 2018G comparative column included in the 2019G Financial Statements and reclassified certain of 2019G transactions that appear in the comparative column included in the 2020G Financial Statements, respectively (for more details, see Pages 7, 8 and 9 of the 2019G Financial Statements, and the 2020G Financial Statements, respectively). The financial information included in this Prospectus for the three-month period ended on 31 March 2021G have, unless otherwise indicated, been derived without material adjustments from the 2021G Three Month Interim Period Financial Statements. The financial information included in this Prospectus for the three-month period ended on 31 March 2020G have, unless otherwise indicated, been derived without material adjustments from the 2021G Three Month Interim Period Financial Statements. The Financial Statements are included in Section 19 ("**Financial Statements and Auditor's Report**"). The Company issues its financial statements in Saudi Riyals.

Certain of the financial and statistical information included in this Prospectus have been rounded up to the nearest integer; accordingly, in case of aggregating the figures shown in the tables, there might be slight deviations in the figures shown in the Financial Statements compared to those shown in this Prospectus.

Definitions and Abbreviations

To review the interpretation of phrases and abbreviations mentioned under this Prospectus, please see Section 1 ("**Definitions and Abbreviations**").

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that, to the best of its knowledge, the statements in this Prospectus have been made following the required due diligence.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "projects", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its Management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus for more details, please Section 2 ("**Risk Factors**"). Should any one or more of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, or planned.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus, and before the end of the Offering, the Company becomes aware that:

a. there has been a significant change in material matters contained in the Prospectus or any document required by the Rules on the Offer of Securities and Continuing Obligations.

b. any additional significant matters have become known which should have been included in the Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements. All subsequent written and oral statements made by the Company or by persons on behalf of the Company are subject, in their entirety, to the warning phrases set out above or those contained in other sections in this Prospectus.

Type and Format of Numbers in the Prospectus

This Prospectus is prepared using Arabic numerals (1, 2, 3, 4, 5, 6, 7, 8, 9, and 0). Some numbers have been formatted in decimal form, in which a decimal point is placed to the right of the decimal place with the base value. Each digit to the right of this decimal point has a base value accounting for one-tenth the value of the preceding digit from the left. Thus, the number (123.4) represents one hundred twenty-three and four-tenths.

General Provisions

Certain figures included in this Prospectus have been rounded up to the nearest integer; accordingly, figures shown for the same item presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them, given this approximation. Throughout this Prospectus, Hijri dates are presented along with corresponding Gregorian dates, where relevant. The Hijri calendar is prepared on the basis of the anticipated lunar cycles. However, an actual sighting of the moon is used to determine the beginning of each month, as a result of which conversions from the Hijri to Gregorian calendars are often subject to discrepancies of one or a few days. In addition, unless otherwise expressly stated in this Prospectus, any reference to "year" or "years" means Gregorian years.

Corporate Directory

Company's Board of Directors

Table 1: Company's Board of Directors

Name	Title	Nationality	Membership Status	Direct Ownership[1] (%)		Indirect Ownership[1] (%)		Date of Appointment[2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Saud Huwaimel Farraj Al Dosari	Chairman of the Board	Saudi	Non-executive	7.866%	5.113%	-	-	25/09/2019G
Abdulaziz Saud Omar Al Blehed	Vice Chairman	Saudi	Non-executive	7.252%	4.714%	-	-	25/09/2019G
Saleh Nasser Sulaiman Al Omair	Director	Saudi	Independent	-	-	-	-	25/09/2019G
Fahd bin Saleh bin Mohammed Al Musbahi[3]	Director	Saudi	Non-executive	-	-	0.056%	0.037%	25/09/2019G
Mohammed bin Ali bin Mohammed Al Houkal	Director	Saudi	Independent	4.540%	2.951%	-	-	09/08/2021G
Abdulmohsen Abdulrahman Musaed Al Sowailem[4]	Director / CEO / Managing Director	Saudi	Executive	2.434%	1.582%	0.801%	0.520%	25/09/2019G
Bandar bin Mohammed bin Ahmed Al Bayez[5]	Director	Saudi	Non-executive	-	-	0.067%	0.043%	25/09/2019G
Atta Hamad Mohammed Al Bayouk	Director	Saudi	Non-executive	-	-	-	-	25/09/2019G
Mohammed Taher Abdulkarim Al Lawzi	Director	Jordanian	Independent	-	-	-	-	25/09/2019G

Source: The Company

1. Direct and indirect ownership percentages are rounded.
2. Dates listed in this table are the dates of appointment to the current positions. The biographies of the Directors in Section 5.5 ("Biographies of the Directors and Board Secretary") describe the dates of their appointment, whether to the Board of Directors or to any other position.
3. The indirect ownership of Fahd bin Saleh bin Mohammed Al Musbahi, a Director, results from his 0.08% direct shareholding in FALCOM Holding Company which owns shares representing 73.855% of the Company's share capital.
4. The indirect ownership of Abdulmohsen Abdulrahman Musaed Al Sowailem, a Director, results from his 1.08% direct shareholding in FALCOM Holding Company which owns shares representing 73.855% of the Company's share capital
5. The indirect ownership of Bandar bin Mohammed bin Ahmed Al Bayez, a Director, results from his 0.09% direct shareholding in FALCOM Holding Company which owns shares representing 73.855% of the Company's share capital.

Company's Address, Representatives and Board Secretary

Company Address

Nayifat Finance Company
Al Worood District, Al Olaya Main Street,
FALCOM Financial Services Building, P.O.
Box 27389, Riyadh, 11417
Kingdom of Saudi Arabia
Tel: + 920035666
Fax: 8111021361
Website: www.nayifat.com
Email: Info@nayifat.com

Company's Representatives

Saud Huwaimel Farraj Al Dosari
Chairman of the Board
Nayifat Finance Company
Al Worood District, Al Olaya Main Street,
FALCOM Financial Services Building,
P.O. Box 27389, Riyadh, 11417
Kingdom of Saudi Arabia
Tel: +966920035666 (Ext: 2020)
Fax: 8111021361
Website: www.nayifat.com
Email: chairman@nayifat.com

Abdulmohsen Abdulrahman Musaed Al Sowailem
CEO and Managing Director
Nayifat Finance Company
Al Worood District, Al Olaya Main Street,
FALCOM Financial Services Building,
P.O. Box 27389, Riyadh, 11417
Kingdom of Saudi Arabia
Tel: +966920035666 (Ext: 2010)
Fax: 8111021361
Website: www.nayifat.com
Email: amalsowailem@nayifat.com

Board Secretary

Hussain Mohammad Salem Al Shakrah
Board Secretary
Nayifat Finance Company
Al Worood District, Al Olaya Main Street, FALCOM Financial Services Building,
P.O. Box 27389, Riyadh, 11417
Kingdom of Saudi Arabia
Tel: +966920035666 (Ext: 2022)
Fax: 8111021361
Website: www.nayifat.com
Email: Hussain@nayifat.com

The Exchange
Saudi Tadawul Group (Saudi Tadawul) King Fahd Road - Al Olaya 6897 Unit No. 15 Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: +966 11920001919 Fax: +966 112189133 Website: www.saudiexchange.sa Email: webinfocsc@tadawul.com.sa

Share Register
Securities Depository Center Company King Fahd Road - Al Olaya 6897 Unit No. 11, Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: 920026000 Website: www.edaa.com.sa Email: cc@edaa.com.sa

Advisors

Financial Advisor, Lead Bookrunner, Lead Underwriter and Lead Manager
HSBC Saudi Arabia HSBC Building 7267, Al Olaya Street, Al-Murooj District Riyadh 12283-2255 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 112992385 Website: www.hsbcsaudi.com Email: NayifatIPO@hsbcsa.com
Joint Bookrunner and Co-Underwriter
GIB Capital Low Rise Buildings, Building No. 1, Granada Business & Residential Park, Eastern Ring Road P.O. Box 89589, Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 11 511 2200 Fax: +966 11 511 2201 Website: www.gibcapital.com Email: NayifatIPO@gibcapital.com
Joint Bookrunner and Co-Underwriter
Saudi Fransi Capital King Fahad Road – 8092 Riyadh 3735-12313 P.O. Box: 23454, Riyadh 11426 Kingdom of Saudi Arabia Tel: +966 11 2826666 Fax: +96611 2826823 Website: www.sfc.sa Email: Nayifat.IPO@fransicapital.com.sa
Legal Advisor to the Issuer
The Law Office of Megren M. Al-Shaalan The Business Gate Building No. 26, Zone C Airport Road P.O. Box 1080, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 114167300 Fax: +966 114167399 Website: www.alshaalanlaw.com Email: mas@alshaalanlaw.com

Legal Advisor to the Issuer for the International Offering
White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom Tel: +442075321000 Fax: +442075321001 Website: www.whitecase.com Email: nfc-ipo@whitecase.com

Legal Advisor to the Underwriters
Law Office of Salman M. Al-Sudairi Tatweer Towers, Tower 1, 7th Floor P.O. Box 17411 Riyadh 11474 Tel: +966112072500 Fax: +966112072577 Website: www.alsudairilaw.com.sa Email: info@alsudairilaw.com.sa

Legal Advisor to the Underwriters
Latham & Watkins LLP 885 Third Avenue New York, NY 10022-4834 United States of America Tel: +1 2129061200 Fax: +1 212751864 Website: www.lw.com Email: grs@lw.com

Financial Due Diligence Advisor
KPMG Professional Services Riyadh Front, Airport Road P.O. Box 92876, Riyadh 11663 Kingdom of Saudi Arabia Tel: +966118748500 Fax: +966118748600 Website: www.kpmg.com/sa Email: marketingsa@kpmg.com

Market Consultant	
Arabian Market Vision Co. Ltd - 4SIGHT Al Sercon Buildings No. 10, 1st Floor Musa Ibn Nusair St, Al Olaya P.O. Box 53052 Riyadh 11583 Kingdom of Saudi Arabia Tel: +966114507622 Ext: 121 Fax: +966114082262 Website: www.4sight-global.com Email: nisar@4sight-global.com	SIGHT Our insight drives your foresight

The Company's Auditor	
PricewaterhouseCoopers - Certified Public Accountants Kingdom Tower, King Fahd Road P.O. Box 8282, Riyadh, 11482, Kingdom of Saudi Arabia Tel: +966112110400 Fax: +966112110401 Website: www.pwc.com/middle-east Email: mer_project-rain@pwc.com	pwc

Note:

All the above-mentioned advisors and the Auditor and Data Provider have given and have not withdrawn their written consent, until the date hereof, to the reference to their names, addresses, and logos and the publication of their statements in the context in which they appear in this Prospectus, and do not themselves, their employees (forming part of the engagement team serving the Company), or their employees' relatives have any shareholding or interest of any kind in the Company as at the date of this Prospectus which would impair their independence.

Receiving Entities

Saudi British Bank (SABB)
Prince Abdulaziz bin Mosaed bin Galuy street
P.O. Box 9084, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (11) 440 8440
Fax: +966 (11) 276 3414
Website: www.sabb.com
Email:sabb@sabb.com

Saudi National Bank
King Fahd Road – Al Okeik District– King Abdullah Financial Center
P.O. Box 3208, Unit: 778
Riyadh 6676 - 13519
Kingdom of Saudi Arabia
Tel: +966 92000 1000
Website: www.alahli.com
Email: contactus@alahli.com

Al Rajhi Bank
King Fahd Road – Al-Moroug District– Al-Rajhi Bank Tower
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (11) 828 2515
Fax: +966 (11) 279 8190
Website: www.alrajhibank.com.sa
Email: contactcenter1@alrajhibank.com.sa

Riyadh Bank
Eastern Ring Road
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 (11) 401 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

Offering Summary

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the Section "Important Notice" on Page (i) and Section 2 ("Risk Factors"), prior to making any decision to invest in the Offer Shares.

Company Name, Description and Establishment Information	Nayifat Finance Company is a Saudi joint stock company established by Ministerial Resolutions No. 361/Q dated 29/11/1430H (corresponding to 17/11/2009G), No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) and under Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) issued in Riyadh, the Commercial Registration expires on 20/02/1447H (corresponding to 15/08/2025G) and its registered address is: Woroud District, Public Olaya Road, FALCOM Financial Services Building P.O. Box 11417, Riyadh, Kingdom of Saudi Arabia. The current share capital of the Company is one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The Company was originally incorporated as a limited liability company, owned by: Abdulaziz Saud Omar Al Blehed, Saud Huwaimel Farraj Al Dosari, Abdulaziz Turki Abdullah Al Otaishan, Hamad Mohammed Abdullah Bin Suaidan and Fahad Abdulaziz Fahad Al Saeed, under the name 'Nayifat Instalments Company' pursuant to Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) issued in Riyadh, with a share capital of ten million Saudi Riyals (SAR 10,000,000) divided into a hundred thousand (100,000) ordinary shares with a nominal value of a hundred Saudi Riyals (SAR 100) per share. The Company obtained the membership certification from the Chamber of Commerce in Riyadh with the membership No. 121759, issued on 21/02/1423H (corresponding to 04/05/2002G), valid until 20/02/1447H (corresponding to 14/08/2025G). The Company is licensed by SAMA and is authorized to perform consumer financing, SME financing, credit card financing, lease financing and FinTech lending activities which currently consist of peer-to-peer lending. The Company obtained a non-objection letter from SAMA to test the debt crowdfunding platform under the regulatory sandbox environment, which expires within three months from 22/07/2021G, and the Company is currently in the process of obtaining a permanent license to conduct this type of business. On 03/11/1429H (corresponding to 01/11/2008G) and pursuant to a partners' decision, the Company's share capital was increased to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into two million five hundred thousand (2,500,000) shares with a nominal value of a hundred Saudi Riyals (SAR 100) per share, through the issuance of new cash shares with a value of two hundred forty million Saudi Riyals (SAR 240,000,000), through the entry of new partners with one hundred ninety-one million, five hundred thousand Saudi Riyals (SAR 191,500,000), in addition to capitalisation of forty-eight million, five hundred thousand Saudi Riyals (SAR 48,500,000) from the retained earnings account and the current partners' current accounts upon amendment of the Company's Articles of Association on 03/11/1429H (corresponding to 01/11/2008G). On 09/06/1431H (corresponding to 23/05/2010G) and pursuant to a partners' decision, the Ministry of Commerce approved a resolution converting the Company from a limited liability company to a closed joint stock company, with a share capital of two hundred fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, whereby a Ministerial Resolution No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) was issued, announcing the conversion of the Company to a closed joint stock company with a paid up capital. On 28/02/1435H (corresponding to 31/12/2013G) the Company obtained SAMA licence No. 5/ASh/201312 for the following activities: lease financing, small and medium enterprise financing, consumer financing and credit card financing.

Company Name, Description and Establishment Information	On 07/07/1435H (corresponding to 06/05/2014H), the Company's Extraordinary General Assembly approved the change of the Company's name to be "Nayifat Finance Company" and the increase of the Company's share capital from two hundred fifty million Saudi Riyals (SAR 250,000,000) to four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing Shareholders on a 3 to 5 ratio (granting three free shares for each five shares held by Shareholders), through the capitalisation of one hundred thirty-eight million Saudi Riyals (SAR 138,000,000) from the Company's retained earnings account, and twelve million Saudi Riyals (SAR 12,000,000) of the Company's statutory reserve (the Company obtained SAMA approval). On 16/07/1436H (corresponding to 05/05/2015G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from four hundred million Saudi Riyals (SAR 400,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 1 to 4 ratio (granting one free share for every four shares held by the shareholders), through the capitalization of seventy-four million, four hundred twenty-four thousand, seven hundred eighty-eight Saudi Riyals (SAR 74,424,788) from the Company's retained earnings account, and twenty-five million, five hundred seventy-five thousand, two hundred twelve Saudi Riyals (SAR 25,575,212) of the Company's statutory reserve (the Company obtained SAMA approval). On 26/06/1437H (corresponding to 04/04/2016G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from five hundred million Saudi Riyals (SAR 500,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) divided into sixty million (60,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 1 to 5 ratio (granting one share for every five free shares held by the shareholders), through the capitalization of ninety-three million Saudi Riyals (SAR 93,000,000) from the Company's retained earnings account, and seven million Saudi Riyals (SAR 7,000,000) of the Company's statutory reserve(the Company obtained SAMA approval). On 24/03/1439H (corresponding to 12/12/2017G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred million Saudi Riyals (SAR 600,000,000) to six hundred thirty-five million Saudi Riyals (SAR 635,000,000) divided into sixty-three million five hundred thousand (63,500,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by granting new shares to the chairman of the executive committee and a limited number of employees (the Company obtained SAMA approval) through a loan of thirty-five million Saudi Riyals (SAR 35,000,000) awarded to executive officers under a three-year performance-based bonus program, to be repaid in instalments during this period. On 12/06/1439H (corresponding to 28/02/2018G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred thirty-five million Saudi Riyals (SAR 635,000,000) to eight hundred fifty million Saudi Riyals (SAR 850,000,000) divided into eighty-five million (85,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through the capitalization of one hundred seventy-nine million, four hundred thirty-six thousand Saudi Riyals (SAR 179,436,000) from the Company's retained earnings account, and the capitalisation of thirty-five million, five hundred sixty-four thousand Saudi Riyals (SAR 35,564,000) of the Company's statutory reserve (the Company obtained SAMA approval). On 05/04/1441H (corresponding to 02/12/2019G), the Extraordinary General Assembly agreed to increase the Company's share capital from eight hundred fifty million Saudi Riyals (SAR 850,000,000) to one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalization of one hundred fifty million Saudi Riyals (SAR 150,000,000) from the Company's retained earnings balance (the Company obtained SAMA approval). (For more details, see Section Section 4.7"History of the Company and its Share Capital Development and Changes in the Ownership Structure")

Company Activity	The objective of the Company is to engage in financing activities in accordance with the Companies Law, the Finance Companies Control Law and Implementing Regulations thereof, and the relevant regulations, as well as the rules and instructions issued by SAMA. Pursuant to the Company's Bylaws and the SAMA license for financial activities and the non-objection letter issued by SAMA for the Company, the Company's activities include: • Consumer financing; • Lease financing; • Credit card financing; • Small and medium enterprise financing; and • Providing FinTech services in the regulatory sandbox environment. The Company is keen to provide financing solutions to individuals for the financing of their personal needs and to institutions for needs of their businesses, all in a manner that is compliant with the principles of Shariah. The Company operates under SAMA licence No. 5/ASh/201312 dated 28/02/1435H (corresponding to 31/12/2013G) and pursuant to the non-objection letter issued by SAMA to the Company on 25/08/1441H (corresponding to 19/04/2020G) permitting the Company to provide FinTech solutions through approving the trial of the crowdfunding platform under the regulatory sandbox environment.

Substantial Shareholders

The following table sets out names and ownership percentages of the Company's Substantial Shareholders Pre-Offering and Post-Offering:

Table 2: Substantial Shareholders and Their Ownership Percentages in the Company Pre-Offering and Post-Offering

Shareholders	Pre-Offering			Post-Offering		
	Number of Shares	Nominal Value (SAR)	Percentage[1]	Number of Shares	Nominal Value (SAR)	Percentage[1]
FALCOM Holding Company	73,854,638	738,546,380	73.855%	48,005,515	480,055,150	48.006%
Saud Huwaimel Farraj Al Dosari	7,866,128	78,661,280	7.866%	5,112,983	51,129,830	5.113%
Abdulaziz Saud Omar Al Blehed	7,252,249	72,522,490	7.252%	4,713,962	47,139,620	4.714%
Total	88,973,015	889,730,150	88.973%	57,832,460	578,324,600	57.833%

Source: The Company

1. Ownership percentages are rounded.

Share Capital of the Company (as at the date of this Prospectus)	One billion Saudi Riyals (SAR 1,000,000,000)
Total Number of Issued Shares (as at the date of this Prospectus)	One hundred million (100,000,000) fully-paid ordinary Shares.
Nominal Value per Share	Ten Saudi Riyals (SAR 10) per Share.
Offering	Offering of thirty-five million (35,000,000) Offer Shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, representing thirty-five percent (35%) of the Company's share capital, at an offer price of thirty four Saudi Riyals (SAR 34) per Offer Share.

Total Number of Offer Shares	Thirty-five million (35,000,000) fully-paid ordinary Shares.
Percentage of the Offer Shares to the total number of issues shared	The Offer Shares represent 35% of the Company's total share capital.
Offer Price	thirty four Saudi Riyals (SAR 34) per Offer Share.
Total Value of Offering	One billion one hundred and ninety million Saudi Riyals (SAR 1,190,000,000).
Use of Offering Proceeds	The Net Proceeds amounting to about one billion one hundred and ninety million Saudi Riyals (SAR 1,190,000,000) (less the Offering expenses estimated at fifty one million Saudi Riyals (SAR 51,000,000)) will be paid to the Selling Shareholders, prorated to the percentage of Offer Shares owned by each Shareholder. The Company will not receive any part of the Net Proceeds (for more details, see Section 8 "Use of Offering Proceeds").
Number of Offer Shares Underwritten	35,000,000 Ordinary Shares.
Total Offering Amount to be Underwritten	One billion one hundred and ninety million Saudi Riyals (SAR 1,190,000,000).
Targeted Investors	Subscribing for the Offer Shares shall be limited to two tranches of investors as follows: **Tranche (A) Participating Parties:** this tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for more details, please see Section 17 "Subscription Terms and Conditions"). Participating Parties will initially be allocated thirty-five million (35,000,000) Offer Shares, representing one hundred percent (100%) of the total Offer Shares. If there is sufficient demand by Individual Investors for subscription to the Offer Shares allocated to them, the Bookrunners may reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirty-one million, five hundred thousand (31,500,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares. The number and percentage of the Offer Shares to be allocated to Participating Parties will be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders, using the discretionary allocation mechanism. **Tranche (B): Individual Investors:** this tranche comprises Saudi Arabian nationals, including Saudi female divorcees or widows with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account and is allowed to open an investment account with a Capital Market Institution (collectively, the "Individual Investors" and each an "Individual Investor"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of three million five hundred thousand (3,500,000) Offer Shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. If Individual Investors do not subscribe for all the Offer Shares allocated to them, the Bookrunners may reduce the number of Offer Shares allotted to them in proportion to the number of Offer Shares subscribed for thereby.
Total Number of Offer Shares Available for Each Category of Targeted Investors	
Number of Shares Offered to Participating Parties	Thirty-five million (35,000,000) Offer Shares, representing 100% of the total Offer Shares. If there is sufficient demand by Individual Investors, and Participating Parties subscribe for all the Offer Shares allocated thereto, the Bookrunners may reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirty-one million, five hundred thousand (31,500,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares.

Number of Shares Offered to Individual Investors	A maximum of three million, five hundred thousand (3,500,000) Offer Shares, representing ten percent (10%) of the total Offer Shares.
Subscription Method for Each Category of Targeted Investors	
Subscription Method for Participating Parties Registered in the Kingdom	Participating Parties registered in the Kingdom (for more details, see Section 1 "Definitions and Abbreviations") may submit subscription applications during the Book-Building Period by way of the Bid Forms to be made available by the Financial Advisor and the Bookrunners in accordance with the instructions set out in Section 17 ("Subscription Terms and Conditions"). Participating Parties registered in the Kingdom must complete the Participating Parties Subscription Form after the allocation of Offer Shares based on the number of Offer Shares initially allocated to them.
Subscription Method for Participating Parties not Registered in the Kingdom	Participating Parties that are not registered in the Kingdom (for more details, see Section 1 "Definitions and Abbreviations") may submit subscription applications during the book-building process by applying with the Bookrunners by phone or e-mail, without the need to complete and sign a Bid Form, in accordance with the instructions set out in Section 17 ("Subscription Terms and Conditions"). Participating Parties that are not registered in the Kingdom must complete the Participating Parties Subscription Application Form after the allocation of Offer Shares based on the number of Offer Shares initially allocated thereto.
Subscription Method for Individual Investors	Retail Subscription Application Forms will be made available to Individual Investors during the Offering Period at the branches and websites of the Receiving Entities. Retail Subscription Application Forms must be filled out based on the instructions set forth in Section 17 ("Subscription Terms and Conditions"). Individual Investors who have participated in recent initial public offerings in the Kingdom can also subscribe through the internet, telephone banking or automated teller machines ("**ATMs**") of any of the Receiving Entities' branches that offer such services to their customers, provided that the following requirements are satisfied: (i) the Individual Investor must have a bank account at a Receiving Entity which offers such services, and (ii) there have been no changes in the information of the Individual Investor since such person's subscription to the last initial public offering.
Minimum Number of Offer Shares to be Applied for by Each Category of Targeted Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	100,000 Offer Shares
Minimum Number of Offer Shares to be Applied for by Individual Investors	10 Offer Shares
Minimum Subscription Amount for Each Category of Targeted Investors	
Minimum Subscription Amount for Participating Parties	Three million four hundred thousand Saudi Riyals (SAR 3,400,000).
Minimum Subscription Amount for Individual Investors	Three hundred and forty Saudi Riyals (SAR 340).

Maximum Number of Offer Shares to be Applied for by Each Category of Targeted Investors	
Maximum Number of Offer Shares to be Applied for by Participating Parties	4,999,999 Offer Shares
Maximum Number of Offer Shares to be Applied for by Individual Investors	300,000 Offer Shares
Maximum Subscription Amount for Each Category of Targeted Investors	
Maximum Subscription Amount for Participating Parties	One hundred sixty nine million nine hundred ninety ninety thousand and nine hundred and sixty six Saudi Riyals (SAR 169,999,966).
Maximum Subscription Amount for Individual Investors	Ten million two hundred thousand Saudi Riyals (SAR 10,200,000).
Allocation of Offer Shares and Refund of Excess Subscription Amounts for Each Category of Targeted Investors	
Allocation of Offer Shares to Participating Parties	Upon completion of subscription by Individual Investors, final allocation of the Offer Shares to Participating Parties will take place through the Lead Manager, as the Financial Advisor deems appropriate, in coordination with the Company and the Selling Shareholders, using the discretionary allocation mechanism. The number of Offer Shares to be initially allocated to Participating Parties is thirty-five million (35,000,000) Offer Shares, representing one hundred percent (100%) of the total Offer Shares. If there is sufficient demand by Individual Investors, the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirty-one million, five hundred thousand (31,500,000) Offer Shares, representing ninety percent (90%) of the total Offer Shares, following completion of subscription by Individual Investors.
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 08/04/1443H (corresponding to 13/11/2021G). The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is 300,000 Offer Shares. The balance of the Offer Shares (if any) will be allocated on a pro-rata basis, according to the proportion of Offer Shares applied for by each Individual Investor to the total Offer Shares applied for. In the event that the number of Individual Investors exceeds (350,000) subscriber, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor, and the Offer Shares will be allocated as determined by the Financial Advisor in consultation with the Company and the Selling Shareholders.
Refund of Excess Subscription Amounts	Excess subscription amounts (if any) will be refunded to Individual Investors without any charge or withholding by the Receiving Entities, as set out in the Retail Subscription Application Form. Announcement of the final allotment will be made on 08/04/1443H (corresponding to 13/11/2021G), and notification of the refund of excess subscription amounts will be made at the latest by Monday 10/04/1443H (corresponding to 15/11/2021G) (for more details, see the Subsection 17.5 "Allocation and Refunds " in Section 17 "Subscription Terms and Conditions").
Offering Period	The Offering Period starts on Sunday 02/04/1443H (corresponding to 07/11/2021G) and will remain open for a period of two (2) days up to the end of the day on Monday 03/04/1443H (corresponding to 08/11/2021G) (for more details, see the Section "Key Dates and Subscription Procedures" and Section 17 ("Subscription Terms and Conditions")).

Dividend Distribution	The Offer Shares will be entitled to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for more details, see Section 7 ("Dividend Distribution Policy")).
Voting Rights	The Company has one class of shares (ordinary shares), which does not carry any preferential voting rights. Each Share entitles the holder to one vote at the General Assembly. A Shareholder may authorise another person that is not a Director or Company employee to attend the General Assembly and vote on their behalf (for more details, see the Subsection 12.15 "Summary of the Company Bylaws" and the Subsection "Description of Shares" in Section 12 ("Legal Information")).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders set out in Table 2 ("Substantial Shareholders and Their Ownership Percentages in the Company Pre-Offering and Post-Offering") will be subject to a lock-up period of six (6) months starting from the date trading of the Shares on the Exchange starts (the "Lock-up Period"). During this period they may not dispose of their Shares. After the Lock-up Period, the Substantial Shareholders may dispose of their shares.
Listing and Trading of Shares	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for registration and offer of the Shares and to the Exchange for admission to listing of the Shares. All supporting documents required by the CMA and the Exchange have been submitted and all requirements have been met, including requirements for listing of the Company on the Exchange, and all approvals pertaining to the Offering, including this Prospectus, have been granted. Trading of the Shares on the Exchange is expected to commence upon completion of final allocation, with all relevant regulatory requirements being met (for more details, see the Section "Key Dates and Subscription Procedures").
Risk factors	Investing in the Offer Shares involves certain risks. Such risks can be classified as follows: (i) risks related to the Company's activity and operations; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 ("Risk Factors"), and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Offering expenses are estimated to be about fifty one million Saudi Riyals (SAR 51,000,000), including the fees of the Financial Advisor, Bookrunners, Underwriters and Lead Manager, underwriting fees, the fees of the Receiving Entities, the Legal Advisor, the Financial Due Diligence Advisor and the Market Consultant, in addition to marketing, arrangement, printing and distribution expenses and other fees related to the Offering. These expenses will be fully borne by the Selling Shareholders, and deducted from the Offering Proceeds.
Financial Advisor, Lead Bookrunner, Lead Underwriter and Lead Manager	**HSBC Saudi Arabia** HSBC Building 7267, Al Olaya Street, Al-Murooj District Riyadh 12283-2255 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 112992385 Website: www.hsbcsaudi.com Email: NayifatIPO@hsbcsa.com

Joint-Bookrunners and Co-Underwriters	**GIB Capital** Low Rise Buildings, Building No. 1, Granada Business & Residential Park, Eastern Ring Road P.O. Box 89589, Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 11 511 2200 Fax: +966 11 511 2201 Website: www.gibcapital.com Email: NayifatIPO@gibcapital.com **Saudi Fransi Capital Company** King Fahad Road – 8092 Riyadh 3735-12313 P.O. Box: 23454, Riyadh 11426 Kingdom of Saudi Arabia Tel: +966 11 2826666 Fax: +96611 2826823 Website: www.sfc.sa Email: Nayifat.IPO@fransicapital.com.sa

Note: The Section "Important Notice" on Page (i) and Section 2 ("Risk Factors") of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Key Dates and Subscription Procedures

Table 3: Expected Offering Timetable

Expected Offering Timetable	
Procedure	**Date**
Offering and Book-Building Period for Participating Parties	A period of 6 days, starting from Thursday 15/03/1443H (corresponding to 21/10/2021G) and ending on 22/03/1443H (corresponding to 28/10/2021G).
Subscription Period for Individual Investors	A period of 2 days, starting from Sunday 02/04/1443H (corresponding to 07/11/2021G) and ending on Monday 03/04/1443H (corresponding to 08/11/2021G).
Deadline for submission of Subscription Application Forms based on the Offer Shares provisionally allocated to Participating Parties	Friday 30/03/1443H (corresponding to 05/11/2021G)
Deadline for payment of the subscription amount for Participating Parties based on the Offer Shares provisionally allocated thereto	Sunday 02/04/1443H (corresponding to 07/11/2021G)
Deadline for submission of Subscription Application Forms and payment of the subscription amount (for Individual Investors)	Monday 03/04/1443H (corresponding to 08/11/2021G).
Announcement of the final allotment of Offer Shares	On or before Saturday 08/04/1443H (corresponding to 13/11/2021G)
Refund of excess subscription amounts (if any)	No later than Monday 10/04/1443H (corresponding to 15/11/2021G)
Expected start date of trading in the Shares	Trading of the Company's Shares on the Exchange is expected to commence after all relevant regulatory requirements are satisfied. The start of trading will be announced in local newspapers and on the Exchange's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are approximate. Actual dates will be announced in local daily newspapers and on the websites of the Stock Exchange (www.saudiexchange.sa), the Financial Advisor (www.hsbcsaudi.com), and the Company(www.nayifat.com).

How to Apply

Subscription for the Offer Shares shall be limited to the following two groups of investors:

- **Tranche (A): Participating Parties:** this tranche comprises the parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for more details, see Section 1 ("Definitions and Abbreviations")).
- **Tranche (B): Individual Investors:** this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in or GCC national, in each case who has a bank account at any of the Receiving Entities and is allowed to open an investment account Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Following is a brief summary of the subscription method for Participating Parties and Individual Investors.

a. Participating Parties

Participating Parties can obtain Bid Forms from the Bookrunners during the Book-Building Period and Participating Parties Subscription Application Forms from the Bookrunners after provisional allocation. The Bookrunners shall, after obtaining CMA approval, offer the Offer Shares to Participating Parties during the Book-Building Period only. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the terms and conditions detailed in the Participating Parties Subscription Application Forms. A signed Subscription Application Form shall be submitted to the Bookrunners, with such form representing a binding agreement between the Selling Shareholders and the Participating Party.

b. Individual Investors

Retail Subscription Application Forms will be available during the Individual Investors' subscription period at branches and/or websites of Receiving Entities that offer such service. Individual Investors can subscribe through the internet, telephone banking or ATMs of Receiving Entities offering such services to Individual Investors, provided that the following requirements are satisfied:

- an Individual Investor must have a bank account with the Receiving Entity which offers such services; and
- there have been no changes in the personal information or data of the Individual Investor (removal or addition of a family member) since such person last participated in an initial public offering.
- Non-Saudi natural person or GCC national must have a bank account at any of the Receiving Entities.

Retail Subscription Application Forms shall be filled out according to the instructions set out in Section 17 ("Subscription Terms and Conditions"). Each Applicant must complete all relevant sections of the Retail Subscription Application Form. The Company reserves the right to reject any Subscription Form, in whole or in part, if any of the subscription terms and conditions are not met. If two Retail Subscription Application Forms are submitted, the second shall be deemed void and only the first one shall be considered. Retail Subscription Application Forms cannot be amended or withdrawn once submitted. Furthermore, Retail Subscription Application Forms shall, upon submission, be deemed a legally binding offer by the relevant investor to the Selling Shareholders.

Excess subscription amounts, if any, will be refunded to the primary Individual Investor's account with the Receiving Entity from which the subscription value was initially debited, without any commission or withholding by the Lead Manager or Receiving Entities. Excess subscription amounts shall not be refunded in cash or to third party accounts.

(For more details on the subscription of Individual Investors or Participating Parties, see Section 17 ("Subscription Terms and Conditions")).

Summary of Key Information

This summary of key information provides an overview of the information contained in this Prospectus. As it is a summary, it does not contain all information that may be important to investors who wish to participate in the Offering. Accordingly, this summary should only be treated as an introduction to this Prospectus. Recipients of this Prospectus should read the Prospectus in its entirety, as any decision to invest in the Offer Shares should be based on a consideration and an analysis of this Prospectus as a whole. In particular, it is important to carefully consider the Section “Important Notice” on Page (i) and Section 2 (“Risk Factors”).

1.1 Company Overview

1.1.1 Company History

Nayifat Finance Company is a Saudi closed joint stock company established by Ministerial Resolutions No. 361/Q dated 29/11/1430H (corresponding to 17/11/2009G), No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) under Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) issued in Riyadh, the Commercial Registration expires on 20/02/1447H (corresponding to 15/08/2025G) and its registered address is: Worood District, Public Olaya Road, FALCOM Financial Services Building P.O. Box 11417, Riyadh, Kingdom of Saudi Arabia. The current share capital of the Company is one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share .

The Company was originally incorporated as a limited liability company owned by Abdulaziz Saud Omar Al Blehed, Saud Huwaimel Farraj Al Dosari, Abdulaziz Turki Abdullah Al Otaishan, Hamad Mohammed Abdullah Bin Suaidan and Fahad Abdulaziz Fahad Al Saeed, under the name ‘Nayifat Instalments Company’ under Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) issued in Riyadh, with a share capital of ten million Saudi Riyals (SAR 10,000,000). The Company obtained the membership certification from the Chamber of Commerce in Riyadh with the membership No. 121759, issued on 21/02/1423H (corresponding to 04/05/2002G), valid until 20/02/1447H (corresponding to 14/08/2025G). The Company is licensed by SAMA and is authorized to perform consumer financing, SME financing, credit card financing, lease financing and FinTech lending activities which currently consist of peer-to-peer lending. The Company obtained a non-objection letter from SAMA to test the debt crowdfunding platform under the regulatory sandbox environment, which expires within three months from 22/07/2021G, and the Company is currently in the process of obtaining a permanent license to conduct this type of business.

On 03/11/1429H (corresponding to 01/11/2008G) and pursuant to a partners decision, the Company’s share capital was increased to two hundred fifty million Saudi Riyals (SAR 250,000,000) divided into two million five hundred thousand (2,500,000) shares with a nominal value of a hundred Saudi Riyals (SAR 100) per share, through the issuance of new cash shares with a value of two hundred forty million Saudi Riyals (SAR 240,000,000), through the entry of new partners with one hundred ninety-one million, five hundred thousand Saudi Riyals (SAR 191,500,000), in addition to capitalisation of forty-eight million, five hundred thousand Saudi Riyals (SAR 48,500,000) from the retained earnings account and the current partners’ current accounts upon amendment of the Company’s Articles of Association on 03/11/1429H (corresponding to 01/11/2008G).

On 09/06/1431H (corresponding to 23/05/2010G), the Shareholders issued a resolution converting the Company from a limited liability company to a Saudi closed joint stock company by virtue of the Ministerial Resolution No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G), with a share capital of two hundred fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. Ministerial Resolutions No. 361/Q dated 29/11/1430H (corresponding to 17/11/2009G), and No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) were issued, announcing the conversion of the Company into a closed joint stock company with the paid share capital.

On 28/02/1435H (corresponding to 31/12/2013G) the Company obtained SAMA licence No. 5/ASh/201312 for the following activities: financial leasing, small and medium enterprise finance, consumer finance and credit card finance. On 07/07/1435H (corresponding to 06/05/2014G), the Company’s Extraordinary General Assembly agreed to change the name of the Company to “Nayifat Finance Company’ and increase the Company’s share capital from two hundred fifty million Saudi Riyals (SAR 250,000,000) to four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing Shareholders on a 3 to 5 ratio (granting three free shares for each five shares held by Shareholders), through the capitalisation of one hundred thirty-eight million Saudi Riyals (SAR 138,000,000) from the Company’s retained earnings account, and twelve million Saudi Riyals (SAR 12,000,000) of the Company’s statutory reserve.

On 16/07/1436H (corresponding to 05/05/2015G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from four hundred million Saudi Riyals (SAR 400,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR10) per share by way of granting additional shares to existing shareholders on a 1 to 4 ratio (granting one free share for every four shares held by the shareholders), through the capitalization of seventy-four million, four hundred twenty-four thousand, seven hundred eighty-eight Saudi Riyals (SAR 74,424,788) from the Company's retained earnings account, and twenty-five million, five hundred seventy-five thousand, two hundred twelve Saudi Riyals (SAR 25,575,212) of the Company's statutory reserve.

On 26/06/1437H (corresponding to 04/04/2016G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from five hundred million Saudi Riyals (SAR 500,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) divided into sixty million (60,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 1 to 5 ratio (granting one share for every five free shares held by the shareholders), through the capitalization of ninety-three million Saudi Riyals (SAR 93,000,000) from the Company's retained earnings account, and seven million Saudi Riyals (SAR 7,000,000) of the Company's statutory reserve(the Company obtained SAMA approval).

On 24/03/1439H (corresponding to 12/12/2017G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred million Saudi Riyals (SAR 600,000,000) to six hundred thirty-five million Saudi Riyals (SAR 635,000,000) divided into sixty-three million five hundred thousand (63,500,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by granting new shares to the chairman of the executive committee and a limited number of employees (the Company obtained SAMA approval) through a loan of thirty-five million Saudi Riyals (SAR 35,000,000) awarded to executive officers under a three-year performance-based bonus program, to be repaid in instalments during this period.

On 12/06/1439H (corresponding to 28/02/2018G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred thirty-five million Saudi Riyals (SAR 635,000,000) to eight hundred fifty million Saudi Riyals (SAR 850,000,000) divided into eighty-five million (85,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through the capitalisation of one hundred seventy-nine million, four hundred thirty-six thousand Saudi Riyals (SAR 179,436,000) from the Company's retained earnings account, and the capitalisation of thirty-five million, five hundred sixty-four thousand Saudi Riyals (SAR 35,564,000) of the Company's statutory reserve (the Company obtained SAMA approval).

On 05/04/1441H (corresponding to 02/12/2019G), the Extraordinary General Assembly agreed to increase the Company's share capital from eight hundred fifty million Saudi Riyals (SAR 850,000,000) to one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalisation of one hundred fifty million Saudi Riyals (SAR 150,000,000) from the Company's retained earnings (the Company obtained SAMA approval).

(For more details, see Section Section 4.7 "History of the Company and its Share Capital Development and Changes in the Ownership Structure")

1.1.2 Principal Business Activities

The principal business activity of the Company is to provide Shariah-compliant financing solutions to retail and corporate customers in accordance with the Companies Law, the Finance Companies Control Law and Implementing Regulations thereof, and the relevant regulations, as well as the rules and instructions issued by SAMA.

The Company operates as an Islamic non-banking finance company, defined in the Finance Companies Control Law as "a joint stock company licenced to engage in finance activities", and is subject to SAMA regulations. It holds SAMA licence No. 5/ASh/201312 dated 28/02/1435H (corresponding to 31/12/2013G) expiring on 26/02/1445H (corresponding to 11/09/2023G) to carry out the following activities pursuant to the SAMA licence, the Company's Bylaws and the Company's Commercial Register:

- Consumer financing
- Lease financing
- Credit card financing
- Small and medium enterprise financing

The Company provides FinTech services, by virtue of a non-objection letter issued by SAMA to the Company dated 25/08/1441H (corresponding to 19/04/2020G), permitting it to provide FinTech solutions through approving the trial of crowdfunding platform in a regulatory sandbox environment. FinTech is being currently used for the financing of SMEs and may be used for other activities in the Future.

1.2 Vision, Mission and Strategy

1.2.1 Vision

The Company's vision is to be a pioneer in the Saudi financing sector, by creating a benchmark in Shariah compliant solutions that drive the non-banking financing market towards higher standards. The Company targets to offer high quality globally-ranked financial solutions that comply with the principles of Shariah, and to become the preferred choice for consumer finance, credit card financing, and FinTech lending.

1.2.2 Mission

The Company's mission is to seek consistent growth by geographically expanding its network of services within Saudi Arabia by creating innovative Shariah compliant financing solutions which cater to ever-changing customer needs and expectations.

1.2.3 Strategy

To become the leading company in the provision of innovative Shariah compliant financing products and services in a manner that adds value and maximizes the benefits to its customers, employees and shareholders. The Company aims to achieve this objective with the leadership of its experienced management team capable of realizing its strategy efficiently and in line with its vision. The Company believes that the continued growth of Saudi Arabia's economy, the Vision 2030 initiatives, the expansion of the NBFI sector, and the Financial Sector Development Program (FSDP) will enhance the presence of NBFIs in the financial service sector within the Kingdom and boost the demand for financing.

The strategic objectives of the Company are founded on the following pillars:

1.2.3.1 Enabling Easy Access to Finance

The Company aims to provide innovative Shariah-compliant financing through prompt and easy procedures for its clients. To achieve this objective, the Company has established a multi-channel marketing model, leveraging both traditional channels (i.e., a robust network of branches throughout Saudi Arabia, direct sales and tele-sales) and modern channels (i.e., online sales activities). The Company focuses on meeting customers' needs for immediate liquidity by ensuring the disbursement of funds to customers through its simple and swift accreditation and disbursement. The Company also aims to expand its customer base through online and social media channels enabling enhanced geographic reach across the Kingdom.

1.2.3.2 Expanding penetration of the financing market and customer segments

In order to achieve its aspirations, the Company continuously focuses on its core business in providing Shariah-compliant finance products to its customers. As such, the Company aims to improve its performance by increasing its customer segments and geographical spread. Therefore, the Company focuses on the evolving financing needs of its customers and developing innovative products to meet such needs.

Since the Company's customer base includes a large number of employees in the public sector, the Company has upside potential in the consumer finance segment. In addition, the Company is currently looking to expand its consumer finance customer base to also include high-income private sector employees. In line with other NBFIs, the Company aims to gain a larger market share in the SME finance segment with the growth of the segment supported by the Kafalah Program, Monsha'at and other government-led incentives that are destined to facilitate access to finance and increase the contribution of SMEs to Saudi Arabia's GDP, in line with Vision 2030. The Company plans to attract more SME customers through its FinTech propositions, currently consisting of the ULend peer-to-peer lending platform, and more retail individual customers through the credit card products supported by its potential to cross sell credit cards to existing consumer finance customers.

The Company takes into consideration the importance of developing new innovative products and services to expand market penetration in order to adapt to the constant changes in the financial services sector. The Company seeks to be the preferred financing choice for customers. Accordingly, it is planning to maximize profit growth by increasing its market share in this sector. This expansion can be achieved through innovative online services and geographic expansion.

1.2.3.3 Maintaining the quality of the credit portfolio

The Company focuses on maintaining the quality and strength of its credit portfolio and its strength to ensure sustainable growth. The Company seeks to grow its portfolio without impacting the quality of its financing portfolio and profitability in compliance with its strict credit standards for the purpose of increasing its revenues and overall profitability. In addition, the Company aims to anticipate the changing market conditions to support profitability by hedging its floating profit rates and renegotiating on a periodic basis with its financiers to reduce the impact of changes in interest rates on its profit margins, in addition to taking the necessary measures to limit the increase in the portfolio distress through the Collection Management (for more details, see Section 4.5.11 "Collection Management").

1.2.3.4 Business lines targeting a wide spectrum of customers

a. Consumer finance

As at 31 March 2021G, consumer financing was the primary segment of the Company, representing 92.4% of the Company's lending portfolio being in this category. Due to a large number of employees in the public sector, the Company has a higher market penetration potential in the consumer finance segment. The Company had more than forty-four thousand (44,000) customers from the public sector as of 31 March 2021G, which represents an upside potential for the Company. The Company is targeting to open most of its upcoming branches in areas that are mostly populated by civil and military sector government employees. Furthermore, the percentage of women working in the public and private sectors is expected to increase, in line with Vision 2030, which is expected to result in an increase in the number of public and private employees in general.

With over 18 years of experience in the consumer finance sector, during which the Company was able to optimize its credit cycle model, now supported by external and proprietary tools, such as the Saudi Credit Bureau (SIMAH) and other external credit scoring systems, the Company is currently targeting to expand its consumer finance business line to include high-income private sector employees.

b. SME financing

As at 31 March 2021G, SME financing represented 7.6% of the credit card and finance portfolio with government support extended to SMEs, finance companies in the Kingdom have a great opportunity to increase the volume of targeted financing for SMEs, as SMEs contribution to the Kingdom's GDP is expected to increase from 28.75% in the second quarter of 2020G to 35% by 2030G which should support growth within the sector. This presents an opportunity for the Company to further expand its financing activities in the SME space and grow its SME portfolio through its presence in various regions across Saudi Arabia. Additionally, the Company offers a variety of SME finance products, such as secured SME finance and FinTech lending under its FinTech lending scheme. Moreover, the Company's recent SME finance offering included working capital financing including financing customer operational obligations, point of sale financing and insurance policy finance products.

c. FinTech Lending

On 25/08/1441H (corresponding to 19/04/2020G), the Company was authorized by SAMA, by virtue of a non-objection letter to provide FinTech services through approving the trial of crowfunding platform in a regulatory sandbox environment. Therefore, in 2020G, the Company expanded its product range with the introduction of FinTech lending, which currently includes ULend, a crowdfunding platform enabling the Company to provide peer-to-peer lending services. As at the date of this Prospectus, the Company's FinTech lending activities were fully-focused on SME customers, however the Company may, in the future, develop other products under its FinTech business line to include individual customers.

The Company believes that FinTech lending (peer-to-peer lending) is a form of lending that will help meeting the financing shortage in the Saudi market and provides lenders with an opportunity to gain profits in addition to their contribution to financing of borrowers in need of capital. The FinTech lending business line is fully conducted on the "ULend" online platform which simplifies the lending process.

d. Credit cards

In 2020G, the Company expanded its product range with the introduction of credit cards on the VISA platform. Initially offered to its existing customer base, the Company plans to attract its current customers in addition to using its marketing platform to introduce new products to attract a new client base. The Company does not impose any annual fees to its credit card customers who pay their payables due on time and use 70% of the credit limit within one year, noting by that the credit limit differs from one customer to another depending on their income, and that is based on SAMA's Responsible Individual Finance Principles.

1.3 Key Strengths

1.3.1 Leader in Consumer and SME Finance Market

The Company is one of the major players in the non-bank financing market with total assets of one billion eight hundred sixty-nine million four hundred one thousand Saudi Riyals (SAR 1,869,401,000) and total shareholders' equity of one billion one hundred nineteen million three hundred seventy-five thousand Saudi Riyals (SAR 1,119,375,000) as at 31 December 2020G. As at 31 March 2021G, the Company had a 18% market share by loans in consumer finance from individual financing company loans making it the market leader.[1]

The Company believes that SAMA's policy to increase the share of NBFIs in the Saudi finance market, supported by the initiatives of the Financial Sector Development Program as part of Vision 2030, will further stimulate growth in the sector. Compared to other countries in the GCC region, the consumer finance market in Saudi Arabia is under penetrated and has a growth potential which may lead to a strong growth outlook in the short to medium-term. Consumer finance accounted for 14.5% of GDP in Saudi Arabia in 2019G, as compared to an average of 25.9% in 2019G in the other countries in the GCC region (for more details, see Section 3 ("Market Overview") of this Prospectus).

In addition, the number of SME finance contracts with banks increased by 57.8% during the year ended 31 December 2020G, compared to the year ended 31 December 2019G. On the other hand, the number of SME finance contracts with non-real estate financing companies increased at a faster pace by 26.7% during the same period. Financing Companies are aiming to capture a larger market share of SME finance with the growth of the segment supported by the Kafalah Program, Monsha'at and other government-led incentives to facilitate the access of SMEs to financing and increase their contribution to Saudi Arabia's GDP, in line with Vision 2030 (for more details, see Section 3 "Market Overview" of this Prospectus).

1.3.2 Flagship Brand in the Saudi Consumer Finance Space with a Strong Distribution Network across Saudi Arabia

The Company's brand "Nayifat" is widely recognised throughout Saudi Arabia as a result of its strong customer centric track record of providing financial services for more than 19 years. The Company's overall geographical and digital footprint (online and social media presence) enables it to reach large cities and under-banked locations in Saudi Arabia (For more details, see Section 12.4 ("Company Branches") of this Prospectus). The Company believes that further increase in its online and social media presence will further expand its client base to remaining locations in the Kingdom at a relatively low cost base, by utilizing the existing platform.

1.3.3 Unique Positioning with Dominant Market Share and Price-Competitive Products

As at the first quarter of 2021G, the Company has a 18% market share of the consumer finance sector in the non-real estate financing companies sector in Saudi Arabia, making it the market leader [2]. As at 31 December 2020G, the Company's gross receivables net of unearned Islamic finance income was one billion five hundred and sixty-three million nine hundred twenty thousand Saudi Riyals (SAR 1,563,920,000) with more than 44,000 active loan accounts, as at 31 March 2021G.

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1 **Note:** (Calculated using the Company's gross receivables net of unearned finance incomebased on data issued by SAMA)

2 **Note:** Calculated using the Company's gross receivables net of unearned finance income based on data issued by SAMA.

1.3.4 Well-Positioned to Capitalise on Identified Growth Opportunities and Developed Comprehensive Product Suite

1.3.4.1 Consumer finance

The Company is well-positioned to leverage its robust network of branches throughout Saudi Arabia along with modern-channel marketing activities (online sales activities) to expand its consumer finance customer base beyond the segment of Saudi employees working in the public sector. The Company is able to deploy its well-established and tested model to attract customer from the private sector, including non-Saudi customers. The Company's overall geographical and digital footprint (online and social media presence) enables it to cover large cities and under-banked remote areas in Saudi Arabia. The Company believes that further increase in its online and social media presence will further expand its client base as opposed to the public employees sector. Hence, the Company is capable of using its active business model which was previously tested to attract customers from the private sector, including non-Saudi customers. Within this context, the Company launched an online tool enabling prospective customers to apply for consumer finance products on the Company's website, which will enable the Company to increase its customer base while expanding its online footprint. In addition, the Company has the ability to capitalise on strong trends in the growth of the consumer finance industry while benefitting from its industry leader position. As at the first quarter of 2021G, the Company has a 18% market share, based on the volume of finance it grants to customers.[3]

1.3.4.2 SME Financing

The SME sector is a key focus area for the Saudi government under Vision 2030 with dedicated programs to develop the sector. Under Vision 2030, SMEs' GDP contribution is expected to increase from 28.75% as at 30 July 2019G to 35% by 2030G. In its SME finance business line, the Company has an opportunity for expansion by concentrating on sectors that are aimed to be privatised as part of Vision 2030. In addition, the Company is able to leverage its operational capabilities to expand the product range it offers to SME customers. The Company's operational capabilities are its branch network, geographical distribution, ULend platform, activation of the inter-departemantel sale and the credit-card services.

1.3.4.3 FinTech

In its recently launched FinTech proposition, the Company targets new SME customers in an innovative way. The Company established a peer-to-peer (crowdfunding) platform called "ULend" where parties seeking funding apply online for funding requirements. As at the date of this Prospectus, the Company's FinTech customers were primarily former SME customers of the Company, however the platform also allows participation of individuals. The Company's FinTech business line is a relatively low capital business with the majority of the risks being borne by investors (for more details, see section 4-5-5 "FinTech" of this Prospectus).

1.3.4.4 Credit cards

The Company is the first financing company that is licensed to issue credit cards on the VISA platform in the Kingdom. In its credit cards business line, the Company has a strong cross-selling potential by leveraging its existing customer base. The Company is aiming to launch corporate cards in 2021G. In addition to its strategic partnership with Visa, the Company intends to establish other partnerships with international credit card service providers in the near future. The Company's credit card business line is expected to be supported by the Saudi government's target of 70% cashless payments under Vision 2030.

a. Prudent Risk Management and Governance Framework Resulting in Superior Asset Quality

The Company adopts an effective governance framework, which includes pro-active set up of various committees that report directly to the Board and are intended to define the risk/return appetite within the Company's business strategy as well as identify, monitor and manage potential areas of risk.

The Company has a systematic credit assessment and risk management framework ensuring adequate risk identification, control and management. The Company has organized and simplified the processes and systems designed to maintain the quality of its portfolio. In addition to the assessment of the customer's solvency, the Company also assesses the customer's consumption behaviours and patterns prior to approving any financing.

3 **Note:** Calculated using the Company's gross receivables net of unearned finance income in consumer finance, making it the market leader (Source: SAMA)

The Company has a multi-pronged collection mechanism. Periodic instalments due from customers are received through various collection means such as standing instructions, direct debit from the customer's bank account and existing payment instructions with the support of an experienced and highly-qualified collection team equipped with automated communication systems (e.g., Auto-Dialer System, Voice Blaster, SMSs). In addition, there are arrangements with external collection teams when payments exceed their due dates. The Collection Department of the Company is supported by internal and external legal teams. The effectiveness of the Collection Department of the Company has been demonstrated in its ability to maintain high levels of collection efficiency and a relatively lower delinquency rate. The Company has a resilient loan portfolio with non-performing loans ("NPLs") representing 8.8%, 8.4% and 5.1% of the Company's total loan portfolio, in March 2021G, December 2020G and December 2019G, respectively. NPLs ratio for non-banking financial institutions in the Kingdom for the year ending on the 31st of December 2019G stood at 10.58%.

b. Strong Financial Performance with a Strong Track Record of Superior Returns Supported by Robust Risk Management

The Company has demonstrated strong financial performance where its operating income grew at a CAGR of 13.2% between 2018G and 2020G and gross receivables (net unearned Islamic finance income) grew at a CAGR of 2% between the same period. The Company has significant scale with its total assets amounting to one billion, eight hundred sixty-nine million, four hundred one thousand Saudi Riyals (SAR 1,869,401,000) and its total net Islamic financing (net of unearned financing) amounting to one billion five, hundred twenty million, five hundred eighty-three thousand Saudi Riyals (SAR 1,520,583,000) as at 31 December 2020G. The Company also has a strong equity base of one billion, one hundred nineteen million, three hundred seventy-five thousand Saudi Riyals (SAR 1,119,375,000) with its receivables to shareholders' equity ratio (calculated as net receivables over equity) of 1.4x as at 31 December 2020G, well below the threshold of 3.5x applicable to the Company by SAMA.

This strong performance is mainly due to the efficiency of the Company's recovery and collection team, which relies on a robust collection system consisting of predictive dialing and auto dialing technologies and is supported by strong internal and external legal teams (for more details, please see Section 4.5.11"Collection management" of this Prospectus) The high rates of recoveries lead to a decrease in the level of accounting write-offs, resulting in a decrease in net credit loss (for more details, please see Section 4.4.6"Strong financial performance with a consistent track record of superior returns supported by robust risk management" and Section 2.1.30"Risks associated with the change of the applicable accounting policies" of this Prospectus).

c. Further Headroom for Growth Supported by a Robust Capital Position Whilst Maintaining Dividends

The Company has a significant capital base that supports its organic growth. The Company's finance receivables to equity ratio (calculated as net receivables over equity) of 1.4x and 1.3x as at 31 December 2020G and 31 March 2021G, respectively, which was significantly below the applicable threshold of 3.5x, which provides the Company with additional finance capacity of two billion six hundred million Saudi Riyals (SAR 2,600,000,000), without needing to raise additional capital. In addition, following the Offering, the Company will gain access to capital markets. The Company may access additional funding through securitisation, sukuk issuances, and by applying for a SAMA licence to accept term deposits under SAMA's new regulations on Deposit Taking Finance Companies (DTFCs) issued in November 2020G. These new regulations enable financing companies to accept deposits and provide the Company with an additional channel for funding in the future.

In addition, the Company has a solid dividend pay-out track record as it distributed 10% of its share capital over the past three financial years as dividends which represented 48%, 39% and 49% of its net income in 2018G, 2019G and 2020G, respectively, and the Company believes it is well positioned to continue distributing dividends to its Shareholders in the future.

d. Strong Shareholder Base Supporting a Highly Experienced Board and Management

The Company has a strong shareholder base, most notably FALCOM Holding Company which provides the Company with ownership stability, and well-established corporate governance framework. The Shareholders' strong commitment to the growth of the Company's business is demonstrated by prioritizing reinvestment of profits and capitalization over payouts for the first 15 years since incorporation. The Company's shareholder base is further supported by its Board of Directors which has significant experience in financial institutions and retail business. The Board of Directors of the Company is complemented by its strong senior management team which has strong market know-how and professional experience in financial services.

1.4 Market Information

The consumer finance market in the Kingdom has consistently grown over the last five years. Consumer loans disbursed by banks, including credit cards, were worth SAR 397.3 billion as at the first quarter of 2021G based on 4SiGHT analysis and the data derived from SAMA's monthly report for May 2021G (SAMA: https://www.sama.gov.sa). Consumer loans grew from SAR 329 billion in 2016G to SAR 384 billion in 2020G at a CAGR of 3.9%. The growth was primarily driven by favourable demographic trends and the increasing number of economic initiatives launched by the government.

In addition, according to 4Sight analysis and the data derived from SAMA's monthly report for May 2021G, Loans extended to micro, small and medium enterprises (MSME) by banks as at the first quarter of 20210G were worth SAR 175 billion and it grew from SAR 108 billion in 2019G to SAR 170 billion in 2020G thus registering a growth of 57.8% in 2020G as compared to 2019G. The Kafalah Program is one of the major drivers for MSME finance in the Kingdom. The program aims to provide financial institutions with the required guarantees to help MSMEs and entrepreneurs obtain the required facilities to support and develop their business (SAMA: www.sama.gov.sa).

Consumer financing extended by non-real estate NBFIs was worth SAR 8,734 million as at the first quarter of 2021G and it registered a sustained growth of 222.4% with respect to the first quarter of 2020G (SAR 2,709 million). According to 4Sight analysis and the data derived from SAMA's monthly report for May 2021G, It is estimated that the consumer financing extended by non-real estate NBFIs will grow at a CAGR of 20.6% from SAR 6,203 million in 2020G to SAR 13,139 million in 2024G. Loans to MSMEs extended by non-real estate NBFIs were estimated to be SAR 12,966 million as at the first quarter of 2021G, and they registered a growth of 34.1% with respect to the year 2020G (SAR 9,676 million). It is estimated that the MSME loans extended by non-real estate NBFIs will grow at a CAGR of 14.2% from SAR 11,887 million in 2020G to SAR 20,209 million in 2024G. (SAMA: www.sama.gov.sa)

A key objective of Vision 2030 is to diversify the Kingdom's economy, which would offer an upside boost to the financial sector in the Kingdom. This can be witnessed in the Financial Sector Development Program (FSDP) initiative, one of the 12 executive programs under Vision 2030. The program envisages greater transparency in the financial ecosystem, simplification of loan processes, and higher SME contribution to the GDP. (Saudi Vision: www.vision2030.gov.sa)

According to 4Sight analysis, Consumer finance and MSME financing in Saudi Arabia is expected to witness stable growth in the upcoming years supported by the population growth expected until 2025G which will advantage the growth of the non-real estate financing companies.

It is anticipated that the gap between personal income per capita and personal consumption per capita will continue during 2021G-2025G, which will stimulate the demand for personal finance services. (General Authority for Statistics: www.stats.gov.sa)

The Saudi government has undertaken several initiatives to boost electronic payments in the Kingdom, hence increased adoption of electronic payments coupled with higher e-commerce sales is expected to stimulate the credit card financing market.

The Saudi government is actively encouraging the growth of non-oil sectors and is focused on supporting the development of the manufacturing sector in the Kingdom. This is expected to provide a boost to small-scale manufacturing units and SMEs, and hence result in a higher need for SME financing.

The government is promoting a public-private partnership model across various sectors by increasing the private sector's contribution. This will allow a greater degree of participation by SMEs, thereby boosting the demand for SME finance.

Initiatives by the Saudi government to position the Kingdom as entertainment, cultural and heritage hub within the Middle East region are expected to draw tourism and improve performance across the tourism and hospitality sectors. The government plans to increase the tourism sector's contribution to the GDP from 3% in 2020G to more than 10% by 2030G. (Ministry of Tourism: www.mt.gov.sa)

The private sector and SMEs are key enablers of economic growth and employment generation. The government is promoting a public private-partnership (PPP) model by increasing the private sector's participation in various economic sectors. Privatization targets set under Vision 2030 will allow a greater degree of participation by SMEs, thereby creating a higher demand for SME finance. Based on Saudi FinTech Report 2020 (Saudi FinTech Report 2020: https://fintechsaudi.com)

Based on the Saudi FinTech report, the FinTech industry in the Kingdom is growing at a rapid rate. The value of FinTech transactions is expected to grow from SAR 75 billion in 2019G to more than SAR 123 billion by 2023G. Vision 2030 initiatives, growing use of online payments, and e-commerce adoption are major factors driving the FinTech sector in Saudi Arabia.

Summary of Financial Information and Key Performance Indicators and Financial Indicators Not Defined in the IFRS (non-IFRS)

The Company's financial information set out below is derived from the 2018G Financial Statements, 2019G Financial Statements, 2020G Financial Statements, and the 2021G Three Month Interim Period Financial Statements.

The Company supplements the use of IFRS financial measures with non-IFRS financial measures. These non-IFRS financial measures do not have a standardised definition and purpose and other companies may calculate them differently. Therefore, the Company's non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures. The Company believes that the historical non-IFRS financial measures are useful as an additional tool to help management and investors make informed decisions about the Company's financial and operating performance or liquidity

Prospective investors should read the selected financial information in conjunction with the information provided in the Section 2 ("Risk Factors") and Section 6 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") and the Financial Statements and other financial data contained elsewhere in this Prospectus.

Item	For the year ended 31 December			For the Three Months period ended 31 March
	2018G	2019G	2020G	2021G
	(SAR thousands)			
	Statement of Income			
Income from Islamic financing	322,278	389,888	414,470	99,059
Other income	3,111	2,414	2,439	325
Expenses				
Finance costs	(51,991)	(55,570)	(43,225)	(5,999)
Reversal of impairment – net	14,127	25,482	1,470	5,409
Employee related expenses and salaries	(81,025)	(96,387)	(98,451)	(20,787)
Other general and administrative expenses	(29,507)	(42,344)	(38,980)	(10,301)
Depreciation and amortization	(4,625)	(9,951)	(11,962)	(3,082)
Net income before Zakat	172,368	213,532	225,761	64,624
Zakat charges for the year/ period	(17,237)	(21,532)	(24,296)	(6,700)
Reversal of prior year	21,430	26,821	-	-
Net Income for the year/period	176,561	218,821	201,465	57,924

	For the year ended 31 December			For the three month period ended 31 March
	2018G	2019G	2020G	2021G
	(SAR thousands)			
	Statement of Financial Position			
Total assets	1,753,169	1,988,770	1,869,401	1,835,653
Total liabilities	805,421	972,353	750,026	658,354
Shareholders' equity				
Share capital	850,000	1,000,000	1,000,000	1,000,000
Treasury shares	-	(65,152)	-	-
Statutory reserve	18,261	40,143	60,290	60,290
Retained earnings	79,487	41,426	59,085	117,009
Total shareholders' equity	947,748	1,016,417	1,119,375	1,177,299
Total liabilities and shareholders' equity	1,753,169	1,988,770	1,869,401	1,835,653

	For the year ended 31 December			For the three month period ended 31 March
	2018G	2019G	2020G	2021G
	(SAR thousands)			
Statement of Cash Flows				
Net cash generated from / (utilised in) operating activities	230,630	(53,306)	425,129	30,370
Net cash used in investing activities	(83,599)	(36,409)	(91,729)	46,189
Net cash generated from / (utilised in) financing activities	(311,414)	31,080	(315,904)	(95,268)
Source: Financial Statements				

	For the year ended and as at 31 December			For the three month period ended and as at 31 March
	2018G	2019G	2020G	2021G
KPIs and Non-IFRS financial Measures				
Net profit margin (before Zakat) (%)	53.5%	54.8%	54.5%	65.2%
Return on average assets (before Zakat) (%)	9.4%	11.4%	11.7%	14.0%
Return on average equity (before Zakat) (%)	19.1%	21.7%	21.1%	22.5%
Net Islamic financing receivables to loans (times)	2.1	2	2.3	2.8
Debt to equity (times)	0.7	0.9	0.6	0.5
Islamic financing receivables to equity (times)	1.5	1.7	1.4	1.3
Gearing (%)	5.9%	6.3%	5.1%	3.3%
Net profit rate spread (%)	17.1%	18.5%	20.2%	22.1%
Liquidity ratio (times)	1.7	1.6	2.0	2.2

Source: Management Information

The above non-IFRS financial measures have been included in this Prospectus to facilitate a better understanding of the Company's historic trends of operation and financial position. The Company uses non-IFRS financial measures as supplementary information to its IFRS based operating performance and financial position. The non-IFRS financial measures are not measurements of Nayifat's operating performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance or liquidity under IFRS. The non-IFRS financial measures relate to the reporting periods described in this Prospectus and are not intended to be predictive of future results. In addition, other companies, including those in Nayifat's industry, may calculate similarly titled non-IFRS financial measures differently from Nayifat. Because companies do not calculate these non-IFRS financial measures in the same manner, Nayifat's presentation of such non-IFRS financial measures may not be comparable to other similarly titled non-IFRS financial measures used by other companies.

Summary of Risk Factors

Before considering an investment in the Offer Shares, prospective investors are advised to carefully consider all information contained in this Prospectus prior to making any decision to invest in the Offer Shares, particularly the risk factors stated below, which are described in detail in Section 2 ("Risk Factors").

Risks Related to the Company's Operations and Activities

1- Risks related to the concentration of the Company's business on providing credit products principally to individuals in the public sector and secondarily to SMEs.
2- Risks related to the concentration of products provided by the Company.
3- Risks related to material concentrated exposure to the non-bank financing industry and the marcroeconomic environment in the Kingdom.
4- Credit risks, payment default and collection risks.
5- Risks related to the accuracy and completeness of information about existing customers and applicants.
6- Risks related to the settlement of loans and the parties dealing with the Company .
7- Risks related to unsecured finance.
8- Risks related to the Company's financial resources and liquidity.
9- Risks related to working capital.
10- Risks related to the fluctuation of financing cost and the profit rate.
11- Risks related to finance agreements.
12- Risks related to overleverage and credit ratings.
13- Risks related to the Company's reliance on information technology systems and exposure to cyber-security risks.
14- Risks related to the financial services industry's ongoing improvements in operational infrastructure and information technology.
15- Risks related to customer data protection and privacy laws.
16- Risks related to the Company's failure to obtain and renew necessary licenses, permits and certificates.
17- Risks related to following the Company's rules and regulations.
18- Risks related to potential Zakat liability.
19- Risks related to infectious disease outbreaks or other public health concerns, including the on-going global spread of the coronavirus (COVID-19).
20- Risks related to risk management policies and procedures.
21- Risks related to the Company's dependence on a single credit card provider.
22- Risks related to new products.
23- Risks related to the Company's strategy and its failure to implement future business strategies successfully, on time, or at all.
24- Risks related to leasing of branches and the head office.
25- Risks related to the Company's reliance on its Senior Management and key personnel.
26- Risks related to lack of experience managing a public joint stock company.
27- Risks related to transactions with Related Parties.
28- Risks related to the Company's use of third-party service providers.
29- Risk related to adequacy of the Company's insurance coverage.
30- Risks related to changing the applied accounting policies.
31- Risks related to protection of the Company's trade name and trademark.
32- Risks related to litigation.
33- Risks related to interpreting Shariah principles.
34- Risks related to the impact of seasonal factors on the Company's revenues.
35- Risks related to employee misconduct and errors.

Risks Related to the Market, Industry and Regulatory Environment

1- The impact of the highly competitive industry in which the Company operates.
2- Risks related to the development and growth of the non-banking financial sector.
3- Impact of economic and political risks on the Company's operations.
4- Risks related to de-pegging the selling price of the Saudi Riyal from U.S. Dollar and re-pegging it at a different rate.
5- Risks related to the monetary union established by certain GCC countries.
6- Risks related to the highly regulated and evolving financial services industry in Saudi Arabia.
7- Risks related to white land fees.
8- Risks related to changes to the mechanism for calculating Zakat and income tax.
9- Risks related to Value Added Tax.
10- The impact of changes in laws and government policies in Saudi Arabia.
11- Risks related to compliance with Saudization and labour laws.
12- Risks related to higher government fees for the employment of non-Saudi employees.
13- Risks Related to the occurrence of natural disasters.

Risks Related to the Offer Shares

1- Risks related to the market, and potential volatility and fluctuation of Share prices.
2- Risks related to lack of demand for the Shares.
3- Risks related to effective control post-Offering by the Substantial Shareholders.
4- Risks related to the absence of an existing market for the Company's Shares.
5- Risks related to the Company's ability to distribute dividends.
6- Risks related to selling a large number of Shares on the market.
7- Risks related to the issuance of new Shares in the future.
8- Risks related to foreign exchange rates when investing in the Offer Shares.

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1- Definitions and Abbreviations

Advisors	The Company's advisors in relation to the Offering, whose names appear on Pages (viii) to (x) of this Prospectus.
Affiliates	Subsidiaries that are connected with each other due to being owned by the same parent company.
Asset-Liability Committee	The Company's Asset-Liability Committee.
Audit Committee	The Company's independent auditors, PricewaterhouseCoopers - Certified Public Accountants.
Auditor	The Company's external auditor, PricewaterhouseCoopers - Public Accountants.
Bayan	A Saudi closed joint stock company licensed by SAMA to operate as a provider of integrated commercial credit services to companies in the Kingdom.
Beneficial Ownership	A person shall be treated as a beneficial owner of shares if they have the ultimate beneficial ownership or control of the shares, whether through a chain of companies or otherwise.
Bid Form	The application form to be used by Participating Parties to apply for the Offer Shares during the Book-Building Period. This term includes, when applicable, the appended application form when the price range is changed.
Board of Directors or Board	The Company's Board of Directors.
Bid/Subscription Orders	Bid or subscription orders submitted to the Bookrunners by phone or e-mail, without the need to complete and sign a Bid Form, in accordance with the instructions set out in Section 17 ("Subscription Terms and Conditions").
Book-Building Period	The period during which Participating Parties may submit Bid Forms or Bid/Subscription Orders, specified in the Section ("Key Dates and Subscription Procedures") on Page (xx).
Bookrunners	HSBC Saudi Arabia, GIB Capital and Saudi Fransi Capital.
Business day	Any day (with the exception of Fridays, Saturdays and official holidays in the Kingdom of Saudi Arabia) on which the Receiving Entities are open for business.
Bylaws	The Company's Bylaws approved by the General Assembly, as summarised in Subsection 12.15 ("Summary of Company Bylaws") of this Prospectus.
Capital Market Institution	A capital market institution licensed by CMA to engage in securities business.
CEO	Chief Executive Officer.
Chairman	Chairman of the Board.
CMA	The Capital Market Authority.
CML or Capital Market Law	The Capital Market Law, promulgated by Royal Decree No M/30 dated 02/06/1424H (corresponding to 01/08/2003G) as amended.
Committees	The Audit Committee, Nomination and Remuneration Committee, Executive Committee, Risk Committee, Credit Committee, Asset-Liability Committee, and Strategic Committee.
Companies Law	The Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended.
Company	Nayifat Finance Company.
Corporate Governance Regulations	The Corporate Governance Regulations issued by CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) as amended pursuant to CMA Board Resolution No. 1-7-2021 dated 1/6/1442H (corresponding to 14/01/2021G), as amended.
Credit Committee	The Company's Credit Committee.

Crowdfunding	A platform that enables the Company's customers, including individuals and SMEs, to contribute to funding a portion of the financing that the Company provides to a finance beneficiary from their own funds, in return for a share in the profits resulting from such financing. Crowdfunding includes: • Ownership backed financing • Loan financing
Customer Acquisition System or CAS	A program that automates a lot of commercial transactions and activities related to financing and credit card transactions and limits their associated risk.
Current Shareholders	The Shareholders whose names are listed in Table 42: ("Ownership Structure of the Company Pre-and Post-Offering").
Cyber-security	The protection of electronic systems, networks and programs from digital attacks, which usually aim to access, change or destroy sensitive information or extort money from users.
Data Provider	The Economist Intelligence Unit – EIU
Debt Burden Ration (**"DBR"**)	Debt Burden Ratio that is calculated over monthly disposable income of the consumer
Directors	Members of the Company's Board of Directors.
Dynamics 365	A Microsoft software system comprising a set of applications for managing a company's business processes.
Exchange or Tadawul	Saudi Tadawul Company (Saudi Stock Exchange), which is the subsidiary company of Saudi Tadawul Group.
Executive Committee	The Company's Executive Committee.
Extraordinary General Assembly	An extraordinary general assembly of Shareholders convened in accordance with the Company's Bylaws.
Financial Advisor	HSBC Saudi Arabia.
Financial Institutions	Commercial banks and financing companies.
Financial Statements	2018G Financial Statements, 2019G Financial Statements, 2020G Financial Statements and 2021G Three Month Interim Period Financial Statements.
Financial Year	The financial year of the Company, from 1 January to 31 December of each financial year.
Financing Companies Law	The Saudi Financing Companies Law promulgated by Royal Decree No. M/51 dated 13/08/1433H (corresponding to 03/07/2012G), as amended.
FinnOne	A finance management system used to manage the customer initiation cycle, debt collection and the financial input.
FinTech	The utilisation of new technologies in financial services.
Foreign Investors	Non-GCC individuals residing outside the Kingdom and non-GCC institutions incorporated outside the GCC region who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into swaps with a Capital Market Institution to purchase Shares listed on the Exchange.
Futures or Tawarruq	As a means of Islamic financing, a forward sale contract or tawarruq is an agreement whereby the Company sells a commodity or an asset to its customer on deferred payment basis. The Company's selling price comprises the cost plus an agreed profit margin. The customer sells the same commodity or asset to a third party at market price to obtain the required financing amount.
G	Gregorian.
GCC	The Cooperation Council for the Arab States of the Gulf, with member states including Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and United Arab Emirates.
GDP	Gross Domestic Product (the broadest quantitative measure of a country's total economic activity, representing the monetary value of all goods and services produced within a country's geographic borders over a specific period of time).

GDP per Capita	GDP per capita is a measure of the average income per person in a country (calculated by dividing the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly. "General Assembly" shall mean any Company General Assembly.
General Authority for Small and Medium Enterprises (Monsha'at)	The General Authority for Small and Medium Enterprises (Monsha'at) was established in 2016G. Its objectives are to regulate, support, develop and nurture the SME sector in line with the best global practices, to raise the productivity of these enterprises and increase their contribution to GDP from 20% to 35% by 2030G.
GOSI	General Organization for Social Insurance in Saudi Arabia.
H	Hijri.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncments issued by SOCPA.
IFRS 9	International Financial Reporting Standard No. 9 "Financial Instruments" issued by IASB as endorsed in the Kingdom. This standard covers the accounting procedures related to financial instruments.
Ijarah	As a means of Islamic financing, Ijarah is an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the request and specifications of the customer (lessee), based on their promise to lease the asset for an agreed rent for a specific period. An Ijarah could end with the transfer of ownership of the leased asset to the lessee. Islamic financing receivables for Ijarah represent the net investment in leased assets for a specific period, which either approximates or covers a major portion of the estimated useful lives of these assets. The agreement includes a separate undertaking on the part of the Company to sell the leased assets to the lessee at the end of the lease.
Individual Investors	Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account and is allowed to open an investment account.
Instructions for Strategic Foreign Investors	Instructions organizing the ownership of strategic shares by strategic investors in the listed companies.
Retail Subscription Application Form	The Subscription Application Form to be filled out by Individual Investors to subscribe for the Offer Shares during the Offering Period for Individual Investors.
Investment Funds Regulations	The Investment Funds Regulations issued by CMA Board Resolution No. 1219-2006 dated 03/12/1427H (corresponding to 24/12/2006G), in accordance with the CMA Law promulgated by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Investors	Participating Parties and Individual Investors.
ISA 34	The International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in the Kingdom and standards and pronouncments issued by SOCPA.
ISO	International Organization for Standardization.
Issuer	Nayifat Finance Company.
Lead Manager	HSBC Saudi Arabia.
Kafalah	A government program that supports SME finance guarantees.
KYC (Know your Customer)	A process that helps banks and financial institutions learn about customers and their financial transactions. It includes making reasonable efforts to determine the true identity of an account-holding customer, their source of funds and the compatibility of the ongoing operations in the account in relation to its business/transactions.

Labour Law	The Saudi Labour Law promulgated by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), as amended.
Lead Manager	HSBC Saudi Arabia.
Legal Advisor	The Law Office of Megren M. Al-Shaalan with respect to the Offering inside the Kingdom, and White & Case LLP with respect to the Offering outside the Kingdom.
Listing	Admission to listing of the Company's Shares on the Exchange in accordance with Listing Rules.
Listing Rules	The Listing Rules approved by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA Board Resolution No. 1-22-2021 dated 12/7/1442H (corresponding to 24/02/2021G).
Loan Management System	A system that links establishments wishing to obtain financing with individuals and institutions willing to provide financing.
Lock-up Period	The six-month period during which Substantial Shareholders may not dispose of any of their shares, commencing on the date trading of the Shares on the Exchange starts. Following the Lock-up Period, the Substantial Shareholders are free to dispose of their Shares without CMA's prior approval.
Market Consultant	Arabian Market Vision Co. Ltd - 4SIGHT
MHRSD	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia.
Ministry of Commerce	The Ministry of Commerce in the Kingdom of Saudi Arabia.
Monsha'at	The General Authority for Small and Medium Enterprises
Moody's	Moody's Investor Service agency, an international ratings & assessments agency.
Murabaha	As a means of Islamic financing, murabaha is a contract whereby the Company sells to customers a commodity or an asset, which the company has purchased and acquired based on the customer's promise to purchase such commodity or asset. The selling price comprises the cost plus an agreed profit margin.
Nomination and Remuneration Committee	The Company's Nomination and Remuneration Committee.
Offer Price	Thirty four Saudi Riyals (SAR 34) per share.
Offer Shares	Thirty-five million (35,000,000) shares, representing 35% of the Company's share capital.
Offering	The initial public offering of the Offer Shares.
Offering Period	The period commencing on Sunday 02/04/1443H (corresponding to 07/11/2021G) and continuing for a period of two (2) days up to and including the closing day on Monday 03/04/1443H (corresponding to 08/11/2021G)
Official Gazette	Um Al-Qura, the official gazette of the KSA's Government.
Ordinary General Assembly	An ordinary general assembly of Shareholders convened in accordance with the Company's Bylaws.

Participating Parties	These parties are entitled to participate in the book-building process, namely: a. public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-building Instructions; b. capital market institutions authorised by the CMA to deal in securities as principals, in compliance with the provisions set forth in the Prudential Rules when submitting the Bid Form; c. customers of a Capital Market Institution authorised by the CMA to conduct management services in accordance with the provisions and restrictions set forth in the Book-building Instructions; d. legal persons allowed to open an investment account in the Kingdom and an account with the Depository Center, with the exception of non-resident foreign investors, other than Qualified Foreign Investors in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, in compliance with CMA Circular No. 6/05158 dated 11/8/1435H (corresponding to 9/6/2014G), issued pursuant to CMA Board Resolution No. 9-28-2014 dated 20/7/1435H (corresponding to 19/5/2014G); e. Government entities and any supranational authority recognised by the CMA, the Exchange or any other exchange recognised by the CMA or the Depository Center; f. companies owned by the Government, directly or through a private portfolio manager; and g. GCC companies and GCC funds if permissible according to the terms and conditions of such funds.
Participating Parties Subscription Application Form	The Subscription Application Form to be filled out by Participating Parties following the allocation of Offer Shares based on the number of Offer Shares initially allocated thereto.
Peer-to-peer lending	ULend platform is used to connect SMEs willing to directly finance.
Prospectus	This Prospectus, prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to CMA Board Resolution No. 1-40-2012 dated 17/02/1434H (corresponding to 30/12/2012G), as amended.
Public	Any person other than those listed below: 1. affiliates of the Issuer; 2. Substantial Shareholders of the Issuer; 3. Directors and Senior Executives of the Issuer; 4. directors and senior executives of the Issuer's affiliates; 5. directors and senior executives of the Issuer's Substantial Shareholders; 6. any relatives of the persons referred to in (1, 2, 3, 4, or 5) above; 7. any company controlled by any person referred to in (1, 2, 3, 4, 5 or 6) above; and 8. persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A foreign investor qualified in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities to invest in listed securities. Qualification Applications are submitted to a Capital Market Institution for evaluation and approval in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities.
Receiving Entities	The Receiving Entities are those mentioned in page No. (xi) of this Prospectus.
Regulation S	Regulation S under the U.S Securities Act.

Related Party/ Related Parties	In this Prospectus and pursuant to the Glossary of Defined Terms Used in the Regulations and Rules of the CMA issued pursuant to CMA Board Resolution No. 4-11-2004 dated 20/8/1425H (corresponding to 4/10/2004G), as amended pursuant to CMA Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G), the term "related party" or "related parties" includes any of the following: a. affiliates of the Issuer; b. Substantial Shareholders of the Issuer; c. Directors and Senior Executives of the Issuer; d. directors and senior executives of the Issuer's affiliates; e. directors and senior executives of the Issuer's Substantial Shareholders; f. relatives of the persons referred to in (a), (b), (c), (d), and (e) above; and g. any company controlled by any person referred to in (a), (b), (c), (d), (e) and (f) above. For the purpose of Paragraph (g), "control" shall mean the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting rights in the Company; or (b) the right to appoint 30% or more of the administrative staff; and the word "controlling" shall be construed accordingly.
Relatives	Husband, wife and minor children.
Risk Committee	The Company's Risk Committee.
ROSCOs or Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law, as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Rules for Qualified Foreign Financial Institutions Investment	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the CMA Board pursuant to CMA Board Resolution No. 1-42-2015 dated 15/07/1437H (corresponding to 04/05/ 2015G), as amended by CMA Board Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G), as amended.
SADAD	A central electronic bill presentment and payment (EBPP) system established by SAMA to facilitate and streamline bill payments and other payment transactions electronically through all channels of the Kingdom's banks.
SAMA	The Saudi Central Bank, formerly known as Saudi Arabian Monetary Authority (SAMA).
SAS Systems	A statistical software suite developed by SAS Institute for data management, advanced analytics, multivariate analysis and business intelligence.
Saudi Arabian Riyal Interbank Express (SARIE)	The Saudi Arabian Riyal Interbank Express (SARIE) system commenced live operation on 18/01/1418H (corresponding to 14/05/1997G). SARIE is a state-of-the-art bank payment and settlement system. This system aims to automate financial transfers and ensure they immediately reach the recipient, reduce financial risks and eliminate the need to carry cash to make transfers from one bank to another, regulate financial payments in the banking sector, and lay the technical and procedural foundations for future developments such as e-commerce.
Saudi Riyal or SAR	The Saudi Riyal, the official currency of the Kingdom.
Secretary	Secretary of the Board.
Selling Shareholders	Shareholders whose names are mentioned in Table 42: ("Ownership Structure of the Company Pre and Post Offering") and those who are selling part of their shares in the IPO.
Senior Executives	Members of the Company's Senior Management, as set out in Table 52: ("Details of the Company's Executive Management").
Shareholder or Shareholders	Any owner or owners of shares in the Company.

Shares	One hundred million (100,000,000) ordinary shares of the Company, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.
SAIBOR	Saudi Arabian interbank offered rate
SIMAH	Saudi Credit Bureau, a credit agency responsible for providing commercial credit information services and consumer information in the Kingdom.
Sister Companies	Subsidiary companies that are associated through being owned by the same parent company.
SMEs	Small enterprises have 6 to 49 workers or sales of more than SAR 3 million and less than SAR 40 million. Medium enterprises have 50 to 249 workers or sales of more than SAR 40 million and less than SAR 200 million.
SOCPA	Saudi Organization for Chartered and Professional Accountants (formally known as Saudi Organization for Certified Public Accountants).
Strategic Committee	The Company's Strategic Committee.
Subscription Application Form	The Retail Subscription Application Form and the Participating Parties Subscription Application Form, as the case may be.
Substantial Shareholder	Any person who owns 5% or more of the Issuer's share capital.
SWAP Agreements	Agreements that give non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom the right to invest indirectly to acquire economic benefits in the Shares by entering into swaps with a Capital Market Institution licensed by the CMA to hold and trade in the Shares.
The Kingdom, KSA or Saudi Arabia	The Kingdom of Saudi Arabia.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
ULend Platform	One of the financing products provided by the Company under a registered flagship under the Company's name which facilitates crowdfunding allowing the Company to provide peer-to-peer financing services.
Underwriters	HSBC Saudi Arabia, GIB Capital and Saudi Fransi Capital.
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriters in connection with the Offering.
2018G Financial Statements	The Company's audited financial statements for the year ended 31 December 2018G (with comparative data for the year ended 31 December 2017G) prepared in accordance with IFRS, as modified by SAMA for the accounting of Zakat and income tax.
2019G Financial Statements	The Company's audited financial statements for the year ended 31 December 2019G (with comparative data for the year ended 31 December 2018G) prepared in accordance with IFRS.
2020G Financial Statements	The Company's audited financial statements for the year ended 31 December 2020G (with comparative data for the year ended 31 December 2019G) prepared in accordance with IFRS.
2021G Three Month Interim Period Financial Statements	The Company's unaudited condensed interim financial statements for the three month period ended 31 March 2021G (with comparative data for the three months period ended 31 March 2020G) prepared in accordance with IAS 34.

2- Risk factors

All prospective investors should carefully consider the risk factors below and all information contained in this Prospectus prior to making any investment decision with regard to the Offer Shares. The risks and uncertainties set out below are those that the Company currently believes may affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise all those affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Directors are currently not aware of, or that the Directors currently believe are immaterial.

The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial condition, results of operations and prospects, the price of the Shares may decline, the Company's ability to pay dividends could be impaired and investors may lose all or part of their investment. As a result of these and other risks, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company or the Directors expect, or at all. Investors should consider all forward looking statements in this Prospectus in light of these explanations and should not place any reliance on forward-looking statements (see "Forecasts and Forward-Looking Statements" on page (iii) and section "Director Undertakings" and Section 15 ("Post-listing Undertakings").

The Company's Directors also confirm that, to the best of their knowledge and belief, as at the date of this Prospectus there are no significant risks other than those mentioned in this section that may affect the investors' decisions to invest in the Offer Shares.

An investment in the Offer Shares is only proper for investors who are able to assess the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from this investment. Prospective investors who have doubts about the procedures to be followed should consult a financial advisor duly licensed by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority and, thus, do not reflect their expected impact on the Company. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the impacts set forth above. Thereupon, risks identified under this section or any other section might not: (i) include all risks that might affect the Company, its assets, business, operations and the markets it operates in, and/ or (ii) include all risks relevant to investing in the IPO shares.

2.1 Risks Related to the Company's Operations and Activities

2.1.1 Risks related to the concentration of the Company's business on providing credit products principally for individuals in the public sector and secondarily for SME

The Company's business focuses on providing credit products principally to individuals. The Company's revenue is derived almost entirely from credit products to individuals. The consumer finance product line represented 100% (SAR 2,148,080 thousand) of the Company's entire credit card and finance portfolio for the period ended 31 December 2018G, 98.7% (SAR 2,637,689 thousand) for the period ended 31 December 2019G, and about 95.7% (SAR 2,237,006 thousand) for the period ended 31 December 2020G and about 92.6% (SAR 2,221,028 thousand) for the three months period ending on 31 March 2021G while the SME product line represented 1.3% (SAR 34,640 thousand) of the Company's entire credit and finance portfolio for the period ended 31 December 2019G, about 4.3% (SAR 100,507 thousand) for the period ended 31 December 2020G and about 7.4% (SAR 176,325 thousand) for the period ending on 31 March 2021G. The demand for, and profitability of, the credit products the Company offers may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions that, among other things affect the pricing of, and/or decrease customer access to, or demand for, particular products or the availability of competing products. A significant reduction in the demand for, or the profitability of such products would have an adverse effect on the Company's business, results of operations, financial condition and/or prospects.

In addition, the ability of borrowers in those two product lines to meet their payment obligations is relatively low compared to that of larger corporate borrowers, which exposes the Company to higher credit risk of its customers. This could result in significant write-offs of financing receivables and an increase in provisioning for bad or doubtful debts, which would negatively affect the Company's financing covenants with its lenders, (for more details, see Section 12.7. "Financing Agreements"), limit the Company's ability to obtain additional funding and meet its obligations, which would have a material adverse effect on the Company's business, results of operations and financial condition.

Furthermore, individuals working in the public sector accounted for (95.8%) of the Company's consumer loan portfolio, consisting of mostly military personnel as at 31 December 2018G, (94.8%) as at 31 December 2019G, (92.1%) as at 31 December 2020G and (89.1%) for the three months period ending on 31 March 2021G. The concentration of the Company's consumer loan customers within the public sectors exposes the Company to any government action affecting the ability of its employees to meet their financial obligations, which would adversely affect the Company's business, results of operations, financial position and prospects.

2.1.2 Risks related to the concentration of products provided by the Company

The Company currently offers three types of financing products: Tawarruq, Ijarah and Murabaha. As at 31 March 2021G, Tawarruq accounted for about (100%) of the Company's financing portfolio, while Ijarah and Murabaha were not offered by the Company during that period. Such concentration is due to the fact that the Company's customers favor Tawarruq products which do not limit their use of the proceeds to specific purposes as is the case for Ijarah and Murabaha. The Company also started recently to offer Murabaha products to its customers. Consequently, should the Company continue to offer Tawarruq products, without offering other financial products, its financial results relating to such products may be adversely affected.

2.1.3 Risks related to material concentrated exposure to the non-bank financing industry and the macroeconomic environment in the Kingdom

Pursuant to the license granted by SAMA, the Company's operations are concentrated entirely in one industry and in one country: non-bank financing activities based entirely in Saudi Arabia and is regulated by the Financing Companies Law issued by SAMA, with its revenues derived entirely from customers based in Saudi Arabia. Accordingly, the risk of investing in the Company would be greater than investing in an entity that owns or operates a range of businesses in a range of sectors and geographies. In the event of a disruption to Saudi Arabia's financing markets or the general economic conditions in Saudi Arabia or macroeconomic conditions generally, this risk would cause the Company to experience a deterioration in earnings and reduced business activity, which in turn would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company may face fluctuations in the number of financing applications it receives from potential clients and it may change its credit policy from time to time according to the prevailing economic conditions, which affect the rate of financing applications approved out of the total number of applications in addition to the value of financing granted to clients, which in turn has a direct impact on the Company's revenues and financing rates. The Company faced fluctuations in the number of financing applications and the number of applications approved (loans granted), whereby the number of financing applications reached 33,861, 57,360 and 43,898 in the years ended on 31 December 2018G, 2019G and 2020G, respectively, and 11,120 and 12,150 applications in the periods ending in 31 March 2020G and 2021G, respectively. The percentage of financing granted out of the number of financing applications reached 31.9%, 42.2% and 30.4% for the periods ended on 31 December 2018G, 2019G and 2020G, respectively, and 34.4% and 40.3% in the periods ending on 31 March 2020G and 2021G, respectively. If the Company decides to adopt more stringent credit policies, this will have a negative and material impact on the Company's business, financial condition, results of operations and future prospects.

2.1.4 Credit risks, payment default and collection risks

The Company is exposed to the risk of payment default by its customers as well as the Company's inability to successfully enforce any security interest it may have to guarantee the payment of its financing and collect its dues. The Company's performance, revenues and profits depend on the solvency of its customers (consisting mainly of individual customers, credit card customers and SME customers) as well as the stability of their credit position.

The Company does not periodically evaluate the customers' credit standing upon disbursing the financing amounts to them, and will not monitor the actual use of the financing amount once it is disbursed, which may limit the Company's ability to accurately rate its financing portfolio and its ability to take the required actions in a timely manner in the event of a deterioration in the credit status of its customers which will increase the likelihood of default. This will have a negative and material impact on the Company's business, financial position, operations' results and future expectations. Non-performing loans represented 7.5% (amounting to SAR 113,000 thousand), 5.1% (amounting to SAR 88,800 thousand) and 8.4% (amounting to SAR 131,000 thousand) and 8.8% (amounting to SAR 141,000 thousand) of the total loan portfolio for the years ended on 31 December 2018G, 2019G and 2020G and for the period ended on 31 March 2021G, respectively. In light of the above-mentioned amounts and percentages, the increase in the volume of non-performing loans has been attributed to the Covid-19 pandemic and its negative effects on the economic cycle.

In addition, as a result its non-performing receivables, the Company decreased the receivables provisions from (SAR 48.3 million) as a percentage of write-offs from the total provisions for impairment of the total accounts receivable amounting to 85.4% as at 31 December 2018G, to (SAR 29.4 million) as a percentage of write-offs from the total provisions for impairment of the total accounts receivable amounting to 112.4% as at 31 December 2019G, to (SAR 43.3 million) as a percentage of write-offs from the total provisions for impairment of the total accounts receivable amounting to 46.5% as at 31 December 2020G and (SAR 48.8 million) without any write-offs as at 31 March 2021G. As a result, the provisioning for non-performing receivables may not be sufficient if the Company faces an increase in non-performing receivables, as the percentages of provisions to the total non-performing receivables amounted to 42.8%, 33.1%, 33.1% and 34.5% as on 31 December 2018G, 31 December 2019G, 31 December 2020G and 31 March 2021G, respectively. This increase in non-performing receivables and related provisions in 2020G is a result from the Covid-19 pandemic and the negative effects on the economic cycle resulting from it. (For more details about the Company's non-performing loans and aged receivable please refer to Section 6 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this prospectus.

Any payment defaults from the Company's customers may be the result of a number of factors affecting the financial condition of the Company's customers, including, but not limited to, loss of a major contractual relationship, drop in profits margins or liquidity or bankruptcy with respect to SME customers and the loss of all or some sources of income, changes in incentives and allowances, or reduction of salaries and benefits with regards to individual customers.

Individual customers represented the largest portion of the Company's clients representing 100% (SAR 2,148,080 thousand) of the total credit and financing portfolio for the year ended on 31 December 2018G, 98.7% (SAR 2,637,689 thousand) for the year ended on 31 December 2019G and 95.7% (SAR 2,237,006 thousand) for the year ended on 31 December 2020G and 92.6% (SAR 2,215,154 thousand) for the three-month period ended on 31 March 2021G. This segment is characterized by its limited credit capacity, and higher likelihood of payment defaults of non-performing loans and increasing provisions for doubtful debts, which would have a negative impact on the Company's revenue and profits. The Company will have to resort to the courts and incur additional costs to collect the debts owed to it by its customers, without any collection guarantee, whether in part or in full.

Any negative developments in the economy of Saudi Arabia generally, and most importantly rise in financing cost, an increase in unemployment or a substantial reduction in salaries of employees in the public sector, may cause higher delinquency rates resulting in increased financing losses, which would have an adverse effect on the Company's business, results of operations, financial condition and/or prospects.

The obligations owed to the Company under its personal financing and credit card products are unsecured. Only the obligations owed to the Company under its SME customers (including start-ups) are often secured by a pledge over certain properties owned by the SME customer, as the pledge coverage amounts to 150% of the financing amounts. Hence, the Company may not recover the full value of its secured financing even where it successfully enforces the pledge provided by SME customers for reasons that are beyond its control, including future changes in requirements for submitting promissory notes (which are provided by individuals as security to the Company) to courts and other reasons such as the Company's delay in submitting promissory notes resulting in the expiry of their term. The total percentage of the Company's real estate collateralized loans granted in connection with the Company's SME financing represented less than 4.4% and 7.7% of the total financings provided by the Company as of 31 December 2020G and 31 March 2021G, respectively. Any assets provided as collateral may decrease in value due to various factors, such as depreciation and adverse conditions to the Kingdom's economy and the non-banking financing market within the Kingdom. To minimise the adverse effects resulting from the depreciation in the pledged assets' value as a security, the Company requires the pledged assets to cover at least 150% of the financing amount, whereby the Company re-evaluates the value of such assets by certified accountants on an annual basis. The Company might be exposed to potential losses due to a decline in the value of the assets provided as collateral in favor of the Company, or due to delays in the enforcement of such security upon the borrower's default which would have an adverse effect on the Company's business, financial position, results of operations, and prospects.

The Company acquired some real estate assets as a result of enforcing security it had obtained from SMEs. The Company has such assets valued by an external valuer according to their fair value on an annual basis. During 2019G, the Company revalued repossessed assets at their fair value which was less than their book value by SAR 5.2 million, and the Company did not record an impairment provision for this amount during 2019G. Any significant decrease in the fair value of these assets or the adoption by the Company of a different valuation methodology of assets which may result in a decrease in the value of such assets, would have a negative impact on the Company's financial position and results of its operations.

2.1.5 Risks related to the accuracy and completeness of information about existing customers and applicants

The credit history of the Company's customers is relatively limited and the Company's business depends on the accuracy and completeness of customers' information for certain key elements such as credit assessment and risk management. In deciding whether to approve loans or to enter into contractual agreements with existing customers or applicants, the Company must rely on information and documentation furnished to it by existing customers or applicants and service providers (SIMAH or other external application evaluation regulations for example), including financial information and credit scores.

The Company also adopts "know your customer" (KYC) policies and procedures in compliance with the anti-money laundering and anti-terrorism regulations applied by the competent authorities such as SAMA. The "Know Your Customer" (KYC) procedures are initiated by the completion and submission by customers of an application to employees of the Company before granting them any facility. Given that the Company is in the process of digital transformation, it has developed its website as well as a smartphone application allowing customers to complete their application forms online. The Company completed the submission of all required documents to SAMA for the approvals of such digital tool on 19/08/2021G, and as of the date of this Prospectus, this is still under examination by SAMA.

The Company also has anti-money laundering and anti-terrorist financing systems in place, meant to identify potential risks and classify clients accordingly. The Company may also rely on representations of existing customers and applicants, or agents as to the accuracy and completeness of that information and/or documentation. During the financial year 2018G, the Company uncovered several fraud cases by its customers for a total value of (SAR 1.1 million), who have submitted forged documents and inaccurate information in an attempt to obtain more facilities. The Company thereafter was able to collect an amount of (SAR 400,000) and recorded a provision of (SAR 700,000) for the remainder of the amount.

Failure to implement "Know Your Customer" (KYC) procedures will result in the Company's non-compliance with SAMA's requirements under the anti-money laundering and anti-terrorism regulations, which may expose it to penalties or fines from SAMA, which may in turn lead to a negative and material impact on the Company's business operations, financial condition and future prospects. If any of the information and/or documentation collected from a customer is inaccurate (whether intentionally or otherwise) and such inaccuracy is not detected prior to the Company's disbursement of, or approval, of the loans, then the Company will generally bear the risk of loss associated with the inaccuracy of such information. The Company's controls and processes, that are imposed for these purposes, may not have detected or may not detect all inaccurate information and/or documentation provided by or on behalf of its existing customers and applicants. Any such inaccurate information and/or documentation would adversely affect the Company's business, results of operations, financial condition and/or prospects (For more information, see Section 4.5.9 "Credit Management").

Any failure in the Company's systems and auditing systems, which may arise for many reasons, including but not limited to, system and equipment malfunctions, natural disasters, external systems failure, prolonged power outages, computer viruses and other external cyber attacks, would pose a threat to the Company's information and its customers and the continuity of its activities during periods of outage to the electronic network at risk. The Company collects customer data, transfers and processes it in the course of its normal course of business through information systems. The information that the Company or other parties that the Company contracts with for its services contain customer data, identity card numbers, dates of birth, and others. Some of this data is private and may be targeted by attacks from external parties, such as individual criminals and organized criminal groups, which may have a negative and material impact on the Company's business, results of operations, financial condition and future prospects.

2.1.6 Risks related to debt collection and third parties the Company engages with for debt collection

The Company's revenue is dependent on the ability of its customers to repay the due amounts as well as the ongoing stability of their credit status and the security granted to the Company based on which it may collect its dues by enforcing such security. In the event the Company's customers default on payment or become bankrupt, this will affect their ability to repay their dues to the Company. In addition, the enforcement of the rights stipulated in the financing contracts entered into with customers by the Company may require incurring significant cost and time. For example, the Company has engaged four debt collection companies, who would be entitled to receive between 5% - 12% of the amounts collected from delinquent customers. The average amount of loans allocated for collection by these companies over the year on a monthly basis was 5.4%, 6.4%, 6.7% and 6.4% of the total financing portfolio for the years 2018G, 2019G and 2020G and the financial period ending 31 March 2021G, respectively. The value of the underlying claims amounted to (SAR 116,684,051), (SAR 170,023,175), (SAR 156,291,396), and (SAR 152,893,513) for the years 2018G, 2019G and 2020G and the financial period ended 31 March 2021G, respectively, whereas amounts actually collected by such companies were (SAR 42,303,888), (SAR 43,211,633), (SAR 34,514,401), (SAR 10,920,209) for the years 2018G, 2019G, 2020G and for the financial period ending 31 March 2021G (for more details, see Section 12.6.2 "Agreements with Debt Collection Service Providers"). Such arrangements with debt collection companies would result in a decrease in the value of the due amounts collected and owed to the Company, which would impact its total revenues, in turn negatively affecting the results of its operations, financial position and future prospects.

2.1.7 Risks related to unsecured financing

The Company's financing policy requires the Company to obtain pledges or securities in SME financing, or individual financing if the value of the financing granted to them equals one hundred thousand Saudi Riyals (SAR 100,000) (and the guarantee granted is a personal guarantee for the individual customer). The Company does not require the provision of pledges or security by individuals and credit cards loans if the financing amount granted to them is less than (SAR 100,000). The majority of financings provided by the Company to its customers is not collateralized. Financings are usually guaranteed by promissory notes (issued by the borrower and/or a guarantor) whereby the promissory notes covers 100% of the value of the credit portfolio. In light of the Company's lack of diversification of the types of security it obtains, its inability to enforce the security submitted by its customers, or any changes in regulatory instruments available to enforcement judges such as attachment, suspending the provision of services or travel banks, in addition to other types of enforcement measures may have a material adverse impact on the Company's results of operations, financial position and future prospects. The Company remains exposed to risks of potential defaults and inability to enforce promissory notes which would result in an increase of non-performing loans. Legal proceedings and the adequate preparation of legal files and documents would not prevent companies operating in this sector from being exposed to enforcement risks, which are due to external factors and do not specifically apply to the Company. In this regard, the Company - like all companies operating in the financial institutions sector - is exposed to default risks in enforcing security due to the nature of the business operation of companies operating in this sector. The Company's inability to enforce promissory notes may be due to external causes that are outside of the Company's control, such as future changes in the legal proceedings relating to the enforcement of promissory notes (submitted by individual customers against facilities granted to them by the Company) before the courts, or due to the Company's delay in submitting such promissory note in time before the expiry of its validity.

The Company may not be able to recover its unsecured financings, which represented 95.6% and 92.3% of the total financings provided by the Company as of 31 December 2020G and 31 March 2021G, respectively, through its standard recovery proceedings. The secured financing disbursed by the Company as a percentage of total financing receivables represented 4.3% and 7.4% as at 31 December 2020G and 31 March 2021G, respectively.

The Company is more likely to be exposed to losses if customers who obtained loans fail to make timely payments, and in this respect, the percentage of financing assets under default/delays as at 31 December 2020G represented 8.4% and 8.8% as at 31 March 2021, of the total financing portfolio (secured and unsecured). In addition, there can be no assurance that the Company's monitoring and risk management procedures will allow the Company to accurately predict the income levels of its individual customers or to set aside sufficient provisions to cover actual losses. Any increase in defaults of unsecured loans may result in an increase of nonperforming assets requiring adequate provisioning, which would have an adverse effect on the Company's business prospects, financial condition and results of operations.

2.1.8 Risks related to the Company's financial resources and liquidity

The Company is exposed to liquidity risks where it may run the risk of either (i) not having sufficient financial resources available to meet its payment obligations as they become due, or (ii) an increase in the cost of liquidity required. Such risks are associated with funding operations and could materialize when cash outflows to customers (financing receivable originations) are not aligned to cash inflows from customers (instalment payments and balance repayments) or when the Company relies on a particular source of financing (such as short-term or long-term) or other adverse market conditions. Such a decrease in liquidity would have an adverse effect on the Company's business, financial position, results of operations and prospects. The Company's Islamic financing receivables to shareholders' equity ratio (calculated as net receivables over equity) was 1.5x, 1.7x, 1.4x and 1.3x as at 31 December 2018G, 31 December 2019G, 31 December 2020G and 31 March 2021G, respectively, whereas the ratio of Islamic financing to the shareholders' equity was 0.7x, 0.9x, 0.6x and 0.5x, as at 31 December 2018G, 31 December 2019G, 31 December 2020G, and 31 March 2021G, respectively (Please refer to Section 6.5. ("Key Performance Indicators and non-IFRS financial measures")).

The Company faces potential liquidity risks because its assets and liabilities mature over different periods. The Company ensures that the maturity periods of its financing portfolio is aligned with its liabilities to financial institutions, whereby the average maturity of its financing portfolio is three and a half years which approximately similar to the average maturity of its liabilities to financial institutions. If any of the maturity periods change, the Company might face potential liquidity risks due to the lack of alignment between both maturity periods. The Company meets a portion of its financing requirements through medium term loans. The majority of the loans granted by the Company to its customers mature over medium term. The Company's growth requirements may be adversely impacted due to its inability to obtain additional credit facilities or renew its existing credit facilities in a timely and cost-effective manner, which in turn may adversely affect the Company's operations and its profitability through expanding the Company's activities according to its strategy by forming a larger customer base, increasing the market share, launching competitive products and working on the application of financial technology with the expansion of the crowdfunding base, but these requirements may be adversely impacted due to its inability to obtain additional credit facilities or renew its existing credit facilities in a timely and cost-effective manner, which in turn may adversely affect the Company's operations and its profitability. Early settlements of loans by customers will also lead to asset liability mismatches which will impact the Company's operations, profitability, financial position, results of operations and prospects.

The Company can be impacted by the risk of deterioration of the financial situation of other commercial institutions, companies and banks. In the financial services sector, if a financial institution faces challenges, this may have an effect on other institutions in the industry as well. In addition, concerns about the stability or the standing of a financial institution may expose other financial institutions to significant liquidity issues, losses or difficulties, as the financial and commercial stability of several institutions may be closely linked to other institutions in the industry as a result of credit, trading, offsetting or other relationships. A market perception of lack of creditworthiness or questions about certain counterparts could lead to liquidity problems at the market level, which would adversely affect financial institutions with which the Company deals on a daily basis. Higher risks will have an adverse impact on the Company's ability to obtain funding, which will affect its business, financial position, results of operations and prospects.

The Company cannot ensure that it will be able to raise additional financing on acceptable terms, in a timely manner, or at all. The Company's failure to renew financing arrangements for existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact the Company's ability to meet its obligations, which would in turn adversely affect its business, results of operations and financial condition (for more details about financing agreements please refer to Section 12.7 "Financing Agreements".

2.1.9 Risk Related to Working Capital

The Company has working capital management strategies that focus on maintaining an effective balance of both current assets (maturing within one year or less) and current liabilities (maturing within one year or less) in accordance with a ratio that limits risks related to working capital. These strategies aim to maintain an adequate cash flow to meet the Company's short-term debt and pay for its operating costs.

The Company's reliance on loans from commercial banks to finance its working capital involves risks in finding favorable credit terms. If the economic situation becomes less favorable, the Company may have to accept stricter credit conditions or may be unable to utilize financing facilities. Moreover, a decline in the value of guarantees given through the Company's financing portfolio would negatively impact the Company's credit worthiness and impede its ability to obtain additional financing, which would have an adverse effect on the Company's business, financial position and results of operations.

2.1.10 Risks related to the fluctuation of profit rates and financing cost

The Company's activities depend on obtaining financing from commercial banks. Profit margins on such financing mainly depend on the availability of liquidity and profit rates based on SAIBOR. The Company's existing profit-earning assets, consisting of the financing portfolio, currently bear profit at a fixed rate whereas financing costs are based on floating rates. The different types of profit rates of assets (fixed) and liabilities (variable), coupled with the fact that such assets and liabilities mature at different times may expose the Company to the risk of a pricing mismatch. There is no guarantee that the Company will be able to maintain its profitability by increasing the profit rates paid by its customers in order to commensurate for any increase in the cost of financing it pays on its liabilities. In fact, any increase in the cost of financing may prevent the Company from maintaining profitability across all product lines, as the Company may not be able to pass such increase in pricing onto its customers, which would result in the Company's profit margins on credit products shrinking. Increasing financing cost will also make credit products in general less attractive to existing customers and applicants. On the other hand, the Company may not be able to take advantage of declining profit rates in the future as it will lead to a lower profit margin. For more details on the impact of the finance cost on the Company's profit margin and the Company's historical performance in relation to the gross profit margin and net profit margin, please see the subsections under Section 6.3.3 "Islamic Borrowing Rate" and 6.3.4 "Net profit rate spread". Any of these factors, if they materialize, would have an adverse effect on the Company's business, results of operations, financial condition and/or prospects.

2.1.11 Risks Related to Finance Agreements

The Company has entered into ten (10) financing and credit agreements amounting to (SAR 2,288.34 million). As a result, the Company has a total of outstanding balances worth (SAR 681,791,000), (SAR 868,616,000), (SAR 661,354,000) and (SAR 561,378,000) as at 31 December 2018G, 31 December 2019G, 31 December 2020G, and 31 March 2021G, respectively (see Section 12.7("Financing Agreements") of this Prospectus). There is no guarantee that the Company will be able to meet its debt service, covenants (such as gearing ratio or financing receivables to shareholder equity) and other obligations under the Financing Agreements. For instance, the Company was in breach of a covenant under its finance agreement with Emirates NBD – Saudi Arabia by virtue of which its nonperforming loans should not exceed 8% of its gross loan portfolio. However, as at 31 December 2020G the Company's non-performing loans reached 8.4% and 8.8% as at 31 March 2021G, of its loan portfolio. On 12/06/1442H (corresponding to 25/01/2021G), the Company received a waiver letter from Emirates NBD of such one-time breach of the covenant. Such waiver has been extended to 31 December 2021G. However, starting 01/01/2021G, the Company began to verify its covenant compliance under financing agreements or facilities concluded with commercial banks that lend to the Company.

Any future default or breach of covenant by the Company, could result in the termination of the relevant Finance Agreement and acceleration of all outstanding amounts, which can be declared as immediately due and payable by the relevant lender. In this case, the Company may face difficulties obtaining alternative sources of financing to refinance or repay such debts, which would have a material adverse effect on the Company's business, operations, financial condition and prospects.

All financing and credit agreements with commercial banks include the requirement by the Company to provide guarantees to such banks, which include, but are not limited to, assigning receivables from the Company's financing portfolios (which usually amount to 125% of the financing value) in favor of these banks, and the Company's accounts with these banks. One of the financing agreements entered into with Bank Albilad provides for the bank's right to choose any of the client's financing portfolios and requires the Company to assign it in case it defaults on payment. Commercial banks may require other guarantees against financing facilities, such as real estate owned by the Company and term deposits, which the Company may not be able to provide. The Company usually issues promissory notes to commercial banks against credit facilities which are expected to stay in place after the Offering. The Company sent official letters to the banks regarding the Offering and the banks indicated that they do not object to the Offering (for more details, see Section 12.7Financing Agreements"). If commercial banks enforce any of the security granted to them as a result of the Company's failure to pay amounts due, the Company's operations and their continuity may be adversely affected, which would have a material negative impact on the Company's business, financial position, results of operations and ability on obtaining financing in the future. Commercial banks may request additional security against their financing facilities, such as pledges over the Company's assets and term deposits, which the Company may not be able to provide, which may result in a breach of the terms of the agreements. As a result the entire facility amount may be deemed payable immediately, which would adversely affect the Company's business, financial position and results of operations as well as its ability to borrow and implement its future plans. (For further information, see Table 90: "Financing details", Table 91: "Bank wise outstanding bank financing", Table 93 "Financial Covenants" Table 136: "Islamic Bank financing and Lease Liabilities", Table 137: "Financing details", Table 138: "Bank wise outstanding bank financing", Table 139 "Borrowing Compliance as per SAMA" and Table 140 "Financial Covenants". See also Section 12.7 ("Financing Agreements")).

The Company is usually committed to issuing promissory notes to its local commercial banks in exchange for the credit facilities, which are expected to continue after the Offering. The Company has notified its commercial banks and obtained their non- objection to proceed with the Offering. The Company is also committed, under a number of facility agreements entered into with local commercial banks, to assign part of the receivables for Islamic financing to them as additional security, equivalent to (SAR 0.6 billion) as at 31 March 2021G. The Islamic finance receivables assigned to local commercial banks are still figure in the statement of financial position because the Company retains substantially all the risks and rewards of the assigned Islamic finance receivables, principally the credit risk. The Company is obligated to honour the payments under its assigned receivables for Islamic finance to local commercial banks in the event of default by the customer. The amount received for the assignment of receivables to Islamic finance is classified as Islamic bank financing in the statement of financial position. According to the terms of the assignment, the Company is not allowed to repay those amounts owed and the local commercial banks resort only to receivables, with the local commercial bank being given the right to choose any of the assigned receivables, in the event that the Company defaults on its obligations. Local commercial banks may request other guarantees in return for credit facilities, such as real estate owned by the Company and term deposits, which the Company may not be able to provide, which would trigger a breach on the part of the Company rendering the entire balances of the financing payable immediately. This would negatively affect the Company's business and financial position and the results of its operations and its ability to obtain financing and implement its future plans (for more details, see Section 12.7 "Financing Agreements").

In the long term, the Company might be required to issue sukuk to settle its debt facilities upon their maturity, or to maintain its compliance with applicable capital adequacy, solvency and lending ratios. In the event that the Company is forced to issue debt instruments, the Company may be forced to provide guarantees in this context, such as providing a security guarantee, which will increase the burden of bearing additional costs, which in turn will affect the cost of operations and the Company's net profit adversely. Banks may not be willing to lend on similar terms to those which apply to the Company's existing debt facility, or that the existing debt facility will be able to be refinanced on similar terms, or at all, upon maturity. A reduction in the availability of finance or an increase in the future cost of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets or reasons specific to the Company) could impact both the ability to deliver loan book growth and progress the Company's return on equity. If, in the longer term, the Company is not able to refinance borrowings as they mature and/or the terms of such refinancing are less favourable than the existing terms of borrowing, this will have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

2.1.12 Risks related to overleverage and credit ratings

A number of factors, such as a lower cost of financing or a higher credit rating of the Company, would result in an increase in the loans granted by commercial banks to the Company. If the Company's gearing ratio increases, the Company may be unable to meet its obligations in times of financial crisis, which will adversely affect the Company's business, financial position, results of operations, and prospects. Overleverage also represents a risk to the Company's overall financial position and solvency as recorded losses could result in an increase in the Company's liabilities compared to its assets, which would have an adverse impact on the Company's financial position, thereby increasing the cost of financing from banks which would have an adverse effect to the Company's profitability, business, financial position, results of operations, and prospects.

As the Company is currently not rated by any credit rating agency, if in the future the Company is required to obtain a credit rating, its rating may vary from time to time, due to a number of factors that influence the Company's credit ratings and which may be outside of its control. The Company's credit ratings affect the terms on which the Company's creditors are willing to deal with it, as the profit rates and other terms of the Company's financing arrangements depend in part on its credit ratings in case a credit rating is required. Any deterioration in the Company's credit ratings given by a rating agency (if such rating is obtained) could result in increased financing costs and may limit the Company's financing sources or impact on the Company's liquidity, which would limit its ability to conduct certain business activities and would also affect the Company's profit's margins, business, results of operations, cash flows and financial condition.

2.1.13 Risks related to the Company's reliance on information Technology Systems and exposure to Cyber-Security Risks

The Company's performance and operations are highly dependent on its information technology systems and the ability to process a large number of transactions efficiently, accurately and without any errors. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Company relies on its information technology systems in the delivery of most of its financial services and operations. The Company also relies heavily on financial, accounting and other data processing systems. If any of these do not function properly, the Company would suffer financial loss, business disruption, customer liability, regulatory intervention or damage to its reputation.

In addition, the Company's information technology systems and those of key service providers or its credit card and online partners are vulnerable to interruption from fire, flood, explosions or other forms of terrorist activity and other natural and man-made disasters. The occurrence of any of the events, or other events with similar effects, mentioned above would have an adverse effect on the Company's business, results of operations, financial condition, and/or prospects.

The Company's information technology systems and network infrastructure, or other of third party companies service providers or its credit card and online partners, are vulnerable to several cyber-security risks, including, but not limited to, hacker attacks, electronic piracy, virus or worm, internal problems with information protection, malfunction of hardware or software, power outage and other similar disruptions. If any of those information technology and infrastructure systems do not function properly for any reason, including a security breach, the Company's operations could be adversely affected, which will result in financial loss, business disruption, loss of confidential information, customer liability, regulatory intervention or damage to the Company's reputation. Any failure of, or significant weaknesses in, the Company's internal controls system would cause operational or financial errors or incidents of fraud, which would adversely affect the profitability and the reputation of the Company which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

Although the Company has backup systems and business continuity measures in place, it cannot be certain that the Company's information technology systems, or those of its third party service providers or its credit card and online partners, will not fail or will be adequate if needed or that it will not be the subject of successful cyber-attacks affecting the security and safety of its information technology systems.

The Company has accepted an offer from Infopercept to provide cybersecurity consultancy to the Company under a three-year contract effective 31/01/2021G. This agreement is an integral part of the Company's strategies and objectives. As such, Infopercept may cease to provide cybersecurity services at its discretion or in the event of breach of any of its contractual terms, and Infopercept may not be able to compensate for any losses the Company incurs as a result of such suspension of work by Infopercept. If the Company is unable to renew the agreement with Infopercept on acceptable terms, and if the Company is unable to enter into a new contract with the CSS, the Company's business, operations results, financial position and future prospects will be adversely affected (for further information, see table 158 "Other Material Agreements").

In addition, all financial institutions are required to adopt specific rules to manage cybersecurity risks in the financial services sector in compliance with SAMA requirements for Cyber Security Guidance for Financial Market Institutions. Accordingly, the Company is required to adopt and apply these rules. Although the Company complies with the mandatory requirements as at the dated of this Prospectus, there is no guarantee that the Company will be able to continue to comply with requirements under these rules, which would affect the validity of its license from SAMA, and accordingly would adversely affect its operations (For further information, see Section 2.1.16 "Risks related to the Company's failure to obtain and renew the necessary licenses").

2.1.14 Risks related to the financial services industry's ongoing improvements in operational and information technology infrastructure

The financial services industry is characterised by continued improvements in operational and information technology infrastructure, including changes in use and customer requirements and choices, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Company's existing technology and systems obsolete or less effective. The Company is in the process of launching its new online platform "Al-Nayifat" (pending SAMA's approval) and mobile application (which has been fully developed and the Company is currently completing the necessary documents to apply for approval by SAMA) which will offer its customers in all segments a comprehensive digital experience with full access to all its services and products

There can be no assurance that the Company will be able to anticipate and respond to the demand for new services and technologies in a timely and cost-effective manner, and to adapt its infrastructure to technological advancements and changing standards. Failure to do so would adversely affect the Company's business, results of operations, financial condition, and/or prospects.

2.1.15 Risks related to customers' data protection and privacy laws

The Company collects and processes personal data (including names, addresses, ages and other personal data) from its customers and employees as part of the operation of its business and therefore must comply with relevant data protection and privacy laws and industry standards, including data protection requirements in Saudi Arabia and the other countries where the Company does business. Those laws and standards impose certain requirements on the Company in respect of the collection, use, processing and storage of such personal data. The Company may also share customers' personal data with certain third parties, upon obtaining SAMA prior approval for sharing such information with third parties.

In addition, the Company outsources various business activities to either Saudi or foreign service providers. These business activities consist of administrative processes in the back and middle office areas, such as the provision of services in connection with information technology processes.

If the Company or any of the Company's service providers in relation to outsourced activities were to violate any of the regulations applicable to the Company, the Company may be subject to regulatory sanctions, including the revocation or limitation of the Company's license(s) from SAMA and/or liability for violation data protection laws. Such sanctions will have an adverse effect on the Company's reputation, business, results of operations, financial condition and/or prospects.

2.1.16 Risks related to the Company's failure to obtain and renew necessary licenses, permits and certificates

The Company is required to obtain and maintain the necessary regulatory permits, licenses and approvals from relevant government authorities for its business operations and activities. These permits, licenses and approvals include, but are not limited to, SAMA licenses, commercial registration certificates for the Company and branches issued by the Ministry of Commerce, trading licenses issued by various municipalities, civil defense permits, membership certificates with the relevant chambers of commerce, trademark registration certificates, Saudization and GOSI certificates in each case relating to the business operations of the Company. These licenses and permits shall remain valid at all times, to evidence the Company's ongoing compliance with relevant applicable laws and regulations. The Company did not obtain the necessary licenses required to operate Al Majmaah branch, since the Company did not finalize the fit-out process of the branch and did not obtain the approvals of the Ministry of Municipal and Rural Affairs and the General Directorate of Civil Defence to operate the branch (For further information, see Section 12 "Legal Information" Table 156: "The Company's Key Licences, Approvals and No-Objection certificates").

If the Company does not comply with the terms of its licenses and permits, or is not successful in obtaining or renewing a material license necessary for its operations, or if any of its licenses expire or are suspended, renewed under unfavorable conditions to the Company, or if the Company is unable to obtain additional licenses required in the future, the Company will be required to cease carrying on its business totally or partially or will be subject to fines issued by the relevant governmental authorities. This will interrupt or delay the Company's operations and cause the Company to incur additional costs, and would adversely and materially affect the Company's business, results of operations, financial condition and prospects. (for further information, see Section 12.5 "Key Licenses and Approvals").

2.1.17 Risks related to compliance with the laws and regulations to which the Company is subject

The Company's operations are subject to the laws and regulations issued by SAMA, in addition to other relevant regulations applied in the Kingdom, including the Companies Law, Labor Law and Zakat regulations, which increasingly impose strict standards that the Company must adhere to on an ongoing basis. Therefore, the Company incurs high costs as a result of complying with these laws and regulations, and adherence to new and strict standards may require incurring additional capital expenses. The Company may also be required to make adjustments in its operations and incur additional costs to make such changes.

In addition, failure to comply with the requirements of such laws and regulations may result in penalties and fines against the Company, revocation of the relevant licenses or suspension of the Company's operations, and subject the Company to lawsuits by third parties. For example, in 2020G, SAMA issued two violations against the Company with a value of eighty thousand Saudi Riyals (SAR 80,000) and five hundred thousand Saudi Riyals (SAR 500,000) for the Company's violation of the principles of responsible lending issued by SAMA, in addition to a third violation worth twenty-five thousand Saudi Riyals (SAR 25,000) for the Company's violation of the preventive and precautionary measures to confront the Covid-19 pandemic applied by SAMA (for more details, see Section 12.14"Litigation, Claims and Statutory Procedures").

On 05/04/1441H (corresponding to 02/12/2019G), the Company purchased a number of its shares from one of the Shareholders and kept them as treasury shares for a period of time, and then distributed them as a grant to its Shareholders at that time. Given that the regulatory rules and procedures issued by the Ministry of Commerce in implementation of the Companies Law have specified the purposes for which the Company may own treasury shares, and which do not include the case of buying the said shares, the Company may be subject to a ruling for non-compliance with the Companies Law and the imposition of a fine on it. Also, a number of the Company's Shareholders held (for the Company's benefit) a number of the Company's shares that had been previously issued for the purposes of the Company's employee share incentive program, instead of the Company itself holding these shares in treasury. The Company then acquired these shares as treasury shares and sold them to one of its current Shareholders thereafter (for more details, see Section 4.7.). The Company may be subject to a judgment for not complying with the Companies Law due to the fact that it did not own the aforementioned treasury shares since they were issued.

The Company also granted the Chairman of the Board of Directors, Saud Al-Dosari, certain remuneration in his capacity as Chairman of the Strategic Committee in exchange for the advisory and supervisory services he provides to the Company on this committee. The value of the remuneration paid amounted to (SAR 3.7 million) annually for each of the fiscal years 2018G and 2019G and 2020G. Given that the Companies Law and the regulations issued under it by the Ministry of Commerce set a limit to the remuneration of the members of the Board of Directors and the membership of related committees (except for the Audit Committee) at five hundred thousand Saudi Riyals (SAR 500,000) per member, and since the Company has exceeded the permissible limit issued by the Ministry of Commerce, the Company may be subject to increased compliance risk.

Based on the foregoing, if the Company may not be it able to comply with laws and regulations on an ongoing basis, it will be exposed to regulatory procedures and penalties imposed by the competent supervisory authorities, which will negatively affect its business.

2.1.18 Risks related to potential Tax and Zakat liability

The Company has filed its Zakat returns and received Zakat certificates since its formation until 31 December 2020G. It is worth noting, that the Company has obtained a certificate dated 17/09/1442H (corresponding to 29/04/2021G) issued by the ZATCA confirming that the Company has filed its Zakat return for the financial year 2020G. This certificate is valid until 29/09/1443H (corresponding to 30/04/2022G) and as at the date of this Prospectus, the Company received the Zakat assessments for the periods ended between 31 December 2002G through 31 December 2017G and settled all its Zakat liabilities for the same periods. As for the years 2018G, 2019G and 2020G, the Company submitted its Zakat returns and settled Zakat due amounts for these periods but did not receive the final ZATCA assessments.

The Company's Zakat assessments has been settled and it received the final ZATCA assessments from the Company's establishment until 2008G by virtue of letter No. 1242/189/13 dated 26/04/1435H (corresponding to 26/02/2014G) issued by ZATCA whereby the Company settled the Zakat differences amounting to nine hundred twenty six thousand four hundred and sixty seven Saudi Riyals (SAR 926,467). With that, the Company's Zakat assessments are considered settled.

On 01/11/1440H (corresponding to 04/07/2019G), Committee of Zakat and Tax Dispute's resolution No. 175/1440 was approved to settle the Company's Zakat assessments for the years between 2009G and 2013G. Under the aforementioned resolution, the Company paid an amount of fifteen million three hundred and eight thousand five hundred and forty-five Saudi Riyals (SAR 15,308,545) and received the final Zakat assessment for the period 2009G to 2013G.

On 26/06/1440H (corresponding to 03/03/2019G), the Company agreed, under a settlement agreement to end the open Zakat position for the years from 2014G to 2018G, by paying an amount of thirty-six million sixty-five thousand two hundred Saudi Riyals (SAR 36,065,200) for the period from 2014G to 2017G, according to which a payment of 20% of the total amount estimated at seven million two hundred and thirteen thousand and forty Saudi Riyals (SAR 7,213,040) was made, provided that the remaining amount is paid in five equal installments of five million seven hundred and seventy thousand four hundred and thirty two Saudi Riyals (SAR 5,770,432) per installment. Accordingly, the Company paid two installments in the amount of eleven million five hundred and forty thousand eight hundred and sixty-four Saudi Riyals (SAR 11,540,864), thus bringing the total amount paid to eighteen million seven hundred and fifty three thousand nine hundred and four Saudi Riyals (SAR 18,753,904), the Company is due to pay the remaining amount of seventeen million three hundred and eleven thousand two hundred and ninety-six Saudi Riyals (SAR 17,311,296) for these years in three installments, as previously mentioned, provided that the final payment is to be paid on 1 December 2023G.

As for the year 2018G, the Company also agreed by virtue of the above agreement to pay seventeen million, two hundred thirty six thousand seven hundred and forty nine Saudi Riyals (SAR 17,236,749) for the year 2018G by 30 April 2019G. The effect of this agreement was reflected in the financial statements of 2018G. This Agreement should be deemed definitive and conclusive between the Company and ZATCA, and should result in the end of all the disputes related to the years from 2009G-2018G. However, and since the Company has not received the final Zakat assessment for the year 2018G, ZATCA may revert to the Company in respect of the settlement of its dues for the year 2018G. (for more details please refer to 2018G Financial Statements in Section 19 ("Financial Statements and Auditor's Report")).

The Company has submitted the Zakat returns for the years 2019G and 2020G and paid the due amounts of twenty-two million sixteen thousand and seven hundred and eighteen Saudi Riyals (SAR 22,016,718), and twenty-three million three hundred and forty-one thousand and three hundred and ninety-two Saudi Riyals (SAR 23,341,392), respectively. The Zakat assessments have not been received from ZATCA for the years 2019G and 2020G.

The Company cannot predict whether ZATCA will accept its Zakat declarations for any period in the future or if there will be any Zakat differences that ZATCA may require to pay in the future. If ZATCA requires the Company to pay any differences, it will adversely affect the Company's results of operations and financial position.

2.1.19 Risks relating to the outbreak of infectious diseases or other serious public health concerns, including the continuing global spread of COVID-19

The outbreak of infectious diseases, such as the Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the novel Coronavirus (COVID-19) in the Middle East and/or elsewhere would have a materially negative impact on Saudi Arabia's economy and business operations of the Company. Since late December 2019G, there has been an outbreak of COVID-19, first in China and then globally. COVID-19 is an infectious disease caused by a highly contagious virus causing respiratory infection and other symptoms such as fever, cough and shortness of breath.

Following the outbreak of COVID-19, governments in numerous countries, including Saudi Arabia have implemented lock-downs, travel restrictions and/or mandatory quarantine measures on international travelers and, in many cases, on residents within cities, regions or provinces of certain countries.

There can be no assurance that the containment measures will be effective in stopping or curtailing the spread of COVID-19 in Saudi Arabia. Moreover, the containment measures outlined above would have a material and adverse effect on the economy of Saudi Arabia and investor and business confidence for a period that is difficult to predict. This would, in turn, materially and adversely affect the Company's business, results of operation, financial condition and prospects.

As a result of the Saudi Government containment measures and guidelines issued by the Ministry of Health, the Company has implemented a series of precautionary health and safety measures across its branches. These measures include social distancing requirements for customers at its branches.

As a result of the outbreak of COVID-19 in Saudi Arabia and elsewhere, the Company is also subject to business continuity risks. Due to the COVID-19 pandemic all of the Company branches and head office were closed temporarily during the period from 25 March 2020G until 23 April 2020G, due to Saudi Arabia's temporary closure of non-vital private businesses, imposed during that time. All such branches have since reopened. In addition, disbursements of new loan amounts by the Company declined during the months of April and May of 2020G. Despite an increase in such disbursement since the month of June of 2020G, there can be no assurance that disbursements will not be affected in the future due to the continuing effects of COVID-19. For instance, loan applications declined from (57,360) at 31 December 2019G to (43,898) at 31 December 2020G to (12,159) at 31 March 2021G mainly due to lock-down and other restrictive measures imposed by the Government as a result of the COVID-19 pandemic, which resulted in a drop in branch and direct sales. On the other hand, the number of loan bookings declined from 24,220 as at 31 December 2019G to (4,900) as at 31 March 2021G, due to the Company's decision to implement tighter credit policies during that period in order to reduce the risk of default. As a result the booking rate declined from 42.2% as at 31 December 2019G to 30.4% as at 31 December 2020G. Furthermore, the Company's non-performing receivables increased from (SAR 88.8 million) as at 31 December 2019G to (130.0 million) as at December 2020G and to (SAR 141.2 million) as at 31 March 2021G, as a result of the COVID-19 pandemic and resulting economic downturn, since the Company's receivables during the year 2020G were less than those during the year 2019G due to the shutdown of several of the Company's branches for several months and as a result of the inability of sales and collection representatives of the Company to exercise their activities on the field. Nevertheless the receivables have been gradually increasing since December 2020G. As a result, the Company increased its provision against Islamic financing receivables from (SAR 29.4 million) as at 31 December 2019G to (SAR 43.3 million) as at 31 December 2020G, such increase, which is the case as at 31/03/2021G is a result in collection delays as well as a continuing reduction in loan applications and bookings, as well as collections from a higher number of non-performing loans, would have an adverse impact on the Company's profitability which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Further, certain of the Company's SME customers opted for SAMA's proposed plan for the deferment of repayments for a period of six months as of September 30, 2020G (which has been extended recently for another six months). Should such deferment of repayments by SME customers be extended to beyond six months, or other deferment programs be made available to the Company's customer, the Company's business, results of operation, financial condition and prospects would be adversely affected.

In addition, in case of a COVID-19 outbreak at the Company's premises or branches or if any of the Company's Directors, Senior Executives or other employees contract COVID-19, the operation of the Company's branches would be required to be temporarily suspended and/or the affected individuals would be subject to quarantine. The Company could also lose key employees due to COVID-19. This would, in turn, disrupt the normal operations of the Company's business. The prolonged occurrence of COVID-19 could, in extreme circumstances, lead to the forced suspension of operations or closure of the Company's branches.

Any of the foregoing would also apply to future outbreaks of other infectious diseases or serious public health concerns in Saudi Arabia. Any of the foregoing factors (including any future outbreak) would have a material adverse impact on the Company's business, results of operation, financial condition and prospects.

2.1.20 Risks related to risk management policies and procedures

Risk-taking activities, such as lending, form an integral part of the Company's business. Some losses from risk-taking activities are inevitable but, to be successful over time, the Company must balance the risks it takes with the returns it generates. It must therefore diligently control its risks. The Company has developed, and continues to update, strategies and procedures specific to its business for managing risks, which include credit risk, asset and liability management risk, market risk and operational risk. Risk management policies are based on observation of historical market behaviors. The Company evaluates future market trends and economic changes, and takes into consideration events that are most likely to occur inline with its future strategy planning and preparation of budgets and business plans, taking into consideration the best and worst case scenarios. Therefore, these policies may not be able to accurately predict future risks that may be greater than those anticipated. The nature of these risks and their consequences can rapidly change over time. Therefore, management's failure to predict such risks adequately may result in losses to the Company which may affect its ability to implement its strategic goals.

Given the lack of available data, such information may not be accurate, complete, updated, or properly assessed. The Company's policies, procedures and internal controls may not be effective in predicting all possible risks at all times, which could result in insufficient information to accurately assess and mitigate its exposure to certain risks. As a result, the Company's exposure to unknown risks would have a negative and material impact on its financial position and operating results.

2.1.21 Risks related to the Company's dependence on a single credit cards provider

The Company has entered into a license agreement with Visa International on 27/05/1439H (12/02/2018G) (the "**Visa Agreement**"),under which the Company will be able to offer Visa Credit Cards compliant with Islamic Shariah and use the "Visa" trademark. The Visa Agreement grants the Company the right to access and use the Visa systems in connection with the management of its credit card products. As at the date of this Prospectus, the Company relies exclusively on Visa in providing its credit card services and does not have any other agreements in place with other credit card providers. If the Visa Agreement is not renewed or unilaterally terminated by Visa and the Company is unable to enter into a new contract with another credit card provider in a timely manner, the Company will have to cease the offering of its credit card services to its customers. As a result, the Company may be exposed to claims for its customers and lose access to a significant source of revenue, which would have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2.1.22 Risks Related to New Products

On 25/08/1441H (corresponding to 19/04/2020G), the Company was authorized by SAMA, by virtue of a non-objection letter of the same date which was renewed by SAMA on 04/12/1442H (corresponding to 14/07/2021G) for three (3) months starting from 22/07/2021G whereby the Company is currently in the process of obtaining a permanent license to render these services, to perform FinTech activities in the sandbox, and shortly thereafter, it launched its first FinTech offering consisting of a peer-to-peer lending platform through creating a crowdfunding platform called "ULend". As this is a new untested product, the Company does not have the necessary prior experience in offering such new product. There is no guarantee that the Company will be able to provide the necessary expertise or training to ensure the success of this new service or compliance with applicable regulatory and licensing requirements. The Company's failure to successfully launch and continuously offer new competitive products would affect the Company's success in implementing its expansion strategy which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

If SAMA does not renew its non-objection to the provision of financial technology solutions (FinTech) as described above, the Company will have to stop providing such services, which would negatively affect its business, financial position, results of operations and future prospects (for more details, please see Section 2.1.16 "Risks related to the Company's failure to obtain or renew necessary licenses, permits and certificates").

The success of the Company's strategy is partly dependent on its ability to identify and bring to market new products utilising various digital or online initiatives. The Company has assessed the expenditure which may be required for the purposes of delivery of that strategy but there is no assurance that this estimate will be adequate or that the products will be successful. If further financing is required to meet the costs of this strategy then the Company may not have sufficient financial resources. To the extent that additional equity or debt financing is necessary to complete the strategy and this remains unavailable or only available on terms that are unacceptable to the Company, then the Company may be compelled to either restructure or abandon a particular part of its strategy which could result in losses being incurred.

Furthermore, there can be no assurance any of the Company's future strategy and growth initiatives deliver any incremental profit for the Company or materially increase the size of the loan portfolio or customer base. There is also a risk that pursuing future growth strategies incurs losses which would have an adverse effect on the Company's results of operations.

2.1.23 Risks related to the Company's strategy and its failure to implement future business strategies successfully, on time, or at all

The future performance of the Company depends on its ability to implement its strategy and long-term business plan. The Company's success in implementing its growth strategies and expansion plans depends on its ability to diversify its funding sources beyond bank financing, to manage risks related to the opening of new branches, develop new applications, electronic (digital) platforms, introducing new services and innovative and attractive financing products, improving the efficiency of its financial and administrative systems as well as its workforce in line with these expansions, without jeopardizing quality. The Company may not be able to successfully implement its business plan to achieve this strategy due largely to factors outside of its control such as the state of the general economy, oil prices, financing cost and regulatory changes or failure to obtain required regulatory authorities' approvals (including SAMA), among others. The Company may not be able to achieve its targeted growth in a profitable manner through new branches it opens. For example, three of the Company's branches, the Bisha branch, Exit 10 in Riyadh branch and a new branch in Jeddah, recorded losses. Such losses amounted (SAR 162,000) for the Bisha branch as at 31 December 2020G, (SAR 194,000) for the exit 10 branch in Riyadh and (SAR 330,000) for the new branch in Jeddah, as at 31 March 2021G. These factors will adversely affect the Company's commercial success, business, financial position, results of operations and prospects. There is no assurance that the Company's personnel or its existing systems, procedures and controls will be sufficient to support future expansion and consistent growth or that it will be able to obtain any necessary approvals for any future growth plans in a timely manner or at all. In addition, expansion into new product lines and services in which the Company has limited experience could lead to errors and inefficiencies which could have an adverse effect on any expansion plans, the successful launch of new product lines, which in turn would adversely affect the Company's results of operations and financial condition.

Furthermore, the Company's expansion plans are subject to specific timelines and may require additional funding to cover additional costs. Failure to meet such timelines or to obtain additional funding may result in missing the intended economic outcome of such growth and expansion plans. The Company's failure to implement its business plans and growth strategies for any reason and in a timely manner would have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

Moreover, the expansion of the Company's loan portfolio at a rate beyond the organic growth rate that it is able to generate from its existing loan portfolio depends in large part upon its ability to obtain adequate required funding. Any additional growth beyond the organic growth depends, to a great extent, on the Company's ability to obtain adequate funding from a variety of sources, such as the capital markets (through Sukuk issuances or securitization transactions) and borrowing facilities. These sources of financing may not be available in the future in the amounts, at the pricing and/or on the terms the Company may require terms acceptable/feasible for the Company. The credit and capital markets have experienced, and may continue to experience, high volatility and severe liquidity disruptions. The Company may be unable to finance the expansion of its lending operations, which would have a material adverse effect on its business, financial condition, results of operations and/or prospect.

2.1.24 Risks related to leasing of branches and the Head Office

The Company rents all of the sites for its twenty seven (27) branches as well as its head office building as at the date of this Prospectus, with a rental period varying between one to four years. Therefore, the Company's inability to maintain the continuity of lease contracts for these sites, and to renew them on terms no less favorable than the current ones, will adversely and materially affect the Company's business, results of operation, financial condition, and prospects. The Company may, in some instances, be required to vacate all or a number of these sites upon short notice. This would have an adverse impact on the Company's business, financial position, results of operations and prospects (for more details please refer to Section 12.9 ("Real Estate Owned by the Company")).

2.1.25 Risks related to the Company's reliance on its Senior Management and Key Personnel

The Company's current operations and success depend upon the continued service and performance of its senior management and other key personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. The Company relies on a number of key individuals in its long serving senior management team, who have valuable experience within the financial services industry and who have made substantial contributions to the development of the Company's operations and development.

There is no guarantee that the Company will be able to retain its qualified personnel or continue to develop their skills. The Company may need to invest significant financial and human resources to attract and retain new senior management members and/or qualified employees Therefore, if the Company were to lose any of its senior executives and qualified employees and is unable to recruit alternatives of the same level of experience and qualifications for a reasonable cost, this will have a materially adverse effect on the Company's business, results of operations, financial position and prospects.

Furthermore, the Company operates in a highly specialized sector that relies on select competencies, qualifications and skills. The Company has a comprehensive recruitment process focused on identifying highly talented and qualified candidates, whose hiring is subject to SAMA's approval. The inability to swiftly fill vacancies that may arise in the future would have an adverse impact on the Company's business, financial position, results of operations, and prospects.

2.1.26 Management's insufficient experience in managing a publically listed company

The Senior Executives have limited or no experience in managing a public listed joint stock company in Saudi Arabia and complying with the laws and regulations applicable to such companies. In particular, the internal and/or external training that the Senior Executives will receive in managing a Saudi Arabian publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the Senior Executives, which may divert their attention away from the day-to-day management of the Company, which may have a negative and material impact on the Company's business, financial condition, results of operation and prospects. Non-compliance in a timely manner with the regulations and disclosure requirements imposed on joint stock listed companies may expose the Company to regulatory sanctions, fines, suspension or cancellation of listing. The imposition of fines on the Company would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.27 Risks related to related party transactions

The Company regularly deals in the ordinary course with several related parties, which include shareholders, key management personel, chariman, directors and board committee members, and other related parties and affiliates. Pursuant to the Company's financial statements, the nature of related party transactions include (1) cash dividends declared and paid for the shareholders; (2) compensation for the period, incentive for continuing service, and employees' end of service benefits for the key management personnel; (3) remuneration for the period of the chairman, directors and board committee members; (4) Zakat / VAT consultancy fee and IT software services rendered for other related parties; and (5) commodities / securities dealings, account – deposit made, rental charge and advisory charges and others for affiliates. Transactions with related parties amounted to one hundred twenty seven million and ninety eight thousand Saudi Riyals (SAR 127,098,000) as at 2018G, one hundred fifty four million and six hundred eighty three thousand Saudi

Riyals (SAR 154,683,000) as at 2019G, one hundred seventy eight million and thirty six thousand Saudi Riyals (SAR 178,036,000) during 2020G, and seven million and five hundred and ninety three thousand Saudi Riyals (SAR 7,593,000) as at the three months period ended on 31 March 2021G. In 2018G, related party transactions represented 15% of the Company's total general and administrative expenses and 4.6% of the total future Murabaha contracts the. In 2019G, transactions with related parties represented 21% of the total general and administrative expenses and 19% of the total future Murabaha. In the year 2020G, the transactions with related parties represented 26% of the total general and administrative expenses and 13.9% of the total future Murabaha . In the first quarter of 2021G, related party transactions represented 26% of the total general and administrative expenses and 0.4% of the total future Murabaha . Transactions with related parties, notably those in which Board of Directors members have an interest, have been previously approved as described in Section 12-11("Related Party Transactions"). In addition, the most recent transactions with related parties since 17/07/1442H (corresponding to 01/03/2021G) until the date of this Prospectus were approved during the Ordinary General Assembly held on 14/02/1443H (corresponding to 21/09/2021G).

If contracts and transactions with related parties are not entered into at arms' length, this will adversely affect the Company's business, financial position, results of operations and prospects. In addition, the Company has previously dealt and may deal in the future with related parties. In accordance with the provisions of the Companies Law, such transactions must be approved by the Company's Ordinary General Assembly. The Ordinary General Assembly may not approve current or future transactions with related parties as required, and in this case, the Company may be exposed to risk of having such transaction challenged or invalidated. The occurrence of any of the above-mentioned cases will have a material adverse impact on the Company's business, results of operations, financial position and future prospects (For more details on transactions with related parties, please refer to Section 12-11 ("Related Party Transactions")).

2.1.28 Risks associated with the Company's use of third-party service providers

The Company engages third party service providers from time to time to provide certain services, including asset valuation, legal services, collection agents, credit card services, online services and internal audit. The Company also engages third parties for the provision of services for the development and maintenance of its information technology systems and other supporting services, whereby the number of employees seconded to the Company from third-party providers was (140) employees as at 03/31/2021G. The Company does not guarantee that the quality or manner in which services are provided by third parties will meet the expected standards from its customers and the Company may be held liable for any deficiency of services on the part of such service providers. (For more details, see subsection 4-9"Employees"). If the contractual relationship with such service providers is discontinued or the Company's failure to find alternative service providers, will result in the suspension of the Company's operations.

The Company is exposed to the risk that threatened or actual legal proceedings, management misconduct, operational failures, negative publicity and press speculation, whether or not valid, may harm its reputation and create negative media coverage of its or some or all of its service providers, credit card or online partners, or independent agents. Such negative publicity could indicate, for example, the allegations that it, they or any of its products did not fully comply with applicable regulations or news that a regulator is conducting an investigation into or involving its (or their) affairs. The Company's reputation could also be adversely affected, for instance, if its products do not perform as expected.

On 02/05/1436H (corresponding to 16/02/2015G) the Company (as the customer) entered into an agreement with FALCOM Financial Services (as the service provider) for the purpose of opening an investment account. Under this agreement, FALCOM Financial Services provides several investment services and products, including the trading of securities owned by the Company, in order to enter into Tawaruq transactions for financing purposes. No specific term is included in the agreement or a date for its renewal. If the agreement with FALCOM Financial Services is not renewed or unilaterally terminated by FALCOM Financial Services, and if the Company is unable to enter into a new contract with a similar service provider, the Company will not be able to enter into Tawarruq transactions for financing purposes. This would expose the Company to liability by its customers if it is no longer able to enter into Tawaruq transactions, which would impact the profits generated by the Company in relation to the same, which would have a material adverse impact on Company's business, the results of its operations, its financial position and its future prospects. (For more details, see subsection 12.11.7 "Agreement to Open an Investment Account with FALCOM Financial Services").

The Company has entered into various contracts with service providers which are considered to be an integral part of the Company's strategies and objectives. However, some agreements do not include renewal or termination terms (for example, the Cybersecurity consultation services agreement with Infopercept and the investment account agreement with FALCOM Financial Services). Therefore, service providers may, at their own discretion, cease to provide the services agreed upon under the agreement or if the Company breaches any of its contractual obligations, the Company may not be able to receive any compensation for the losses incurred as a result of the interruption of its services thereunder.

If the Company is unable to renew such agreements with services providers on acceptable terms to the Company, and if the Company is unable to enter into new agreements with other service providers, this may negatively impact the Company's business, assets, financial position, results of operations, assets and future prospects (for further details, please refer to Section 12.6"Material Agreements")

The Company cannot guarantee that it will be successful in continuing to receive uninterrupted and high quality services from its service providers. Any disruption or inefficiency in the services provided by its third party service providers or through outsourcing would affect its business and reputation.

2.1.29 Risk of the adequacy of the Company's insurance coverage

The Company maintains different types of insurance policies covering its business operations and assets, noting that the Company discontinued its cash insurance policy since it no longer receives cash contributions in its branches. However, the Company's insurance coverage thereunder may not be adequate at all times and in all circumstances, and the limit of insurance coverage may not be sufficient in all events to pay for the claims relating to the insured risks. The Company might not be able to successfully substantiate its claims according to the insurance policies in effect because of the exclusions or conditions of insurance coverage. This will cause the Company to be liable for paying for accident related losses (which may be difficult for the Company to estimate), which will also have a material adverse effect on the Company's business and operating and financial results. There can be no assurance that the Company's insurance policies will continue to be available on commercially reasonable terms, or at all. Therefore, the occurrence of an uninsured event would have a material adverse effect on the Company's business, assets, financial position, results of operations, assets and prospects (for more details on the insurance policies, see Section 12.8 ("Insurance")).

In addition, if the Company's insurance policies are not renewed within the current scope of coverage and under commercially acceptable terms, or if they are not renewed at all, or if there is no insurance or insufficient insurance covering the different aspects of the Company's business, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.30 Risks associated with the change of the applicable accounting policies

Saudi commercial banks and financial institutions were required to apply International Financial Reporting Standard 9 (IFRS 9) as of 1 January 2018G. The Company had already applied the IFRS 9 as of 1 January 2017G. The continuous application of these standards and any updates applicable to them may require additional provisions to meet the requirements of such standards and the Company's allocation of additional resources which would adversely affect the Company's net income and total assets. The Company has adjusted the macroeconomic assumptions used in calculating provisions in accordance with International Financial Reporting Standard 9 (IFRS 9) during March 2020G as a result of the outbreak of the COVID 19 epidemic, in line with Moody's expectations for the Saudi economy after the outbreak of the epidemic globally which resulted in an increase in the provision. Any updates applicable to them may require additional provisions to meet the requirements of such standards and the Company's allocation of additional provisions which would adversely affect the Company's net income and total assets. Furthermore, pursuant to the Company's accounting policy, non-performing receivables are written-off after twenty four (24) months from maturity. Starting in 2021G, the Company has adopted a write-off policy of non-performing receivables after 48 months, on an accounting basis.

On 08/04/1442H (corresponding to 23/11/2020G) SAMA issued circular No. 42022533 introducing new Rules Governing Credit Risk Exposure Classification and Provisioning applicable to non-banking finance companies, which will become effective on January 1, 2022G whereby the rules governing the write-off policy of financing assets shall be effective starting 31/12/2023G. The implementation of such rules by the Company will result in additional write-offs and provisioning which will have an adverse impact on its financial performance. In accordance with the above circular, starting from the beginning of the fourth quarter of 2021G, the Company plans to implement the policy of writing off the financing assets after a period of (15) months from their maturity date on new sales instead of (48) months. As for the current portfolio, the Company will gradually apply the same period referred to in the circular before the date of 31 December 2023G, which will result in an increase in provisioning and write-offs which would have an adverse effect on the Company's financial position and results of operations. Any change to the write-off policy, whether voluntary or mandated by SAMA or other relevant accounting bodies, which would reduce the period of time after which receivable may be written-off, would have a material adverse effect on the Company's business, results of operations and financial condition.

The Company has analyzed the incremental impact of retrospective application of chapter 9 of provisioning rules i.e. change in write-off policy from the beginning of financial year 2018G from 720 DPD (days past due) to 450 DPDs.

The application resulted in decline in reported net income before Zakat by SAR 9.6 million, SAR 7.7 million, SAR 13.4 million and SAR 2.9 million during 2018G, 2020G, 2021G (Forecasted for full year based on 8 months actual results) and the first quarter of 2021G, respectively. Whereas the reported net income before Zakat increased by SAR 19.8 million during 2019G.

Net positive impact during 2019G was due to decline in write-offs in 2019G from SAR 90.3 million (day 1 entry of SAR 43 million and during the year entry of SAR 47.3 million) in 2018G to SAR 31.5 million in 2019G. Further, write-off recoveries also witnessed a significant increase in 2019G from SAR 27 million in 2018G to (SAR 42.7 million). The collection of 2019 includes SAR 32.7 million pertaining to 2018G written-off balances.

The above calculation is based on the following key assumptions:

- The starting point of the estimated analysis is January 1, 2018G.
- The estimated analysis has been done based off the actual results from January 1, 2018G to August 31, 2021G (and August 31, 2021G projected to full year forecast).
- Contracts which crossed 450 DPD were taken on monthly basis from January 2018G to August 31, 2021G.

Further, for the purpose of the effect on the financial statements of that relevant year all the actual collections (deemed as recoveries in a write-off context) which pertain to contracts assumed to be written off on January 1, 2018G and following months till August 31, 2021G were taken to calculate the estimated effect of that relevant years.

The net effect on income statement is calculated as per the following:

(i) net impact of write off (450 DPD) adjusted by the provision against such loans

(ii) amount of required provision by the remaining portfolio (less than 450 DPD).

(iii) The net impact of (i) & (ii) is further reduced by the recoveries in the relevant years between January 1, 2018G to August 31, 2021G between 450 DPD to 720 DPD;

The impact calculated up to 31 August 2021G has been projected for full year 2021G.

It should be noted that the Company has analyzed the impact of retrospective application of chapter 9 of provisions policies. The application date of the new policies has been at 1 July 2021G as mandated by SAMA. However, SAMA has extended the application date till 1 January 2022G and has also granted an additional time period to gradually absorb any losses resulting from write-offs till 31 December 2023G

The Company would like to emphasis that the analysis of the impact associated with the application of the new policy is merely an analysis carried out by the Company to know the impact of the application of the modern policies of SAMA. Since the analysis of the impact related to the new write-off policy does not reflect the Company's operations and the previously applied policies, the Company would like to point out to the general public that the analysis is just a study that has been carried out to show the impact of the policy on the Company and to confirm that the policy has no effect on the financial assets previously recorded. Accordingly, the Company does not guarantee the accuracy of the amounts and percentages mentioned in the impact analysis associated with the application of the new policy, as they are based on assumptions and estimated figures.

In addition to the above, if the Company decides in the future to modify its financing activities and accept deposits from its institutional clients, then it will be subject to the provisions stipulated in the regulations issued by SAMA in Circular No. 42019124 dated 03/24/1442H (corresponding to 11/11/2020G), related to the rules allowing the acceptance of term deposits in addition to compliance with International Financial Reporting Standard No. 9 (IFRS 9) as well as the Deposit Taking Financial Covenants (DTFCs) in connection with the amount of provision required, whereas if the amount of provisions pursuant to the Deposit Taking Financial Covenants (DTFCs) is greater than the amount required under IFRS 9, the difference will be recorded in shareholders' equity. If the amount of provisions pursuant to IFRS 9 is greater than the amount required by the Deposit Taking Financial Covenants (DTFCs) the difference will be recorded as an expense in the statement of income, which may lead to an increase in provisions, which in turn will have a negative impact on the Company's business, financial position and results of operations.

2.1.31 Risks related to the protection of the Company's trade name and brand

In marketing its services and products, the Company relies on its reputation that is associated with its trade name and brand, which supports its business and competitive position in the market. Consequently, the success of the Company depends largely on its ability to maintain and boost the strength and value of its trademark, which in turn depends on many factors, such as the Company's reputation, the financing products provided by the Company and the perception of its trademark. The Company has registered its "Nayifat" and "ULend" trademarks in Saudi Arabia. (For more details about the Company's brand, please refer to Section 12.12("Trademarks and Property Rights") of this prospectus). In the event the intellectual property rights related to the Company's trademark are infringed, including as a result of unauthorized use or a failure to protect such rights by the competent authorities in accordance with applicable regulations, it may face costly litigation and the diversion of technical and management personnel. The Company failure to adequately register its trademark would adversely affect the goodwill attached to it, which in turn will have a negative effect on the Company's business, results of operations, financial position and prospects.

The company may, from time to time, be compelled to file lawsuits to demand restitution of its commercial rights related to its commercial trademarks and other intellectual property rights. Further, third parties may claim that the company has violated their intellectual property rights, which may lead to being subject to lawsuits. Litigation inherently involves a state of uncertainty and may be distracting to the Company's management, resulting in significant costs and dissipation of resources. This may adversely impact the Company's income and profits, whether or not the Company is able to maintain or defend intellectual property rights.

The Company may not succeed in enhancing its brand and trademark and their contribution to increased sales and profits. The value of the Company's trademark and brand may be adversely affected by internal factors, such as bad quality of services rendered by its employees and the mishandling of customers' complaints, as well as external factors such embezzlement by third parties, infringement of or damage to the intellectual property rights of the Company, complaints, investigations or other statutory actions and illegal activities targeting the Company. In addition, negative publicity on the Company or any negative media coverage can damage the Company's reputation and brand and can result in a loss of customers. Furthermore, the Company may be exposed at any time to negative comments on social media, including blogs, social networks and other types web platforms, which could have a negative impact on the Company's reputation and image. The inability of the Company to properly manage and address these factors and events or its inability to prevent them would have a material adverse impact on its brand and trademark, which would result in fewer new customers or the departure of existing customers and consequently a decline in revenues. This would, in turn, have a material adverse impact on the Company's business, financial position, results of operations and prospects.

2.1.32 Risks related to litigation

As the Company operates within the finance sector, it could be a party to lawsuits in the normal course of its business. The Company is customarily involved in a number of lawsuits in the normal course of business as a finance company. As at 30 June 2021G, the number of lawsuits filed by the Company against its defaulting customers was eight (6,458) cases, with financial claims from clients totaling three hundred and sixty-eight million eight hundred thirty four thousand and eight hundred twenty-six Saudi Riyals (SAR 368,834,826). The Company initiates lawsuits against customers who fail to pay their dues for 120 days or three months consecutively (for further details, please refer to Section 6-6-1-1 of this Prospectus "Income from Islamic Financing").

The Company has a total of 58 pending lawsuits filed against it, with a total disputed amount of SAR 458,129. There are sixteen (16) lawsuits related to retuned instalments that were wrongfully paid by the relevant customers, eleven (11) lawsuits related to updating customer data with the Saudi Credit Bureau ("SIMAH") or changing the sponsor and seventeen (17) claims from clients to reschedule instalments. In addition, there are five (5) claims related to compensation for termination of services and another claim related to the ownership transfer of a car financed by the Company without any additional fees. There were also seven (7) various lawsuits related to a disagreement on the value of the financing, as well as claims related to counterfeiting promissory notes and terminating agreements with the Company. The Company expects the financial impact of the quantifiable and unquantifiable lawsuits to amount to SAR 490,776.

The Company may become involved in additional lawsuits that are outside its normal course of business. Any unfavorable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial condition, results of operations or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, results of operations, financial condition and prospects (For more details on lawsuits, see Section 12-14 ("Litigation, Claims, and Statutory Procedures").

2.1.33 Risks related to interpreting Shariah principles

All of the Company's financial services and products are in accordance with the principle of the Islamic Sharia and are vetted by the Company's Shariah Committee before they are offered to customers. Members of the Shariah Committee assess every product or service in light of the relevant Shariah principles according to their interpretation and understanding of the same. It is known that many Shariah issues and principles are controversial, and therefore scholars may have different opinions about the same product or service. Hence, some Shariah scholars may form a view that some of the services and products offered by the Company are in violation of Shariah principles. Such views, if shared by a substantial number of scholars would have a material adverse effect on the Company's reputation, business, financial position, results of operations, and prospects. In case of litigation and disputes brought before competent courts, such courts may also have interpretations of Shariah principles that are different than those of the Company's Shariah Committee which would have a negative impact on the Company's success in defending such disputes. This would have a material adverse effect on the Company's business, financial position, results of operations, and prospects.

2.1.34 Risks related to seasonal factors on the Company's revenues

The nature of the Company's operations in general makes it subject to seasonal variations especially during summer breaks, official holidays and Eids. As such, the Company's revenues may be affected by seasonal variations and supply and demand for its services, which would have an adverse effect on the Company's business, results of operations and prospects. The financial sector, like other sectors, is affected by supply and demand factors, which vary according to seasonal cycles, as the demand for financing usually rises during the first and last quarters of the year, and usually decreases during the summer and official holidays, as well as during the blessed month of Ramadan, and thus the Company's revenues may be affected by seasonal fluctuations and changes, supply and demand for its services, which will have a negative impact on the Company's business, results of operations and future prospects.

2.1.35 Risks related to employees misconduct and errors

The Company is exposed to errors, fraud and misconduct by its employees which could subject the Company to financial claims for negligence or otherwise, reputational harm as well as regulatory actions. The Company's employees could execute transactions that exceed authorised limits or present unacceptable risks to the Company or divert funds from the Company. In addition, Company employees could use Company information, or other confidential customer information for personal or other improper purposes, as well as misrepresent or conceal improper activities from the Company.

Any material misconduct or errors by the Company's employees, would have a material adverse impact on the Company's reputation, business, financial position, results of operations and prospects.

2.2 Risks Related to the Market, Industry and Regulatory Environment

2.2.1 The impact of the highly competitive industry in which the Company operates

The industry in which the Company operates is highly competitive and the competitive conditions are expected to continue. The Company's ability to compete depends on many factors, including its reputation, the quality of its services, product innovation, execution ability, pricing, sales efforts, and the talent of its employees. In particular, the Company competes with other financial services businesses including established local and international commercial banks and financing companies operating in Saudi Arabia.

Many of its competitors are part of larger financial services groups and may therefore have greater access to capital, financial or other resources than the Company. Furthermore, competition might lead to pressure on financial margins.

In addition, there have been some recent mergers in the financial services industry in Saudi Arabia and there may be more in the future. If competitors merge, the combined businesses may gain economies of scale and develop new products. As a result, they may be able to compete more effectively on the basis of product offerings and price.

According to SAMA's website, the number of banks licensed to operate in Saudi Arabia as at the date of this Prospectus is thirty-two (32) commercial banks, twelve (12) of which are local banks and twenty (20) of which are foreign banks, in addition to thirty-nine (39) financing companies (including Nayifat Finance Company) licensed by SAMA to conduct one or more financing activities, of which six (6) are licensed to finance real estate activities, and thirty-one (31) of which are non-banking financing companies. Additional local and foreign banks and companies may be licensed in the future, which will result in increased competition within the financing sector.

The Company relies on its own pricing policies, which are reviewed periodically based on the pricing adopted by competitors, and if competition intensifies in the sector and the Company is forced to reduce the profit rates paid by customers, this will impact the Company's ability to realize revenue/income negatively. The Company's future performance depends on its ability to earn, maintain and increase its market share in the finance sector by expanding its branches, digital presence, services and marketing. The low demand for the Company's services for any reason will adversely affect the Company's financial results. If the Company does not succeed in achieving its expansion strategy, the demand for its services will decrease, which will have a negative impact on its financial results.

The Competition the Company faces would depend on many factors, including, its financial position, geographical coverage, outreach to potential customers, compliance with Shariah principles and terms of financing products offered to customers in comparisons with what banks and other financing companies offer including premium charges, administrative fees, grace periods, type of guarantees, and the ability to adapt to with new market trends (such as the subsidy and government backed loans to SMEs and individuals).

To the extent that the Company does not successfully compete in terms of the development of its customer base, new product offering, pricing, performance, distribution channels or service, its business, results of operations, financial condition and/or prospects may be adversely affected as a result.

2.2.2 Risks related to the development of the non-Banking financial sector

The growth of the non-banking financing sector in Saudi Arabia may not be as projected by the Company, as a result of several factors, the most important of which is the ability of finance companies to compete with commercial banks, the diversity of products and the ease of procedures for obtaining financing, in addition to a number of factors that are beyond the Company's control, including any slowdown or downturn in the economic conditions of Saudi Arabia. Any negative impact on the non-banking financing sector, would have an adverse impact on the Company's business, financial position, results of operations, and prospects.

2.2.3 Impact of economic and political risks on the Company's operations

All of the Company's operations, assets and customers' base are centered in the Kingdom, which is an emerging market. Accordingly, the Company may be affected by the financial and economic conditions prevailing in the Kingdom and the Middle East, and the level of economic activity in Saudi Arabia in particular. Oil income is expected to play a significant role in the development of the Kingdom's economic plans, despite the continuous push for diversification in support of other non-oil sectors to the gross domestic product. Therefore, a decrease in oil prices may result in a decrease of government spending which may result in a significant slowdown in the Kingdom's economic growth.

In addition, many countries in the Middle East suffer from political or security instability at the present time. There can be no assurance that the negative diplomatic relations with, or economic and political conditions in neighboring countries or other countries will not have a negative impact on the economy, foreign direct investment or financial markets in Saudi Arabia in general, and on the Company's business, results of operation, financial condition and prospects in particular.

Any unexpected major changes in the political, economic or legal environment in the Kingdom and/or other countries in the Middle East, which include without limitation ordinary market fluctuations, recession, insolvency, weakness in employment levels, technological shifts and other such developments, will adversely and materially affect the Company's business, results of operations, financial condition and prospects.

2.2.4 Risks related to de-pegging the Saudi Riyal exchange rate from U.S. Dollar and its re pegging at a different rate

The Company relies on its operations on the Saudi Riyal only. The peg to the U.S. dollar has been maintained by SAMA of the Saudi Riyal at the same exchange rate as the U.S Dollar. However, there can be no guarantee that the U.S. dollar peg will be maintained in the future, or that the peg will retain its current rate in the future or that the exchange rate will maintain its current exchange rate. Any de-pegging of the Saudi Riyal from the U.S. Dollar, or its re-pegging at a different rate, could result in significant fluctuations in exchange of the Saudi Riyal against the U.S. dollar, which would affect the Company's business, financial position, results of operations, and prospects.

2.2.5 Risks related to the monetary union between some GCC countries

There is a possibility that the GCC member countries may each abandon their respective national currencies in favor of a single GCC currency within the next few years. If a single GCC currency is adopted, the necessary convergence of laws, policies and procedures will bring significant changes to the economic and political conditions in each of the GCC states joining the currency union. Until now, there has been no announcement of an official timetable for the progress of the monetary union, and there are currently no details of new legislation or policies. Any change resulting from the currency union may adversely affect the Company's business, financial position, results of operations, and prospects.

2.2.6 Risks related to the highly regulated and evolving financial services industry in the Kingdom

In recent years, there has been increased regulation of the financial services industry in Saudi Arabia and globally, that has imposed substantial new or more stringent rules in different areas such as internal practices, capital requirements, procedures and rules, disclosure requirements, financial reporting, corporate governance, auditor independence, equity compensation plans, distribution fees dividends, and money laundering and terrorist financing. The Company cannot guarantee that the compliance, audit and reporting systems it has placed in accordance with SAMA's regulations and requirements (which are subject to extensive oversight by regulatory authorities, including periodic examination) will, at all times, be fully effective. Compliance with those requirements depends on the Company's ability to attract and retain qualified personnel to manage and monitor such systems and procedures. In case of an actual or alleged non-compliance with regulations, the Company may be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or lawsuits, including, but not limited to, claims by customers for damages, and/or even the loss of the Company's license(s) issued by SAMA. Any of these factors will have an adverse effect on the Company's business, financial position, results of operations and prospects.

On May 17 2018G, SAMA established certain principles relating to responsible lending applicable to individual customers. Such principles impose the adoption of transparent procedures, checking of the customer's credit history and the use of certain calculation methods. One of such principles sets certain debt burden ratios of monthly disposable income beyond which banks and finance companies cannot lend their individual consumers. The Company, as well as other non-bank financing companies, benefit from higher debt burden ratios while lending to consumers compared to banks. The limit imposed on banks is capped at 33% (if there is no mortgage) and 45% (if there is a mortgage) of the individual's income allocated to debt repayment. Non-bank financing institutions, including the Company, are allowed to go over this regulatory limit by providing financing up to 65% DBR in the event that a Real Estate Financing or government real estate support is available (up to Income of twenty five thousand Saudi Riyals (SAR 25,000) per month) and for Income more than (SAR 25,000 per month) it can go up to 70%. For instance, the amendments to the DBR implemented by SAMA in the year 2019G resulted in a decline in the average loan size from (SAR 57,198) per booking as at 31 December 2018G to (SAR 40,017) per booking as at 31 December 2019G. The Company also obtained an exemption from SAMA on 23/12/1436H (corresponding to 06/10/2015G) allowing it to apply a higher ratio of financing receivables to shareholder equity of 3.5x compared to a ratio of 3.0x applicable to the rest of the industry. The Company was committed to the lending rates of the class according to the SAMA directives between 31 December 2018G and 31 December 2020G. According to the directives of SAMA, the value of loans granted by financial institutions operating in the financing sector (except for financing the construction and real estate sector) should not exceed three times the value of the shareholders' equity in a certain period or year. While the ratio of Islamic finance receivables to shareholders' equity was 1.5x, 1.7x, 1.4x and 1.3x as at 31 December 2018G, 2019G, 2020G and 31 March 2021G, respectively (for more details, please refer Subsection 6-5 "Key Performance Indicators and non-IFRS financial measures" and Table 55 "Key Performance Indicators and non-IFRS financial measures"). Any violation by the Company to Responsible Lending Principles, will make the Company subject to penalties imposed by SAMA. It is worth noting that as a result of some violations that the Company has committed in the past to the Responsible Lending Principles, SAMA has imposed two financial penalties against the Company during the financial year of 2020G (for more details about the executive decisions applied by SAMA, for more details, please refer to Section 12-15-1 "Violating Responsible Lending Principles" and Section 12-15-2 "Repeated Violation of Responsible Lending Principles").

Any future amendment of such principles or ratios in a manner that imposes more stringent and protective measures on the Company would have a material and direct impact on the Company's business, financial position and results of operations. In addition, any breach of such requirements may expose the Company to various restrictions and penalties. The Company's inability to maintain satisfactory capital adequacy and lending ratios, currently or in the future, may affect its ability to provide its services or the manner through which it conducts its business. This would have an adverse effect on the Company's business, financial position, results of operations and prospects.

The Company is also subject to the Anti-money Laundering and Anti-terrorism Laws and other related regulations. These laws and regulations require the Company to adopt and implement certain know-your-customer ("KYC") policies and procedures and to report suspicious transactions to the relevant authorities. Compliance with this general regulatory framework is expensive and labor-intensive. Failure to comply with any applicable laws, regulations, rules or contractual compliance obligations could result in investigations, information gathering, public censures, financial penalties, disciplinary measures, liability and/or enforcement actions being brought against the Company, including the revocation, suspension or non-renewal of licences or permissions that the Company needs to conduct its business. Any damage to the Company's reputation could deter customers from choosing the Company as their non-banking finance provider. Any such developments could impair the Company's ability to conduct its business and would have a material adverse effect on its financial position, results of operations and prospects.

On April 12, 2018G, SAMA announced the issuance of the Regulatory Rules and Procedures for Collection from Individual Customers, which apply to banks and finance companies operating in Saudi Arabia. These new regulatory rules and procedures impose certain limitations on the manners through which banks and finance companies collect their debts from their customers. Banks and finance companies are not able to deduct due amounts from the customers' accounts or offset any debt against the credit balance, unless ordered by a court or consented upon in writing by the customer. This will limit the Company's ability to collect any outstanding payments swiftly, or at all. This would have an adverse effect on the Company's business, financial position and results of operations.

In assessing a loan application, the Company relies in part on the applicant's credit score provided by outside services providers such as SIMAH or other external application evaluation regulations used by credit information companies. A change in such service providers' scoring calculation methodology in the future resulting in a lower credit score would have an adverse impact on the Company's ability to maintain and grow its loan portfolio, which would have an adverse effect on the Company's business, financial position and results of operations.

2.2.7 Risks related to idle lands fees

The Council of Ministers of Saudi Arabia has approved the application of the Idle Lands Tax Law in some of the main cities in Saudi Arabia, pursuant to which the owners of empty plots of urban land designated for residential or commercial use in the designated cities will have to pay a tax of 2.5% of the value of the land each year for every land with an area that exceeds the specified area sizes according to the requirements of the Idle Lands Tax Law. The Company may become subject to the Idle Lands Tax Law if it acquires plots of land through either guarantees or attachment against non-performing loans. Therefore, the inability of the Company to dispose of such plots of land that are subject to the idle lands tax (whether owned at this time or in the future), will result in the imposition of idle lands tax on the Company. Such idle lands tax, if imposed on the Company's customers, may affect the ability of such customers in settling their existing and future debts and obligations towards the Company as it would result in an increase in their financial liabilities or would result in them applying for new financings which would have a negative impact on the Company's profitability, business, financial position, results of operations and prospects.

2.2.8 Risks related to change in the calculation mechanism of Zakat and income tax

ZATCA issued Circular No. 6768/16/1438 dated 05/03/1438H (corresponding to 5 December 2016G) which requires Saudi companies listed on the Exchange to calculate income tax and Zakat on the basis of the nationality of the Shareholders and the actual ownership between the Saudis, and Gulf citizens and others as stated on "Tadawul system" at the end of the year. Prior to the circular, companies listed in the Exchange were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with its bylaws. The fact that shares were listed was not a consideration in determining the Zakat base. This circular was to be applied to the year ended 31 December 2016G and subsequent years. However, ZATCA has issued a Letter dated 19/04/1438H (corresponding to 17 January 2017G) postponing the implementation of this circular for the financial year ended 31 December 2017G and subsequent years. Until ZATCA issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular, including the final requirements to be met, are still under consideration, as well as the rules that impose income tax on all non-Gulf residents who have shares in Saudi listed companies which apply the withholding tax on dividends distributed to non-resident Shareholders irrespective of their nationalities. The Company did not assess the financial impact of this circular and take sufficient steps to ensure compliance therewith, as it is a closed joint stock company owned by Saudi and GCC shareholders. If the financial impact of this circular is significant or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will have an adverse effect on the Company's business, results of operations, financial position, and prospects.

In addition and based on the new regulations, ZATCA has issued rules for calculating Zakat related to financing activities, which apply to commercial banks and financial institutions licensed by SAMA. These rules were published on 08/07/1440H (corresponding to 05/03/2019G) in Um Al-Qura, Issue No. 4771. Based on such rules, the Zakat base will have a minimum and a maximum amount for the companies incurring profit, which will be four (4) times the net income before Zakat at the end of the Zakat year as a minimum amount and eight (8) times the net income before Zakat at the end of the Zakat year as a maximum amount if the Company generates net profit. In the event that a net profit was not generated for the year, the Zakat base will be four (4) times ten percent (10%) of gross profit at the end of the Zakat year as a minimum and eight (8) times ten percent (10%) of gross profit at the end of the Zakat year as a maximum. In the event that there is no gross profit for the year, there will be no minimum or maximum amount for the Zakat base.

The following equation is used to calculate the Zakat base for financing activities: Sources of Funds x [Zakatable assets ÷ total assets]. Zakat is calculated at 2.5% of the Zakat base for the Hijri year and 2.578% of the Zakat base for the Gregorian year. It should be noted that, in the event of disputes with ZATCA in the future, the Company may be subject to attachment and compulsory collection procedures imposed by ZATCA. The Company may be refused to grant government tenders, recruitment of any labor, or issuance and renewal of work permits that enable it to conduct its activities if sanctions are imposed for any reason, which would result in a material and negative impact on the Company's business, results of operations, financial position and prospects.

2.2.9 Risks related to Value Added Tax

Saudi Arabia issued Value-Added Tax Law, which entered into force on 1 January 2018G. This Law imposes a Value Added Tax of 5% on a number of products and services, involving services provided by the Company as specified in the law. On 17/09/1441H (corresponding to 10/05/2020G), and as a response to the economic impact of the COVID-19 pandemic, Saudi Arabia announced the increase of VAT to 15%, which was effective on 10/11/1441H (corresponding to 01/07/2020G).

While the increase in the VAT is new and its impact is not yet determined, VAT, by its nature, is borne by the end consumer. Such an increase or any future increase may affect customer spending, which would have an adverse effect on the Company's business which focuses on providing credit products principally to end consumers (through consumer loans and credit cards). This would have an adverse effect on the Company's results of operations, financial position, and prospects. Furthermore, the implementation of VAT is relatively new, and the Company may commit errors while implementing the regulatory requirements, which may result in penalties imposed by ZATCA in accordance with the VAT Law, which, in turn, would have an adverse effect on the Company's business, results of operations, financial position, and prospects.

The Company has been previously found non-compliant with enforcing the requirements of Value-Added Tax Law as the Company failed to fill-in the entire data set forth under the related documents as well as not enforcing taxes on delay fees applicable on settlement of credit cards dues. The Company has rectified such non-compliance as of the financial year 2021G. It is worth noting that the VAT is calculated on management and other fees and not on the profit margin. It is worth noting that the VAT is calculated based on management fees and other fees not on the cost of the term (profit).

2.2.10 The impact of changes in laws and government policies in the Kingdom

The Company and its businesses are subject to the supervision of a number of governmental bodies in Saudi Arabia, including but not limited to the SAMA, the Ministry of Commerce the municipalities, the Ministry of Human Resources and Social Development, Civil Defense, CMA, the Exchange (post listing) and others. The legislative and regulatory environment in the Kingdom is witnessing the issuance of a number of regulations and regulations, meaning that they are more vulnerable to change and development. The cost of complying with such new regulatory environment is high. If existing regulations change or new laws or regulations relating to financing are issued, the Company may have to make a change in its services or financing products to meet the requirements of these laws, resulting in additional cost to be incurred by the Company, which will have a negative impact on the company's operations, financial position and expectations.

Given the nature of its business, the Company is required to comply at all times with applicable regulations. Therefore, the Company is subject to the risk of regulations, laws, circulars and policy changes and reporting requirements in Saudi Arabia, including such laws and policies related to taxes. The legal and regulatory environment in Saudi Arabia is witnessing the introduction of a number of laws and regulations and, accordingly, more likely to be subject to development and change. Costs related to compliance with such laws are high. In the event of changes to existing laws and/or regulations or the issuance of new laws and/or regulations relating to financing; the Company may, in order to comply therewith, have to change its services, or make changes to its financing products to meet the requirements of these laws. This will cause the Company to incur unexpected additional financial expenses, or have an adverse effect on its operations, financial position and prospects.

The laws and regulations applicable to the Company's business and operations require continuous compliance. Accordingly, if the Company fails to comply with these laws and regulations continually, it will be subjected to some fines or penalties imposed by the relevant supervisory authorities, which will result in reduction of its revenue growth or suspension of its work or licenses. Furthermore, the new laws, regulations and instructions will have an impact on the Company's cash flow, collection and its financing operations will have an adverse effect on its operations, financial position and prospects.

On 07/12/1439H (corresponding to 18/08/2018G) the bankruptcy law issued by Royal Decree No. (M / 50) dated 28/05/1439H (corresponding to 14/02/2018G) came into force. The law is designed to regulate bankruptcy procedures such as preventative settlement, financial reorganization, liquidation, preventive settlement of small debtors, financial reorganization of small debtors, liquidation of small debtors, and administrative liquidation. However, the law and its practical features have not been tested extensively as it is relatively new. Nonetheless, the law includes certain provisions that may affect the Company's ability to collect from its customers in default. For instance some bankruptcy rules may apply to a segment of the Company's individual customers who represent more than approximately 98.7% of the Company's entire credit and finance portfolio for the period ended 31 December 2019G, 95.7% for the period ended 31 December 2020G, and 92.6% for the three months period ending on 31 March 2021G. Additionally, the law provides the option to persons in default and lenders to reach an agreement to protect the person in default from bankruptcy, which involves rescheduling of the debt or even a reduction of loan amount due. All such factors may affect the Company's ability to fully collect amounts due and to compete with other creditors on such collections. This would affect the Company's business, financial position, the results of its operations and its prospects.

2.2.11 Risks related to compliance with the Saudization and Labor Laws

Compliance with Saudization is a statutory requirement in Saudi Arabia whereby all companies operating in Saudi Arabia, including the Company, are required to employ and maintain a certain percentage of Saudi employees among its personnel. The ratios of Saudization vary according to the sector in which a company operates. As per the Nitaqat Program issued by the Ministry of Human Resources and Social Development, the Company is classified as a finance company operating in the financial services sector. As at 31 December 2020G and 31 March 2021G, the Saudization rate at the Company was about 91%, and 90.5%, respectively which places the Company in the platinum range of the Nitaqat Program. Although the Company is currently committed to meet the applicable Saudization percentages, the Ministry of Human Resources and Social Development may decide to impose more stringent Saudization requirements in the future. It may be challenging for the Company to continue to maintain or increase its Saudization rate, and may not be able to meet the requirements of the Ministry of Human Resources and Social Development in the future. The Company's inability to meet Saudization requirements or to comply with other applicable Labor laws and regulations may result in the imposition of penalties or fines and the suspension of issuing and transfer visas of non-Saudi employees, which would have a material adverse effect on the Company's business, financial position, results of operations, and prospects (for more details, please refer to Section 4.10 ("Saudization")).

2.2.12 Risks related to higher government fees for the employment of non-Saudi employees

The government approved a number of decisions intended to make comprehensive reforms in the labor market in Saudi Arabia, including imposing additional fees for each non-Saudi employee working for a Saudi organization as of 01/01/2018G, as well as increasing the fees for the issuance and renewal of residency permits to non-Saudi employees, personnel and dependents (Expats Dependents Fees) which became effective as of 01/07/2017G and will be gradually increased. Accordingly, this will lead to an increase in the government fees paid by the Company for its non-Saudi employees.

Higher residency permit fees for dependents of non-Saudi employees and personnel may also result in increased costs of living to the detriment of non-Saudi employees. Therefore, they may accept to work in other countries with lower costs of living. In such a case, the Company will find it difficult to retain competent employees and would have to bear the cost of the increase in government fees for the residency permits of the families of non-Saudi employees, which may cause an increase in the Company's costs, by having to bear the cost of the increase in government fees associated with the issuance and renewal of the residence permits of non-Saudi employees and their family members and by having to increase their salaries.

2.2.13 Risks related to the occurrence of natural disasters

Natural disasters beyond the control of the Company may significantly affect the continuity of the Company's operations, its branches and customers. Any damage to the Company's branches, employees or customers, whether as a result of floods, earthquakes, storms or any other natural disaster, may cause the Company to incur significant costs. It will also affect the customers' ability to pay back their loans and the Company will, therefore, face difficulties in conducting its operations and collections, and thus reduce its future operating results. In the event of natural disasters causing damage to the Company, this will have a significant adverse impact on the Company's business, results of operations, financial position and prospects.

2.3 Risks Related to the Offer Shares

2.3.1 Risks related to market, and potential volatility and fluctuation of Share price

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's business, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Offer Price may not be indicative of the price at which the Shares will be traded following completion of the Offering and the Subscribers may not be able to resell the Offer Shares at the Offer Price or above or may not be able to sell them at all.

The post offering market price of the Shares may be negatively affected by various factors, including, but not limited to:

- negative variations in the Company's operating performance and improvement of the performance of its competitors;
- actual or anticipated fluctuations in the Company's quarterly or annual operating results;
- publication of research reports with negative expectations by securities analysts about the Company or its competitors or the banking and non-banking finance industry;
- the public's reaction to its press releases and its other public announcements;
- the Company's or its competitors' failure to meet analysts' projections;
- departures of key personnel;
- important and strategic decisions by the Company or its competitors, and changes in business strategy;
- changes in the regulatory environment affecting the Company or the finance industry;
- changes in adopted accounting rules and policies;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; or
- changes in general market and economic conditions.

The realization of any of these risks or other factors could cause the market price of the Shares to decline significantly.

The stock market in general experiences from time to time extreme price and volume fluctuations. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, which will have a negative effect on the subscribers' investments in the Company's shares. There is no guarantee that the market price of the Company's Shares will not be lower than the Offer Price. If this happens after the investors have subscribed for the New Shares, such subscription may not be cancelled or amended. Therefore, the investors may suffer losses. Moreover, there is no guarantee that any investor will be able to sell its Shares at a price equals to or higher than the Offer Price after subscription.

2.3.2 Risks related to lack of demand for the Shares

There is no guarantee that there will be sufficient market demand for the Offer Shares after the completion of the Offering and the commencement of trading in the market, which may negatively affect the share price.

2.3.3 Risks related to effective control post-Offering by the Substantial Shareholders

Following the completion of the Offer, the Substantial Shareholders will hold (57.8%) of the Company's share capital. Accordingly, the Substantial Shareholders will be able to control the decisions and actions that require the Shareholders' approval, including but not limited to, mergers, acquisitions, sale of assets, election of Directors, increases or decreases of share capital, and issuance or non-issuance of additional Shares, or any change to the Company. Consequently, there may be instances where the interests of the Substantial Shareholders may conflict with those of the minority shareholders (including Subscribers), this will impose a situation on the minority shareholders which is not beneficial. The Substantial Shareholders may control the Company in a manner that will adversely and materially affect the Company's business, financial position, results of operations and prospects.

2.3.4 Risks related to the absence of an existing market for the Company's Shares

Currently, there is no public market for trading in the Company's Shares. There can be no guarantee that, after the Offering, an active market with liquidity for trading in the Shares will develop or be sustained. In the absence of an active, continuous and liquid market, this will adversely affect the price of the stock trading.

2.3.5 Risks related to the Company's ability to distribute dividends

The decision to distribute dividends will depend upon a number of factors, including the Company's ability to achieve future profits, the company's financial position, statutory reserve requirements, available credit limits, general economic conditions, cash flows, working capital requirements, capital expenditures, in addition to other factors subject to the evaluation of the Board of Directors and the Ordinary General Assembly to declare dividends as it deems appropriate. The Shareholders may not obtain any profit from investment in the Shares unless they sell the same at a price higher than the purchase price.

The Company is also subject to some rules related to the approval of SAMA on distributing dividends in accordance with the Law on Supervision of Finance Companies, which contains some conditions in this regard, one of which is that the distribution of dividends shall not reduce the Company's capital adequacy or liquidity levels to lower than the required limits which would allow the Company to carry out its activities and maintain its business continuity to achieve the objectives of its business plans and set strategy.

Furthermore, dividend distributions within one fiscal year cannot exceed the profits realized during the previous fiscal year. Consequently, the Company does not guarantee in any way that it will own sufficient money for distribution or announce dividends in the near future. If the Company does not distribute dividends to shareholders, they may receive no return on equity investment except by selling shares at a price higher than the purchase price. (For more details on the Company's dividend distribution policy, see Section 7 ("Dividend Distribution Policy")).

2.3.6 Risks related to selling a large number of Shares on the market

Sales of a substantial number of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Substantial Shareholders will be subject to the Lock-up Period of six months following the Offering during which they may not dispose of any Shares. Moreover, the sale of a substantial number of Shares by any of the Key Shareholders following the expiration of the Lock-up Period, or the perception that such sales could occur, would have an adverse effect on the value of the Shares in the market.

2.3.7 Risks related to the issuance of new Shares in the future

The Company may decide to raise additional capital by issuing new Shares (after completing the formal procedures including taking the approval of the SAMA, CMA and the Extraordinary General Assembly) for the interest of new investors or some of the existing shareholders. This will adversely affect the share price in the market and dilute the shareholder ownership percentage in the Company, if they do not subscribe to new shares at that time.

2.3.8 Foreign exchange rate risks when investing in the Offer Shares

The Offer Shares are, and any dividends to be paid in respect of the Offer Shares will be, denominated in Saudi Riyals. Any investment in the Offer Shares by an investor whose principal currency is not the Saudi Riyal will expose that investor to risk of change in foreign currency exchange rate. This may adversely impact the investor's value of the investment in the Offer Shares or any dividends.

3- Market Overview

3.1 Saudi Market Overview

Data and information related to the Non-banking Financial Institutions (NBFIs) market in Saudi Arabia and stated in the market section are derived from information available to the public. We understand that there is no reason to consider such information as inaccurate. Therefore, the Board of Directors, Shareholders and Advisors have not independently checked the accuracy of such data and information.

3.2 Macroeconomic Overview

Since the launch of Vision 2030, the government has undertaken several measures to diversify the economy of Saudi Arabia. The CPI (Consumer Price Index) inflation in 2020G amounted to (3.4%) while the trade balance has registered a decrease of SAR 179.8 billion.

Table 4: Key Macroeconomic Indicators

Indicator	2015G	2016G	2017G	2018G	2019G	2020G	2021G F	2022G F	2023G F	2024G F	2025G F
Nominal GDP (SAR bn)	2,454	2,419	2,582	2,949	2,974	2,625	2,891	3,146	3,279	3,365	3,405
Nominal GDP (Average Annual Growth %)	(13.50%)	(1.43%)	6.77%	14.22%	0.82%	(11.71%)	10.12%	8.81%	4.22%	2.64%	1.17%
Population (Million)	30.9	31.8	32.6	33.4	34.2	35.0	35.9	36.7	37.6	38.5	39.4
GDP per Capita (SAR)	79,425	76,082	79,177	88,270	86,902	74,927	80,577	85,649	87,195	87,454	86,455
Budget Balance (SAR bn)	(389)	(311)	(238)	(174)	(133)	(294)	(75)	37	80	59	(12)
CPI Inflation (Y/Y % change)	1.22%	2.05%	(0.81%)	2.45%	(2.09%)	3.44%	2.40%	2.30%	2.10%	2.00%	2.00%
Trade Balance (SAR bn)	166.0	209.1	369.2	632.8	455.0	179.8	350.7	478.0	497.8	463.7	386.3

Source: Economist Intelligence Unit (EIU)

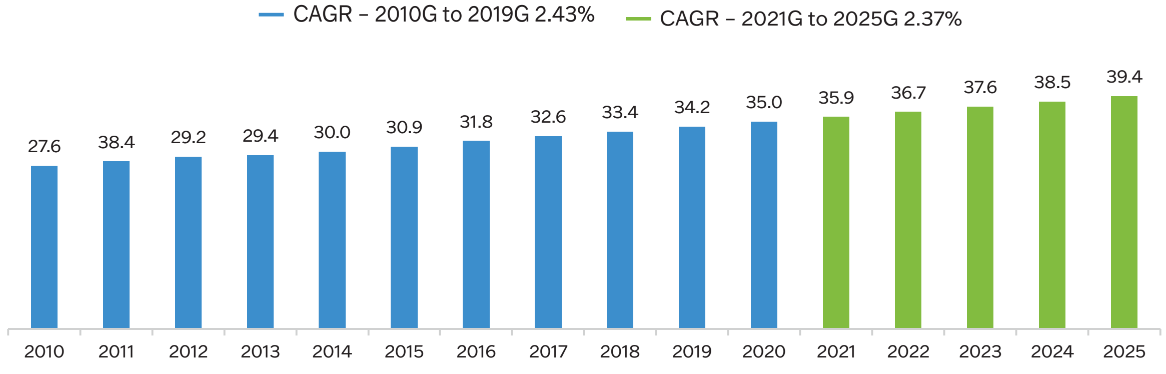
The government is continuing to implement economic and social reforms to realize Vision 2030's goals. This initiative is driven by several catalysts; including, but not limited to, activating the role of the Public Investment Fund (one of the largest sovereign funds in the world) and launching the privatization programs to expand the private sector participation.

The reforms that took place improved confidence in the country's economy. This was apparent by Saudi Arabia's position improving in the World Bank's ease of doing business ranking. The country jumped 30 places to rank 62 with an overall score of 71.6 out of 100 (As per World Bank Group's 'Doing Business 2020' report). All these economic and policy developments facilitate a more nurturing business environment in the Kingdom and provide ample growth opportunities for the non-banking financial sector.

3.2.1 Population Growth

The total population of Saudi Arabia stood at 27.6 million in 2010G and grew at a CAGR of 2.4% in the period from 2010G to 2019G. As a result, the total population reached 35 million in 2020G and is expected to reach 39.4 million by 2025G.

Figure 1: Saudi Arabia Population (figures in million)

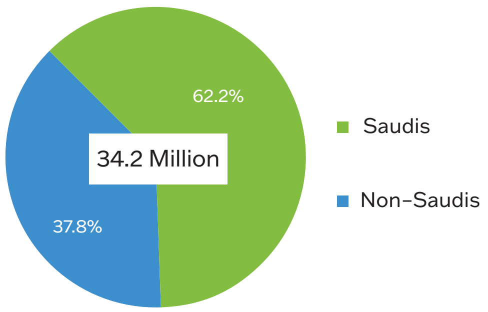


Source: Economist Intelligence Unit (EIU)

3.2.2 Demographic Profile

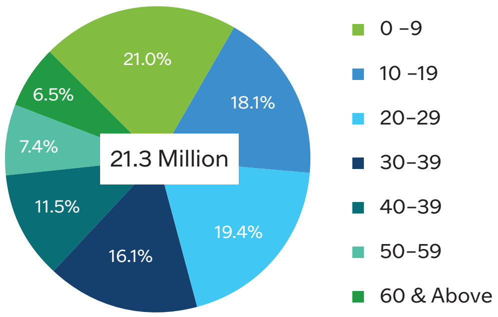
- As of 2019G data, Saudi individuals constituted approximately 62.2% of the total population in 2019G while non-Saudis represented the remaining 37.8%. The total number of Saudis was estimated to be around 21.3 million, of which the Saudi male population was estimated to be 50.9% while the Saudi female population was estimated to be 49.1%. Saudi Arabia is a relatively young country with approximately 75% of the Saudi population falling below the age of 40 years.
- Of the 13 administrative regions in the Kingdom, three of them represent 66% of the total population, where the regions of Makkah Al Mukarramah, Riyadh and the Eastern Province constituted a population concentration according to 2019G statistics, while the other ten regions represented about 34% of the population.

Figure 2: Saudi Population by Age Group, 2019G



Source: 4SIGHT analysis based on General Authority for Statistics data for 2019G

Figure 3: Populataion by Saudis & Non-Saudis, 2019G

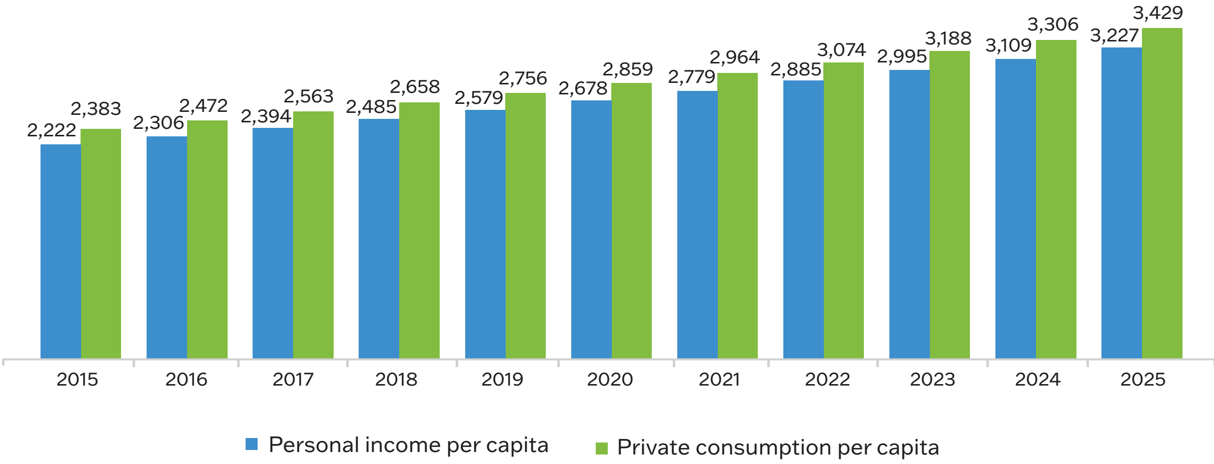


Source: 4SIGHT analysis based on General Authority for Statistics data for 2019G

3.2.3 Personal income and Private consumption (SAR)

During 2015G-2019G, private consumption per capita has been slightly higher than private income per capita in Saudi Arabia. Considering the historical trend, the gap between income and consumption is expected to continue; thus, this is expected to drive the demand in the consumer financing segment during the forecast period 2021G to 2025G.

Figure 4: Personal income and Private consumption (figures in SAR)



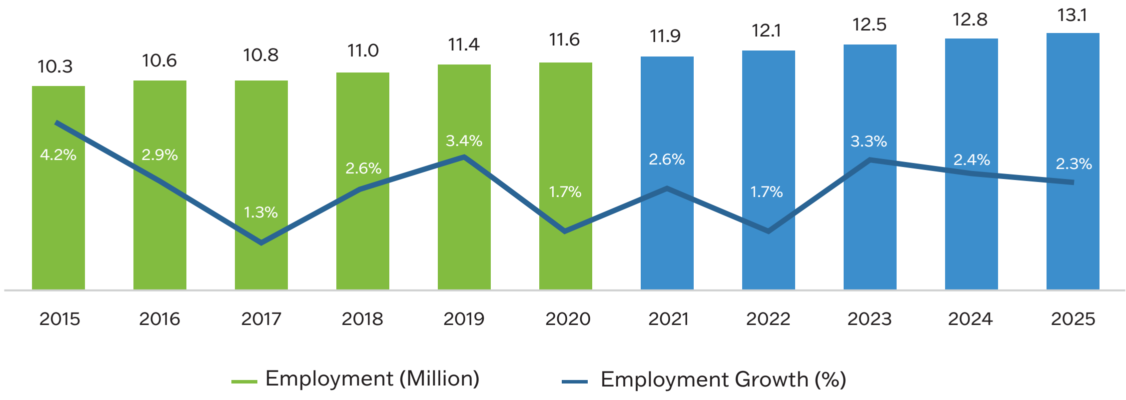
Source: Household Income and Expenditure Report (2013 and 2018) – General Authority for Statistics; 4SIGHT analysis based on date from General Authority for Statistics

3.2.4 Employed Persons and Employment Growth

Total employment in Saudi Arabia, including Saudis and non-Saudis, has grown from 10.3 million in 2015G to 11.6 million in 2020G and is expected to reach 13.1 million by 2025G. The unemployment rate in the Kingdom amongst Saudi nationals out of the total labor force has witnessed a declining trend over the last 3 years, which went from 12.7% in 2018G to 12.6 % in 2020G.

A key goal of Vision 2030 is to create jobs through the development of various sectors, which will lead to reducing unemployment. For example, the expansion of the retail sector is expected to create 1 million jobs for Saudi nationals by 2030G. Similarly, the localization of the defense industry and the resultant stimulus to other industrial sectors such as industrial equipment, communications, and information technology, amongst others, will also drive job creation even further. Moreover, the Ministry of Human Resources and Social Development has revealed ambitious plans to create more than 561,000 private-sector jobs by 2023G as a part of the digital era in job market in the kingdom.

Figure 5: Employment in Saudi Arabia (figures in million)



Source: Economist Intelligence Unit (EIU)

3.3 Financial Sector Overview

3.3.1 Regulatory Framework

The financial sector in Saudi Arabia is supervised and regulated by SAMA, the central bank of the Kingdom of Saudi Arabia, which was established in 1952G and was known as the Saudi Arabian Monetary Authority.

3.3.2 Regulatory Sandbox

Regulators around the world are currently looking at how technology applied to financial services (FinTech) is being developed in their respective jurisdictions. The objective of this practice is to understand its potential impact on consumers and market dynamics. In addition, regulators are examining how to adapt the current regulatory environment to foster new opportunities and innovation whilst ensuring an adequate level of consumer protection.

Therefore, and in line with the Kingdom's Vision 2030, SAMA launched the Fintech Saudi initiative which aims to support entrepreneurship and the enhancement of financial technology (FinTech) offerings. Further, the initiative aims to support the FinTech ecosystem in order to promote the Kingdom as a FinTech hub, embracing a thriving and responsible ecosystem of central banks, investors, companies, colleges, and state institutions which will ultimately contribute to the support of financial inclusion and the rise of digital economy. The initiative aspires to achieve several objectives, most prominent of which are; educating individuals and inspiring them to develop their knowledge and skills in the FinTech field.

3.3.3 Financial Sector Development Program

As part of the Saudi Vision 2030, the Council of Economic and Development Affairs (CEDA) formally approved the Financial Sector Development Program in May 2018G.

One of the major objectives of Financial Sector Development Program is to raise the level of MSME's contribution to GDP from 28.75% to 35% by 2030G. Hence, the program has set a target towards MSME financing as percentage of total commercial loans provided by commercial banks and NBFIs to 33% by 2030G.

The program also targets to promote digital payments in the Kingdom and convert Saudi to a cashless society by increasing the share of non-cash transactions to 70% by 2030G.

There are three pillars of the Financial Sector Development Program which are as follows:

- Pillar 1: Enabling financial institutions to support private sector growth - This pillar includes several Vision 2030-related initiatives, such as enabling new types of players to enter the market, incentivizing the financial sector to finance MSMEs, facilitating emerging FinTech players, and driving towards a cashless society with the aim of serving the financing needs of the broader population.
- Pillar 2: Ensuring the formation of advanced capital markets - This pillar aims to make the Saudi financial market more attractive to local and international investors through a number of initiatives that will see more diversified investment products and developed legislations. The program also encourages the privatization of targeted state-owned services and sectors.
- Pillar 3: Promoting and enabling financial planning - The third pillar attempts to focus on boosting the demand and supply-sides of savings to bolster the Kingdom's savings ecosystem. This involves creating incentives to offer a diverse range of lucrative and safe savings products and simultaneously increasing awareness and promoting financial literacy and planning. A number of the planned savings products will be backed by the government and designed to help citizens achieve certain long-term goals, such as their children's future expenses, supplementary retirement income, and affordable home ownership.

These pillars are aligned with the ambitious strategic objectives of Saudi Vison 2030 of diversifying the economy, growing investments to new sectors, supporting emerging sectors and attracting foreign investment.

3.3.4 Financial Sector Institutions

The financial sector of Saudi Arabia comprises banks, non-banking financial institutions (NBFIs) and specialized credit institutions (SCIs). The total assets managed by the financial sector was worth SAR 3.42 trillion as of Q1 2021G and it registered a growth of 10.9% compared to as of Q1 2020G (SAR 3.08 trillion).

Commercial banks (Saudi domestic banks and branches of foreign banks) managed 88.7% of the total financial assets while SCIs managed 9.8% and NBFIs held 1.5% of the total assets.

3.3.5 Commercial Banks

There are a total of 32 commercial banks licensed to operate in Saudi Arabia as of Q1 2021G Of which, 12 are Saudi domestic banks (Two are licensed digital banks, however they did not commenced operation as of now) and 20 are licensed branches of foreign banks. In addition, there are 6 foreign banks which are granted a license to start their operations. The assets of commercial banks were worth SAR 3.035 billion as of Q1 2021G.

3.3.6 Specialized Credit Institutions (SCIs)

SCIs include Agriculture Development Fund (ADF), Social Development Bank (SDB), Saudi Industrial Development Fund (SIDF) and Real Estate Development Fund (REDF). The assets of SCIs were worth SAR 323 billion as of Q1 2021G.

3.3.7 Non-Banking Financial Institutions (NFBIs)

There are a total of 39 licensed non-banking financial institutions operating in the Kingdom. The non-banking financial institutions include one real estate refinance company, one microfinance company, six real estate finance companies and 31 companies offering non-real estate finance. The total assets of all these financial institutions were worth SAR 58 billion as of Q1 2021G.

3.3.8 Consumer Finance Business Model of Commercial Banks and NBFIs

SAMA regulations cap consumer financing to consumers based on Debt Burden Ratio (DBR) of their monthly disposable income (As per SAMA regulations on responsible lending principles for individual customers).

Deductions for customers whose total monthly income is 15,000 Saudi riyals or less are subject to the following restrictions:

a. The monthly credit obligations arising from the financing and related only to the monthly deduction of the total salary of the client shall not exceed 33.33% and for retired workers 25% of the total salary.

b. The monthly credit obligations other than the monthly credit obligations resulting from the real estate financing shall not exceed 45% of the total monthly income of the client.

c. The monthly credit obligations resulting from the financing shall not exceed (55%) of the total monthly income of the client. However, with regard to clients benefiting from the Ministry of Housing or the Real Estate Development Fund for real estate financing products, the monthly credit obligations resulting from the financing must not exceed (65%) of the client's total income.

Deductions for customers whose total monthly income exceeds 15,000 SAR and is less than 25,000 SAR are subject to the following restrictions:

a. The monthly credit obligations arising from the financing and related only to the monthly deduction of the total salary for the client shall not exceed (33.33%) and for retired clients (25%) of the total salary.

b. The monthly credit obligations other than the monthly obligations resulting from the real estate financing shall not exceed (45%) of the total monthly income of the client.

c. The monthly credit obligations resulting from the financing shall not exceed (65%) of the total monthly income of the client.

The burden ratio for customers with a total monthly income of SAR 25,000 or more are subject to the following restrictions:

a. The monthly credit obligations arising from the financing and related only to the monthly deduction of the total salary for the client shall not exceed (33.33%) and for retired clients (25%) of the total salary

b. The credit obligations resulting from the financing are subject to the financier's credit policies, and the financier must take into account that all of his clients are subject to an assessment of the possibility of bearing the monthly credit obligations mentioned in these principles.

3.4 Banking Sector Overview

There are 12 local Saudi banks (including two digital banks that are registered but did not start their operations until the date of this bulletin) and 20 branches of foreign banks as in the first quarter of 2021G. All local Saudi commercial banks (except for the two digital banks) are listed on the Saudi Stock Exchange (Tadawul).

Table 5: List of Saudi Commercial Banks Licensed by SAMA

Saudi Commercial Banks	Branches of Licensed International Banks	Licensed International Banks (Operations not started)
Saudi National Bank	Gulf International Bank Saudi Arabia (GIB-SA)	Trade Bank of Iraq
The Saudi British Bank (SABB)	Emirates NBD	Standard Chartered Bank
Saudi Investment Bank	National Bank of Bahrain (NBB)	Credit Suisse Bank
Alinma bank	National Bank of Kuwait (NBK)	Bank of China Limited
Banque Saudi Fransi	Muscat Bank	Banque Misr (Licensed - has not started yet)
Riyad Bank	Deutsche Bank	National Bank of Iraq (Licensed - has not started yet)
Al Rajhi Bank	BNP Paribas	

Saudi Commercial Banks	Branches of Licensed International Banks	Licensed International Banks (Operations not started)
Arab National Bank	J.P. Morgan Chase N. A	
Bank AlBilad	National Bank of Pakistan (NBP)	
Bank AlJazira	T.C.ZIRAAT BANKASI A.S.	
STC Bank (Licensed - has not started yet)	Industrial and Commercial Bank of China (ICBC)	
Saudi Digital Bank (Licensed - has not started yet)	Qatar National Bank	
	MUFG Bank, Ltd.	
	First Abu Dhabi Bank	

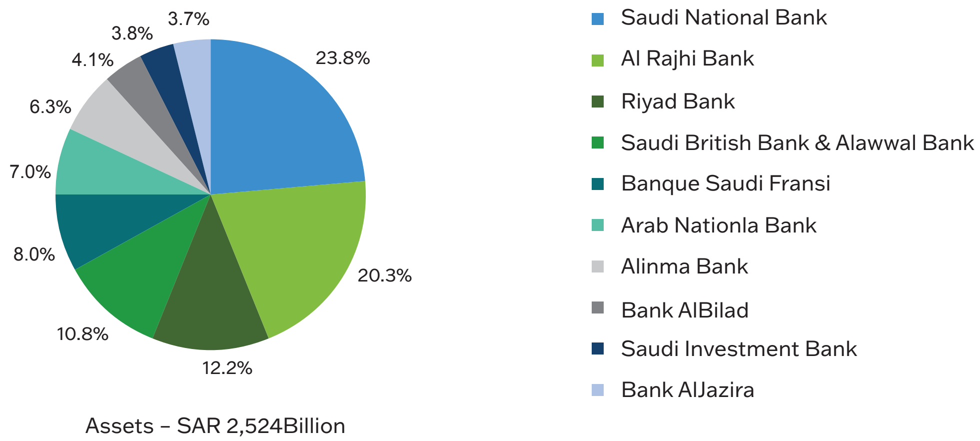
Source: SAMA

The Saudi British Bank and Alawwal bank merged in June 2019G and have legally combined their businesses.

National Commercial Bank and Samba Financial Group have also entered into a binding merger agreement in the first half of 2021G, under the name Saudi National Bank.

Market Share Analysis of Commercial Banks By Asset Size (As of Q1 2021G)

Figure 6: Market Share of Commercial Banks by Asset Size



Source: 4SIGHT analysis based on data from SAMA monthly bulletin May 2021G and annual reports / Q1'2021G financial statements of banks

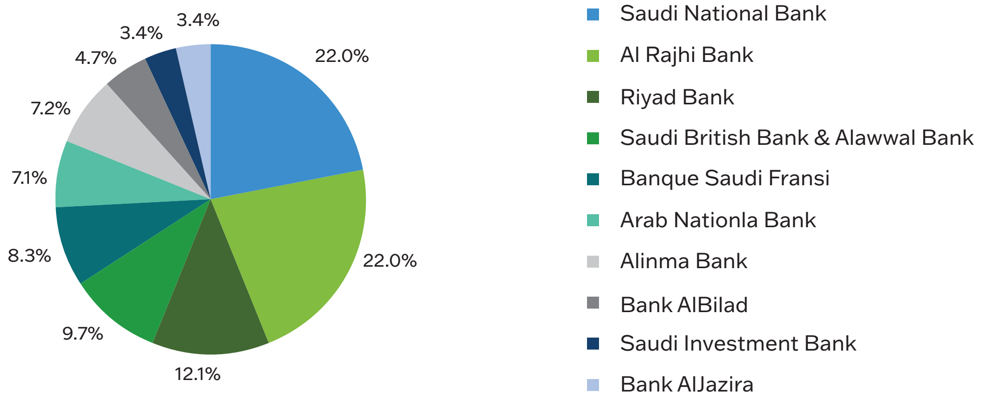
The banking sector registered strong growth rates as of Q1 2021G. The assets of banks rose by 11.4% (SAR 311 billion) to SAR 3,035 billion as of Q1 2021G with respect to the total assets as of Q1 2020G (SAR 2,724 billion).

The Saudi National Bank acquired the designation of the largest Saudi bank with assets amounting to SAR 599.6 billion (representing 23.8% of the total market), followed by Al-Rajhi Bank with assets amounting to SAR 512.2 billion (representing 20.3% of the total market) and Riyad Bank with total assets amounting to SAR 308.0 billion (representing 12.2% of the total market).

The five largest banks accounted for approximately 75% of the total financial assets of the sector.Al Rajhi Bank, Alinma Bank, Bank Albilad, and Bank AlJazira are Islamic banks specialized in providing financial products and services in compliance with Islamic Shariah principles. Together, these banks constituted approximately 34.4% of the total banking assets as in the first quarter of the year 2021G. As for the rest of the Saudi banks, they provide traditional financial services in addition to Shariah compliant products and services.

Market Share of Commercial Banks By Loans Disbursed

Figure 7: Market Share of Commercial Banks by Loans Disbursed



Loans Disbursed – SAR 1,619 Billion

Source: 4SIGHT analysis based on data from SAMA monthly bulletin May 2021G and annual reports / Q1'2021G financial statements of banks

The market share analysis shows the ranking of prominent commercial banks from the banks operating in the Kingdom - according to the disbursed loans - (except for digital banks), where the NationalCommerical Bank ranked first with a total credit value of SAR 356.7 billion, representing 22.0%, which is the same percentage as Al-Rajhi bank, where the credit value amounted to 356.1 billion Saudi riyals as in the first quarter of 2021G. Riyad Bank, Saudi British Bank, Alawwal Bank and Banque Saudi Fransi followedthe Saudi National Bank and Al Rajhi Bank, with a credit value of SAR 196.4 billion, SAR 156.7 billion and SAR 134.1 billion, respectively.The eight major banks accounted for 93% of the total loans granted, according to the statistics of the first quarter of the year 2021G.

During the period from 2015G-2018G, Saudi banks faced economic challenges due to the drop in oil prices, which began at the end of 2014G, which witnessed a contraction in government spending and a decrease in demand by the private sector. During this period, Saudi banks recorded a noticeable decline in their credit capabilities, as many companies abandoned their expansion plans until the prevailing market uncertainty and oil prices recovered, respectively.

3.4.1 GCC Non-Banking Financial Sector Overview

Financial institutions in the Gulf Cooperation Council (GCC) countries have developed greatly over the past two decades, but have remained under the control of commercial banks, according to the International Monetary Fund (GCC Financial Regulations - 2017) report. While the equity markets witnessed significant growth, the debt market witnessed limited development.

3.4.1.1 GCC financial institutions are large and dominated by banks

The total assets of GCC financial institutions (Including NBFIs and Banks) are about SAR 10.7 trillion, while the average of the group of large emerging market economies (large emerging markets - EMs are comprised of Brazil, China, India, Russia, and South Africa) are at about SAR 145.1 trillion.

It should be noted that the assets of GCC financial institutions are somewhat bigger than the average of the group large emerging market economies relative to their respective GDPs. The share of NBFIs in GCC financial institutions' assets is about 20%, which is broadly in line with the emerging markets average, however, it is much lower than the U.S. and Japan.

Table 6: GCC Financial Institutions Assets versus Competitors, 2017G

Financial Institutions	GCC	USA	Japan	Large EMs
	Assets in SAR Trillions			
Commercial Banks	8.6	82.9	66.4	120.5
Non-Banking Financial Institutions	2.1	107.9	25.1	24.6
Total	**10.7**	**190.8**	**91.5**	**145.1**
Financial institutions' assets break up in percentage				
Commercial Banks	80%	43%	73%	83%
Non-Banking Financial Institutions	20%	57%	27%	17%
Total	**100%**	**100%**	**100%**	**100%**
Financial institutions' assets as a percentage of GDP				
Commercial Banks	156%	119%	358%	141%
Non-Banking Financial Institutions	39%	155%	135%	44%
Total	**195%**	**274%**	**493%**	**185%**

Source: IMF Report 2017G

3.4.1.2 GCC banking system vary in size and depth

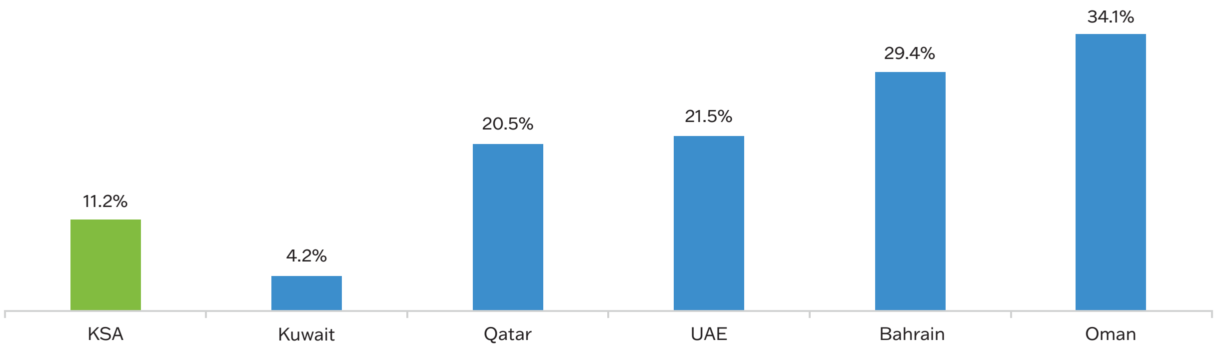
GCC banking system is well-capitalized, largely domestically owned, and with significant public and quasi-public ownership. Bahrain (the smallest economy in the region) ranks first in terms of banking system depth (with a ratio of banking system assets to non-oil GDP of 820%), and Saudi Arabia (by far the largest economy in the region) has the lowest ratio of banking system assets to non-oil GDP, at 131%.

3.4.1.3 Consumer Financing by Banks as Percentage of GDP in 2019G

The consumer finance market is largely dominated by banks in GCC countries. It can be seen that the consumer finance market in Saudi Arabia has higher than average growth opportunity compared to other GCC countries, given the relative under penetration which offers a huge opportunity for Non-Banking Financial Institutions.

Consumer finance by banks accounted for 11.2% of GDP in Saudi Arabia in 2019G, as compared to an average of 20.2% for all the GCC countries including Saudi Arabia.

Figure 8: Consumer Financing by Banks as Percentage of GDP (2019G)



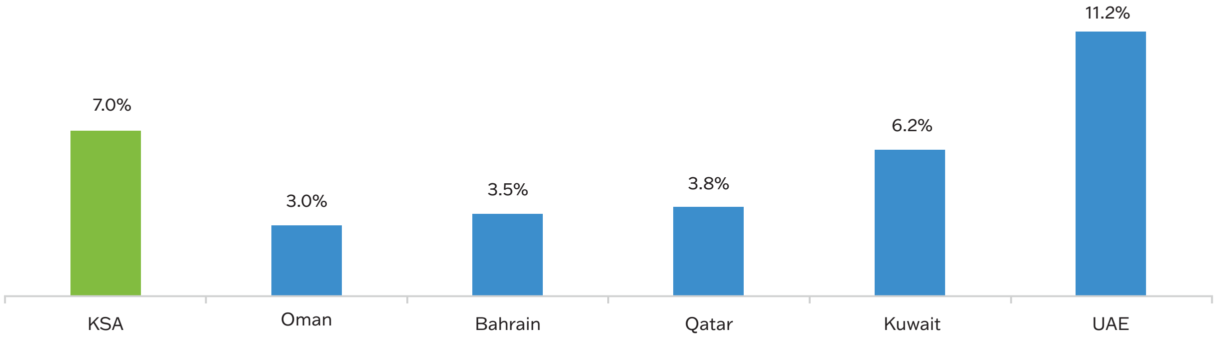
Note: Consumer Financing by banks as percentage of GDP for Oman is considered for 2018G due to unavailability of data for 2019G, while for the rest of the GCC countries it is considered for 2019G

Source: 4SiGHT analysis based on data from annual reports of Central Banks of reported countries for the year 2019G

3.4.1.4 MSME Financing as Percentage of Total Commercial Loans by Banks in 2019G

In 2019G, MSME financing in Saudi Arabia represented 7% of the total commercial loans by banks. This is well below benchmark levels set in the Kingdom's Financial Sector Development Program (33%) thus offering a significant opportunity for Non-Banking Financial Institutions.

Figure 9: MSME Financing as Percentage of Total Commercial Loans by Banks (2019G)



Note: MSME Financing by banks as percentage of total gross loans for Oman is considered for 2018G due to unavailability of data for 2019G, while for the rest of the GCC countries MSME Financing by banks as percentage of total commercial loans is considered for 2019G

Source: 4SiGHT analysis based on data from annual reports of Central Banks of reported countries for the year 2019G

3.5 Non-Banking Financial Institutions in Saudi Arabia

3.5.1 Licenses Provided by SAMA to NBFIs

SAMA is the regulatory agency that oversees the financial sector in Saudi Arabia and enforces regulations Moreover, SAMA develops regulatory and supervisory frameworks to enhance the financial stability of this sector, ensure fair transactions for all stakeholders, and support sustainable economic growth.

SAMA licenses all financial institutions in Saudi Arabia finance company to engage in one or more of the following activities:

- Real-estate finance
- Production asset finance
- Small and Medium Enterprise finance
- Finance lease
- Credit card finance
- Consumer finance
- Micro finance
- Any other activity approved by SAMA

SAMA has clearly specified that a finance company may not engage in activities other than finance activities or acquire, directly or indirectly, other entities engaging in activities other than finance activities.Same goes for trade in currencies, gold, precious metals, or securities real estate, or engage in wholesale or retail trading. In the same line finance companies are not allowed to accept time deposits or non-banking facilities or opening accounts of all types for its clients, unless licensed by SAMA. The company shall deposit with SAMA a percentage of the value of the deposits as specified by the regulations and obtain foreign short-term finance without obtaining the approval of SAMA as specified by the regulations.

The following table shows the list of NBFIs operating in Saudi Arabia:

Table 7: List of Licensed Non-Banking Financial Institutions

Companies Licensed to Provide Non-Real Estate Finance		Companies Licensed to Provide Real Estate Finance
Nayifat Finance Company	Al Amthal Financing	Amlak International
Morabaha Marina	Matager Finance Company	Dar Al Tamleek
Quara Finance Company	Saudi Finance Company	Saudi Home Loans
Emkan Finance	Gulf Finance Saudi Arabia	Deutsche Gulf Finance
United Company for Financial Services (Tas'heel Finance)	Al Jasriah Company	Abdul Latif Jameel Real Estate Finance
Tawkelat Financing Company	Dar Aletiman Al Saudi	Bidaya Home Finance
National Finance Company	Ijarah Finance	**Companies Licensed to Provide Real Estate Refinance**
Al Raedah Finance	Tayseer Arabian Company	Saudi Real Estate Refinance Company
Tamwily International Company	Own Financing Company	**Companies Licensed to Provide Micro-Business Finance**
Osoul Modern Finance Company	Gulf Lifting Financial Leasing Company	Bab Rizq Jameel
	Tamam Financial Company (Micofinance)	
Abdul Latif Jameel United Finance Company	Aljabr Financing Company	
Al Yusr Leasing and Financing	Tamweel Al-Oula	
Yanal Finance (formerly Saudi ORIX Leasing)	Raya Financing Company	
AJIL Financial Services Company	Taajeer Finance Company	
Saudi Fransi For Finance and Leasing	American Express Company	
Kirnaf Finance		

Source: SAMA

The total number of finance companies is 39 licensed companies according to the data of the fiscal year 2020G, including six companies specialized in real estate finance, one in microfinance and one in financing small enterprises, while the other 31 provide non-real estate financing services.

Nayifat Finance Company is a prominent player in the personal finance segment. The other prominent NBFIs in this segment are Morabaha Marina, Quara Finance Company, Emkan Finance, Tas'heel Finance, Tawkelat Financing Company, National Finance Company and Al Raedah Finance.

Abdul Latif Jameel United Finance Company and Al Yusr Leasing and Financing are prominent NBFIs in the auto financing segment. While Yanal Financial Company (formerly Saudi ORIX Leasing), AJIL Financial Services Company, Saudi Fransi For Finance and Leasing, and Al Amthal Financing are major NBFIs in equipment leasing/commercial vehicle leasing segment.

3.5.2 Key Regulatory Developments in NBFI Sector

The key developments in SAMA's regulations to advance the non-banking finance sector during 2019G were as follows:

- Working on the Risk-Based Supervision Project for Finance Companies, which is aimed at directing resources towards high-risk activities.
- Issuing a number of regulations for the finance companies' sector, including Rules Regulating Consumer Microfinance Companies, the Updated Rules of Engaging in Microfinance Activity, cancelling compulsory IPOs of finance companies, amending some articles of the Implementing Regulations of the Finance Companies Control Law and the Rules Governing Disposal of Finance Assets or Their Contractual Rights, Rules for Lessor's Recovery of Movable Assets in Finance Lease Contracts, and Requirements of Mortgage Registration and Documentation.
- SAMA is working on a number of initiatives aimed at training finance companies' employees and improving awareness of rules and regulations within the financial sector.

Regarding SAMA's supervisory role, 23 circulars were issued during 2019G on a number of topics related to finance companies' activities, including:

1- a circular regarding rules on ownership of properties within Makkah and Madinah's borders for banks and real estate finance companies,

2- a circular on amendment of some articles of the Implementing Regulations of the Finance Companies Control Law and Rules Governing Disposal of Finance Assets, and

3- a circular on the updated Microfinance Rules.

The circulars were issued with the aim of protecting clients' rights and advancing and maintaining the stability of the sector.

A number of controls and rules were also issued in 2019G, including:

1- the Rules on Outsourcing for Finance Companies

2- the second update of the Requirements for Appointments to Senior Positions in Financial Institutions Supervised by SAMA

3- the Controls for the Settlement of Total Loss in Motor Finance Lease Contracts, and

4- Rules for Lessor's Recovery of Movable Assets in Finance Lease Contracts.

The total number of finance-related rules and regulations published on SAMA's website until the end of 2019G reached 22.

The key developments in SAMA's regulations in 2020G were as follows:

Deposit Taking Finance Companies (DTFCs) Regulations 2020G:

SAMA regulations are applicable to all Deposit Taking Finance Companies operating in the Kingdom of Saudi Arabia. The regulation is briefly mentioned as below:

- DTFCs are authorized to mobilize savings and time deposits from non-individual customers and to grant loans, credits and advances out of such deposits while observing liquidity ratios with regard to its liquid assets vis a vis total deposit liabilities and other prudential regulations as prescribed for DTFCs.
- DTFCs shall maintain one or more records of specified particulars in the case of every depositor such as name, address of depositor, types of deposit, date of receipt/date of renewal, date of maturity and profit rate payable. The registers are required to be kept at the place of business and preserved in good order for five calendar years following the financial year in which the latest entry was made of the repayment or the renewal of the deposit.
- No Finance Company shall carry out deposit taking business without prior SAMA written approval to designate it as a Deposit Taking Finance Company (DTFC)
- An application seeking SAMA's approval to carry out deposit taking business shall be accompanied by the Feasibility Study and three-year business plan of proposed deposit taking business detailing the mission, vision, scope and nature of business operations, profitability analysis and internal controls and monitoring procedures.

Rules Governing Credit Exposure Classification and Provisioning 2020G:

The main objectives of these rules are to enable finance companies to

- Evaluate the degree of credit risk associated with exposures;
- Prudently value exposure portfolio;
- Determine and make adequate provisions for expected credit losses following robust governance; and
- Achieve uniformity and consistency in exposure classification and provisioning methodologies.

SAMA Support Program for Private Sector against Covid-19 Financial and Economic Impacts:

As part of its role in activating the available monetary policy tools and enhancing financial stability, including enabling the financial sector to support the growth of the private sector, and supporting the efforts of the government in combating the Coronavirus (COVID-19) and mitigating its expected financial and economic impacts on the private sector, especially on SME sector. SAMA announced the introduction of Private Sector Financing Support Program with a total value of about SAR 50 billion in March 2020G.

The program aimed at supporting and enabling the private sector to promote economic growth through a package of measures that include the following:

3.5.2.1 Supporting SME Finance

The purpose of the program is to mitigate the impacts of precautionary coronavirus measures on the SME sector, specifically by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow during the coming period and contributing to supporting economic growth, and maintaining employment. The program consists of three basic elements which are the following:

1- Deferred Payments Program: Depositing an amount of SAR 30 billion to enable banks and financing companies to delay payment of dues from SMEs for a period of six months as of its date. On June 22, 2021G, it was announced that the program would be extended for an additional three months from the first of July 2021G to end on thirtieth of September of this year, for the category of micro, small and medium enterprises that are still affected by the spread of the pandemic and the precautionary measures that resulted. The extension of the time frame of the program comes in line with the role of the Central Bank to maintain stability in the financial sector, and to enable financial institutions to support economic growth and employment levels in the private sector. The Central Bank clarified that during the extension period, micro, small and medium enterprises will be subject to assessments by the financial institutions to determine whether they are still suffering from the consequences sufficiently that the extension is secured for them upon

2- On March 29, 2020G, the company concluded an agreement with the Central Bank regarding this program, according to which the company obtained facilities estimated at SAR 7.4 million in three installments. The first on 10/5/2020G amounted to 2.7 million Saudi riyals, the second on 23/12/2020G with an amount of SAR 4.3 million, and the third on 30/12/2020G amounted to SAR 0.4 million.

3- Funding for Lending Program: Providing concessional finance of about SAR 13.2 billion for SMEs by granting loans from banks and finance companies to the SME sector to support business continuity and sector growth during the current stage in a way that contributes to supporting economic growth and maintaining employment levels in these enterprises.

4- Loan Guarantee Program: Depositing an amount of SAR 6 billion at banks and insurance companies in order to enable them to relieve SMEs from the finance costs of KAFALA Program for the purpose of minimizing finance costs for entities eligible to utilize those guarantees during the Fiscal Year 2020G and support finance expansion.

3.5.2.2 Supporting Fees of POS and E-Commerce

This is accomplished via supporting payment fees of all stores and entities in the private sector for a period of 3 months, with an amount exceeding SAR 800 million. SAMA will pay these fees to payment service providers participating in the national system.

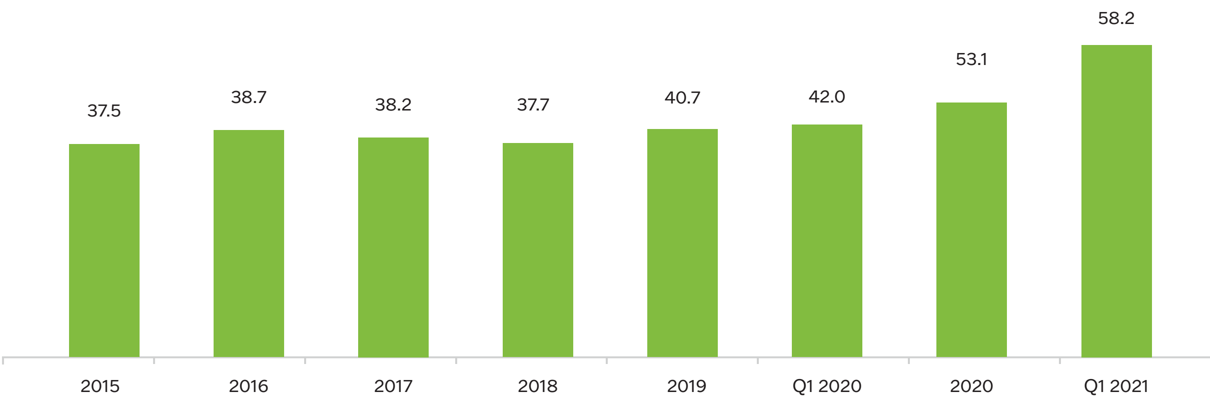
3.5.2.3 As regards institutions affected by the precautionary measures implemented in the cities of Makah and Medina, SAMA is now coordinating with banks and finance companies to facilitate finance repayments of such institutions.

3.5.2.4 SAMA has reassured that the banking sector is still registering good performance indicators, and this will improve its resilience to cope with future challenges and crises. These indicators are clearly reflected in the continuity of the commercial banks performing their vital role in the economic development of the Kingdom. SAMA has also reaffirmed that it will continue its role of maintaining financial stability and raising the efficiency of the financial sector to support the Kingdom Vision 2030.

3.5.3 Asset Size of NBFIs (Real Estate and Non-Real Estate)

The total assets of NBFIs were worth SAR 58.2 billion as of Q1 2021G and it registered a robust growth of 38.6% compared to as of Q1 2020G

Figure 10: Total Asset Size of NBFIs (SAR Billion) – (2015G to Q1 2021G)

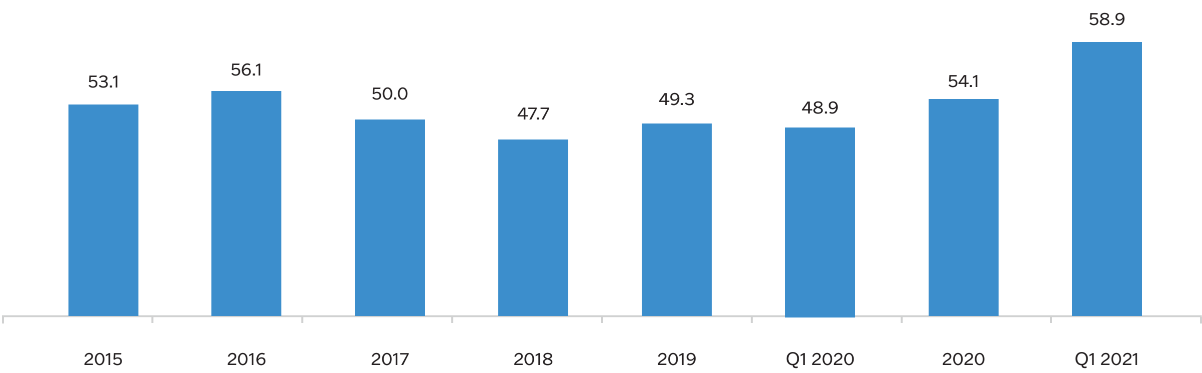


Source: 4SiGHT analysis based on data from SAMA monthly bulletin November 2020G

3.5.4 Loans Disbursed by NBFIs (Real Estate and Non-Real Estate)

The total loans disbursed by NBFIs totaled SAR 58.9 billion as of Q1 2021G, and it registered a growth of 20.8% with respect to as of Q1 2020G (SAR 48.9 billion).

Figure 11: Loans Disbursed by NBFIs (SAR Billion) – (2015G to as of Q1 2021G)

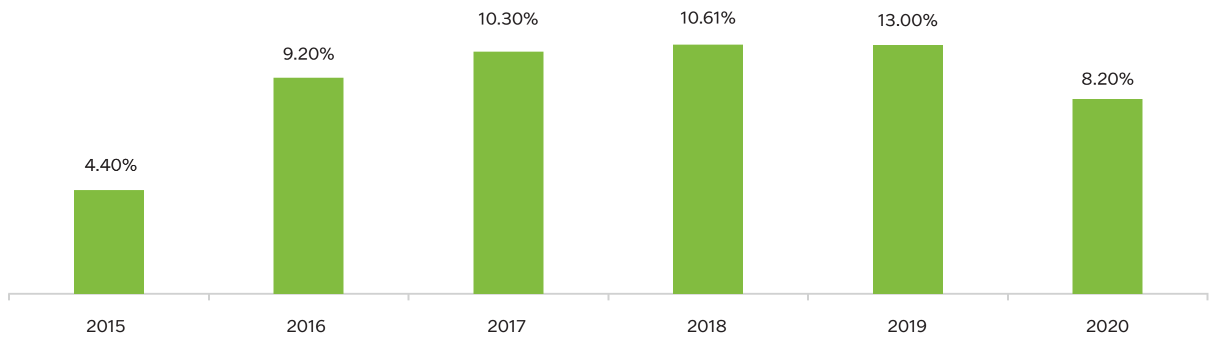


Source: 4SiGHT analysis based on data from SAMA monthly bulletin November 2020G

3.5.5 NPL Ratio of NBFIs (Real Estate and Non-Real Estate)

Non-performing loans (NPLs) of real estate and non-real estate NBFIs declined for the first time since 2015G, reaching 8.2% in 2020G. The decline was attributed to the write-offs and redemption of NPLs in addition to the increase in total lending.

Figure 12: NPL Ratio – (2015G to 2019G)

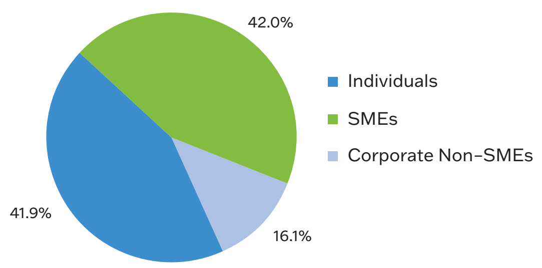


Source: SAMA Financial Stability Reports 2016G to 2020G

In 2020G, the wholesale and retail sector represented 41.9% of total NPLs, while MSMEs and corporate non-MSMEs sectors accounted for 42% and 16.1%, respectively.

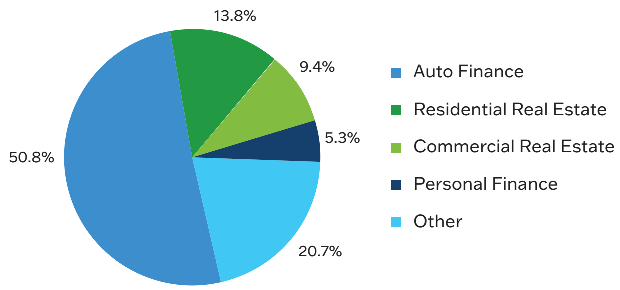
In terms of NPLs by business activity, auto loans represented 50.8% of the total NPLs by the end of 2020G, while real estate-residential and real estate-commercial accounted for 13.8% and 9.4%, respectively. Personal loans accounted for 5.3% while the category “others” accounted for 20.7%.

Figure 13: NPL by Sector – (2020G)



Source: SAMA Financial Stability Report 2016G to 2021G

Figure 14: NPL by Business Activity – (2020G)



Source: SAMA Financial Stability Report 2016G to 2021G

3.6 Competitive Position of Non-Real Estate Financial Institutions

Table 8: Competitive Position of Prominent NBFIs in Personal Finance Segment (As of 31st December 2020G)

Key Performance Indicators (Million SAR, if not otherwise mentioned)	Nayifat Finance Company	Morabaha Marina	Maalem Finance Company	United Company for Financial Services (Tas'heel Finance)	Emkan Finance Company
Type of License	Consumer Finance SME Finance Credit Card Lease Finance	Consumer Finance MSME Finance Productive Asset Lease Finance	Consumer Finance MSME Finance Lease Finance	Consumer Finance	Consumer Finance SME Finance Productive Asset Lease Finance
Type of Customer	SME Retail	SME Retail	SME Retail	Retail	SME Retail
Type of Products	Personal Loan Equipment Credit Card	Auto Personal Loan Commercial Vehicle Equipment	Auto Personal Loan Commercial Vehicle Equipment	Personal Loan	Personal Loan
Number of Branches (As of Q3 2019G)	26	16	4	20	1
Revenue	416.9	105.6	70.9	130.6	156.6
Net Income After Zakat & Tax	201.4	34.1	(51.4)	20.7	14.4
Return on Average Equity (%)	18.9%	11.0%	(26.2%)	8.6%	4.3%

Source: 4SiGHT analysis based on data from 2020G financial statements of companies

Return on Average Equity for Nayifat Finance Company as of Q3 2020G was at 18.9% which is the highest among its close competitors as in Table 5.

Table 9: Competitive Position of Prominent NBFIs in Auto Finance & Equipment Finance Segment (As of 31st December 2020G)

Key Performance Indicators (Million SAR, if not otherwise mentioned)	Abdul Latif Jameel United Finance	Al-Yusr Leasing and Financing Company	AJIL Financial Services Company	Saudi ORIX Leasing Company
Type of License	Lease Finance Consumer Finance Productive Asset	Lease Finance Consumer Finance MSME Finance Productive Asset	Lease Finance Productive Asset	Lease Finance
Type of Customer	MSME Retail	MSME Retail	MSME	MSME
Type of Products	Auto Personal Loan Commercial Vehicle Equipment	Auto Personal Loan Commercial Vehicle Equipment	Commercial Vehicle Equipment	Auto Commercial Vehicle Equipment
Number of Branches (As of Q3 2019G)	190	19	6	6
Revenue	408.0	197.4	131.2	110.6
Net Income After Zakat & Tax	280.2	(76.3)	(44.5)	14.1
Return on Average Equity (%)	8.9%	(6.9%)	(5.2%)	1.6%

Source: 4SiGHT analysis based on data from 2020G financial statements of companies

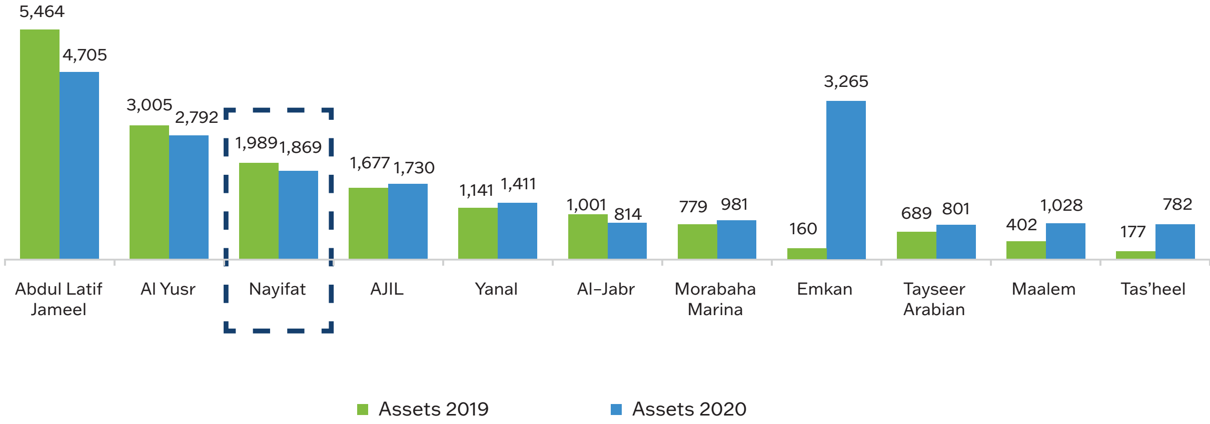
3.6.1 Non-Real Estate NBFIs – Asset Size Analysis

The asset size analysis of 10 prominent non-real estate NBFIs reveal that Abdul Latif Jameel, and Al Jabr registered a strong decline in growth in its assets by around 13.9% and 18.7%, respectively, taken as of 31st December 2020G, compared to 2019G. Nayifat registered a slight decline in its assets by 6%.

Emkan Finance and Tas'heel Finance, are new entrants in the non-real estate NBFI sector, which started their operations in 2019G and registered substantial increase in assets during 2020G. The principal activity of these companies is consumer financing. Yanal (Orix Leasing), Tasheel, Morabaha Marina and Qura Finance also witnessed strong growth of 23.7%, 341.9%, 26% and 155.3% respectively.

Morabaha Marina, Quara, Emkan and Tas'heel Finance are the major competitors of Nayifat in the consumer/personal financing segment.

Figure 15: Non-Real Estate NBFIs Asset Size – SAR Million (2019G and as of Q3 2020G)



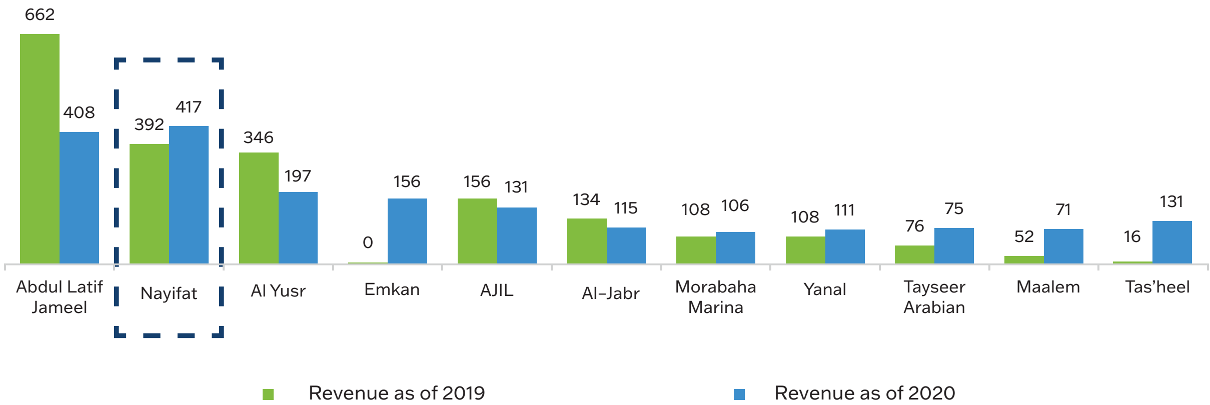
Source: 4SiGHT analysis based on data from 2019G annual reports and Q3'2020G financial statements of companies

3.6.2 Non-Real Estate NBFIs – Revenue Analysis

Most of NBFIs registered a decline in their revenues during 2020G with respect to 2019G.Abdul Latif Jameel registered a strong decline in its revenue by around 38.4% in 2020G with respect to 2019G.

Nayifat and Quara witnessed a growth of 6.3% and 35.6% respectively as taken for the year 2020G as compared to 2019G. However, it's worth noting that Nayifat's revenue of SAR417 million was the highest among the Non-Real Estate NBFI's. Emkan Finance and Tas'heel Finance, being new entrants, recorded revenue of SAR156 million and 130.6 million respectively, during 2020G.

Figure 16: Non-Real Estate NBFIs Revenue – SAR Million (as taken for the year 2019G and 2020G



Source: 4SiGHT analysis based on data from Q3'2019G and Q3'2020G financial statements of companies

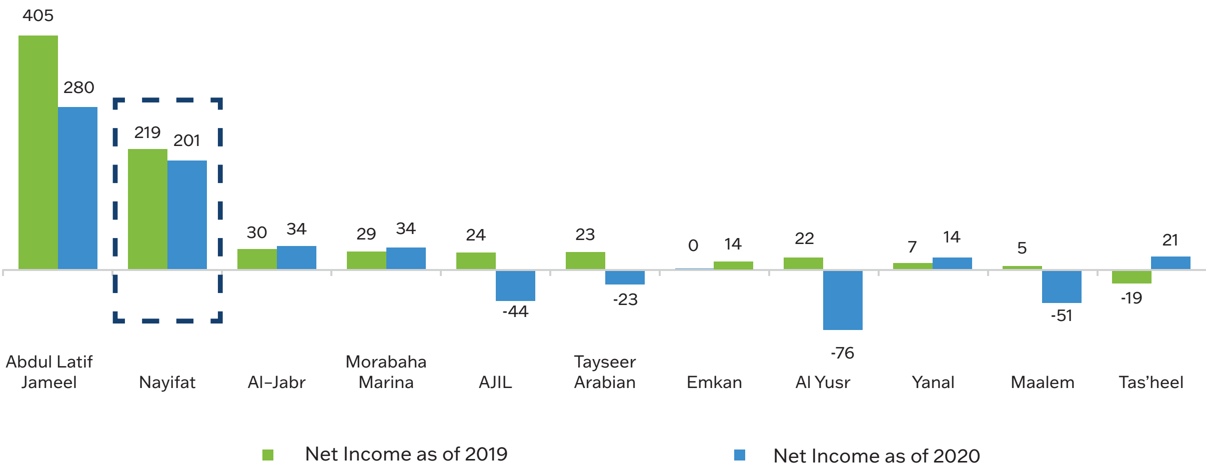
3.6.3 Non-Real Estate NBFIs – Net Income Analysis

Most of the NBFIs registered a decline in their net income during the year 2020G as compared to 2019G.

Abdul Latif Jameel, Al Yusr, AJIL, Tayseer Arabian and Quara registered net losses while Nayifat registered a slight decline by 7.9% for the year 2020G over 2019G.

Al-jabr, Yanal and Morabaha Marina were the only 3 companies which registered a growth in their net income for the year 2020G. Emkan finance having started operations in 2019G recorded a net income of SAR 14.4 million during 2020G.

Figure 17: Non-Real Estate NBFIs Net Income After Zakat & Tax – SAR Million (2019G and 2020G)



Source: 4SiGHT analysis based on data from Q3'2019G and Q3'2020G financial statements of companies

3.6.4 Key Competitor's Profile: (4SiGHT analysis based on available data from annual reports and financial statements of the competitors)

3.6.4.1 Nayifat Finance Company:

Nayifat Finance Company (NFC) was originally registered as a limited liability company in 2002G and then converted to a closed joint stock company. It is headquartered in Riyadh and operates through its 27 branches across Saudi Arabia.

Business Activities: The Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance, and credit card finance in the Kingdom as per the SAMA license renewed in 2018G. The Company has also obtained license to introduce FinTech products in the Kingdom.

Financial Performance: The revenues of NFC stood at SAR 416.9 million as of 2020G. It was at SAR 392.3 million in 2019G, where it increased significantly by 20.6% compared to 2018G. The increase in revenue was mostly due to increase in income from Islamic financing (Tawarruq Consumer Islamic Financing), which is the prominent segment of Nayifat.

Table 10: Details on Loans by Segments:

Loans by Segments* (SAR million)	2015G	2016G	2017G	2018G	2019G	2020G
Consumer/Personal Loans	1,704.5	1,607.2	1,574.8	1,503.6	1,730.8	1,445.7
Credit Cards	-	-	-	-	-	8.9
SME Loans	24.3	11.3	1.8	-	26.7	100.5
Total	**1,728.8**	**1,618.5**	**1,576.6**	**1,503.6**	**1,757.5**	**1,555.1**

*Loans by segments indicates principal outstanding amount (gross receivable less unearned finance income)

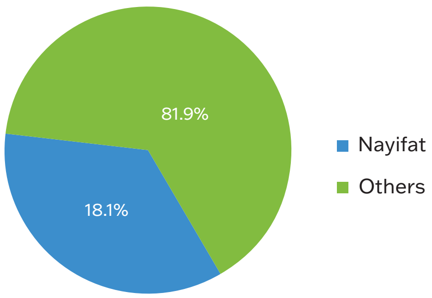
Table 11: Details on Loans by Products:

Loans by Products**	2015G	2016G	2017G	2018G	2019G	2020G
Tawarruq	1,717.9	1,615.4	1,575.8	1,503.5	1,757.5	1,546.2
Ijarah	10.0	2.1	0.5	0.1	-	-
Murabaha	0.9	1.0	0.3	-	0.03	0.03
Credit Cards	-	-	-	-	-	8.9
Total	**1,728.8**	**1,618.5**	**1,576.6**	**1,503.6**	**1,757.5**	**1,555.1**

**Loans by products indicates principal outstanding amount (gross receivable less unearned finance income)

3.6.4.1.1 Market Share of Nayifat Finance Company in Consumer/Personal Finance Segment

Figure 18: Nayifat's Market Share (Q1 2021G)



Personal Finance – SAR 8,734 Billion

The total outstanding loans by non-real estate NBFIs in the personal finance segment as of Q1 2021G stood at SAR 8,734 million (Gross loans less unearned finance income).

Nayifat, with total credit of SAR 1,598.8 million held a market share of 18.1%.

Others, which included majorly Morabaha Marina, Tas'heel Finance, Emkan Finance, Quara etc. collectively contributed the rest 81.9% of the personal finance market as of Q1 2021G.

The percentage of consumer loans from the financing portfolio of Nayifat reached 6.92% as of Q1 2021G. For more details about the financing portfolio, please refer to Section 6-6-2 "Statement of Financial Position" and Table (77): Islamic financing receivables by sector.

Strategy: Nayifat is diversifying its portfolio of offerings and expanding its reach across Saudi Arabia. The company launched credit cards in 2020G and as of March 2021G, was the only NBFI with a VISA credit card offering. Nayifat has also obtained a SAMA license for FinTech products; in the aim to attract local businesses that are looking to leverage existing and/or new technology in an innovative way (For more about the FinTech market in the Kingdom, please review section 3.7.7 "FinTech Market in Saudi Arabia"), through which the Central Bank aims to attract local companies looking to take advantage of current technology and/or new technology in ways Innovative (for more details, please see subsection 4.5.5 "FinTech Lending" of this prospectus). The company is also in the process of expanding its MSME business through regional branches in Saudi Arabia.

Shareholders: FALCOM Holding Company is the major shareholder in Nayifat Finance Company (For more details, please refer to Table 2: "Substantial Shareholders and Their Ownership Percentages in the Company Pre-Offering and Post- the Offering").

3.6.4.2 Morabaha Marina Financing Company:

Morabaha Marina Financing Company is a Saudi joint stock company which was registered in 2012G. It is headquartered in Riyadh and it operates through its 16 branches (including head office) across Saudi Arabia.

Business Activities: The company engages in leasing and providing financing facilities to small and medium enterprises and consumers. In addition, the Company finances productive assets and offers consumer finance in accordance with approval from SAMA in September 2014G.

Financial Performance: The company's revenue stood at SAR 105.6 million as in 2020G registering a decline of 2.5% compared to 2019G (SAR 108.3 million).

Table 12: Details on Revenue by Products:

Revenue (SAR Million)	2018G	2019G	2020G
Tawarruq	83.9	104.0	103.8
Ijara	2.8	2.6	1.6
Murabaha	6.5	1.7	0.3
Total	**93.2**	**108.3**	**105.6**

3.6.4.3 Quara Financing Company:

Quara Financing Company is a Saudi closed joint stock company which was registered in February 2009G. It is headquartered in Riyadh and it operates through its 4 branches (including head office) across Saudi Arabia.

Business Activities: The company is authorized to provide lease finance, consumer finance and small and medium enterprise finance in accordance with the approval from SAMA which was obtained in May 2016G.

Financial Performance: The company's revenue stood at SAR 70.9 million as of 2020G which represents a growth of 35.6% with respect to 2019G (SAR 52.3 million).

Table 13: Details on Murabaha Receivable:

Murabaha receivable, Net (SAR Million)	2018G	2019G	2020G
Murabaha receivable	335.8	412.0	1,092.2
Less: Unearned revenue	(63.6)	(64.9)	(160.3)
Less: Modification loss on restructuring of financings	-	-	(30.0)
Murabaha receivable, net	272.2	347.1	901.9

Shareholders: Aman Company for Trade, Thuraya Investment Company and Mayasem Investment Company are the 3 shareholders in the company each holding a share of 33.33%.

3.6.4.4 United Company for Financial Services (Tas'heel Finance):

United Company for Financial Services is a Saudi closed joint stock company which was registered in January 2019G. It is headquartered in Al Khobar and it operates through its 20 branches (including head office) across Saudi Arabia.

Business Activities: The principal activity of the company is consumer financing in accordance with approval from SAMA on May 1, 2019G.

Financial Performance: The company's revenues stood at SAR 130.6 million as of 2020G, which represents a substantial growth from SAR 15.6 million as of 2019G.

Table 14: Details on net Investment in Islamic Financing Contracts:

Investment in Islamic financing contracts, NetFinancing Contracts, net (SAR Million)	2019G	2020G
Tawaruq contracts receivables, net	108.7	451.2
Murabaha contracts receivables, net	35.2	252.0
Total	**143.9**	**703.2**

Shareholders: United Electronics Company, the parent company of United Company for Financial Services holds 100% ownership in the company.

3.6.4.5 Emkan Finance Company:

Emkan Finance Company is a Saudi one person closed joint stock company established in January 2019G. It is headquartered in Riyadh and it a new entrant in the non-real estate NBFI sector in Saudi Arabia.

Business Activities: The company offers consumer financing, financing productive assets, auto leasing, and MSME financing in accordance with approval from SAMA in April 2020G.

Financial Performance: The total assets of the company stood at SAR 3,264.8 million as at 31st December 2020G. The company earned net income of SAR14.4 during the year 2020G.

Table 15: Details on Murabaha Financing Receivables:

Murabaha financing receivables (SAR Million)	2020G
Gross receivables, net	4,440.7
Less unearned finance income	(1,242.5)
Less Impairment Losses	(55.7)
Total	**3,142.5**

Shareholders: Emkan finance is a subsidiary of Al Rajhi Banking and Investment Corporation.

3.6.4.6 Abdul Latif Jameel United Finance:

Abdul Latif Jameel United Finance (ALJUF) was registered in December 2010G and is headquartered in Jeddah. The company operates through 190 branches (including head office) across Saudi Arabia as of December 2019G. It was licensed by SAMA in December 2014G to undertake activities of finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia after changing its legal status from limited liability to a Saudi closed joint stock company in October 2014G.

Business Activities: The company offers lease financing in the automotive, personal finance, commercial vehicle, and equipment sectors, with a special focus on car leasing for Toyota and Lexus.

Financial Performance: The revenues of the company stood at SAR 320.2 million as of Q3 2020G. The company's revenues stood at SAR 662.5 million during 2019G experiencing a decline of 15.2% compared to 2018G (SAR 781.1 million). The decline in revenue was mostly due to decrease in income from (i) installment sales by 27.7% and (ii) purchase and agency agreements by 23% in 2019G compared to 2018G. Income from finance leases, however, registered an increase of 9.7% from SAR 164.9 million in 2018 to SAR 181.0 million during 2019G.

Financial Performance: The company's revenue stood at SAR 408 million in 2020G, and it declined by 38.4% with respect to 2019G (SAR 662.5 million).

Accordingly, Net Income for the year 2020G of SAR280.2 million was 30.8% lower than 2019G.

Table 16: Details on Revenue by Segments:

Revenue (SAR Million)	2018G	2019G	2020G
Income from instalment sales	295.9	214.0	73.7
Income from finance leases	165.0	181.0	121.8
Contract fee income	31.6	27.2	18.1
Income from purchase and agency agreements	277.2	213.4	147.4
Others	11.3	26.9	47.0
Total	**781.1**	**662.5**	**408.0**

Shareholders: Abdul Latif Jameel United Finance is a subsidiary of Al Mumaizah United Commerce Company Limited. Other shareholders include Altawfiq United Company, Taif First United Company Limited, Bader First United Company Limited, and Najid Al Raeda United Company Limited.

3.6.4.7 Al Yusr Leasing and Financing Company:

Al Yusr Leasing and Financing Company is a subsidiary of Abdullatif Alissa Group Holding Company. It is headquartered in Riyadh and operates through 26 branches (including head office) across Saudi Arabia as of December 2019G.

It was registered as a closed joint stock company in December 2003G and received its finance lease license in February 2014G.

Business Activities: The main activities of the Company are to engage in Islamic finance lease, financing of small and medium-sized enterprises, financing of productive assets, and consumer finance.

The company primarily caters to the retail segment, which accounts for about 70% of its credit disbursement, while MSMEs account for the remaining 30%.

Financial Performance: In 2020G, Al Yusr's total revenue stood at SAR 197.4 million having declined by 43% compared to 2019G. The decline in revenue was mostly due to a significant decrease in income from Ijarah, murabaha and securitized receivables while income from tawarruq increased during the same period.

Revenue (SAR Million)	2018G	2019G	2020G
Income from Murabaha	118.9	170.3	58.4
Income from Ijarah	205.6	82.9	61.6
Income from Tawarruq	0.2	21.1	40.4
Net income from securitized receivables	26.9	72.0	37.1
Total	**351.6**	**346.3**	**197.4**

Shareholders: Abdullatif Alissa Group Holding Company holds 99.8% of the company's shares, with the remaining 0.2% held by Gulf Development.

3.6.4.8 AJIL Financial Services Company:

AJIL Financial Services Company (AJIL) was registered in Saudi Arabia in November 1997G. It is headquartered in Jeddah and has 6 branches (including head office) across the Kingdom. The company changed its legal status from a limited liability company to a closed joint-stock company in June 2008G. It received its license to conduct lease financing in the Kingdom from SAMA in May 2014G.

Business Activities: The company provides financial leasing transactions, finances productive assets to small and medium enterprises, and buys, sells, leases, and rents commercial real estate, lands, and buildings of all kinds, transferring them and disposing of them for the purposes of finance leasing.

Financial Performance: The total revenues of AJIL in 2020G stood at SAR 131.1 million which represents a decline of 15.9% compared to 2019G. The decline in revenue was mostly due to a decrease in earned lease income by 22.0% from SAR 129.1 million in 2019G to SAR 100.2 million in 2020G, however, income from Murabaha financing registered an increase worth SAR 5.9 million in 2020G compared to 2019G.

Table 17: Details on revenue by segments:

Revenue (SAR Million)	2018G	2019G	2020G
Income from Finance Lease	159.3	129.1	100.2
Income from Murabaha	13.0	4.7	3.0
Other Income	8.3	22.0	27.9
Total	**180.6**	**155.8**	**131.1**

Shareholders: Riyad Bank, Zahid Group Holding Company Limited, MC Netherlands Leasing and Finance B.V., Mitsubishi UFJ Lease & Finance Co. Ltd., Al-Yemni Motors Company Limited, Al-Wasilah Rent A Car Company Limited and Khaled Ahmed Al-Juffali Company are the stakeholders of AJIL Financial Services Company.

3.6.4.9 Yanal Finance Company (formerly Saudi ORIX Leasing Company):

Yanal Finance Company was incorporated in January 2001G as a closed joint-stock company, where it is the first finance lease company to get a license from SAMA (in February 2014G). It is headquartered in Riyadh and has five branches, located in Dammam, Jubail, Jeddah, Makkah, and Khamis Mushait.

Business Activities: The company provides lease financing for movable and immovable assets and Murabaha financing to all economic sectors in Saudi Arabia.

Financial Performance: In 2020G, Yanal Finance reported a revenue at SAR 110.6 million which was 2.2% higher than the revenue of SAR 108.1 million in 2019G. The higher revenue was mostly due to an increase in income from Murabaha and other income while the income from finance lease remained lower in 2020G compared to 2019G.Details on revenue by products:

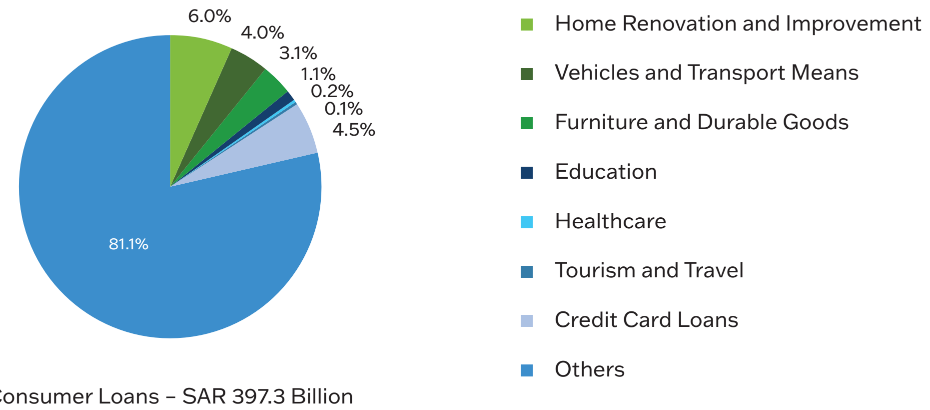
Revenue (SAR Million)	2018G	2019G	2020G
Income from Finance Lease	104.8	92.5	86.0
Income from Murabaha	0.2	9.9	15.4
Other Income	6.3	5.7	9.3
Total	**111.3**	**108.1**	**110.6**

Shareholders: The Saudi Investment Bank (SAIB), Trade Development and Investment Group Limited (TDIG), ORIX Corporation - Japan, and ORIX Leasing Pakistan Limited are the major shareholders of SOLC.

3.7 Demand Analysis of Financing Products

3.7.1 Consumer and Credit Card Loans by Commercial Banks

Figure 19: Consumer Financing by Commercial Banks – (As taken for Q1'2021G)



Source: 4SiGHT analysis based on data from SAMA monthly bulletin May 2021G

The consumer finance market in Saudi Arabia includes loans and credit provided by banks and non-real estate NBFIs to consumers. Consumers utilize these products in order to fulfill their personal needs such as buying a house or a car, house renovation, education, healthcare, tourism and travel, and purchase of furniture and durable goods. Consumer and credit card loans extended by banks were worth SAR 397.3 billion as of Q1 2021G.

Consumer loans (excluding credit cards) by banks were worth SAR 379.5 billion which was equivalent to 20.2% of the total loans disbursed by banks as of Q1 2021G. Consumer loans have consistently increased in Saudi Arabia, driven majorly by growing population.

Consumer loans (excluding credit cards) extended by banks registered a CAGR of 3.5% between 2016G and 2020G. Consumer loans grew by 11.6% as of Q1 2021G compared to as of Q1 2020G (SAR 355.9 billion) while the growth in 2020G (SAR 383 billion) compared to 2019G (SAR 352 billion) was 8.8%.

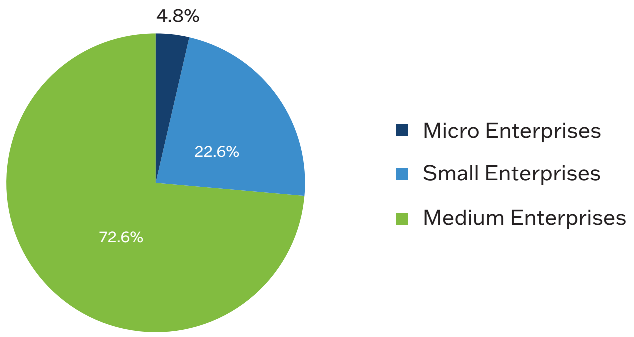
Credit card loans extended by banks increased by 12.5% to SAR 17.8 billion as of Q1 2021G Credit card loans accounted for 4.5% of the total consumer lending by banks as of Q1 2021G.

Credit card loans extended by banks registered a CAGR of 13.8% between 2016G and 2020G. It registered a drop of 3.6 % in 2020G9(1SAR8.4 billion) compared to 2019G (SAR 19.1 billion).

3.7.2 MSME (Micro, Small and Medium Enterprises) Loans by Commercial Banks

The total loans disbursed by Banks to MSMEs as taken for Q1'2021G was worth SAR 175.5 billion and it witnessed a strong growth of 40.2% with respect to the Q1'2020G (SAR 125.2 billion). Small and Medium enterprises accounted for the major share of more than 95% of the total loans in both 2020G and as taken for Q1'2021G. It should be noted that MSME loans by banks accounted for 5.7% and 8.0% of the total credit extended by banks in 2019G and 2020G respectively, however, it slightly decreased to 7.9% as taken for Q1'2021G.

Figure 20: MSME Loans by Commercial Banks – (As take for Q1'2021G)



MSME Loans – SAR 175.5 Billion

Source: 4SiGHT analysis based on data from SAMA monthly bulletin May 2021G

The growth in MSME loans is majorly driven by the Kafalah program, which aims to provide financing to MSMEs in partnership with the Saudi Industrial Development Fund.

Through this program, Saudi banks are encouraged to finance eligible MSMEs:

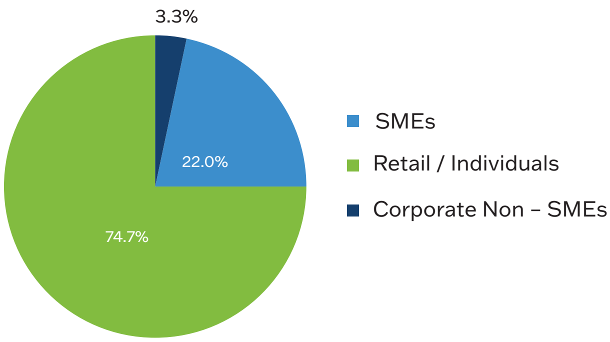
- a maximum of SAR 2.5 million for micro and small enterprises
- a maximum of SAR 8 million in case the micro and small enterprises have multiple activities and
- a maximum of SAR 15 million for medium enterprises

The above-mentioned limits depend on the guarantee amount, which should not exceed 90% of the total finance amount granted to the MSMEs by the bank.

3.7.3 Loans by Real Estate and Non-Real Estate NBFIs

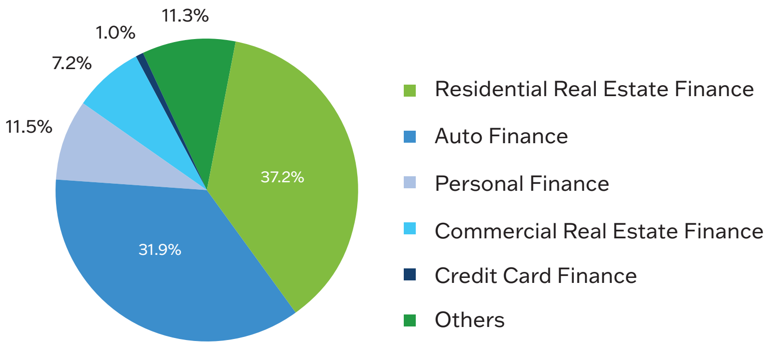
Loans to retail/individuals represented 74.7%, followed by MSMEs at 22%, while corporate non-SMEs stood at only 3.3% of the total loans portfolio of the real estate and non-real estate NBFIs as taken at 31st December 2020G.Analysis of loans by segments shows that residential real estate finance accounting for 37.2%, compared with 34.3% in 2019G, represented the largest share of the total loans portfolio by real estate and non-real estate NBFIs followed by auto finance which accounted for 31.9%, down from 42.2% in 2019G. Commercial real estate finance accounted for 7.2% while credit card finance accounted for 1%. Auto finance, personal finance and credit card finance are entirely offered by non-real estate NBFIs.

Figure 21: Loans by Borrower Type – (As taken at 31st December 2020G)



Source: 4SiGHT analysis based on data from SAMA Financial Stability Reports 2016G to 2021G

Figure 22: Loans by Segments – (As taken at 31st December 2020G)



Source: 4SiGHT analysis based on data from SAMA Financial Stability Reports 2016G to 2021G

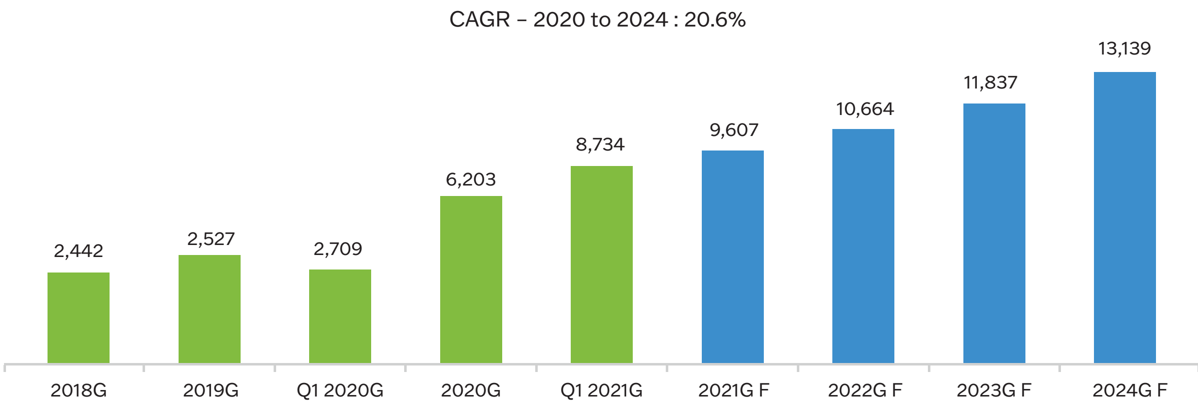
3.7.4 Personal Loans by Non-Real Estate NBFIs – Forecast: 2020G to 2024G

The personal/consumer loans extended by non-real estate NBFIs was SAR 8,734 million as of Q1 2021G. personal finance registered a growth of 222.4% compared to as of Q1 2020G (SAR 2,709 million).

It is estimated that consumer loans extended by non-real estate NBFIs will grow at a CAGR of 20.6% from SAR 6,203 million in 2020G to SAR 13,139 million in 2024G. The ratio of consumer loans by non-real estate NBFIs to nominal GDP in 2020G was estimated to be 0.24% and it is expected to grow to reach 0.39% in 2024G.

The market will be majorly driven by the growing Saudi population and expansion of personal needs of consumers. The entry of new players such as Emkan Finance (Al Rajhi subsidiary) and Tas'heel Finance in the consumer financing segment is expected to pose competition to the existing players.

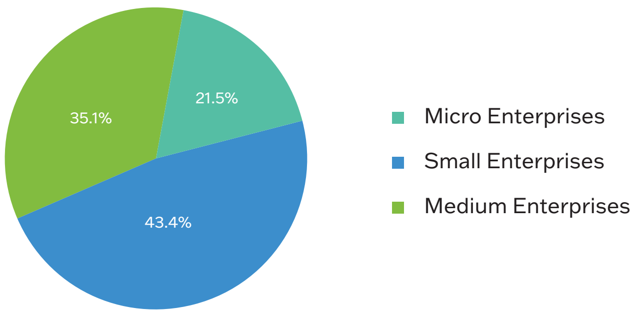
Figure 23: Personal/Consumer Loans by NBFIs – SAR Million (Forecast: 2020G to 2024G)



Source: 4SiGHT analysis based on data from SAMA monthly bulletin May 2021G

3.7.5 MSME Loans by Non-Real Estate NBFIs

Figure 24: MSME Loans by Non-Real Estate NBFIs – (As taken for the quarter ended 31st March 2021G)



MSME Loans – SAR 12,966 Million

Source: 4SiGHT analysis based on data from SAMA monthly bulletin May 2021G

The loans to MSMEs extended by non-real estate NBFIs was estimated to be SAR 12,966 million as taken for the quarter ended March 31 2021G registering a growth of 34% with respect to the quarter ended 31st March 2020G (SAR 9,676 million).

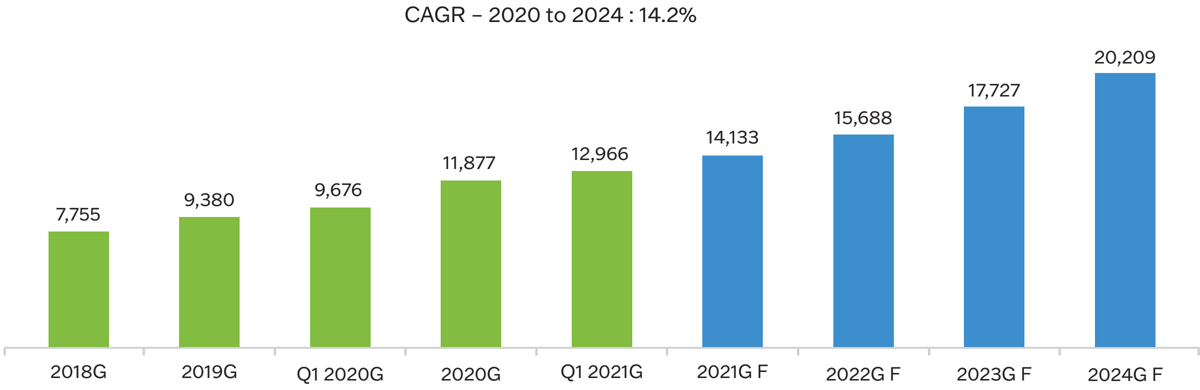
The loans extended to small and medium enterprises collectively accounted for SAR 10,177 million equivalent to almost 79% of the total loans while the loans extended to micro enterprises accounted for SAR 2,790 million equivalent to the rest 21% for the quarter ended 31st March 2021G.

The loans to micro enterprises registered a sharp increase of 60.3% from SAR 1,741 million in Q1 2020G to SAR 2,790 million in Q1 2021G. The loans to MSMEs are mostly provided by non-real estate NBFIs

3.7.6 MSME Loans by Non-Real Estate NBFIs – Forecast: 2020G to 2024G

It is estimated that the MSME loans extended by NBFIs will grow at a CAGR of 14.2% from SAR 11,887 million in 2020G to SAR 20,209 million in 2024G. The MSME loans by non-real estate NBFIs contributed 0.45% of nominal GDP in 2020G and it is estimated to contribute 0.6% in 2024G. As per vision 2030 initiative, the Saudi government recommends financial institutions to allocate roughly 20% of their overall funding to SMEs by 2030G which is expected to drive the SME financing by NBFIs during the forecast period.

Figure 25: MSME Loans by NBFIs – SAR Million (Forecast: 2021G to 2024G)



Source: 4SiGHT analysis based on data from SAMA monthly bulletin May 2021G

3.7.7 FinTech Market in Saudi Arabia

As per the "FinTech Saudi Annual Report" published in 2020G, the FinTech industry in the Kingdom is growing at a rapid rate. Between 2017G and 2019G, the value of FinTech transactions increased at a rate of over 18% yearly, reaching over SAR 75 billion in 2019G.

Payments account for two-third of the market and almost 98% of the userbase. It is followed by personal finance which comprise over 30% of the FinTech transaction values.

The number of payments made through SADAD has increased at a CAGR of 11% between 2016G and 2019G to reach 270 million transactions in 2019G. The value of these transactions has grown at a CAGR of 24% in the corresponding period to reach SAR 445 billion.

The FinTech market in Saudi Arabia is expected to reach a total transaction values of over SAR 123 billion by 2023G. Payments are likely to continue to lead the market share followed by personal finance.

3.7.8 Active FinTechs by Industry Vertical

Saudi Arabia counts 60 local and international FinTech startups that are active in a variety of industry verticals; such as, payments and currency exchange, lending and finance, personal finance, insurance, and more.

Payments and Currency Exchange is the most common industry vertical among Saudi FinTech startups, followed by Lending and Finance and Business Tools.

Table 18: List of Saudi FinTechs permitted by SAMA to operate in the Kingdom

List of Saudi FinTechs permitted by SAMA to operate in the Kingdom	
Financial Information Aggregation:	**Digital Payments:**
Rasanah Technologies LLC	SURE
Debt – CrowdFunding Platform:	Foodics
Nayifat Finance Company	Skyband
Maalem Financing Company	Saudi Fintech Company (Alinma Pay)
Lendo: Digital Lending for Information Technology	Digital Cash International Company
Raqamyah Platform	AZM Fintech CO
Forus	Inclusive Financial Solutions Co.
Platform Company Ltd Tameed Financing	**Digital Savings Association:**
Manafa capital	Money Loop
Funding Souq Company	Noon Hakbah Co for Information Technology
Sahlah Company For Electronic Marketing	Savings Circles company for Information Technology
	Business research storming company
Consumable Micro-lending:	**Buy Now – Pay Later**
Sulfah	Tabby
Zain Payments (Limited)	Tamara

Source: SAMA

3.7.9 Opportunities for Saudi FinTechs

The Saudi FinTech sector is being boosted in a variety of ways, including by some of the Vision 2030 initiatives, online payments, and e-commerce adoption. The following explains the opportunities for the FinTech sector in Saudi Arabia.

- Saudi Arabia aims to reach 70% in e-payments by 2030G as set in Vision 2030.
- Saudi Arabia's e-commerce market size is estimated at SAR 28.8 billion, which provides ample opportunities in digital payments, MSME finance, and business tools.
- Saudi Arabia's remittance market size is estimated to be SAR 30 billion, which makes the Kingdom the second largest remittance market worldwide.
- STC Bank and the Saudi Digital Bank have recently obtained a license to conduct activities as digital banks in the Kingdom of Saudi Arabia.

3.8 Key Market Dynamics and Trends

3.8.1 Key Growth Drivers of Consumer Financing

3.8.1.1 Positive Demographic Trends:

Saudi Arabia is a relatively young country with approximately 75% of Saudi population falling below the age of 40 years as of 2019G.

It is expected that, with consistent growth in the population, there would be a rising financial need for education, healthcare, and housing which in turn will drive the consumer finance market in the Kingdom.

3.8.1.2 Increasing Consumer Financing Needs:

Consumer finance is used to fulfill a variety of needs that range from acquiring consumer goods such as furniture, home appliances, technologically advanced and luxurious electronic products to discretionary spending such as leisure and travel.

Personal financing will continue to expand in Saudi Arabia with increasing personal financing needs of the consumers.

3.8.1.3 Social Changes:

The total number of Saudis was estimated to be around 21.3 million in 2019G, of which the Saudi female population was estimated to be 49.1%.

Working women population in KSA has been on an increasing trend. Additionally, the government of Saudi Arabia has allowed women to obtain licenses to drive in the Kingdom. These reforms are expected to further fuel the demand for consumer financing.

3.8.2 Government and Private Sector Initiatives to boost MSME Financing in the Kingdom

Kafalah Program: The Kafalah Program aims to provide access to financing in partnership with the Saudi Industrial Development Fund.

Through this program, Saudi banks are encouraged to finance eligible MSMEs:

- a maximum of SAR 2.5 million for micro and small enterprises
- a maximum of SAR 8 million in case the micro and small enterprises have multiple activities and
- a maximum of SAR 15 million for medium enterprises

The above-mentioned limits depend on the guarantee amount, which should not exceed 90% of the total finance amount granted to the MSMEs by the bank.

Ministry of Municipal, Housing and Rural Affairs Initiative: SAMA, in co-ordination with Ministry of Municipal, Housing and Rural Affairs and Ministry of Finance, has developed a subsidized mortgage product to provide financial assistance to first-time home buyers in Saudi Arabia. Under the product, a borrower will be responsible for a down payment of 10% of the property's value. This initiative would boost the real estate financing market in Saudi Arabia.

3.8.3 Key Growth Drivers of MSME Financing

3.8.3.1 Establishment of Industrial Clusters:

The government has established special clusters focused on industries such as Mineral and Metal Processing, Plastics and Packaging, Pharmaceutical & Biotech, and Automotive. MSMEs will play a major role in the development of these sectors, thereby requiring adequate financing.

3.8.3.2 Privatization:

The government is promoting public private partnership (PPP) model by providing incentive packages to the private sector. There is also a preference for SMEs local content while competing in the government biddings such as Education, Healthcare, Transport and Housing sector. Vision 2030 privatization initiatives will allow a greater contribution of SMEs in providing products and services for sectors that were historically managed by government. This will lead to increase in demand of finance for SMEs seeking competition in public procurement.

3.8.3.3 **Influx of international visitors:**

KSA witnesses a large influx of foreign nationals visiting the country for varied reasons such as religious tourism and business. The government plans to increase the contribution of the tourism sector to GDP from around 3% in 2020G to more than 10% by 2030G.

3.8.3.4 **Growth of non-oil sectors:**

The Saudi government is actively encouraging growth of the non-oil sector. Such as communications, retail, and construction. As the government lays more emphasis on infrastructure spending and supporting the development of a manufacturing hub in the Kingdom, manufacturing sector stands to benefit significantly in the next few years. This is expected to provide a boost to small-scale manufacturing units and MSMEs, and hence, resulting in higher need for financing.

3.8.3.5 **Underpenetrated Market:**

MSMEs located in rural areas or small towns do not have a strong banking presence and hence are financially underserved. Thus, government support to the MSMEs through a structured system would assist the growth of MSME financing in the Kingdom.

3.8.4 MSME Financing: Challenges and Risks for Financial Institutions

3.8.4.1 **Lack of consistency and transparency in ownership structure and operations:**

Most MSMEs in the Kingdom operate as informal organizations, with the onus of management and operation on the proprietor. These enterprises rarely maintain records of transactions and business plans that can be presented to banks and financial institutions while seeking loans.

Consequently, these MSMEs pose a major challenge and risk for financial institutions to offer financing.

3.8.4.2 **High default risk of MSMEs:**

During economic downturns, the probability of bankruptcy is much higher for MSMEs than for large firms because MSMEs have fewer resources to fall back on. The greater probability of defaults by MSMEs, is also a key factor for banks' reluctance towards financing MSMEs, however, the government through Monshaat and Kafalah program, with guarantee of loans is aiming to reduce the risk of default by MSMEs, in addition to the COVID relief program initiative by SAMA.

3.8.5 Key Growth Drivers of Credit Card Financing

3.8.5.1 **Expanding E-commerce platforms in the Kingdom:**

The number of E-commerce platforms, and consequently revenues, are estimated to expand in the coming years. Hence, a surge in E-commerce platforms and revenues are expected to drive the credit card financing market in the Kingdom.

3.8.5.2 **Increase in the usage of electronic payment methods:**

Saudi government has undertaken several initiatives to boost electronic payments in the Kingdom. These include introduction of modified Saudi Payment Network (SPAN) which links all ATMs and POS terminals, resulting in increased usage of debit and credit cards. Increased adoption of electronic payments coupled with higher ecommerce sales, is estimated to help the credit card financing market to grow. SAMA has also recently launched the instant payment system SARIE. The service through SARIE system allows a customer to transfer funds in Saudi Riyals between accounts opened in local banks in a secure environment. This system will enable banks and FinTech companies to develop innovative financial services that align with the requirements of the digital economy goal adopted by the Kingdom as part of its nationwide digital transformation strategy.

3.8.5.3 **Credit cards is the favourable option on online selling platforms in the Kingdom:**

Consumers prefer credit cards while purchasing via online selling platforms in the Kingdom; however, the use of credit cards remains low in the Kingdom for religious reasons, as Islam forbids the receipt or payment of interest against borrowings. To combat this and infuse credit card penetration in the Kingdom, banks have started to offer a wider range of Shariah-compliant credit cards. This is expected to increase credit card financing in the Kingdom.

4- Company Description

4.1 Company Overview

Nayifat Finance Company is a Saudi closed joint stock company pursuant to the Ministry of Commerce Resolution number (361/Q) dated 29/11/1430H (corresponding to 17/11/2009G) and Resolution number 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) and registered in the city of Riyadh under Commercial Registration number 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G). The commercial registration expires on 20/02/1447H (corresponding to 15/08/2025G) and its registered address is: Al Worood District, Al Olaya Main Street, FALCOM Financial Services Building, P.O. Box: 27389, Riyadh, 11417, Kingdom of Saudi Arabia. The current share capital of the Company is one billion Saudi Arabian Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The Company was originally incorporated as a limited liability company to be owned by: Abdulaziz Saud Omar Al Blehed, Saud Huwaimel Farraj Al Dosari, Abdulaziz Turki Abdullah Al Otaishan, Hamad Mohammed Abdullah Bin Suaidan and Fahad Abdulaziz Fahad Al Saeed under the name "Nayifat Instalments Company" with the Commercial Registration No. 1010176451 issued on 21/02/1423H (corresponding to 04/05/2002G) in the city of Riyadh, with the share capital of ten million Saudi Riyals (SAR 10,000,000) divided into one hundred thousand shares (100,000) with the value of one hundred Saudi Riyals (SAR 100) per share. The Company has been provided with a Membership Certificate with the number 121759 issued by the Riyadh Chamber of Commerce that is valid from 21/02/1423H (corresponding to 04/05/2002G) until 20/02/1447H (corresponding to 14/08/2025G). The Company is licensed by SAMA and is authorized to perform consumer financing, SME financing, credit card financing, lease financing and FinTech lending activities which currently consist of peer-to-peer lending. The Company obtained a non-objection letter from SAMA to test the debt crowdfunding platform under the regulatory sandbox environment, which expires within three months from 22/07/2021G, and the Company is currently in the process of obtaining a permanent license to conduct this type of business.

As at the date of this Prospectus, FALCOM Holding Company holds the majority stake of (73.855%) of the Company's issued shares. Accordingly, the Company is a subsidiary of FALCOM Holding Company. However, as the Company is a SAMA-regulated joint-stock company, it operates in full autonomy at the direction of its Board of Directors which includes three independent members, and its senior management in relation to its day-to-day operations. In addition, the Company has put in place a comprehensive body of internal governance rules and policies that meet the industry's highest standards and best practices.

As at the date of this Prospectus, the Company has obtained all SAMA licenses required for rendering its services pursuant to the Finance Companies Control Law. In addition, since the Company obtained the "Regulatory Sandbox" non-objection letter from SAMA, the Company may also exercise FinTech lending activities. The Company is keen to provide financing solutions to individuals for the financing of their personal needs and to institutions for needs of their businesses, all in a manner that is compliant with the principles of Shariah. Such financing solution are offered in the form of Shariah-compliant financial products, consisting of futures, Murabaha and Ijara.

The Company has a widespread geographical presence in Saudi Arabia through its 26 branches (including its head office in Riyadh) that are located across 13 different regions of Saudi Arabia. As at the date of this Prospectus, the Company has no operations or activities outside of the Kingdom.

Other than as discussed under Section 4.6 "**COVID-19 Update**", the Board of Directors of the Company confirms that it has no intention to make any fundamental changes to the nature of the Company's business and that in the last twelve months, there has been no interruption in the Company's operations that would affect or would have a significant impact on the financial situation. The Company's Directors also confirm that the Company has no material assets outside Saudi Arabia as at the date of this Prospectus.

As at 31 December 2020G, the Company had 393 full-time employees, and as at 31 March 2021G, the Company had 389 full-time employees, all located within Saudi Arabia. (For more information, see Section 4.9 **"Employees"**).

As at 31 March 2021G, the Company's total assets amounted to SAR 1,835,653,209 the total shareholders' equity amounted to SAR 1,177,299,311 (consisting of a share capital of one billion Saudi Riyals (SAR 1,000,000,000), a statutory reserve of sixty million two hundred ninety thousand one hundred ninety three Saudi Riyals (SAR 60,290,193) and retained earnings of one hundred and seventeen million and nine thousand one hundred and eighteen Saudi Riyals (SAR 117,009,118).

As at 31 December 2020G, the Company's total assets amounted to (SAR 1,869,401,000) the total shareholders' equity amounted to (SAR 1,119,375,000) (consisting of a share capital of (SAR 1,000,000,000), a statutory reserve of (SAR 60,290,000) and retained earnings of (SAR 59,085,000). As at 31 December 2019G, the Company's total assets amounted to (SAR 1,988,770,000) the total shareholders' equity amounted to (SAR 1,016,417,000) (share capital of (SAR 1,000,000,000), statutory reserve of (SAR 40,143,000) retained earnings of (SAR 41,426,000) with treasury shares of (SAR 65,152,000).

For the period ending on 31 March 2021G and for the years ended 31 December 2020G, 31 December 2019G, and 31 December 2018G, the Company had total operating income of SAR (99,384,000), (SAR 416,909,000), (SAR 392,302,000) and SAR (325,389,000), respectively. For the same periods, the Company generated net income of (SAR 57,924,000), (SAR 201,465,000), (SAR 218,821,000) and (SAR 176,561,000) respectively.

4.2 Vision and Mission

4.2.1 Vision

The Company's vision is to be a pioneer in the Saudi financing sector, by offering high quality globally-ranked financial solutions that comply with the principles of Shariah, and to become the preferred choice for consumer finance, credit card financing, and FinTech lending.

4.2.2 Mission

The Company seeks consistent growth through the geographical expansion of its network of services and through the creation of innovative Shariah compliant financing solutions which cater to ever-changing customer needs and expectations.

4.3 Strategy

The Company's strategic objective is to become the leading company in the provision of innovative Shariah-compliant financing products and services in a manner that adds value and maximizes the benefits to its customers, employees and shareholders. The success of the Company is attributed to its highly experienced and competent management team, that implements its strategy efficiently and according to its vision. The Company believes that the continued growth of Saudi Arabia's economy, the initiatives of Vision 2030 and expansion of the financial sector will boost the demand for financing products.

The strategic objectives of the Company are founded on the following pillars:

4.3.1 Enabling easy access to financing

The Company's strategy aims to provide innovative Shariah-compliant financing using prompt and easy procedures for its clients. To achieve this objective, the Company has established a multi-channel marketing model, leveraging both traditional channels (i.e., marketing through its robust network of branches throughout the Kingdom, direct sales and tele-sales) and modern channels (i.e., online sales activities). The Company focuses on meeting the customers' needs for immediate liquidity by ensuring the swift disbursement of funds to customers through its simple and swift process of accreditation and disbursement. The Company also aims to expand its customer base through online and social media channels enabling enhanced geographic reach across the Kingdom.

4.3.2 Expanding penetration of the financing market and customer segments

In order to achieve its aspirations, the Company continuously focuses on its core business in Shariah-compliant financing products offered to its customers. As such, the Company aims to improve its performance by increasing its customer segments and geographical spread. Therefore, the Company focuses on the evolving financing needs of its customer and developing innovative products to meet such needs.

While the Company has a reach to a large number of employees in the public sector approximately (1,273,762) employees[4], including military personnel as at 30 September 2020G[5], the Company has upside potential in the consumer finance segment. In addition, the Company is currently looking to expand its consumer finance customer base to also include high-income private sector employees. In line with other financial companies, the Company aims to gain a larger market share in the SME financing segment with the growth of the segment supported by the Kafalah Program, Monsha'at and other government-led incentives that are destined to facilitate the access to capital and increase SMEs' contributions to Saudi Arabia's GDP in line with Vision 2030. The Company plans to attract more SME customers through its FinTech propositions, currently consisting of the ULend peer-to-peer lending platform, and more individual customers through the credit card products supported by its potential to cross sell credit cards to existing consumer finance customers.

The Company takes into consideration the importance of developing new innovative products and services to expand market penetration in order to adapt to the constant changes in the financial services sector. The Company seeks to be the preferred financing choice for customers. Accordingly, it is planning to maximize profit growth by increasing its market share in this sector. Such expansion is achieved through the following means:

4.3.2.1 Digital innovation

Apart from maintaining a multi-channel marketing model, leveraging both traditional channels (i.e., marketing through its robust network of branches throughout the Kingdom, direct sales and tele-sales) and modern channels (i.e., online sales activities), the Company is able to expand and transform further into the digital space by augmenting web and application-based solutions for customer acquisition and support. The Company's website includes portals allowing SME and individual customers (including credit-card customers) to complete and submit their financing applications online. The planned addition of the digital channel is part of the Company's strategy to widen its customer acquisition with relatively lower overhead cost by enabling the largest portion of the population to access its products.

Realizing strategic and operational flexibility is one of the major challenges for most businesses, the Company periodically reviews its strategies and updates them with the aim to continuously adapt to the changes of the economy, market conditions and maintain sound corporate governance policies. For example, with the increased use of non-cash payments in Saudi Arabia, the Company launched its own credit card activity in June 2020G. The Company's credit card product offers a web portal where customers can view, among other things, their transactions and balances.

In addition, on 19/04/2020G, the Company obtained a non-objection letter from SAMA test the newly launched debt crowdfunding platform, "ULend", under the regulatory sandbox environment. The Company has since launched a new crowdfunding platform in 2020G, enabling it to provide peer-to-peer lending services. For more details, see Section 4.5 "Commercial Activities". It should be noted that the aforementioned non-objection letter is valid for a period of three months from 22/07/2021G, and that the Company is currently in the process of issuing a permanent license to conduct this type of business.

These initiatives are expected to enhance customer experience and reduce operational costs of the Company resulting in more efficient operations.

4.3.2.2 Geographic expansion

The Company plans to continue expanding its branch network. The Company has a widespread geographical presence in Saudi Arabia through its 27 branches across 13 regions in Saudi Arabia. The Company operates using a geographic expansion of branches and direct sales force, aiming to focus in the future on remote areas, especially those having acceptable density of population not enjoying access to diversified financing solutions. The Company selects the locations of its new branches based on several criteria including population, presence of government offices and military bases, as well as presence of offices of major companies in the private sector. The Company plans to open a new branch in Zulfi during 2022G and one branch in Arar during 2023G. The following table sets forth some information about the new branches:

4 Source: Saudi Central Bank, 2019G annual report

5 Source: the General Authority for Statistics. The public sector includes those subject to the civil service system and government workers subject to the insurance system

Table 19: Proposed New Branches

Year of Expansion	City	Coverage	Nearest Branch	Approximate Costs
2022G	Zulfi	Oqdeh, Rawadeha, Samnan	Qassim 60 KM	SAR 300,000
2023G	Arar	Rafha, Turaif, Oaiqeelah	Sakaka 160 KM	SAR 300,000

Source: the Company.

4.3.3 Maintaining the quality of the credit portfolio

The Company focuses on maintaining the quality of its credit portfolio and its strength to ensure sustainable growth. The Company seeks to achieve growth in its portfolio without impacting the quality of its financing portfolio and profitability in compliance with its strict credit standards for the purpose of increasing its revenues and overall profitability.

In addition, the Company aims to anticipate the changing conditions of the market to support profitability by hedging its floating profit rates and renegotiating on a periodic basis with its financiers to reduce the impact of changes of interest rates on its profit margins.

4.3.4 Business Lines targeting a wide spectrum of customers

4.3.4.1 Consumer finance

Due to a large number of employees in the public sector approximately (1,273,762) employees, including military personnel as at 31 December 2020G[6], the Company has a higher market penetration potential in the consumer finance segment with regards to financing companies, as it had more than 44,000 customers from the public sector as at 31 March 2021G, which represents a significant upside potential for the Company. The Company is targeting to open most of its upcoming branches in areas that are mostly populated by civil and military sector government employees. Furthermore, the percentage of women working in government is expected to increase, in line with Vision 2030, which is expected to result in an increase in the number of government employees in general. The customer target segment is not limited to public sector employees, as one of the Company's strategic goals is to target all customer segments and to attract clients from both the private sector and non-Saudi clients in the near future.

With over 18 years of experience in the consumer finance sector, during which the Company was able to optimize its credit cycle model, now supported by external and proprietary tools, SIMAH and other credit external application scoring systems, the Company is currently targeting to expand its consumer finance business line to private sector employees of the high-income group. As at 31 December 2020G, there were approximately eight million one hundred sixty eight thousand six hundred and sixteen (8,168,616) employees in the private sector, of which 17.9% were within the high-income group[7]. It is worth noting that the number of employees in the private sector is about 1.8 million Saudi employees, and 6.4 million non-Saudi employees as of 30/11/2020G.

In addition, the Company aims to enter into partnerships with pioneers in the retail sector through offering services such as "buy now, pay later".

4.3.4.2 SME financing

With government support extended to SMEs through Kafalah Program and Monsha'at, finance companies in the Kingdom have a great opportunity to increase the volume of targeted financing for SMEs, as SMEs contribution to the Kingdom's GDP is expected to increase from 28.75% in 30 July 2020G to 35.00% by 2030G[8] which should support growth within the sector This presents an opportunity for the Company to further expand its financing activities in the SME space and to grow its SME portfolio through its presence in various regions across Saudi Arabia. Additionally, the Company offers a variety of SME financing products, such as secured SME loans (and FinTech loans under its FinTech lending line of business). In addition, the Company's recent SME financing offering included invoice financing, working capital financing, financing customer obligations operations, point of sale financing and insurance policy finance products.

6 Source: Saudi Central Bank, 2019G annual report.

7 Source: the General Authority for Statistics.

8 Source: Small and Medium Entreprises Authority report

4.3.4.3 FinTech lending

In 2020G, the Company expanded its product range with the introduction of FinTech lending, which currently includes ULend, a crowdfunding platform enabling the Company to provide peer-to-peer lending services. As at the date of this Prospectus, the Company's FinTech lending activities were fully-focused on SME customers, however the Company may, in the future, develop other products under its FinTech business line to include individual customers.

The Company believes that FinTech lending (peer-to-peer lending) is a form of lending that will help meeting the financing shortage in the Saudi market and provides lenders with an opportunity to gain profits in addition to their contribution in financing borrowers in need for capital. The FinTech lending business line is fully conducted on "ULend" online platform which simplifies the lending process.

4.3.4.4 Credit cards

In 2020G, the Company expanded its product range with the introduction of credit cards on the VISA platform. Initially offered to its existing customer base, the Company plans to attract its current customers in addition to using its marketing platform to introduce new products to attract a new client base. The Company applies zero annual fee to its credit card customers who pay their payables due on time and use 70% of the credit limit within one year of the issuance of the card. The Company aims to expand in this field, bearing in mind that one of the goals of Vision 2030 is to transform the Kingdom into a cashless society that conducts its financial transactions digitally. In this regard, the company plans to add another financing product during 2021G for SMEs.

4.4 Key Strengths

There are several factors that differentiate the Company as a flagship non-banking finance company in Saudi Arabia and enable it to sustain its track record of strong growth and delivery of superior returns. The key strengths supporting this aspect includes:

4.4.1 Leader in the attractive and growing consumer and SME finance market

The Company is one of the major players in the non-banking financing market with total assets of one billion eight hundred sixty nine million four hundred and one thousand (SAR 1,869,401,000) and one billion eight hundred thirty five million six hundred fifty three thousand and two hundred and nine Saudi Riyals (SAR 1,835,653,209) as at 31 December 2020G and 31 March 2021G, respectively. The total shareholders' equity of one billion one hundred nineteen million three hundred seventy-five thousand (SAR 1,119,375,000) and one billion one hundred seventy seven million two hundred ninety nine thousand and three hundred eleven Saudi Riyals (SAR 1,177,299,311) as at 31 December 2020G and 31 March 2021G, respectively. As at 31 March 2021G, the Company had a 18% market share making it the market leader.[9]

The consumer financing market in the Kingdom (including credit cards) has strong fundamentals supported by increasing levels of consumer spending to address personal needs such as automobile financing, house renovation, education, and purchase of durables. The size of the consumer financing market in Saudi Arabia was three hundred and seventy seven million eight hundred three thousand Saudi Riyals (SAR 377,803,000,000) in 30 September 2020G[10], which demonstrated a strong growth, mainly supported by population growth and rising consumer spending in the Kingdom.

In Saudi Arabia, private consumption per capita has historically been higher than private income per capita for the period between 2015G and 2019G. The gap between private income per capita and private consumption per capita has driven growth within the consumer financing segment.

The Company believes that demographics in Saudi Arabia support its growth potential. Since its inception in 2002G, the Company has provided services to more than two hundered and seventy thousand (270,000) customers as at 31 December 2020G and two hundred and eighty thousand (280,000) customers as at 31 March 2021G. The Company's customer base, which is mostly composed of government employees with fixed income and job stability, provides the Company with reduced collection risks. Employment in Saudi Arabia is expected to grow from eleven million, four hundred and ninety thousand (11,490,000) employees in 2020G to twelve million nine hundred fifty thousand (12,950,000)[11] by 2025G, with an expected CAGR at 2.4%. The Company believes that young demographic profile, supported with continuous and steady growth in employment are key drivers for growing its customer base in consumer finance market.

9 Note: (Calculated using the Company's gross receivables net of unearned finance income and Personal Finance loans by Finance Companies as per SAMA Monthly Statistical Bulletin March 2021)

10 Source: Market Consultant estamations according to SAMA information.

11 Source: The Economist Intellegicence Unit- EIU

The Company believes that the direction of SAMA to increase the share of financing companies in the Saudi loan market, supported with the initiatives of the Financial Sector Development Program as part of the wider Vision 2030 will further stimulate growth in the sector. Compared to other countries in the GCC region, the consumer finance market in Saudi Arabia is under penetrated and has a growth potential which may lead to strong growth outlook in the short- to medium-term. Consumer finance accounted for 11.2% of GDP in Saudi Arabia in 2019G, as compared to an average of 22.1% in 2019[12] in the other countries in the GCC region. (For more information, see Section 3 "Market Overview").

In addition, SME loans extended by commercial banks registered a growth of 7.2% in the year ended 31 December 2019G as compared to the year ended 31 December 2018G. With the consistent growth in the Saudi population, social needs such as education, healthcare and housing are expected to grow, coupled with a shift in lifestyle and consumer behavior. Private consumption levels exceeding personal income levels in the Kingdom are expected to continue to drive demand for consumer financing. On the other hand, loans extended to SMEs by non-real estate non-banking financial institutions grew at a faster pace of 21% during[13] the same period. Financing companies are targeting to capture a larger market share of SME financing with the growth of the segment supported by the Kafalah Program, Monsha'at and other government-led incentives to facilitate SMEs' access to capital and increase their contribution to Saudi Arabia's GDP in line with Vision 2030. See Section 3 "(Market Information)".

4.4.2 Flagship brand in the Saudi consumer finance space relating to non-banking financing companies with a strong distribution network across the Kingdom

The Company's brand "Nayifat" is widely recognised throughout Saudi Arabia as a result of its strong customer centric track record of providing finance services for a period of more than 19 years. The Company's overall geographical and digital footprint (online and social media presence) enables it to cover large cities and under-banked locations in Saudi Arabia. The Company believes that further increase in its online and social media presence will continue to expand its client base to remaining locations in the Kingdom at a relatively low cost base, by utilizing the existing platform. The Company adopted a client-centric philosophy complemented by innovative product suite which serves more than 44,000 active customers as at the date of this Prospectus. The Company's Shariah-compliant products and multi-channel distribution model have facilitated it to serve more than two hundered and seventy thousand (270,000) customers to date (since 2002G) with total gross receivables of one billion five hundred and sixty three million and nine hundred twenty thousand Saudi Riyals (SAR 1,563,920,000) (net of unearned financing income) as at 31 December 2020G and one billion five hundred and ninety eight million eight hundred and six thousand and six hundred forty four Saudi Riyals (SAR 1,598,806,644) as at 31 March 2021G

The Company relies on a multi-channel marketing model, leveraging both traditional channels (i.e., marketing through branches, direct sales and tele-sales) and modern channels (i.e., online sales activities). The expansion of the Company's digital and online marketing channels provides an important opportunity to increase its customer reach beyond that of traditional channels. Such increased digital presence in the consumer finance and SME spheres is expected to benefit from the Company's profile elevation and increased media visibility, in light of the Offer and listing of the Company's Shares on the Exchange and associated visibility in the media and broader capital markets.

The Company is one of the largest non-banking financing companies in Saudi Arabia both in terms of the number of branches and geographic coverage. It has a wide geographic coverage with 27 branches (including its head office) across 23 cities and 13 regions in Saudi Arabia. This enables the Company to meet the needs of its diverse customer base, including private and public sector customers in addition to the SME sector. The Company's wide spread network enables it to maintain and grow its business, diversify its risk profile, and serve and support customers across the Kingdom.

As at 31 December 2020G, the Company had one hundred fifty five (155) employees and one hundred forty four (144) employees as at 31 March 2021G in its sales team focusing on acquiring professional relationships with key employers in Saudi Arabia. As at the same date, the Company had thirty one (31) employees in its tele-sales team. Both the sales and tele-sales teams contributed to 65% of the total sales in consumer finance. The Company also has online and social media channels which enable it to reach across potential customers throughout the Kingdom.

12 Source: Market Consultant estimations.

13 Source: Market Consultant estimations based on SAMA information.

4.4.3 Unique positioning with a leading market share and minimal competition on pricing

The Company had a 18% market share by loans in consumer finance making it the market leader as at the first quarter of 2021G.[14] As at 31 December 2020G, the Company's gross receivables net of unearned Islamic finance income was one billion five hundred and sixty-three million nine hundred twenty thousand Saudi Riyals (SAR 1,563,920,000) with more than 44,000 active loan accounts and one billion five hundred and ninety eight million eight hundred and six thousand and six hundred forty four Saudi Riyals (SAR 1,598,806,644) with more than 44,000 active loan accounts, as at 31 March 2021G.

SAMA regulations set limits to consumer financing that can be provided, based on Debt Burden Ratio ("**DBR**") that is calculated over monthly disposable income of the consumer. The limit imposed on banks is capped at 33% (if there is no mortgage financing) and 45% (if there is a mortgage financing) of the individual's income allocated to debt repayment. Non-banking financing institutions, including the Company, are allowed to go over this regulatory limit by providing financing up to 45% (if there is no mortgage financing) and 65% (if there is a mortgage financing) to individuals with a monthly income of up to (and including) (SAR 25,000), and up to 70% to individuals with a monthly income of more than (SAR 25,000). Moreover, given the small size of the consumer finance segment relative to portfolios of banks and the growing number of bank mortgages, DBRs at banks are likely to be reaching their maximum. This would create an opportunity to non-banking financing institutions, such as the Company to satisfy the demand for additional consumer financings in the future.

In addition, the Company had a consistent yield generation of in excess of 20% (calculated as revenue from Islamic financing over average Islamic financing receivables) over the period 2018G-2020G, which was supported by the Company's access to relatively low cost bank financing at an average funding cost rate between 2018G and 2020G of approximately 6% (calculated based on finance costs over average Islamic bank financing and lease liabilities). The median yield of the Company's competitors' (select non-real estate and non-banking financial institutions such as Al Yusr, AJIL, Abdul Latif Jameel Finance, Saudi Fransi for Financial Leasing, Al Amthal Financing, Osoul Modern, Tawkelat Finance Co, Taajeer Finance Co., Tasheel Finance, Maalem Financing, Matager Finance Company, Saudi Finance Company, Emkan Finance and Morabaha Marina, together, the "peers") amounted to 13.1% for the period ended 31 December 2019G[15]. The significant difference between the peers' median yield and the Company's represents both the unsecured lending nature of the Company's business and strong pricing power in the market.

4.4.4 Well-positioned to capitalise on identified growth opportunities and developed comprehensive product suite

4.4.4.1 Consumer Finance

Due to a large number of employees in the public sector (approximately one million two hundred and seventy three thousand seven hundred and sixty two (1,273,762) employees[16], including military personnel as at 31 December 2020G), the Company has a higher market penetration potential in the consumer finance segment as it had over 44,000 customers as at 31 March 2021G. In addition, the Company is currently looking to expand its consumer finance customer base to also include private sector employees of the high-income group.

The Company is well-positioned to leverage its robust network of branches throughout the Kingdom along with modern-channel marketing activities (online sales activities) to expand its consumer finance customer base beyond the segment of Saudi employees working in the public sector. The Company is able to deploy its well-established and tested model to attract customer from the private sector, including non-Saudi customers. The Company's overall geographical and digital footprint (online and social media presence) enables it to cover large cities and under-banked locations in Saudi Arabia. The Company believes that further increase in its online and social media presence will further expand its client base. Within this context, the Company launched an online tool enabling prospective customers to apply for consumer finance products on the Company's website, which will enable the Company to increase its customer base while expanding its online footprint.

14 Note: this percentage is based on the overall debt owed to the Company upon deducting unearned financing receivables based on data issued by SAMA.

15 Source: SAMA Monthly Statistical Bulletin October 2020G.

16 Source: SAMA Annual Report for 2019G.

In addition, the Company has the ability to capitalise on strong trends in the growth of the consumer finance industry while benefitting from its market leader position. As at the first quarter of 2021G, the Company had a 18% market share calculated based on amounts of loans granted to its customers.[17]

The Company also leverages its competitive advantage compared to its peers by (i) the longevity of its presence in the Saudi market, (ii) its distribution reach supported by its robust network of branches and online presence, and (iii) strong market know-how, supported by its highly-experienced management team.

4.4.4.2 SME Financing

The SME sector is a key focus area for the Saudi government under Vision 2030 with dedicated programs to develop the sector. Under Vision 2030, SMEs' GDP contribution is expected to increase to 35% by 2030 from 28.75% as at 30 July, 2019G. In its SME financing business line, the Company has an opportunity for expansion by concentrating on sectors that are aimed to be privatised as part of Vision 2030[18] which could lead to an increase in the number of SMEs. In addition, the Company is able to leverage its operational capabilities to expand its product range offered to SME customers. The Company benefits from funding support from various government programs, such as the Monsha'at program allowing the Company to obtain financing facilities for its SME customers at reduced rates and thus to enhance profitability, and the Kafalah program, enabling the Company to provide government guaranteed SME financing.

4.4.4.3 FinTech

In its recently launched FinTech proposition, the Company targets new SME customers in an innovative way. The Company established a peer-to-peer crowdfunding platform titled "ULend" where parties seeking funding apply online for funding requirements. Upon customer due diligence, if the request is approved by the Company, it funds 40% of the funding request and the remainder is funded by investors (corporates or individuals), however the Company may cover any shortfall in financing, if the third-party investors' demand is not sufficient. As at the date of this Prospectus, the Company's FinTech customers were primarily SME customers, however the platform also allows participation of individuals. The Company's FinTech business line provides the Company with a relatively capital light business with the majority of the risk being borne by investors.

4.4.4.4 Credit Cards

The Company is the first non-banking financial institution that is licensed to issue credit cards on the VISA platform in the Kingdom. In its credit cards business line, the Company has a strong cross-selling potential by leveraging its existing customer base. The Company is aiming to launch corporate cards in 2021G. In addition to its strategic partnership with VISA, the Company plans to establish a partnership with other international credit card service provider in the near future. The Company's credit card business line is expected to be supported by the Saudi government's target of 70% cashless payments under Vision 2030.

4.4.5 Prudent risk management and governance framework resulting in superior asset quality

The Company adopts an effective governance framework, which includes pro-active set up of various committees that report directly to the Board and are intended to define the risk/return appetite within the Company's business strategy as well as identify, monitor and manage potential areas of risk.

The Company has a rigorous systematic credit assessment and risk management framework ensuring adequate risk identification, control and management. The Company has organized and simplified the processes and systems designed to maintain the quality of its portfolio. In addition to the assessment of the customer's solvency, the Company also assesses the customer's consumption behaviours and patterns prior to approving any financing.

17 Note: this percentage is calculated using the overall debt owed to Islamic financing to the Company after deducting the income unearned within the consumer financing sector, making it the leading company in the market (source: SAMA)

18 Source: Small & Medium Enterprises Authority report.

The Credit Department of the Company performs an independent verification of its customers' credit situation to assess their financial needs and analyses their ability to repay the credit facilities by using advanced technical means, such as conducting a database examination and credit scores calculations via SIMAH and other credit external application scoring systems and identifying the client's position in the market by obtaining information from available sources.

By adopting a dual credit approach, the Company issues swift electronic approvals without manual operations, allowing immediate processing of financing applications with a high level of evaluation and with minimum risk of human errors. Furthermore, the Company's credit approval process is based on neutral and strictly designed calculations that do not involve any personal considerations, allowing the Company to reduce its credit risk and maintain the quality of its portfolio.

The Company has a multi-pronged collection mechanism. Periodic instalments due from customers are received through various collection means such as standing instructions, direct debit from the customer's bank account and existing payment instructions with the support of an experienced and highly-qualified collection team equipped with automated communication systems (e.g., Auto-Dialler System, Voice Blaster, SMSs). In addition, there are arrangements with external collection teams when payments exceed their due dates. The Collection Department of the Company is supported by internal and external legal teams. The effectiveness of the Collection Department of the Company has been demonstrated in its ability to maintain high levels of collection operations efficiency and relatively lower delinquency rate. The Company has a resilient loan portfolio with non-performing loans ("**NPLs**") representing 8.8%, 8.4% and 5.1% of the Company's total laon portfolio, in March 2021G, 2020G and 2019G, respectively. NPLs ratio for non-banking financial institutions in the Kingdom for the year 2019G stood at 10.58%.

4.4.6 Strong financial performance with a consistent track record of superior returns supported by robust risk management

The Company has demonstrated a strong financial performance where its operating income grew at a CAGR of 13.2% between 2018G and 2020G and gross receivables (net unearned Islamic finance income) grew at a CAGR of 2.0% between the same period. The Company has significant scale with its total assets amounting to one billion eight hundred and sixty nine million four hundred one thousand Saudi Riyals (SAR 1,869,401,000) and its total net Islamic financing (net unearned financing) amounting to one billion five hundred twenty million five hundred and eighty-three thousand Saudi Riyals (SAR 1,520,583,000) and one billion five hundred fifty million forty three thousand and nine hundred ninety seven Saudi Riyals (SAR 1,550,043,997) as at 31 December 2020G and 31 March 2021G, respectively. The Company also has a strong equity base of one billion one hundred nineteen million three hundred and seventy five thousand Saudi Riyals (SAR 1,119,375,000) with its receivables to equity ratio (calculated as net receivables over equity) at 1.4x and 1.3x as at 31 December 2020G and 31 March 2021G, respectively, well below the threshold of 3.5x applicable to the Company by SAMA. This provides the Company with an additional capacity of 2.2, equivalent to 2.6 billion Saudi riyals.

The Company's strong financial performance is supported by its resilient asset quality and high asset returns, where its average NPL between 2018G and 2020G amounted to 7.0%. Moreover, both in 2019G and 2020G, the Company recorded more recoveries than write-offs which is unique for a Company in this segment. Similarly, the Company observed an average return on equity with an average of 20.2% between 2018G and 2020G whereas the return on equity of Non Real Estate Finance Companies was 8.1%, that of Finance Companies was 7.5% and the return on equity of the Banking Sector was 11.9%, during 2019G[19].

This strong performance is mainly due to the high efficiency of the Company's recovery and collection team which relies on a robust collection system consisting of predictive dialing and auto dialing technologies and is supported by a strong internal and external legal teams. The high rates of recoveries leading to a decrease in the level of write-offs, resulting in a decrease in net credit loss.

19 Source: Market study report.

4.4.7 Further headroom for growth supported by a robust capital position whilst maintaining dividends

The Company has a significant capital base that supports its organic growth. The Company's finance receivables to equity ratio (calculated as net receivables over equity) of 1.4x and 1.3x as at 31 December 2020G and 31 March 2021G, respectively, which was significantly below the applicable threshold of 3.5x which provides the Company with additional financing capacity of two billion six hundred million Saudi Riyals (SAR 2,600,000,000) without needing to raise additional capital. In addition, following the Offering, the Company will also gain access to the capital markets. The Company may access additional funding through securitisation, sukuk issuances and by applying for a license from SAMA to accept term deposits in light of SAMA's new regulations on Deposit Taking by Finance Companies (DTFCs) issued in November 2020G. These new regulations enable financing companies accept deposits and provide the Company with an additional channel for funding in the future.

The Company has a well-established access to bank financing, which enables it to secure funding from leading local and regional banks, with committed financing lines of SAR 2.2 billion and SAR 2.1 billion as at 31 December 2020G and 31 March 2021G, respectively, of which SAR 0.56 billion was utilised and the remainder were unutilised capacity as at the same date.

In addition, the Company has solid dividend pay-out track record since it distributed 10% of its share capital over the past three financial years as dividends representing 48%, 39% and 49% of its net income in 2018G, 2019G and 2020G, respectively, and the Company believes it is well positioned to continue distributing dividends to Shareholders in the future.

4.4.8 Strong shareholder base supporting a highly experienced board and management

The Company has a long-standing shareholder base, with strong support from FALCOM Holding Company which provides the Company with ownership stability and a well-established corporate governance framework. FALCOM Holding Company, the majority shareholder of the Company holding 73.85% of the Shares, is an investment company in Saudi Arabia focusing on private equity and asset management services with a total capital of SAR 1.155 billion as at 31 December 2020G. The Shareholders' strong commitment to the growth of the Company's business is demonstrated by prioritizing reinvestment of profits and capitalization over payouts for the first 15 years since incorporation. The Company's shareholder base is further supported by its Board of Directors which has significant experience in financial institutions and retail business. The Board of Directors of the Company is complemented by its strong senior management team with strong market know-how and a professional experience in financial services. The Senior Management of the Company believes that the extensive experience of its executive management team as well as the strict risk management regulations and procedures will enable the Company to meet the potential challenges. The Board and Senior Management's ownership in the Shares strengthens their commitment to the growth of the Company and aligns their interests with that of the Company and its Shareholders.

4.5 Commercial Activities

The Company is a pioneer in the Shariah-compliant financing sector in the Kingdom. It is currently working through four major business units, namely, consumer financing, SME financing, credit card financing, and FinTech lending.

4.5.1 Geographical Presence

The Company has 27 branches throughout the Kingdom, in addition to its head office which is located in the city of Riyadh.

Table 20: Geographical distribution of branches by administrative regions

Region	Riyadh	Makkah	Eastern Region	Madina	Tabuk	Qassim	Jizan	Hail	Jouf	Assir	Al Baha	Al-Hasa	Najran
Number	7	4	6	1	1	1	1	1	1	2	1	1	1

Source: the Company.

4.5.2 Company's Business Segments

The following tables set forth the distribution of loans across various business segments, extended by the Company as at the dates indicated.

Table 21: Customer loan distribution by sector

(SAR '000)	As of 31 December						As of 31 March	
	2018G		2019G		2020G		2021G	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
Public Sector	1,441,313	95.854%	1,662,352	94.586%	1,433,589	91.666%	1,420,588	88.88%
Private Sector	62,332	4.145%	68,428	3.893%	61,152	3.910%	57,212	3.49%
SMEs	-	-	26,719	1.520%	69,179	4.423%	121,006	7.62%
Total	1,503,645	100%	1,757,499	100%	1,563,920	100%	1,598,806	100%

Source: Management Information.

Table 22: Customer loan distribution by segment provided by the Company as at the dates clarified

(SAR '000)	As of 31 December						As of 31 March	
	2018G		2019G		2020G		2021G	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
Consumer finance	1,503,645	100%	1,730,780	98.479%	1,485,452	94.982%	1,465,741	91.62%
SME financing	-	-	26,719	1.520%	69,179	4.423%	121,006	7.62%
Credit cards	-	-	-	-	8,866	0.566%	11,636	7.62%
FinTech lending	-	-	-	-	423	0.027%	423	0.03%
Total	1,503,645	100%	1,757,499	100%	1,563,920	100%	1,598,806	100%

Source: Management Information.

4.5.3 Consumer finance

The Company has an integrated system of consumer finance solution that focuses on the needs of individuals. The Company focuses primarily on government employees where traditional bank financing does not meet their personal financial needs. The main advantage of the Company compared to other finance companies is that the Company provides its customers with cash financing and therefore the ability to purchase any product with no restrictions instead of imposing the purchase of predefined products. Althrough customers are still required to specify the purpose of the sought financing in their credit application; however, the Company will not monitor the actual use of proceeds once disbursed.

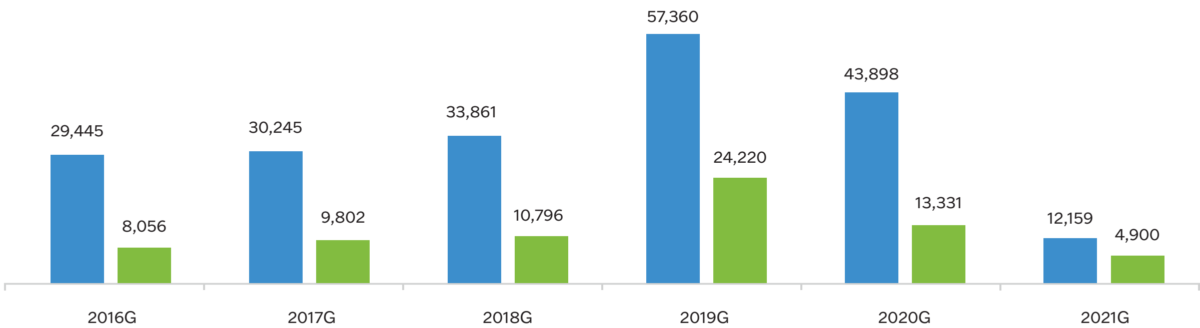
As at 31 March 2021G, consumer financing was the primary segment of the Company, representing 92.4% of the Company's lending portfolio being in this category. The Company provides its consumer with finance solutions to individuals through Tawarruq, Murabaha and Ijara products. The Company is particularly specialized in Tawarruq financing operations and the majority of the financing provided to individuals was based on Tawarruq, representing 100% of total receivables.

Consumer finance products of a maximum value of SAR (300,000) are offered to individuals working in the public and the private sectors. In addition, instant smart loans enabling individual customers to utilize financing are offered to individuals working in the public and private sectors up to a maximum amount of one hundred thousand Saudi Riyals (SAR 100,000). Instant smart loans products are offered without salary transfer or personal guarantor, whereas ordinary consumer financing products (which are also without salary transfer) usually require a personal guarantor. Both products are offered in line with Shariah-compliant structures mainly based on Tawarruq. The financing is usually provided for a maximum term of five years.

Processing consumer finance applications is easy and simple. The applicant determines the amount of funding and clarifies the period required to repay the financing. In each case, the Company analyses the creditworthiness and DBR of its customer, and the proposed terms based on its internal procurement procedures, credit adequacy analysis and other applicable regulations. Upon completion of its customer's credit rating process, the Company may propose amendments to the financing proposal submitted by the customer, and then prepare the financing offer, involving the period, and periodic payments.

As at 31 March 2021G, the Company had around 44,000 active individual customers and since its inception, the Company has financed more than 280,000 individual customers within its consumer finance business line. The following chart sets out the number of the Company's customers within the past five years.

Figure 26: Numbers of the Company's Customers within the past five years



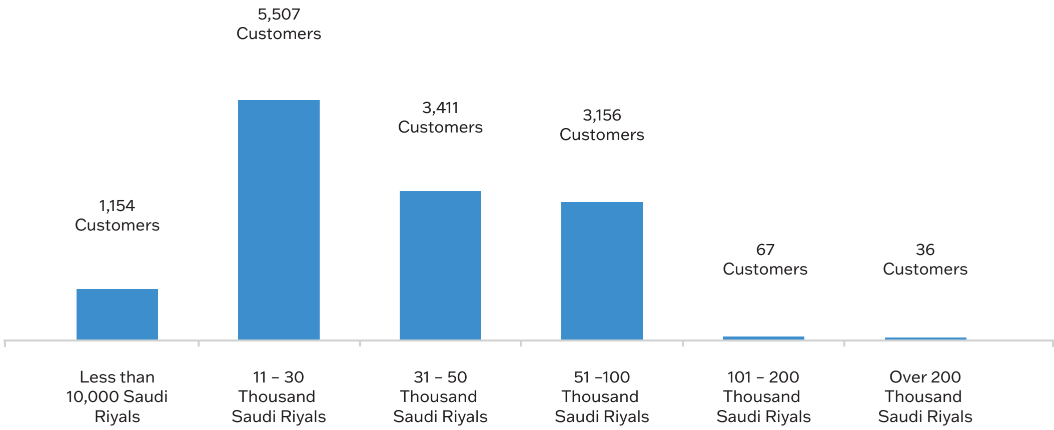
Source: the Company.

* The numbers highlighted in the blue columns show the number of financing requests submitted by customers in the last past years.

** The numbers highlighted in the orange columns show the number of funding requests granted by the company in the past five years.

In 2020G, the number of the Company's customers increased by thirty percent (30%) compared to previous years. In addition, the financing volume increased in 2020G by thirty seven percent (37%) compared to previous years. The following figure shows the financing provided by the Company to the institutions based on the amounts funded:

Figure 27: Funded amounts by value in 2020G



Source: the Company.

4.5.4 SME financing

In addition to being one of the largest companies in the consumer finance sector in Saudi Arabia, the Company provides customized financing solutions to meet the financing needs of its SME customers by providing financing to SMEs operating in various sectors, such as healthcare, accommodation and food services, real estate, education, electricity, gas, steam and air conditioning supply, and manufacturing sectors. The Company finances SMEs through different structured financing programs including working capital financing (such as trade financing and financing of insurance premium) and lease (Ijara) financing to expand and grow their business, to finance the purchase of fixed assets, expanding their business or capital financings. SME financing products are offered to up to SAR 15,000,000 for a maximum term of 3 years with competitive profit rates varying according to the activity of the borrower.

The Company provides a range of financing services to SMEs across all the regions where its branches are located. Its branches allow the Company to monitor the performance of the loans on a regular basis and ensure the proper use of the financing facilities provided to customers wherever possible. The Company has developed well-defined criteria helping it better evaluate the financial soundness of its customers, which is aligned with Saudi Arabia's economic growth and government initiatives within the framework of Vision 2030.

The Company is registered with the "Monshaat" program aiming at refinancing the Company's SME portfolio at reduced financing rates. The Company has adopted an evaluation program that makes credit scoring points easier through several performance analysis elements for the entity requesting finance, including Moody's Investors Services, Standard & Poors and "SIMAH". Furthermore, key credit information for SMEs are targeted to be obtained from credit rating and scouring agencies such as "Bayan", "Taqeem" and "SIMAH".

The Company's target is for its SME financing business to represent approximately 20% to 30% of its financing portfolio in the near to medium term.

4.5.5 FinTech Lending

On 19/04/2020G, the Company was licensed by SAMA through the non-objection letter, to conduct activities in the FinTech sandbox environment with its newly launched crowdfunding platform, "ULend", whereby SAMA has renewed the non-objection letter on 04/12/1442H (corresponding to 14/07/2021G) for a period of three (3) months starting on 22/07/2021G, and the company is currently in the process of obtaining a permanent license to provide such services. In its recently launched FinTech lending business line, the Company targets SMEs in an innovative way. The Company established a peer-to-peer crowdfunding platform titled "ULend" where parties seeking funding apply online for funding requests. Upon customer solvency due-diligence, if the request is approved by the Company, it funds 40% of the funding request and the remainder is generally funded by individual or institutional investors; however, the Company may cover the shortfall in financing, if third-party investors' demand is not sufficient. As at the date of this Prospectus, the Company's FinTech customers were primarily SME customers, however investors can be both individuals as well as institutions. Its FinTech business line provides the Company with the risk being borne by the investor and the Company based on the investment ratio applicable to each financing. However, the Company may cover any shortfall in financing, in the event that there is not enough desire from third party investors to cover this shortfall. FinTech financing products are offered with a credit limit of two million Saudi Riyals (SAR 2,000,000) for a maximum term of four (4) years. In addition, these products offer options such as: automatic investments and reinvestment if desired.

The Company's target is for its FinTech business to represent approximately 3% to 5% of its financing portfolio in the near to medium term.

4.5.6 Credit cards

As part of its efforts to cover all retail financing activities and maintain its leadership position in the competition, the Company launched a credit card service in Saudi Arabia in 2020G. Accordingly, the Company has entered into a partnership with Visa International to operate as a credit card payment operator in Saudi Arabia. The Company also obtained the SAMA license to operate its credit card financing business line. The Company is the first licensed financing company to issue credit cards on the VISA platform compliant with Shariah provisions.

The Company's credit card products comprise Classic Card, Rewards Card and Gold Card. These cards offer multiple credit lines and privileges to its customers. Initially offered to its existing customer base, the Company plans to use it's marketing platform to introduce new customers to the product. The Company applies zero annual fees to its credit card customers who use their cards within specific percentages and pay their payables due on time. This product enables the Company to offer an option to its customers to have immediate access to short-term financing.

The Company benefits from its team of experienced and specialized marketing professionals that undertake the development of its credit card products and manage the customer attraction and retention processes. To develop its credit card financing offering, the Company pursues marketing efforts through direct personal communication, use of direct mail, digital platforms and websites, in addition to field sales.

The Company procures credit card operations support from Network International LLC, a U.A.E-based international payment solution company providing certain support services including establishment and delivery of the project and the operation and day-to-day support as well as implementation of the system of conversion and management of cards using e-hosting models. Services provided by Network International LLC include, among others, processing, credit card, prepaid card, fraud and customer loyalty solutions.

The initiatives launched by SAMA to develop a high-tech framework system in the Kingdom were a key driver in the development of bank cards and cash-less technologies. According to SAMA, financial transactions carried out by cards and cash-less technologies in Saudi Arabia grew by 132% by March 2021G compared to the same period in 2020G.[20] In addition, while the number of transactions executed using credit cards increased, the average value per transaction decreased.

The credit card financing activity is considered to be one of the activities with a relatively high profit margin compared to personal financing. Therefore, the Company seeks to make its credit cards the second choice for its customers in the future.

20 Source: SAMA Monthly Statistical Bulletin for March 2021G.

4.5.7 Main functions and departments

Figure 28: Procedures for obtaining consumer funding

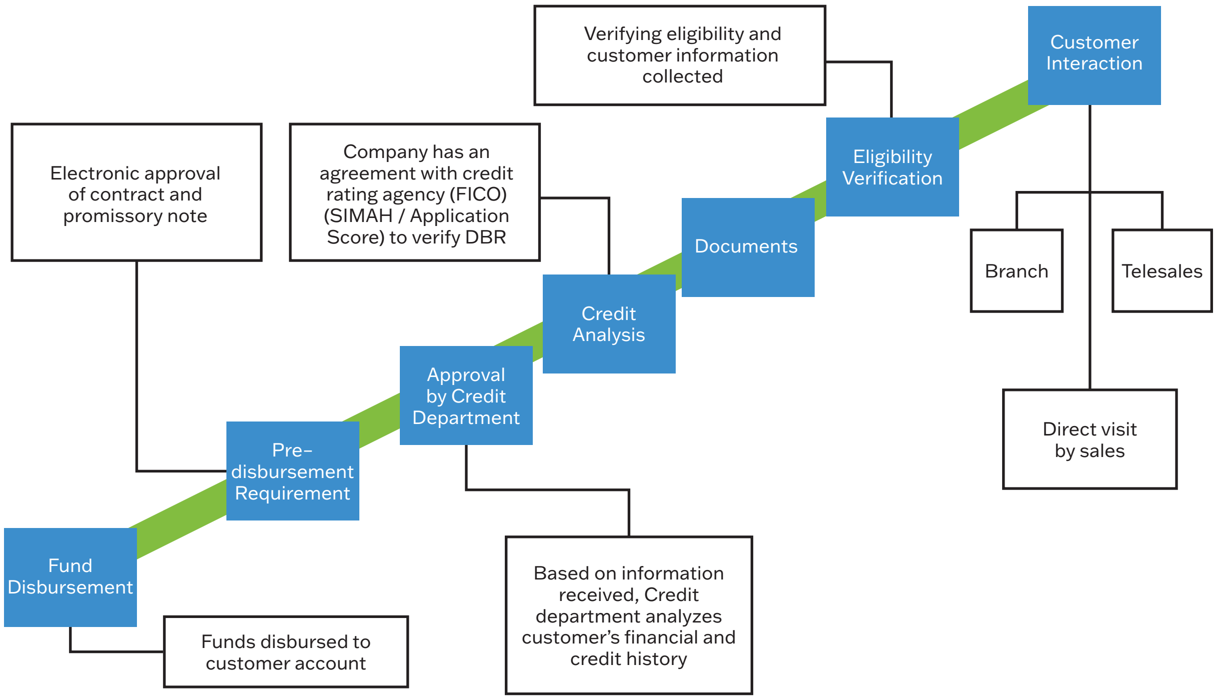
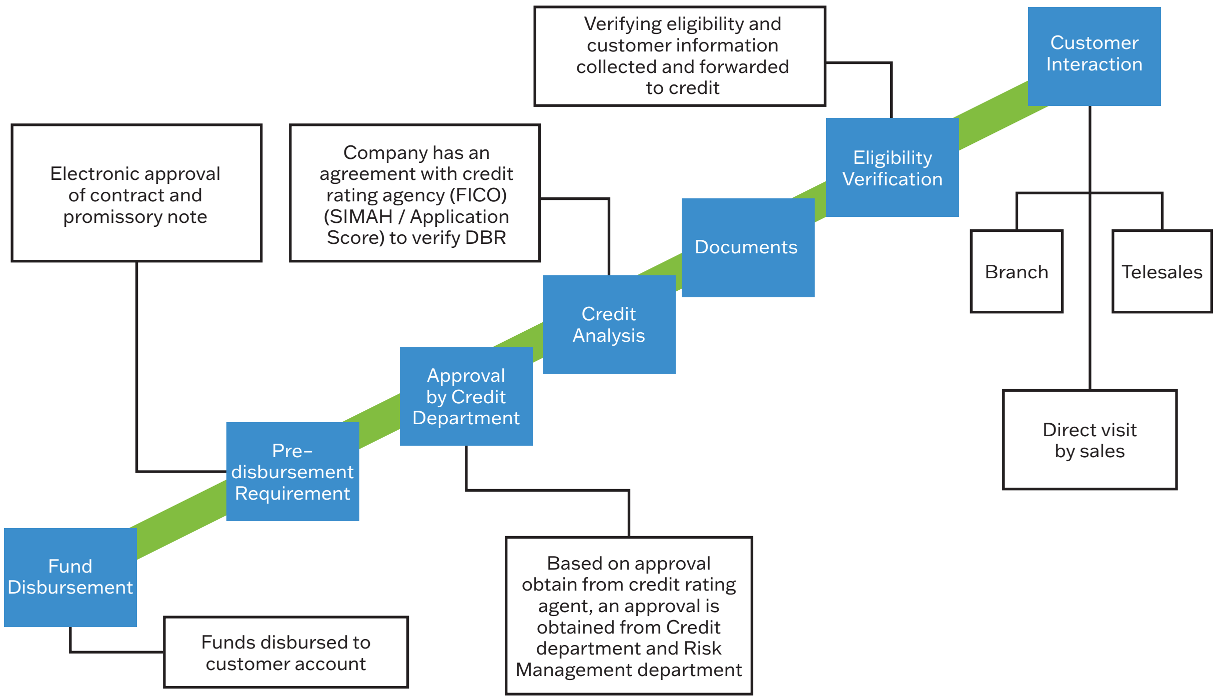


Figure 29: Procedures for obtaining SME funding



4.5.8 Sales and marketing department

The Company has a broad and multi-channel sales network involving traditional channels (i.e., marketing through branches, direct sales and telesales) and modern channels (i.e., online sales activities) as well as dedicated sales teams focusing on retail sales to achieve a better market share by investing in its range of products and services. As at 31 December 2020G and 31 March 2021G, the Company had a direct sales agents team of one hundred and fifty five (155) and one hundred forty four (144) employees, respectively. The Company sets annual financing targets of SAR 3 to 5 million depending on the area of work and years of service. The Company aims to increase its direct sales employees headcount to (300) employees within the next four years.In addition to its branches and direct sales team, the Company's sales network includes telesales channels and online sales activities. As at 31 March 2021G, the Company had 31 employees in the tele sales channel, and the Company plans to increase this team to (81-100) employees over the next four years. Sales through direct sales and the tele-sales team respectively accounted for 14% and 86% of the total consumer finance sales as at 31 March 2021G.

4.5.9 Credit management

4.5.9.1 Credit Policies

In line with the requirements of the Implementing Regulations issued by SAMA, the Company has adopted a detailed credit policy for its financing solutions. The Company's transparent credit plan aims to formulate sound credit decisions and diversify its risk profile through various risk management methods. The Company's credit policy includes written standards designed to control and review the credit risk of its portfolios and to provide a standardized approach to handle and manage liabilities arising from the risks from customers. This policy is an integral part of the experience of the Company's executives and managers. It also identifies procedures to be followed when making financing decisions and other obligations that expose the Company to credit risk. The management monitors exposures to maintain the Company's solvency and ensure the safety of its shareholders' investments, achieve the desired profits and meet the regulatory requirements related to customer financing.

4.5.9.2 Credit Rating Team

The Company has an experienced credit team that is keen to ensure that the financial position of the customers is solid which would minimize the potential risks on the Company. The Company aims to limit its credit risk by developing initial assessment criteria that prospective customers should meet to be eligible to receive a facility, as well as conducting a database examination and credit scores calculations via SIMAH and other external credit application scoring systems and identifying the client's position in the market by obtaining information from available sources. In case of real estate provided as collateral for financings, the property is assessed by independent real estate appraisers. In addition to the initial appraisal, the relevant real estate appraisers may conduct further valuations if deemed necessary due to the changes in the real estate prices. In cases of financing of SMEs, the property used as collateral must be at least 150% the value of the financing.

4.5.9.3 Credit Department

The Company has a highly qualified credit department that verifies its customers' compliance with SAMA's requirements, their eligibility to obtain financing and the soundness of their financial position based on the documents they submit before getting approved for financing. The credit department, based on the information received, performs a DBR analysis. If the results of the evaluation are positive, the data is sent to the person responsible for monitoring the assessment elements. The credit department also reviews the "Know Your Customer" (KYC) documents, relevant customer's bank statement for the last three months and withdrawals of such account to ensure there are no defaults in payments. The credit department may then grant its approval, a conditional approval or reject the application. The responses of the credit department should be supported by justifications and reasons. If there is a need to change or amend the terms and conditions of the financing facility after approval of the application, this would require another application for the credit facilities and obtaining the necessary approvals from the entity which approved the original application.

4.5.10 Operations Department

The operations department consists of four sections that support the daily operations and procedures required by SAMA as well as the internal policies of the Company. The operations department's sections consist of the following:

1- A document verification team that verifies documents prior to initiating transfer of funds to the customers' accounts;
2- An operations support team that implements requests from branches and the liaison with internal departments;
3- A support team that tracks payments received from banks and verifies the amounts and processes such received payments in line with applicable regulations and procedures; and
4- An archiving team that archives documents and contracts in line with SAMA regulations for a prescribed period.

The operations department supports the implementation of all contract related activities, business support and control of internal processes by separating duties based on quality and cost considerations and maintaining business performance. The operations department has a team of experienced and qualified professionals who are well suited for different techniques and tools to facilitate business processes and ensure quality of the services rendered the Company.

4.5.11 Collection Management

The Company has an experienced collection department supported by automated communication systems (e.g., Auto-Dialler System, Voice Blaster, SMSs) for the collection process. The collection department pursues an effective and detailed collection strategy to ensure a high recovery rate from overdue accounts. As a result, the collection department keeps track of customers and ensures that payments are made on a regular basis to minimize, any losses on the Company. The availability of sufficient resources to the collection team and the strict credit policy enables the Company to maintain a low loss ratio. The collection department aims to collect receivables from customers on time and to avoid having to reclassify such receivables from operating assets to non-performing assets If any assets become non-performing, the Company shall be free to commence legal proceedings. The legal team is responsible for initiating and handling legal cases before general and enforcement courts. The Company typically initiates legal proceedings against defaulting customers after one hundred and twenty (120) days from the customer's default in accordance with the guidelines prescribed by SAMA.

As at 31 March 2021G, the Company's collection department had 46 employees, including the legal team and the recovery team. The legal team is responsible for raising and following-up on legal cases in general and enforcement courts. Employees receive internal training to ensure the efficiency of the collection process.

4.5.11.1 In-House Collection Team

The main strength of the Company's in-house collection mechanism is the advanced automatic communication system, which facilitates the collection process through the automatic initiation of calls to defaulting customers. The Company also communicates with customers through phone calls and SMS. The Company's in-house collection team also uses interactive group communication solutions that enable it to send pre-recorded voice messages immediately to provide customers with important information, messages and alerts about amounts due, payment dates and other similar information.

4.5.11.2 Collection Support Team and Customer Services and Complaints Team

The Company has two teams supporting its collection department, namely, the collection support team and the customer services and complaints team. If it is not possible to follow up with customers or guarantors, the collection support team becomes responsible for handling the relevant data and entering the new collection data into the FinnOne system (i.e., a loan management system used to manage cycle for customers on-boarding, collection and financial entries). The collection support team gathers new contact information and verifies its accuracy with the confirmation of the customer.

The collection process for individuals differs from the collection process for companies, since most collections from companies are in the form of fireldwork by visiting the company, unlike the case with individual customers. The Company has an experienced collection team, and employs various collection methods such as an advanced automatic communication system and FinnOne system, ensuring that data is available to agents, which facilitates the collection from customers. The customer services and complaints team is responsible for handling all customers' complaints related to the collection department and all customers' complaints received from SAMA.

4.5.12 Support Departments

4.5.12.1 Human Resources Department

The Company has a knowledgeable, skilled and experienced management team. The Company invests in its human capital to fully utilize their potentials in developing products, services, distribution channels and infrastructure. The human resources department is involved in attracting high-calibre employees and assessing candidate capabilities to meet the Company's operational needs. The human resources department also evaluates the current capabilities and advances employee competencies, skills and abilities to achieve a high-level performance in line with the Company's vision. Additionally, the human resources department builds performance-based reward and incentive portfolio programs to motivate the Company's employees. The human resources department is also responsible for ensuring that all current and future commitments and requirements of the Company related to its personnel have been planned and the necessary arrangements are made to achieve said goals.

As at 31 March 2021G, the Company had 389 employees registered on its payroll in addition to 140 outsourced employees. As at the same date, 37% of the Company's employees worked within the sales and marketing department with 144 employees.

The Company outsources certain of its employees through a number of human resources companies. Under these arrangements, salaries and related benefits, as well as the cost of end of service benefits to outsourced employees are borne by the Company. All of the Company's non-Saudi employees (except for external employees) are under the Company's sponsorship.

Under the Nitaqat program (the National Plan for Saudization), Saudi companies and institutions are under an obligation to have a certain percentage of their workforce comprising of Saudi nationals. As at 30 May 2021G, the Company was in compliance with the Nitaqat program requirements and Saudi-national employees accounted for 90.05% (353 Saudi-national employees and 39 non-Saudi-national employees) and was classified in the platinum category under the Nitaqat program.

4.5.12.2 The Administrative and Training Department

The Company has an experienced administrative team with broad experience in the sector and broad knowledge of the market. This team supports the core functions such as credit, sales, IT, procurement and management. It provides advice on dealing with and retaining clients for internal and external employees working in various departments, including records management, security, finance, procurement and other support services contracted with. The Company's administrative team has a deep understanding and broad experience, and has significant responsibilities in strategic management and chain of operations.

The Company has a training department working in coordination with the other departments to ensure that all new employees in the Company's branches receive proper and appropriate training. This training aims to prepare the employees of new branches to efficiently carry out their roles. The Company also provides training to its employees on a regular basis using innovative programs conducted by the training department. As for the specialized training courses and workshops, they are held in coordination between the training department and the directors of the relevant departments. In order to keep pace with the expected growth, the Company gives priority to training and development, and seeks to focus on developing the competencies, skills and abilities of its employees in order to achieve a high level of performance. Therefore, the Company adopted an annual training plan in accordance with SAMA guidelines. This plan has been prepared based on the assessment of training requirements and budget for all departments. The Company provides periodic training to combat money laundering, introducing employees to the latest developments in this field and providing them with the necessary skills to improve their ability to deal with suspicious situations through the application of the relevant procedures. This training helps the employees of new branches carry out their assigned roles efficiently.

4.5.12.3 Information Technology Department

The Company focuses on using the latest technology to run its business in an inexpensive and efficient manner and provide customers with safe, efficient and fast services. It uses state-of-the-art technology in collection solutions and other financing solutions to maintain scalability and flexibility. The Company uses FinnOne as its core system in its operations, sales, credit, and collection activities. With is customer acquisition system (CAS) module, FinnOne is used by the sales and credit teams for customer evaluation, validation and data entries. The Company also uses a loan management system (LMS) and a collection module, in managing its financing and collection actitivites. The Company plan on replacing its FinnOne system with Newgen, (a BPM and Omni platform product) with enhanced technologies and modules, as of March 2021G.

In October 2020, the company launched the new upgrade of Dynamic AX to Dynamics 365. The new Dynamics 365 covers the finance module, in addition to the human resources, and supply chain operations.

The Dynamics 365 system uses company interoperability policies to make IT decisions to improve the Company's interoperability. The Company also plans to establish a department-wide data dashboard for data sharing, which will increase the availability and consistency of shared data across all departments. In addition, the Company uses a robust framework for common services to establish and maintain these services to produce the support processes and policies necessary to ensure the effectiveness of the common services program in all branches.

As at 31 December 2020G, the IT Department was in the development stages of the Incorta Business Intelligence solution which provides a list of reports and data sets to enhance data sharing across the Company. Through the application of best practices, it aims to expand the availability of common data and ensure consistency in all branches. As at the date of the Prospectus, the Company still uses the SAS systems and plans to switch to Incorta Business Intelligence by March 2021G.

The Company adopted interoperability policies in the IT decision making industry (the ability to ensure the compatibility between the used systems internally and exchange the information in an automatic, easy way) to improve interoperability across the Company. This improves the ability of systems to exchange data at an effective cost through increased compliance with standards and best practices. The Company also adopted common standards, protocols, platforms and common vocabulary to enhance information and service sharing through interoperability. Interoperability and usage increase the IT team's ability to provide resource sharing, communicate with users and stakeholders while ensuring data privacy and security. Through these practices, IT department works to improve data access and interoperability for all stakeholders, from management operations to direct care and emergency response.

Data sharing policy and interoperability facilitated effective communication and transparency across the Company and improved the Company's ability to use advanced data analysis to serve message and administrative decision making. Through the development of open frameworks and standards for data, interfaces for application software, and user experience design, IT department was able to improve the efficiency of all transactions with the system. It is certain that the improvement of usability and access allows the Company to communicate effectively with stakeholders and provide them with access to the data and functions that support the Company's mission.

The Company is committed to implementing IT systems and processes that provide up-to-date information on the Company's business and allow it to make strategic decisions based on this information in line with its growth. The Company regularly evaluates the IT environment and regularly upgrades its IT infrastructure. IT department also focuses on developing plans to attract, develop and retain a strong and diverse IT team while expanding education and training programs across the Company. The department also seeks to improve knowledge, experience and opportunities in the field of IT for all specializations within the department.

4.5.12.4 Cyber-Security

The protection of IT assets is critical for the Company to ensure the reliability of the Company's information systems and the accuracy of the data therein. Therefore, the Company applies cyber-security procedures and policies to its employees, consultants, third parties related to the Company and any temporary employees who have access to the Company's IT systems. The cyber-security department adopted comprehensive policies to protect the Company in all respects, including, information security policy, data management and classification policy, physical environment security policy, information security management policy, Internet usage policy, network security management policy, and IT management policy.

The Company also adopted a strict risk management policy for its IT assets through improved asset management, threat and vulnerability analysis, response and recovery procedures and plans. This policy allows the Company to maintain its IT security position in view of its integrated operations, in line with its mission and business needs. This comprehensive risk management policy enables the Company to prioritize protection of critical data and customer information such as personal information, personal health information and financial data in line with the appropriate risk level throughout the life cycle of the IT system or asset. By deploying departmental programs to support definition and prioritization of cyber-security risks on a continuous basis, the Company enables cyber-security employees to mitigate the risks on a cost efficient basis. Furthermore, data sharing (including cyber-security threats) in all branches of the Company improves the Company's awareness of the prevailing situation. To better address cyber-security risks, SAMA developed an optional risk-based Internet security framework and a set of standards and best practices in the field to help companies manage cyber-security risks. This framework, established through public-private sector cooperation, introduced the advantage of using a common language to address and manage cyber-security risks at a cost-effective basis on business needs without imposing additional corporate regulatory requirements. The Company filed with SAMA a self-evaluation report of its esecurity framework for Q3 2020G.

4.5.12.5 Customer Care Department

The Company is a customer-focused company that prioritizes providing high-quality customer services to support continued growth of its business. To achieve this, call centres of the Company are well-equipped with up-to-date systems that register complaints and then monitor and resolve such complaints without delay. The Company also regularly updates its customer service systems by maintaining the latest technologies. In addition, the Company has attracted qualified and experienced employees to meet customer expectations and resolve any complaints efficiently and without delay.

Excellent customer service is a process encouraged by the Company in all its branches to avoid repeating any complaints from customers. It also has multiple channels including telephone line service and complaints submitted to the Company's website through Internet, e-mail, instant messaging services, and surveys as tools for receiving customer opinion. The team provides after-sales service and conducts surveys on customer satisfaction to ensure that their expectations are satisfied.

The call centre and customer care employees receive comprehensive training to improve their abilities and skills in communicating with customers and handling their complaints. The Company seeks to continue to provide customers with utmost care in order to maintain customer loyalty and satisfaction.

Below are the key indicators for the Company's call centre and customer care activities for the year ended 2020G.

Table 23: Call centre and customer care activities

Calls Services 2020		
	Number	Percentage (%)
Answered Inbound Calls	309,734	59.433%
Answered Outbound Calls	211,414	40.567%
Total Calls	521,148	100%
Online Services 2020		
	Number	Percentage (%)
Number Of Addressed Complaints, Nayifat website	3,954	8.049%
Number Of Addressed Complaints, Samacare System	2,682	5.549%
Number Of Addressed Queries, Nayifat Web	42,489	86.491%
Total Addressed Tickets	49,125	100%
Survey Services 2020		
	Number	Percentage (%)
Overall Happy with Nayifat services	10,389	93.401%
Overall Unhappy with Nayifat services	734	6.599%
Total	11,123	100%

Calls Services for the three months period ending on 31 March 2021		
	Number	Percentage (%)
Answered Inbound Calls	84,453	47%
Answered Outbound Calls	96,530	53%
Total Calls	180,983	100%
Online Services for the three months period ending on 31 March 2021		
	Number	Percentage (%)
Number Of Addressed Complaints, Nayifat website.	846	7%
Number Of Addressed Complaints, Samacare System	682	6%
Number Of Addressed Queries, Nayifat Web	9,968	85%
Number Of Addressed Queries regarding credit cards, Nayifat Web	231	2%
Total Addressed Tickets	11,727	100%

Survey Services for the three months period ending on 31 March 2021		
	Number	Percentage (%)
Overall Happy with Nayifat services	2,000	99%
Overall Unhappy with Nayifat services	26	1%
Total	**2,026**	**100%**

Source: The Company

4.5.12.6 Department of Finance and Treasury

The finance department of the Company has multiple functions including treasury management, financial accounting, management information systems and reporting. This department has highly qualified employees in the fields of finance and accounting. The department is led by experienced managers who report to the Company's chief financial officer and treasurer. The finance department is at the forefront of professional excellence in the Company, which is also evidenced by the early adoption of IFRS 9. The department also uses the latest accounting and reporting software for the Company.

The Directors acknowledge that there has been no interruption or suspension of the Company's business during the last 12 months that affect or may have a significant impact on its financial position. (for more information, see Section 4.6 "Covid-19 Update").

The department also negotiates and manages available credit lines from various national and regional banks to ensure availability of liquidity as and when required, as well as ensuring competitive and cost effective availability of funds.

4.6 COVID-19 Update

In response to the spread of COVID-19 in various cities of the Kingdom where the Company operates and its resulting disruptions to the social and economic activities, the Company's management has proactively assessed its impact on its operations and has taken a series of preventive measures. Such measures include but are not limited to the creation of on-going crisis management committees as well as modification of processes, to ensure the health and safety of its employees and customers.

Notwithstanding these challenges, the Company's business operations has shown improvement in financing since June 2020G after showing a decline during the months of April and May. On the collection side, the Company has achieved the same levels as was the case pre COVID-19 after facing marginal declines in April and May 2020G. This is mainly because the majority of the customer base (more than 90%) is from public sector employees. Furthermore, based on the current economic environment, the economic factor used in determining the provision for impairment for expected credit losses was updated during the period ended March 31, 2020G and the Company has continued with the forecast decline in the GDP growth rate based on Moody's outlook of the Saudi economy.

From a liquidity perspective, the Company has access to substantial long-term facilities from commercial banks of which approximately only 26.66% stands utilized as until 31 March 2021G due to its large equity base to finance the current and long-term funding needs of the financing company as well as the long-term needs.

Furthermore, in view of the low disbursements and robust collections, the Company has sufficient liquidity available, therefore it is not significantly exposed to liquidity risk. The Company is also keen that the maturity periods of the financing amounts due to the Company are largely identical to its obligations to its creditors. Hence the management has taken pro-active measures by repaying expensive borrowings and participating in SAMA's support programs for the private sector which included deferring instalments under its banking facilities. In addition, the Company took the step of depositing its surplus balances with banks to generate revenue and minimize the impact on the Company's net income which is through the bank profits that the Company benefits from through the deposit, which results in an increase in net income.

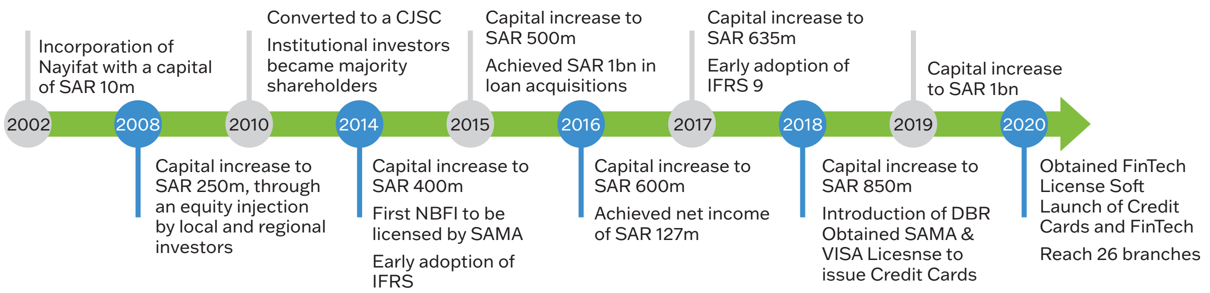
Based on these factors, the Company's management believes that the COVID-19 pandemic has had its impact on the profitability of the Company, only due to the reduced disbursements; however, this is expected to be temporary, since the disbursements have already started improving significantly since the month of May 2020G.

However, if the COVID-19 pandemic situation prolongs for a longer period of time, this may impact the profitability of the Company in view of the reduction in loan bookings compared to past periods and may also have an impact on the collections from higher buckets dues. The Company's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required. See Section 2.1.9 "Risks relating to the outbreak of infectious diseases or other serious public health concerns, including the continuing global spread of COVID-19 of this Prospectus".

4.7 History of the Company and its Share Capital Development and Changes in Ownership Structure

Figure 30: History of the Company and its Share Capital Development and Changes in Ownership Structure

A flagship developed over the course of 18 years and is considered a leading in the Market



Source: The Company.

The Company was originally incorporated as a limited liability company to be owned by: Abdulaziz Saud Omar Al Blehed, Saud Huwaimel Farraj Al Dosari, Abdulaziz Turki Abdullah Al Otaishan, Hamad Mohammed Abdullah Bin Suaidan and Fahad Abdulaziz Fahad Al Saeed under the name ‘Nayifat Instalments Company’ with Commercial Registration No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G) in Riyadh and was established with a share capital of ten million Saudi Riyals (SAR 10,000,000), divided into one hundred thousand (100,000) cash shares, the nominal value of each share was one hundred Saudi Riyals (SAR 100) per share. The ownership structure of the Company when established in 2002G was as follows:

Table 24: Ownership Structure of the Company upon incorporation as at 04/05/2002G.

Name of Shareholder	No. of shares	Value of share	Total Value	Percentage of Ownership
Saud Huwaimel Farraj Al Dosari	40,000	100	4,000,000	40%
Abdulaziz Saud Omar Al Blehed	20,000	100	2,000,000	20%
Abdulaziz Turki Abdullah Al Otaishan	20,000	100	2,000,000	20%
Hamad Mohammed Abdullah Bin Suaidan	10,000	100	1,000,000	10%
Fahad Abdulaziz Fahad Al Saeed	10,000	100	1,000,000	10%
Total	**100,000**		**10,000,000**	**100%**

Source: The Company.

Abdulaziz bin Turki bin Abdullah Al Otaishan sold (10,000) of his shares of the Company’s share capital out of twenty thousand (20,000) shares to Hamad Mohammed Abdullah Bin Suaidan with a nominal value of one million Saudi Riyals (SAR 1,000,000) and sold five thousand (5,000) shares to Abdulaziz Saud Omar Al Blehed with a nominal value of five hundred thousand Saudi Riyals (SAR 500,000).

On 03/11/1429H (corresponding to 01/11/2008G), the capital of the Company was increased from ten million Saudi Riyals (SAR 10,000,000) to two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into two million five hundred thousand (2,500,000) shares of which the value of each is (SAR 100) through issuing new Cash Shares worth two hundred and forty million Saudi Riyals (SAR 240,000,000), through the entry of new partners by one hundred and ninety one million and five hundred thousand Saudi Riyals (SAR 191,500,000), divided as follows: SAR 93,875,000 for FALCOM Financial Services Company, SAR 93,875,000 for Al Marakeb Real Estate Investment Company Ltd and SAR 3,750,000 for Saad Ali Sulaim Al Qahtani. Saud Huwaimel Farraj Al Dosari sold 85,000 shares of his own shares to the new partner Mohammad Ali Mohammad Al Hokal.

Additionally, forty-eight million and five hundred thousand Saudi Riyals (SAR 48,500,000) was also capitalised from the retained earnings account, the Company's current partners' current accounts and the Company's current shareholders account pursuant to the amendment of the Articles of Association of the Company on 03/11/1429H (corresponding to 01/11/2008G). Accordingly, the ownership structure of the Company became as follows:

Table 25: Ownership Structure as at 01/11/2008G

Name of Shareholder	Number of shares	Share Value	Total Value	Percentage of Ownership
FALCOM Financial Services Company	938,750	100	93,875,000	37.55%
Almarakeb Real Estate Investment Company Limited	938,750	100	93,875,000	37.55%
Saud Huwaimel Farraj Al Dosari	200,000	100	20,000,000	8.00%
Abdulaziz Saud Omar Al Blehed	125,000	100	12,500,000	5.00%
Hamad Mohammed Abdullah Bin Suaidan	100,000	100	10,000,000	4.00%
Mohammad Ali Mohammad Al Hokal	85,000	100	8,500,000	3.40%
Fahad Abdulaziz Fahad Al Saeed	50,000	100	5,000,000	2.00%
Saad Ali Sulaim Al Qahtani	37,500	100	3,750,000	1.50%
Abdulaziz Turki Abdullah Al Otaishan	25,000	100	2,500,000	1.00%
Total	**2,500,000**		**250,000,000**	**100%**

Source: The Company.

On 09/06/1431H (corresponding to 23/05/2010G), the Company was converted from a limited liability company to a closed joint stock company upon the Ministerial Resolution No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G), with its share capital of two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per each share. Ministerial Resolution No. 188/Q dated 09/06/1431H (corresponding to 23/05/2010G) was issued announcing the conversion of the Company into a closed joint stock company with the paid share capital.

Table 26: Ownership Structure

Name of Shareholder	Number of shares	Share Value	Total Value	Percentage of Ownership
Saud Huwaimel Farraj Al Dosari	2,000,000	100	20,000,000	8.00%
Abdulaziz Saud Omar Al Blehed	1,250,000	100	12,500,000	5.00%
Hamad Mohammed Abdullah Bin Suaidan	1,000,000	100	10,000,000	4.00%
Mohammad Ali Mohammad Al Hokal	850,000	100	8,500,000	3.40%
Fahad Abdulaziz Fahad Al Saeed	500,000	100	5,000,000	2.00%
Saad Ali Sulaim Al Qahtani	375,000	100	3,750,000	1.50%
Abdulaziz Turki Abdullah Al Otaishan	250,000	100	2,500,000	1.00%
FALCOM Financial Services Company	9,387,500	100	93,875,000	37.55%
Almarakeb Real Estate Investment Company Limited	9,387,500	100	93,875,000	37.55%
Total	**250,000,000**		**250,000,000**	**100%**

Source: The Company.

On 28/02/1435H (corresponding to 31/12/2013G), the Company is licensed by SAMA under the license number 5/ASh/201312 to perform the following activities: lease financing, small and medium enterprise financing, consumer financing and credit card financing.

On 07/07/1435H (corresponding to 06/05/2014G), the Company's Extraordinary General Assembly approved the amendment of the Company's name to be "Nayifat Finance Company" and the increase of the Company's share capital from two hundred and fifty million Saudi Riyals (SAR 250,000,000) to four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 3 to 5 ratio (by granting three free shares for each five shares held by the shareholders), through the capitalization of one hundred and thirty eight million Saudi Riyals (SAR 138,000,000) from the Company's retained earnings account, and twelve million Saudi Riyals (SAR 12,000,000) of the Company's statutory reserve (the Company obtained SAMA approval). Several share exchanging resulted in the Company's ownership structure as follows:

Table 27: Ownership Structure of the Company after the Aforementioned Capital Increase

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Financial Services Company	30,343,424	10	303,434,240	75.86%
Saud Huwaimel Farraj Al Dosari	2,675,208	10	26,752,080	6.69%
Abdulaziz Saud Omar Al Blehed	2,512,944	10	25,129,440	6.28%
Mohammad Ali Mohammad Al Hokal	1,708,800	10	17,088,000	4.27%
FALCOM Special Investment Services Company	1,248,000	10	12,480,000	3.12%
Al Fahad Company for Trading, Industry and Contracting	808,080	10	8,080,800	2.02%
Saad Ali Sulaim Al Qahtani	606,064	10	6,060,640	1.52%
Noura Talal Khalil Al Muhaid	61,000	10	610,000	0.15%
Hussain Mohammad Salem Al Shakrah	36,480	10	364,800	0.09%
Total	**40,000,000**		**400,000,000**	**100%**

Source: The Company.

On 16/07/1436H (corresponding to 05/05/2015G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from four hundred million Saudi Riyals (SAR 400,000,000) to five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR10) per share by way of granting additional shares to existing shareholders on a 1 to 4 ratio (by granting one free share for each four shares held by the shareholders), through the capitalization of seventy four million, four hundred and twenty four thousand, seven hundred and eighty eight Saudi Riyals (SAR 74,424,788) from the Company's retained earnings account, and twenty five million, five hundred and seventy five thousand, two hundred and twelve Saudi Riyals (SAR 25,575,212) of the Company's statutory reserve (the Company obtained SAMA approval). Accordingly, the ownership structure of the Company became as follows:

Table 28: Ownership Structure of the Company after the Aforementioned Capital Increase

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Financial Services Company	37,929,280	10	379,292,800	75.86%
Saud Huwaimel Farraj Al Dosari	3,344,010	10	33,440,100	6.69%
Abdulaziz Saud Omar Al Blehed	3,141,180	10	31,411,800	6.28%
Mohammad Ali Mohammad Al Hokal	2,136,000	10	21,360,000	4.27%
FALCOM Special Investment Services Company	1,560,000	10	15,600,000	3.12%

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
Al Fahad Company for Trading, Industry and Contracting	1,010,100	10	10,101,000	2.02%
Saad Ali Sulaim Al Qahtani	757,580	10	7,575,800	1.52%
Noura Talal Khalil Al Muhaid	76,250	10	762,500	0.15%
Hussain Mohammad Salem Al Shakrah	45,600	10	456,000	0.09%
Total	**50,000,000**		**500,000,000**	**100%**

Source: The Company.

On 26/06/1437H (corresponding to 04/04/2016G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from five hundred million Saudi Riyals (SAR 500,000,000) to six hundred million Saudi Riyals (SAR 600,000,000) divided into sixty million (60,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by way of granting additional shares to existing shareholders on a 1 to 5 ratio (by granting one free share for each five shares held by the shareholders), through the capitalization of ninety three million Saudi Riyals (SAR 93,000,000) from the Company's retained earnings account, and seven million Saudi Riyals (SAR 7,000,000) of the Company's statutory reserve (the Company obtained SAMA approval). Several share exchanging between a number of shareholders resulted in the Company's ownership structure as follows:

Table 29: Ownership Structure of the Company after the Aforementioned Capital Increase

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Financial Services Company	45,515,136	10	455,151,360	75.858%
Saud Howaimel Farraj Al Dosari	4,012,812	10	40,128,120	6.688%
Abdulaziz Saud Omar Al Blehed	3,769,416	10	37,694,160	6.282%
Mohammad Ali Mohammad Al Hokal	2,563,200	10	25,632,000	4.272%
FALCOM Special Investment Services Company	1,872,000	10	18,720,000	3.120%
Al Fahad Company for Trading, Industry and Contracting	1,212,120	10	12,121,200	2.020%
Saad Ali Sulaim Al Qahtani	909,096	10	9,090,960	1.515%
Noura Talal Khalil Al Muhaid	91,500	10	915,000	0.152%
Hussain Mohammad Salem Al Shakrah	54,720	10	547,200	0.091%
Total	**60,000,000**		**600,000,000**	**100%**

Source: The Company.

On 24/03/1439H (corresponding to 12/12/2017G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred million Saudi Riyals (SAR 600,000,000) to six hundred and thirty five million Saudi Riyals (SAR 635,000,000) divided into sixty three million and five hundred thousand (63,500,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share by granting new shares to the chairman of the executive committee and a limited number of employees (the Company obtained SAMA approval) through a loan of thirty five million Saudi Riyals (SAR 35,000,000) awarded to executive officers under "a three-year performance-based bonus program" to be settled within such period. (This program is not currently valid since it was effective for a period of three years starting in 2017G and ending in 2020G and its term has not been renewed). In 2017G, the FALCOM group underwent an internal corporate restructuring, by virtue of which the shareholding of FALCOM Financial Services Company in the Company was transferred to a holding entity under the name of FALCOM Holding Company, which currently holds the majority stake in the Company. The loan was to be repaid through repayments over three years. Several share exchanges between a number of shareholders resulted in the Company's ownership structure as follows:

Table 30: Ownership Structure of the Company after the Aforementioned Change of Ownership and Capital Increase

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Holding Company	45,515,136	10	455,151,360	71.677%
Saud Huwaimel Farraj Al Dosari	4,812,812	10	48,128,120	7.579%
Abdulaziz Saud Omar Al Blehed	4,469,416	10	44,694,160	7.038%
Mohammad Ali Mohammad Al Hokal	2,563,200	10	25,632,000	4.036%
FALCOM Special Investment Services Company	1,872,000	10	18,720,000	2.948%
Abdulmohsen Abdulrahman Musaed Al Sowailem	1,500,000	10	15,000,000	2.362%
Al Fahad Company for Trading, Industry and Contracting	1,212,120	10	12,121,200	1.908%
Saad Ali Sulaim Al Qahtani	909,096	10	9,090,960	1.431%
Hussain Mohammad Salem Al Shakrah	226,500	10	2,265,000	0.356%
Noura Talal Khalil Al Muhaid	229,720	10	2,297,200	0.361%
Sultan Shwayit Al Otaibi	50,000	10	500,000	0.078%
Ayman Ahmed Al Zayer	40,000	10	400,000	0.063%
Turki Naser Hamad Al Saad Al Qahtani	35,000	10	350,000	0.055%
Turki Suleiman Saleh Al Obaid	35,000	10	350,000	0.055%
Ahmed Ibrahim Farie HemliHemli	30,000	10	300,000	0.047%
Total	**63,500,000**		**635,000,000**	**100%**

Source: The Company.

On 12/06/1439H (corresponding to 28/02/2018G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital from six hundred and thirty five million Saudi Riyals (SAR 635,000,000) to eight hundred and fifty million Saudi Riyals (SAR 850,000,000) divided into eighty five million (85,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share through the capitalization of one hundred and seventy nine million, four hundred and thirty six thousand Saudi Riyals (SAR 179,436,000) from the Company's retained earnings account, and thirty five million, five hundred and sixty four thousand Saudi Riyals (SAR 35,564,000) of the Company's statutory reserve (the Company obtained SAMA approval). Accordingly, the ownership structure of the Company became as follows:

Table 31: Ownership Structure of the Company after the Aforementioned Capital Increase

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Holding Company	60,925,773	10	609,257,730	71.677%
Saud Huwaimel Farraj Al Dosari	6,442,347	10	64,423,470	7.579%
Abdulaziz Saud Omar Al Blehed	5,982,683	10	59,826,830	7.038%
Mohammad Ali Mohammad Al Hokal	3,431,055	10	34,310,550	4.036%
FALCOM Special Investment Services Company	2,505,827	10	25,058,270	2.948%
Abdulmohsen Abdulrahman Musaed Al Sowailem	2,007,874	10	20,078,740	2.362%
Al Fahad Company for Trading, Industry and Contracting	1,622,523	10	16,225,230	1.908%
Saad Ali Sulaim Al Qahtani	1,216,900	10	12,169,000	1.431%
Hussain Mohammad Salem Al Shakrah	307,499	10	3,074,990	0.361%
Noura Talal Khalil Al Muhaid	303,189	10	3,031,890	0.356%

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
Sultan Shwayit Al Otaibi	66,929	10	669,290	0.078%
Ayman Ahmed Abdulkareem Al Zayer	53,543	10	535,430	0.062%
Turki Naser Hamad Al Qahtani	46,850	10	468,500	0.055%
Turki Suleiman Saleh Al Obaid	46,850	10	468,500	0.055%
Ahmed Ibrahim Farie Hemli	40,158	10	401,580	0.047%
Total	**85,000,000**		**850,000,000**	**100%**

Source: The Company.

On 05/04/1441H (corresponding to 02/12/2019G), the Company bought-back the entire shareholding of FALCOM Special Investment Services, the then shareholder of the Company, consisting of 2,505,827 Shares amounting to a total of (SAR 65,151,502) to maintain these as treasury shares and the share capital of the Company has increased from eight hundred fifty million Saudi Riyals (SAR 850,000,000) to one billion Saudi Arabian Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, through the capitalization of one hundred and fifty million (SAR 150,000,000) of the Company's retained earnings (the Company obtained SAMA approval). Accordingly, the ownership structure of the Company became as follows:

Table 32: Ownership Structure of the Company after the Aforementioned Change of Ownership and Capital Increase

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Holding Company	71,677,380	10	7,16,773,800	71.677%
Saud Huwaimel Farraj Al Dosari	7,866,128	10	78,661,280	7.866%
Abdulaziz Saud Omar Al Blehed	7,038,450	10	70,384,500	7.038%
Mohammad Ali Mohammad Al Hokal	4,036,535	10	40,365,350	4.036%
The Company	2,948,032	10	29,480,320	2.948%
Abdulmohsen Abdulrahman Musaed Al Sowailem	2,400,700	10	24,007,000	2.400%
Al Fahad Company for Trading, Industry and Contracting	1,908,850	10	19,088,500	1.908%
Saad Ali Sulaim Al Qahtani	1,431,647	10	14,316,470	1.431%
Noura Talal Khalil Al Muhaid	356,693	10	3,566,930	0.356%
Hussain Mohammad Salem Al Shakrah	361,763	10	3,617,630	0.361%
Sultan Shwayit Al Otaibi	78,740	10	787,400	0.078%
Ayman Ahmed Abdulkareem Al Zayer	24,497	10	244,970	0.024%
Turki Naser Hamad Al Qahtani	55,118	10	551,180	0.056%
Turki Suleiman Saleh Al Obaid	55,118	10	551,180	0.056%
Ahmed Ibrahim Farie Hemli	47,245	10	472,450	0.047%
Total	**100,000,000**		**300,000,007**	**100%**

Source: The Company.

On 15/11/1441H (corresponding to 06/07/2020G), the Company distributed to the existing shareholders the Shares it was holding in treasury previously purchased from FALCOM Special Investment Services in December 2019G, in proportion to each shareholder's ownership stake in the Company based on the non-objection letter issued by SAMA on 20/04/1441H (corresponding to 18/12/1441G). Accordingly, the ownership structure of the Company became as follows:

Table 33: Ownership Structure of the Company after the Aforementioned Change of Ownership

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Holding Company	73,854,638	10	738,546,380	73.854%
Saud Huwaimel Farraj Al Dosari	7,866,128	10	78,661,280	7.876%
Abdulaziz Saud Omar Al Blehed	7,252,249	10	72,522,490	7.252%
Mohammad Ali Mohammad Al Hokal	4,159,148	10	41,591,480	4.159%
Abdulmohsen Abdulrahman Musaed Al Sowailem	2,473,623	10	24,736,230	2.473%
Al Fahad Company for Trading, Industry and Contracting	1,966,834	10	19,668,340	1.966%
Saad Ali Sulaim Al Qahtani	1,475,134	10	14,751,340	1.475%
Noura Talal Khalil Al Muhaid	310,867	10	3,108,570	0.310%
Hussain Mohammad Salem Al Shakrah	372,752	10	3,727,520	0.732%
Sultan Shwayit Al Otaibi	81,132	10	811,320	0.081%
Ayman Ahmad Abdulkareem Al Zayer	25,241	10	252,410	0.025%
Turki Naser Hamad Al Qahtani	56,792	10	567,920	0.056%
Turki Suleiman Saleh Al Obaid	56,792	10	567,920	0.056%
Ahmed Ibrahim Farie HemliHemli	48,680	10	486,800	0.048%
Total	**100,000,000**		**1,000,000,000**	**100%**

Source: The Company.

On 15/05/1442H (corresponding to 30/12/2020G), Mr. Hussain Al Shakrah, Ms. Noura Al Mohid and Mr. Abdulmohsen Al Sowailem transferred a total of three hundred and eighty thousand and four hundred eighteen (380,418) Shares (which constitute the remaining Shares that did not vest under the Company's employee share incentive program) to the Company to be held in treasury, then sold to the other shareholders through a bidding process. Such Shares were initially registered under their names for and on behalf of the Company. Accordingly, the ownership structure of the Company became as follows:

Table 34: Ownership Structure After the Aforementioned Transfer of Shares

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
FALCOM Holding Company	73,854,638	10	738,546,380	73.854%
Saud Huwaimel Farraj Al Dosari	7,866,128	10	78,661,280	7.866%
Abdulaziz Saud Omar Al Blehed	7,252,249	10	72,522,490	7.252%
Mohammad Ali Mohammad Al Hokal	4,159,148	10	41,591,480	4.159%
Abdulmohsen Abdulrahman Musaed Al Sowailem	2,433,959	10	24,339,590	2.434%
Al Fahad Company for Trading, Industry and Contracting	1,966,834	10	19,668,340	1.966%
Saad Ali Sulaim Al Qahtani	1,475,134	10	14,751,340	1.475%
Hussain Mohammad Salem Al Shakrah	169,922	10	1,699,220	0.169%
Noura Talal Khalil Al Muhaid	172,933	10	1,729,330	0.172%
Sultan Shwayit Al Otaibi	81,132	10	811,320	0.081%
Ayman Khaled Al Zayer	25,241	10	252,410	0.025%
Turki Naser Hamad Al Qahtani	56,792	10	567,920	0.056%
Turki Suleiman Saleh Al Obaid	56,792	10	567,920	0.056%
Ahmed Ibrahim Farie Hemli	48,680	10	486,800	0.048%
The Company	380,418	10	3,804,180	0.380%
Total	**100,000,000**		**1,000,000,000**	**100%**

Source: The Company.

Current Ownership Structure of the Company Pre-Offering and Post-Offering

According to the shareholder register dated 21/05/1442H (corresponding to 05/01/2021G) the Company sold its entire holding of 380,418 treasury Shares to Mr. Mohammad Ali Al Hokal through a bidding process by virtue of Board's Resolution dated 30/04/1441H (corresponding to 15/12/2020G). As a result, as at the date of this Prospectus, the issued share capital of the Company is one billion Saudi Riyals (SAR 1,000,000,000) divided into hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The ownership Structure of the Company pre-Offering and post- offering is as following:

Table 35: Ownership Structure of the Company Pre-Offering and Post-Offering

Shareholders	Pre-Offer				Post- Offer			
	Number of Shares	Total Value	Direct Ownership %[1]	Indirect Ownership %	Number of Shares	Total Value[2]	Direct Ownership %[1]	Indirect Ownership %
FALCOM Holding Company	73,854,638	738,546,380	73.855%	-	48,005,515	480,055,150	48.006%	-
Saud Huwaimel Farraj Al Dosari	7,866,128	78,661,280	7.866%	-	5,112,983	51,129,830	5.113%	-
Abdulaziz Saud Omar Al blehed	7,252,249	72,522,490	7.252%	-	4,713,962	47,139,620	4.714%	-
Mohammad Ali Mohammad Al Hogal	4,539,566	45,395,660	4.540%	-	2,950,718	29,507,180	2.951%	-
Abdulmohsen Abdulrahman Mosaed Al Sowailem	2,433,959	24,339,590	2.434%	0.801%	1,582,073	15,820,730	1.582%	0.520%
Al Fahad Company for Trading, Industry and contracting	1,966,834	19,668,340	1.967%	-	1,278,441	12,784,420	1.278%	-
Saad Ali Sulaim Qahtani	1,475,134	14,751,340	1.475%	-	958,837	9,588,370	0.959%	-
Nora Talal Khalil Al Muheid	172,933	1,729,330	0.173%	-	112,406	1,124,060	0.112%	-
Hussain Mohammad Salem Al Shakrah	169,922	1,699,220	0.170%	-	110,449	1,104,490	0.110%	-
Sultan Shwayit Waqyan Al Otaibi	81,132	811,320	0.081%	-	52,736	527,360	0.053%	-
Ayman Ahmed AbdulkarimAl Zayer	25,241	252,410	0.025%	-	16,407	164,070	0.016%	-
Turki Nasser Hamad Al Qahtani	56,792	567,920	0.057%	-	36,915	369,150	0.037%	-
Turki Suleiman Saleh Al Obaid	56,792	567,920	0.057%	-	36,915	369,150	0.037%	-
Ahmed Ibrahim Hemli	48,680	486,800	0.049%	-	31,642	316,420	0.032%	-
Public	-	-	-	-	35,000,000	350,000,000	35.000%	-
Total	**100,000,000**	**100,000,000**			**100,000,000**	**1,000,000,000**	**100%**	

Source: The Company.

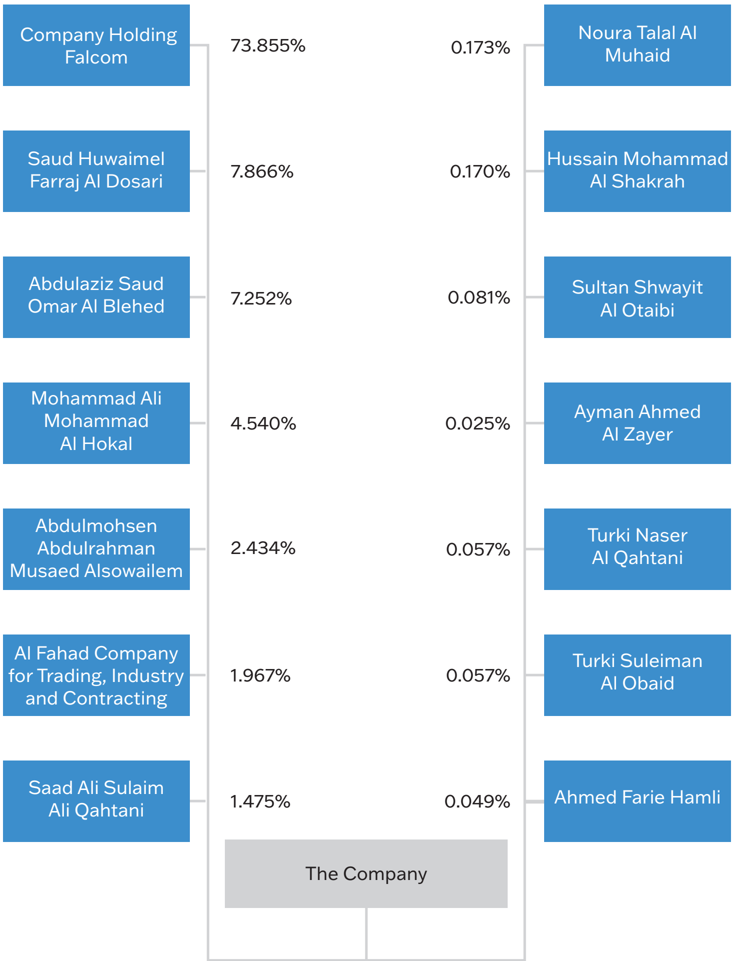
* post-issuance share fractions were distributed on the shareholders as shown in the table above.

1 The ownership percentages mentioned are approximate.

2 A shareholder owns indirect ownership of a member of the board of directors, Abdul-Mohsen Abdul-Rahman Musaed Al-Swailem, resulting from his direct ownership of 1.08% of FALCOM Holding Company, which owns shares representing 73.855% of the Company's share capital.

The following chart indicates the ownership structure of the Company as at the date of this Prospectus:

Figure 31: Company's ownership structure as at the date of this Prospectus

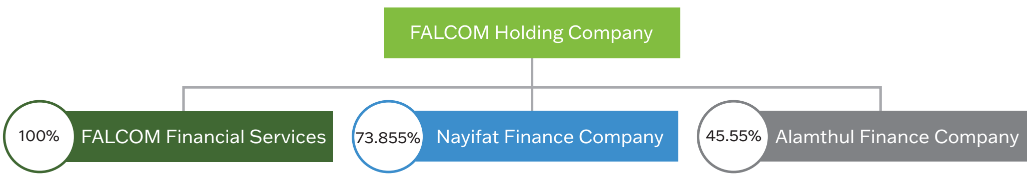


Save as the Company's share ownership in Sejel Company the Company does not own shares or direct or indirect ownership shares in any company inside or outside Saudi Arabia, and the Company has not conducted any business outside Saudi Arabia as at the date of this prospectus. (See Section 12.3 "Subsidiaries and Investments").

4.8 About the Companies Owning Shares in the Company

The following chart illustrate the company's place between FALCOM Holding Company, its subsidiaries and affiliates:

Figure 32: The Company's place among the subsidiaries and affiliates of FALCOM Holding Company:



4.8.1 FALCOM Holding Company

FALCOM Holding Company was established as a closed joint stock company on 03/06/1438H (corresponding to 01/03/2017G) and under Commercial Registration No. 1010468790 dated 10/06/1438H (corresponding to 08/03/2017G), issued in the city of Riyadh located in Public Olaya Road, FALCOM Financial Services Building P.O. Box 11421, Riyadh, Kingdom Of Saudi Arabia. The capital of the Company is one billion, one hundred and fifty five million (1,155,000,000) Saudi Riyals divided into 115,500,000 ordinary shares with a nominal value of ten (10) Riyals per share.

Pursuant to the Company's Article of Association, the purposes of the Company are as follows:

1- Manage its subsidiaries, or participate in the management of other companies in which it contributes and provides the necessary support.
2- Invest the Company's funds in shares and other securities.
3- Own real estate and movables required to carry out its activities.
4- Own industrial property rights of patents, trademarks, industrial brands, franchising rights, and other intangible rights, utilization and leasing thereof to its subsidiaries or to others.

As at the date of this Prospectus, FALCOM Holding Company held seventy three million eight hundred and fifty four thousand six hundred and thirty eight (73,854,638) shares in Nayifat Finance Company (representing 73.85% of its capital prior to the Offering). FALCOM Holding Company is managed by its CEO and the Managing Director, Adeeb Abdulrahman Musaed Al Sowailem. Shareholders holding FALCOM Holding Company's shares are as follows:

Table 36: Shareholders in FALCOM Holding Company

#	shareholder`s name	Number of Shares	Value of Shares	Total Value	ownership percentage
1	Prince/ Mohammed bin Fahd bin Abdulaziz Al-Saud	25,300,000	10	253,000,000	21.9%
2	Badriya bint Hussein Al Assaf	11,660,635	10	116,606,350	10.10%
3	United Trading Co. , Ltd	11,000,000	10	110,000,000	9.52%
4	Prince/ Khalid bin Fahd bin Abdulaziz Al-Saud	11,000,000	10	110,000,000	9.52%
5	Mohammed bin Fahd bin Mohammed Al-Athel	5,475,885	10	54,758,850	4.74%
6	Turky bin Fahd bin Mohammed Al-Athel	5,475,885	10	54,758,850	4.74%
7	Nasser bin Ibrahim bin Rashid Al Rashid	3,850,000	10	38,500,000	3.33%
8	Adeeb bin Abdulrahman bin Mousaed Sweilem	3,693,250	10	36,932,500	3.20%
9	Ghada bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
10	Flowa bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
11	Mashael bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
12	Rabaa bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
13	Hala bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
14	Munira bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
15	Seeta bint Fahd al-Athel	2,737,945	10	27,379,450	2,37%
16	Khalid bin Omar bin Jasser Albultan	1,650,000	10	16,500,000	1.43%
17	Abdulmohsen bin Abdulrahman bin Mousaed Al Sowailem	1,252,112	10	12,521,124	1.08%

#	shareholder`s name	Number of Shares	Value of Shares	Total Value	ownership percentage
18	Prince/Saud bin Khalid bin Saud bin Mohammed Al-Saud	1,237,500	10	12,375,000	1.07%
19	Prince/Faisal bin Turki bin Abdullah bin Mohammed Al-Saud	1,237,500	10	12,375,000	1.07%
20	Fahd Mohammed Saleh Al-Athel	1,154,980	10	11,549,800	1.00%
21	Faisal bin Fahd bin Faisal Melhem	1,034,000	10	10,340,000	0.90%
22	Prince/Khalid bin Saud bin Mohammed Al-Saud	825,000	10	8,250,000	0.71%
23	Ibrahim bin Abdulmohsen bin Abdullah Abanmi	550,000	10	5,500,000	0.48%
24	Prince/Mishary bin Abdullah bin Abdulaziz bin Mousaed	550,000	10	5,500,000	0.48%
25	Mutlaq bin Saleh bin Mutlaq Al Hanaki	550,000	10	5,500,000	0.48%
26	Abdulellah bin Mohammed bin Saleh Al-Athel	550,000	10	5,500,000	0.48%
27	Abdullah bin Mohammed bin Saleh Al - Athel	550,000	10	5,500,000	0.48%
28	Salman bin Mohammed bin Saleh Al-Athel	550,000	10	5,500,000	0.48%
29	Mazen bin Mohammed Mohammed bin Jameel Ikram	495,000	10	4,950,000	0.43%
30	Saleh bin Ali bin Hamoud Al–Athel	418,000	10	4,180,000	0.36%
31	Abdullah ben Ali bin Saleh Al – Nuaim	330,000	10	3,300,000	0.29%
32	Mohammed bin Abdulrahman bin Othman Al – Freih	330,000	10	3,300,000	0.29%
33	Abdulmohsin bin Mohammed bin Abdul-Alrahman Al–Saleh	330,000	10	3,300,000	0.29%
34	Al-Mojel Trading and Construction Company	330,000	10	3,300,000	0.29%
35	Prince/Saud bin Abdullah Bin Thunayan Al-Saud	314,284	10	3,142,843	0.27%
36	Nawaf bin Abdullah bin Ali Al-Fawzan	308,000	10	3,080,000	0.27%
37	Abdullah bin Rashid bin Ibrahim Almnkour	220,000	10	2,200,000	0.19%
38	Mohammed bin Abdulrahman bin Abdullah Al Taweel	220,000	10	2,200,000	0.19%
39	Abdulrahman bin Mohammed bin Darhoum Al – Athel	220,000	10	2,200,000	0.19%
40	Abdullah bin Mohammed bin Abdulaziz Al - Nimr	220,000	10	2,200,000	0.19%
41	Dar Mousa Company for real estate and commercial investment	220,000	10	2,200,000	0.19%
42	Louay Hassan Ali Hamedallah	220,000	10	2,200,000	0.19%
43	Al Khafra Holding Group Company	220,000	10	2,200,000	0.19%
44	Abdulkareem bin Hamad bin Musaad Al-Mojel	165,000	10	1,650,000	0.14%

#	shareholder`s name	Number of Shares	Value of Shares	Total Value	ownership percentage
45	Fahd bin Abdulrahman bin Mousaed Al - Sweilem	158,838	10	1,588,378	0.14%
46	Hessa bint Abdulrahman bin Abdullah Al- Belahid	146,667	10	1,466,674	0.13%
47	Sarah bint Ibrahim bin Saad bin Said	142,932	10	1,429,318	0.12%
48	Badr Suleiman Hamad Al–Sulaie	137,500	10	1,375,000	0.12%
49	Princess/ Ferial Bint Abdulrahman Bin Mousaed Al – Suwailem	131,866	10	1,318,658	0.11%
50	Saleh Abdullah Saleh Al-Henaki	110,000	10	1,100,000	0.10%
51	Bilal Mohammed Azz al-Din Wadid Ragheb	110,000	10	1,100,000	0.10%
52	Ibrahim bin Suleiman bin Mohammed Balghanim	110,000	10	1,100,000	0.10%
53	Bandar bin Mohammed bin Ahmed Al - Bayez	104,500	10	1,045,000	0.09%
54	Princess/ Raqia bint Hamed Mohammed Al - Ahdali	102,144	10	1,021,438	0.09%
55	Mohammed bin Saleh bin Abdulrahman Al - Athel	88,000	10	880,000	0.08%
56	Fahd bin Saleh bin Mohammed Al - Musbahi	88,000	10	880,000	0.08%
57	Prince/ Mohammed bin Faisal bin Abdullah bin Thunayan Al-Saud	78,572	10	785,719	0.07%
58	Halaa bint Saad bin Abdullah Al -Twaijri	73,335	10	733,348	0.06%
59	Mohammed bin Abdulrahman bin Abdulaziz ABabtain	55,000	10	550,000	0.05%
60	Prince/ Turki bin Faisal bin Abdullah bin Thunayan Al- Saud	55,000	10	550,000	0.05%
61	Khalid bin Saleh bin Abdulaziz Al - Rajhi	55,000	10	550,000	0.05%
62	Salman bin Saleh bin Abdulaziz Al - Rajhi	55,000	10	550,000	0.05%
63	Naif bin Saleh bin Abdulaziz Al - Rajhi	55,000	10	550,000	0.05%
64	Tahani bint Saleh bin Abdulaziz Al – Rajhi	55,000	10	550,000	0.05%
65	Abdulaziz bin Mohammed bin Abdullah Al - Araifi	55,000	10	550,000	0.05%
66	Abdulrahman bin Ibrahim bin Saleh Al - Muhanna	55,000	10	550,000	0.05%
67	Abdulrahman bin Abdulaziz Saad bin Nafisah	52,250	10	522,500	0.05%
68	Hisham bin Abdullah bin Mohammed Al - Haqeel	29,615	10	296,153	0.03%
69	Yasser bin Abdullah bin Mohammed Al - Haqeel	29,615	10	296,153	0.03%

#	shareholder`s name	Number of Shares	Value of Shares	Total Value	ownership percentage
70	Husam bin Abdullah bin Mohammed Al - Haqeel	29,615	10	296,153	0.03%
71	Mohammed bin Abdullah bin Mohammed al - Haqeel	29,615	10	296,153	0.03%
72	Fahad bin Abdullah bin Mohammed Al - Haqeel	29,615	10	296,153	0.03%
73	Abdulaziz bin Abdullah bin Mohammed Al - Haqeel	29,615	10	296,153	0.03%
74	Haitham bin Moeen bin Jameel Al-Sarraj	27,500	10	275,000	0.02%
75	Al-Bandari Bint Bader bin Mohammed Al-Abdulajbar	27,500	10	275,000	0.02%
76	Osama bin Abdulaziz bin Abdullah AlMubark	27,500	10	275,000	0.02%
77	Ziyad bin Abdulaziz bin Abdullah AlMubark	27,500	10	275,000	0.02%
78	Mazin bin Abdulaziz bin Abdullah AlMubark	27,500	10	275,000	0.02%
79	Majed bin Abdulaziz bin Abdullah AlMubark	27,500	10	275,000	0.02%
80	Ahmed bin Ibrahim bin Mohammed Al-Shabana	22,000	10	220,000	0.02%
81	Saud bin Abdullah bin Fahad Al-Joufan	22,000	10	220,000	0.02%
82	Thamer bin Mohammed bin Abdulrahman bin Muammar	22,000	10	220,000	0.02%
83	Tariq bin Saleh bin Hamoud Al - Safeer	22,000	10	220,000	0.02%
84	Abdulaziz bin Abdullah bin abdulaziz Al - Muhareb	22,000	10	220,000	0.02%
85	Thamer bin Abdulrahman bin Abdullah Al - Askar	22,000	10	220,000	0.02%
86	Mohammed bin Saad bin Mohammed Al - Haghani	22,000	10	220,000	0.02%
87	Shamaa bint Mohammed bin Yusuf Al Shanifi	22,000	10	220,000	0.02%
88	Ebtahaj bint Saleh bin Abdulaziz Al - Rajhi	19,250	10	192,500	0.02%
89	Mounira Bint Abdullah bin Mohammed Al - Hageel	14,808	10	148,082	0.01%
Total	115,500,000		1,155,000,000	100%	

Source: The Company.

Below is an overview of FALCOM Holding shareholders:

4.8.1.1 United Trading Company Ltd.

United Trading Company Ltd. is a Saudi limited liability company registered under No. 1010006658 on 28/02/1393H (corresponding to 02/04/1973G), and its headquarters are located in Riyadh. The copany's share capital is four million Saudi Riyals (SAR 4,000,000) divided into four thousand (4,000) cash shares with a value of one thousand Saudi Riyals (SAR 1,000) per share.

The company's main activities as reflected in its article of association are real estate, professional, technical and construction activities.

Table 37: Shareholders in United Trading Company Ltd.

shareholder`s name	Number of Shares	Value of Shares	Total Value	ownership percentage
Prince/ Saud bin Fahd bin Abdulaziz Al-Saud	1,250,000	1,000	3,800,000	95%
Princess/ Madawy bint Mosaed bin Abdulaziz Al-Saud	1,000,000	1,000	200,000	5%
Total	**4,000**		**4,000,000**	**100%**

4.8.2 Al Fahad Company for Trading, Industry and Contracting

Al Fahad Company for Trading, Industry and Contracting is a closed Saudi joint stock company with the commercial register no. 1128000011 dated 03/05/1388H (corresponding to 28/07/1968G). Its head office is located in Enaizah, Ben Harkan Street, opposite the roundabout from the South, P. O. Box: 354, Riyadh 51911 - Kingdom of Saudi Arabia. Its current capital is SAR 100,000,000 divided into 10,000,000 ordinary shares with a nominal value of ten (10) riyals per share.

The main activities of Al Fahad Company for Trading, Industry and Contracting, as stated in the company's article of association are general contracting, wholesale and retail trade in heavy equipment and transport vehicles. The key role of Al Fahad Company for Trading, Industry and Contracting as at the date of this Prospectus is to operate as a Saudi closed joint stock company owning one million nine hundred sixty six thousand and eight hundred and thirty four Saudi Riyals (SAR 1,966,834) shares in the Company (representing 1.96% of its capital).

Table 38: Shareholders in Al Fahad Company for Trading, Industry and Contracting

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
Fahad Abdulaziz Fahad Al Saeed	1,250,000	10	12,500,000	12.50%
Mohammad Abdulaziz Fahad Al Saeed	1,000,000	10	1,000,000	10.00%
Abdullah Fahad Abdulaziz Al Saeed	250,000	10	2,500,000	2.5%
Yousef Fahad Abdulaziz Al Saeed	250,000	10	2,500,000	2.5%
Ahmed Fahad Abdulaziz Al Saeed	250,000	10	2,500,000	2.5%
Abdulaziz Mohammad Abdulaziz Al Saeed	200,000	10	200,000	2.0%
Abdulaziz Khaled Abdulaziz Fahad Al Saeed	200,000	10	200,000	2.0%
Fahd bin Abdulaziz Fahd Al-Saeed	200,000	10	2,000,000	2.0%
Badr Mohammad Abdulaziz Al-Saeed	200,000	10	2,000,000	2.0%
Rayan bin Mohammed bin Abdulaziz Al-Saeed	200,000	10	2,000,000	2.0%
Faisal bin Mohammed bin Abdulaziz Al-Saeed	200,000	10	2,000,000	2.0%
Abdulaziz bin Abdulrahman Abdulaziz Al-Saeed	239,164	10	2,391,640	2.39%
Mohammed bin Abdulrahman Abdulaziz Al Saeed	239,164	10	2,391,640	2.39%

Name of Shareholder	Number of Shares	Share Value	Total Value	Percentage of Ownership
Nawwaf bin Abdulrahman Abdulaziz Al-Saeed	239,164	10	2,391,640	2.39%
Faisal bin Abdulrahman Abdulaziz Al-Saeed	239,164	10	2,391,640	2.39%
Nahar bin Abdulrahman Abdulaziz Al Saeed	239,164	10	2,391,640	2.39%
Nomas bin Abdulrahman Abdulaziz Al-Saeed	239,164	10	2,391,640	2.39%
Abdulrahman bin Abdulrahman Abdulaziz Al Saeed	239,164	10	2,391,640	2.39%
Abdulaziz bin Khalid Abdulaziz Al-Saeed	600,000	10	6,000,000	6.00%
Munira bint Muhammad Abdul Karim al-Harkan	233,400	10	2,334,000	2.33%
Khadija Bint Ali Abdullah Al-Duwaihis	133,300	10	1,333,000	1.33%
Salma bint Mohammed Abdullah Al Yahya	170,830	10	1,708,300	1.71%
Moudi Bint Mohammed Salem Al-Othman	170,830	10	1,708,300	1.71%
Fahda bint Mohammed Fahad Al-Khaled	300,000	10	3,000,000	3.00%
Hessa bint Fahd bin Abdulaziz Al-Saeed	125,000	10	1,250,000	1.25%
Hana bint Fahd bint Abdulaziz Al-Saeed	125,000	10	1,250,000	1.25%
Hanadi bint Fahd bin Abdulaziz Al-Saeed	125,000	10	1,250,000	1.25%
Hinaida bint Fahd bin Abdulaziz Al-Saeed	125,000	10	1,250,000	1.25%
Wafa bint Muhammad bin Abdulaziz Al-Saeed	100,000	10	1,000,000	1.00%
Naseem bint Mohammed bin Abdulaziz Al-Saeed	100,000	10	1,000,000	1.00%
Irm bint Mohammed bin Abdulaziz Al-Saeed	100,000	10	1,000,000	1.00%
Aryaf bint Mohammed bin Abdulaziz Al-Saeed	100,000	10	1,000,000	1.00%
Taghreed Bint Abdulrahman bin Abdulaziz Al Saeed	119,582	10	1,195,820	1.20%
Bayan bint Abdulrahman bin Abdulaziz Al-Saeed	119,582	10	1,195,820	1.20%
Malak bint Abdulrahman bin Abdulaziz Al-Saeed	119,582	10	1,195,820	1.20%
Haya bint Abdulrahman bin Abdulaziz Al-Saeed	119,582	10	1,195,820	1.20%
Raghad bint Abdulrahman bin Abdulaziz Al Saeed	119,582	10	1,195,820	1.20%
Rose bint Abdulrahman bin Abdulaziz Al-Saeed	119,582	10	1,195,820	1.20%
Reem bint Khalid bin Abdulaziz Al-Saeed	300,000	10	3,000,000	3.00%
Raneem bint Khalid bin Abdulaziz Al-Saeed	300,000	10	3,000,000	3.00%
Atheer bint Khalid bin Abdulaziz Al-Saeed	300,000	10	3,000,000	3.00%
Total	10,000,000		100,000,000	100%

Source: The Company.

4.9 Employees

As at 27/05/1442H (corresponding to 11/01/2021G) and according to the certificate of the General Organization for Social Insurance ("**GOSI**") No. (36135915), the Company had 395 employees, of whom 355 were Saudi-nationals (89.9%) and 40 non-Saudi-nationals (10.1%). This is in addition to 140 employees who are outsourced by a number of human resources companies.

The Ministry of Human Resources and Social Development certificate number 20002107001538, dated 26/111442H (corresponding to 06/072021G), indicates that the Company has achieved the required nationalization (Saudization) percentages. According to Nitaqat website, the Company is within the range of platinum.

The following tables indicate the number of employees and the percentage of Saudization and distribution to the Company's departments as at 31 December 2018G, 2019G and 2020G.

Table 39: Number of the Company's employees as at 31 December 2018G, 2019G, 2020G and May 2021G.

Number of Employees	2018G		2019G		2020G		May 2021G	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Saudis	339	88.3%	370	90.2%	359	91.3%	353	90,05%
Non Saudis	45	11.7%	40	9.8%	34	8.7%	39	9.5%
Total	**384**	**100%**	**410**	**100%**	**393**	**100%**	**392**	**100%**

Source: The Company

Table 40: Number of the Company's employees divided on departments as at 31 December 2018G, 2019G, and 2020G.

Management	2018G			2019G			2020G		
	Saudis	Non Saudis	Total	Saudis	Non Saudis	Total	Saudis	Non Saudis	Total
Finance and Treasury	14	4	18	17	7	24	12	4	16
Credit	36	2	38	44	1	45	43	1	44
Marketing and Sales	129	16	145	129	12	141	143	12	155
Human Resources	9	1	10	9	1	10	8	1	9
Operations	22	1	23	21	1	22	19	1	20
Information Technology	7	3	10	8	3	11	8	2	10
Small and medium enterprises financing	1	0	1	4	0	4	5	0	5
Administrative and Training	6	2	8	6	2	8	6	1	7
Customer Care	50	2	52	69	1	70	61	2	63
Collection	54	10	64	47	8	55	37	6	43
Credit cards	1	1	2	6	1	7	5	2	7
Reconciliation, compliance and Anti-Money Laundry	5	0	5	5	0	5	4	0	4
Internal Audit	0	0	0	0	0	0	0	0	0
Risk	3	1	4	3	1	4	3	1	4

Management	2018G			2019G			2020G		
	Saudis	Non Saudis	Total	Saudis	Non Saudis	Total	Saudis	Non Saudis	Total
Higher Management	2	2	4	2	2	4	2	1	3
Fintech	0	0	0	0	0	0	2	0	2
Cyber-security	0	0	0	0	0	0	1	0	1
Total	**339**	**45**	**384**	**370**	**40**	**410**	**359**	**34**	**393**

The Company hired (KPMG) to do the whole internal audit.

4.10 Saudization

The "Nitaqat" Saudization program was approved pursuant to Decision No. 4040 of the Minister of Labor on 12/10/1432H (corresponding to 10/09/2011G), pursuant to Resolution No. 50 of the Council of Ministers dated 21/05/1415H (corresponding to 27/10/1994G), and enforced as of 12/10/1432H (corresponding to 10/09/2011G). The Ministry of Human Resources and Social Development has launched the "Nitaqat" program to encourage institutions to hire Saudis and to assess their performance according to certain categories, namely: Platinum, Green (High Green, Mid Green, Low Green), Yellow and Red. Enterprises classified as Green or Platinum represent those which are fulfilling the Saudization requirements and will receive specified benefits, such as enabling them to obtain and renew work visas for foreign employees or to enable them to change the profession of foreign personnel (except for professions reserved solely for Saudi nationals). On the other hand, enterprises classified as Red or Yellow (depending on the extent of non-compliance of these institutions) are deemed non-compliant with Saudization and will be subject to various sanctions against it, such as limiting their ability to renew work visas for foreign employees or not fully enabling them to obtain or renew work visas for foreign employees.

The Company is committed to employ Saudi nationals for the various jobs there at to maintain the applicable Saudization percentage, because companies and institutions of the private sector operating in the Kingdom, including the Company, are required to employ and retain a certain number of Saudi citizens.

New Saudi employees are given on-the-job training by the Company and, sometimes, training classes, to ensure the Company successfully attracts and retains qualified employees. This challenge may pose a risk of inability to continuously comply with the Saudization policies.

Table 41: Ratios of Saudization in the Company as at 31 December 2018G, 2019G, and 2020G

Percentages of Saudization in the Company	2018G				2019G				2020G			
	Saudis	Number of Employees	Saudization percentage (%)	Category	Saudis	Number of Employees	Saudization percentage (%)	Category	Saudis	Number of Employees	Saudization percentage (%)	Category
	339	384	88.3%	High Green	370	410	90.2%	High Green	359	393	91.3%	Platinum

Source: The Company.

The Ministry of Human Resources and Social Development classifies the Company as an entity operating in the financial services category.

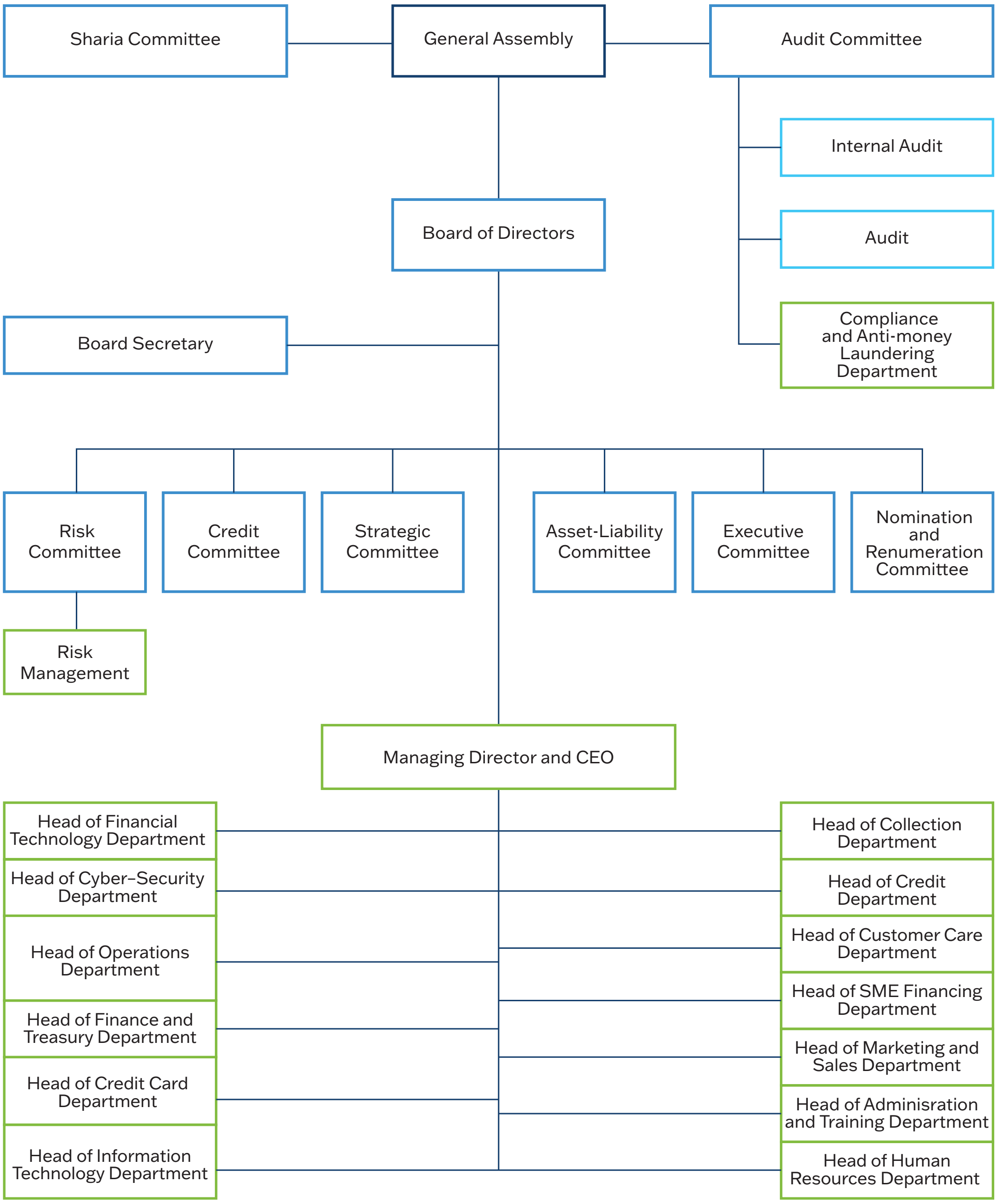
5- Organisational Structure and Governance of the Company

5.1 Management of the Company

The Board of Directors is responsible for the overall supervision and monitoring of the Company's business. The CEO and Managing Director manage the Company's general day-to-day business in accordance with the powers granted thereto by the Board of Directors.

5.2 Organisational Structure of the Company

Figure 33: Organisational Structure of the Company



Source: The Company

Table 42: Company's ownership structure pre- and post-offering

No	Shareholder	Pre-Offering				Post-Offering			
		Number of Shares	Total Nominal Value (SAR)	Direct Ownership Percentage**	Indirect Ownership Percentage	Number of Shares*	Total Nominal Value (SAR)	Direct Ownership Percentage**	Indirect Ownership Percentage
1.	FALCOM Holding Company	73,854,638	738,546,380	73.855%	-	48,005,515	480,055,150	48.006%	-
2.	Saud Huwaimel Farraj Al Dosari	7,866,128	78,661,280	7.866%	-	5,112,983	51,129,830	5.113%	-
3.	Abdulaziz Saud Omar Al Blehed	7,252,249	72,522,490	7.252%	-	4,713,962	47,139,620	4.714%	-
4.	Mohammad Ali Mohammad Al Hokal	4,539,566	45,395,660	4.54%	-	2,950,718	29,507,180	2.951%	-
5.	Abdulmohsen Abdulrahman Musaed Al Sowailem***	2,433,959	24,339,590	2.434%	0.801%	1,582,073	15,820,730	1.582%	0,520%
6.	Al Fahd Company for Trading, Industry and Contracting	1,966,834	19,668,340	1.967%	-	1,278,441	12,784,410	1.278%	-
7.	Saad Ali Sulaim Al Qahtani	1,475,134	14,751,340	1.475%	-	958,837	9,588,370	0.959%	-
8.	Noura Talal Khalil Al Muhaid	172,933	1,729,330	0.173%	-	112,406	1,124,060	0.112%	-
9.	Hussain Mohammad Salem Al Shakrah	169,922	1,699,220	0.170%	-	110,450	1,104,500	0.110%	-
10.	Sultan Shweit Waqain Al Otaibi	81,132	811,320	0.081%	-	52,736	527,360	0.053%	-
11.	Turki Naser Hamad Al Saad Al Qahtani	56,792	567,920	0.057%	-	36,915	369,150	0.037%	-

No	Shareholder	Pre-Offering				Post-Offering			
		Number of Shares	Total Nominal Value (SAR)	Direct Ownership Percentage**	Indirect Ownership Percentage	Number of Shares*	Total Nominal Value (SAR)	Direct Ownership Percentage**	Indirect Ownership Percentage
12.	Turki Suleiman Saleh Al Obaid	56,792	567,920	0.057%	-	36,915	369,150	0.037%	-
13.	Ahmed Ibrahim Farie Hamli	48,680	486,800	0.048%	-	31,642	316,420	0.032%	-
14.	Ayman Ahmed Abdulkarim Al Zayer	25,241	252,410	0.025%	-	16,407	164,070	0.016%	-
15.	Public	-	-	-		35,000,000	350,000,000	35.00%	
	Total	**100,000,000**	**1,000,000,000**	**100%**		**100,000,000**	**1,000,000,000**	**100%**	

* The resulting fractions of shares after the offering were distributed to the shareholders in the manner shown in the table.

** The above-mentioned ownership percentages are approximate percentages.

*** The indirect ownership of Board Member Abdulmohsen Abdulrahman Musaed Al Swailem results from his direct ownership of 1.08% of FALCOM Holding Company, which in turn owns 73.855% of Nayifat Finance Company.

5.3 Board of Directors and Board Secretary

The Company is managed by a Board composed of nine (9) Directors appointed by the General Assembly by cumulative vote for a term not exceeding three (3) years, after meeting SAMA's eligibility requirements and obtaining a non-objection letter from SAMA. The duties and responsibilities of the Board are set out under the Companies Law, the Corporate Governance Regulations and the Company's Bylaws and Internal Governance Regulations.

The current Board is composed of nine (9) Directors, of whom eight (8) are non-executive Directors and three (3) are independent Directors. Pursuant to the General Assembly Resolution dated 25/01/1441H (corresponding to 24/09/2019G), the current three (3) year tenure of the Directors began on 26/01/1441H (corresponding to 25/09/2019G) and will end on 27/02/1444H (corresponding to 24/09/2022G).

The Board is mainly responsible for supervising the Company's affairs in order to preserve the interests of its Shareholders and strike a balance between the relevant stakeholders, such as the Company's clients, employees and suppliers. The Board reviews the development and implementation of strategies, the selection of the Chairman, CEO and Senior Executives and monitors their performance, determines their remuneration, and ensures transparent communication and disclosure of financial and non-financial information.

Under Chapter 2, Articles 21 to 26 of the Corporate Governance Regulations issued by the CMA, and without prejudice to the powers vested in the General Assembly, the Board has all necessary powers to manage the Company. The Board has the power to form any number of committees it deems necessary to carry out the functions pertaining to governance, oversight and efficient management of the Company's operations, and may delegate some of its powers to one or more directors or to third parties, but it may not issue a general or open-ended delegation.

The Board relies on the Board Manual that sets out in detail the role, responsibilities and duties of the Board of Directors. The Board Manual as well as the Company's Bylaws, set out the Company's corporate governance authorities and practices.This Manual has been carefully prepared in conformity with the Company's Bylaws, SAMA regulations, the Saudi Companies Law, the Corporate Governance Regulations issued by the CMA and leading international practices.

The following table shows the Directors as at the date of this Prospectus:

Table 43: Current Directors

Name	Title	Nationality	Membership Status	Direct Ownership[1] (%)		Indirect Ownership[1] (%)		Date of Appointment[2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Saud Huwaimel Farraj Al Dosari	Chairman of the Board	Saudi	Non-executive	7.866%	5.113%	-	-	25/09/2019G
Abdulaziz Saud Omar Al Blehed	Vice Chairman	Saudi	Non-executive	7.252%	4.714%	-	-	25/09/2019G
Saleh Nasser Sulaiman Al Omair	Director	Saudi	Executive/ Independent	-	-	-	-	25/09/2019G
Fahd bin Saleh bin Mohammed Al Musbahi[5]	Director	Saudi	Non-executive	-	-	0.056%	0.037%	25/09/2019G
Mohammed bin Ali bin Mohammed Al Hokal	Director	Saudi	Independent	4.540%	2.951%	-	-	09/08/2021G
Abdulmohsen Abdulrahman Musaed Al Sowailem[3]	Director / CEO / Managing Director	Saudi	Executive	2.434%	1.582%	0.801%	0.520%	25/09/2019G
Bandar bin Mohammed bin Ahmed Al Bayez[4]	Director	Saudi	Non-executive	-	-	0.067%	0.043%	25/09/2019G
Atta Hamad Mohammed Al Bayouk	Director	Saudi	Non-executive	-	-	-	-	25/09/2019G
Mohammed Taher Abdul Karim Al Lawzi	Director	Jordanian	Independent	-	-	-	-	25/09/2019G

Source: The Company

1. Direct and indirect ownership percentages are rounded.
2. Dates listed in this table are the dates of appointment to the current positions in the Board. The biographies of the Directors in Section 5.5 ("Biographies of the Directors and the Secretary") describe the dates of their appointment, whether to the Board of Directors or to any other position.
3. The indirect ownership of Abdulmohsen Abdulrahman Musaed Al Sowailem, a Director, results from his 1.08% direct shareholding in FALCOM Holding Company which owns 73.855% of the Company.
4. The indirect ownership of Bandar bin Mohammed bin Ahmed Al Bayez, a Director, results from his 0.09% direct shareholding in FALCOM Holding Company which owns 73.855% of the Company.
5. The indirect ownership of Fahd bin Saleh bin Mohammed Al Musbahi, a Director, results from his 0.08% direct shareholding in FALCOM Holding Company which owns 73.855% of the Company.

5.4 Board Responsibilities

Following is a summary of the duties and responsibilities of the Board, Chairman, Directors and Secretary:

5.4.1 Board of Directors

The Board's responsibilities include:

- defining the Company's vision and values, ensuring that they are achieved and complied with, and providing guidance on how the Company will implement that vision;
- approving the Company's main objectives and strategic plans, supervising their implementation, and monitoring the Company's performance and workflow through regular meetings held during the year;
- adopting long-term business plans;
- ensuring clear accountability and effective communication within the Company;
- creating a positive work environment;
- determining the most appropriate capital structure for the Company, the Company's strategies and financial objectives and approving the Company's annual budgets;
- annually reviewing the Chairman's performance to ensure that the Chairman provides the best leadership for the Company in both the long-term and short term;
- appointing and determining remuneration and term of employment of the Secretary, based on the recommendation of the Chairman and in accordance with Article 22 of the Company's Bylaws;
- following-up with the Management to ensure that all assets are efficiently and effectively managed, and that the capital is properly utilised, in order to maintain the long-term viability of the Company and its assets;
- overseeing the Company's main capital expenses and the acquisition and disposal of assets;
- periodically reviewing and approving the organisational and functional structure of the Company;
- monitoring the overall performance of the Company;
- ensuring that the Company abides by the applicable laws and regulations, accounting standards, and other matters relating to the Company's business;
- ensuring compliance with the Company's Governance Manual, as well as with the Company's policies and procedures;
- ensuring that the Company fulfills its continuing obligation to disclose material information to Shareholders and other related parties;
- ensuring the soundness of financial and accounting procedures, including reporting procedures;
- with the exception of the Audit Committee and the Shariah Committee, forming Board committees with specific competences and approving their charters, appointing their members, and reviewing their performance;
- reviewing joint venture agreements, cooperation agreements, distribution or agency agreements, or any other material agreements;
- examining and discussing the implications of any material lawsuit filed by or against the Company;
- reviewing any material judicial order or notice received from regulators;
- reviewing any default by the Company on debt service using assets or profits, including penalties for late payments and other receivables; and
- reviewing any potential public or product liability claims against the Company related to public responsibility or product liability, including any court judgment that may adversely affect the Company.

Remuneration of Directors

Each Director shall, as determined by the Ordinary General Assembly, receive annual remuneration of three hundred thousand Saudi Riyals (SAR 300,000), provided that the total remuneration received by a Director annually not exceed five hundred thousand Saudi Riyals (SAR 500,000). The Chairman or Directors may not vote on resolutions related to their remuneration or contracts, nor submit a proposal in which they have a financial interest. In addition, the Directors and senior officials may not borrow from the Company.

Service Contracts with Directors

Except for the employment contract with the CEO and Managing Director, Abdulmohsen Abdulrahman Musaed Al Sowailem, no service or employment contracts have been entered into between any of the Directors and the Company.

5.4.2 Chairman of the Board

The responsibilities of the Chairman include:

- leading the Board of Directors and ensuring its successful performance of its full responsibilities to the Company;
- calling and chairing meetings of the Board and General Assembly;
- representing the Company in its relationships with third parties, including: all government entities, the private sector, Shariah courts, judicial authorities, the Board of Grievances, and all judicial committees inside and outside the Kingdom;
- promoting a culture in the boardroom that supports constructive criticism and alternative views on the issues under consideration and encouraging discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- ensuring that minutes of meetings include the resolutions adopted therein;
- ensuring that the Board effectively discusses all fundamental issues in due course;
- ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board;
- ensuring that Directors disclose their businesses and any conflict of interest in any matter discussed in Board meetings;
- notifying the Ordinary General Assembly of the businesses and contracts in which any Director has direct or indirect interest; and
- creating a positive working relationship between the Company's Board of Directors and Executive Management. The Chairman is the main point of contact between the Company's Board of Directors and Executive Management, and the Board of Directors must select its chairman based on his competence, achievements and track record as a leader.

Pursuant to Article 22 of the Company's Bylaws, if the Chairman is unable to fulfill his responsibilities and perform his duties for any reason related to force majeure, the Vice Chairman may temporarily assume his duties.

The current Chairman of the Company is Saud Huwaimel Farraj Al Dosari, who has chaired the Company's Board of Directors since the Company was converted into a closed joint stock company on 29/11/1430H (corresponding to 17/11/2009G). He was elected and appointed by the Ordinary General Assembly of Shareholders for the current session on 24/09/2019G. For a summary of his biography, see Subsection 5.5 ("Biographies of the Directors and the Secretary").

Remuneration of the Chairman

The annual remuneration of the Chairman and all Directors is determined by the Company's General Assembly, provided that this remuneration not exceed five hundred thousand Saudi Riyals (SAR 500,000).

Chairman Tenure

Pursuant to the Company's Bylaws and General Assembly resolution, the current tenure of the Chairman is three (3) years, with the current session beginning on 25/09/2019G and ending on 24/09/2022G.

5.4.3 Board Secretary

The responsibilities of the Secretary include:

- Managing all administrative, technical, and logistic affairs related to meetings of the Board and General Assembly;
- Retaining all Board documents, including notes, meeting minutes, resolutions and correspondence, and notifying the Company's stakeholders of the Board's resolutions and directives;
- Managing and coordinating the agendas of the meetings of the Board and Board committees;

- Ensuring, at the beginning of each meeting, that the quorum is met, and providing the Chairman with the names of the Directors absent and the reasons for their absence, if any;
- Documenting Board meetings and preparing minutes thereof, which shall include the discussions and deliberations that took place during such meetings, as well as the place, date and time of such meetings;
- Recording Board resolutions and voting results and keeping them in a special organised register;
- Submitting the draft minutes to the Directors for their opinion thereon prior to signing them;
- Ensuring that the Directors comply with the procedures and rules that apply to the Board;
- Notifying the Directors of the dates of Board meetings a sufficient time prior to the date set for the meeting;
- Coordinating among the Directors;
- Managing the disclosure register of the Board and Executive Management;
- Providing assistance and advice to the Directors; and

The Secretary may only be dismissed pursuant to a decision from the Board.

The Company's current Board Secretary is Hussain Mohammad Salem Al Shakrah, who was appointed on 25/09/2019G. For a summary of his biography, see Subsection 5.5 ("Biographies of the Directors and the Secretary").

Except as disclosed in the Sub- section 12.11 "Related Party Transactions" of SSection 12 ("Legal Information") of this Prospectus, the Directors and Secretary confirm that neither they nor their relatives have any interest in any effective/anticipated agreement or contract as at the date this Prospectus was submitted.

5.5 Biographies of the Directors and the Secretary

Following is a summary of the biographies of the Directors and the Secretary:

Saud Huwaimel Farraj Al Dosari	
Age	63 years
Nationality	Saudi
Board Position	Chairman of the Board of Directors
Appointment Dae	25/09/2019G
Academic Qualifications	Bachelor's degree in Business Economics, Woodbury University, USA, 1979G MBA, University of La Verne, USA, 1983G
Current Positions	• 2009G–present, Chairman of the Board of Directors, Nayifat Financing Company • 2016G–present, Director, Gulf Integrated Industries Co., a closed joint stock company operating in plastic industries.
Past Professional Experience	• 2002G–2010G, General Manager, Nayifat Financing Company • 1999G–2000G, Deputy General Manager, Arab National Bank, a joint stock company operating in banking services • 1991G–1999G, General Director of Credit Card Department and Chairman of the Steering Committee on Measurement for Cards in Asia and the Middle East, Samba Financial Group, a joint stock company operating in banking services • 1988G–1991G, Director of VIP and Retail Segment, Samba Financial Group, a joint stock company operating in banking services • 1986G–1988G, Director of the Central Province Branches, Samba Financial Group, a joint stock company operating in banking services • 1984G–1986G, Director of Al-Kharj Branch Department, Samba Financial Group, a joint stock company operating in banking services • 1980G–1982G, Supervisor of the Shares Department, Samba Financial Group, a joint stock company operating in banking services

Abdulaziz Saud Omar Al Blehed	
Age	62 years
Nationality	Saudi
Board Position	Vice Chairman
Appointment Date	25/09/2019G
Academic Qualifications	• Bachelor's degree in Industrial Management, University of Oregon, USA, 1981G
Current Positions	• 1981G–present, CEO and Founding Partner Seder Group for Trading & Contracting, a limited liability company operating in general contracting • 2009G–present, Vice Chairman, Nayifat Financing Company • 2016G–present, Director, Gulf Integrated Industries Co., a closed joint stock company operating in plastic industries • 2018G–present, Director, Integrated Lanes, a closed joint stock company operating in car rental
Past Professional Experience	• 2010G–2016G, Director, Al Ahlia for Cooperative Insurance, a joint stock company operating in insurance

Saleh Nasser Sulaiman Al Omair	
Age	61 years
Nationality	Saudi
Board Position	Director
Appointment Date	25/09/2019G
Academic Qualifications	• Master's degree in Change Management, Swansea University, Wales, United Kingdom, 2010G • BBA, University of South Florida, USA, 1981G • American Fellowship in Medical Insurance, Health Insurance Association of America (HIAA), USA, 2000G • Certificate of Professional Competence in General Insurance, Chartered Insurance Institute (CII), United Kingdom, 1994G
Current Positions	• 2016G–present, Director, Nayifat Finance Company • 2020G–present, Member of Investment Funds Board, FALCOM Financial Company, a closed joint stock company operating in financial and investment services
Past Professional Experience	• 2017G–2019G, Director and Chairman of the Risk Committee at United Insurance Company, a public joint stock company operating in insurance • 2010G–2013G, Director and Chairman of the Executive Committee at Najm for Insurance Services, a closed joint stock company operating in management activities related to insured car accidents. • 2011G–2013G, CEO and Member of the Investment Committee at Amana Cooperative Insurance, a joint-stock company operating in insurance. • 2006G–2010G, CEO, Solidarity Saudi Takaful Company, a public joint stock company operating in insurance. • 1993G–2006G, Vice Chairman, Tawuniya Insurance Company, a public joint stock company operating in insurance. • 1982G–1990G, Director of Strategic Training and Human Resources, STC, a public joint stock company operating in telecommunications services.

Fahd bin Saleh bin Mohammed Al Musbahi	
Age	56 years
Nationality	Saudi
Board Position	Director
Appointment Date	25/09/2019G
Academic Qualifications	• Bachelor's degree in Accounting, King Saud University, KSA, 1987G • Member, Saudi Organization for Accountants and Auditors(SOCPA), KSA, 1992G
Current Positions	• 2007G–present, Chairman of SaudiMed Investment Company (SaudiMed), a closed joint stock company operating in financial services. • 2013G–present, Director, Nayifat Finance Company. • 2014G–present, Partner in Al Bahr Almutawasset Group Insurance Brokers Company, a limited liability company operating in insurance brokerage. • 2014G–present, Chairman of Al Bahr Almutawasset Group Insurance Brokers Company, a limited liability company operating in insurance brokerage. • 2016G–present, Owner of Integrated Solutions for Information Technology, a limited liability company operating in information technology. • 2016G–present, Partner in Building Masters for Plastic Orders and Products, a limited liability company operating in the manufacturing of wooden pallets. • 2016G–present, Chairman of Gulf Integrated Industries Co., a closed joint stock company operating in plastic industries. • 2017G–present, Chairman of Integrated Lanes, a closed joint stock company operating in car rental. • 2018G –present, Partner in Global Energy Integration Company, a limited liability company operating in energy solutions • 2018G –present, Partner in Global Integration Company for Trade, a limited liability company operating in food, medical devices and equipment. • 2019G–present, Partner in International Integrated Contracting Company, a limited liability company operating in contracting. • 2019G –present, Partner in Global Integrated Vehicle Steering Company, a limited liability company operating in vehicle steering. • 2019G –present, Partner in Al Takamiliah Company for Car Maintenance, a limited liability company operating in vehicle maintenance. • 2020G –present, Partner in Smart Commercial Vehicles Company, a limited liability company operating in wholesale and retail. • 2020G–present, Partner in Takamol Al-Shifa Medical Company, a limited liability company operating in treatment and psychological rehabilitation centers.
Past Professional Experience	• 1988G–2017G, Senior Consultant, Saudi Oger, a limited liability company operating in contracting • 2010G–2015G, Director, Filling and Packaging Material Manufacturing Company (FIPCO), a joint stock company operating in packaging • 2010G–2013G, Director, Amana Cooperative Insurance, a joint stock company operating in insurance • 2005–2018G, Director, Oger Telecom Saudi Arabia, a limited liability company operating in telecommunications

Mohamed Ben Ali Ben Mohamed Al Hawkl, Director	
Age	58
Nationality	Saudi
Board Position	Director
Appointment Date	09/08/2021G
Academic Qualifications	• Master's degree in Finance and Marketing, University of Wisconsin, USA,1989G. • BBA, Concordia University, Oregon, USA,1985G, 2009G. • High School, Scientific Section, King Faisal High School, Riyadh, Kingdom of Saudi Arabia,1977G.
Current Positions	• 2021G–present, Director, Nayifat Finance Company • 2018G–present, Director and Chairman of the Audit Committee, Raza Company, a limited liability company operating in real estate investments. • 2020G – present, Director and Chairman of the Audit Committee, Al Rajhi International Investment Company, a closed joint stock company operating in agricultural and industrial investment. • 2020G – present: Director and Consultant to the Board of Directors, Al Bawardi Holding Group, a closed joint stock company operating in investment. • 2021G– present, Consultant, Kwara Holding Company, a closed joint stock company operating investment. • 2021G– present, Director, Bena Steel Industries Company, a closed joint stock company operating in iron manufacturing industries. • 2019G– present, Consultant to the Board of Directors, ARGI Fleming Company, a limited liability company operating in financial and investment consultancy. • 2004G - present, Partner, United Company for Processed Lubricating Oils (Unilop), a closed joint stock company operating in refining and refining burnt oils. • 2010G– present, Partner, Green Solutions Company, a limited liability company operating in trade. • 2007 – 2016G, General Manager, Regional Director, Central Region, Corporate Banking Group, Samba Financial Group, a public joint stock company operating in the banking services sector.

Abdulmohsen Abdulrahman Musaed Al Sowailem	
Age	50 years
Nationality	Saudi
Board Position	Director, CEO and Managing Director
Appointment Date	25/09/2019G
Academic Qualifications	• BBA, King Saud University, KSA, 1992G • Financial Advisor, Ministry of Commerce License No. 130, KSA, 2003G • Administrative Advisor, Ministry of Commerce License No. 245, KSA, 1997G

Abdulmohsen Abdulrahman Musaed Al Sowailem	
Current Positions	• 2006G–present, Director, FALCOM Financial Company, a closed joint stock company operating in financial services • 2013G–present, Director, Nayifat Finance Company • 2014G–present, CEO and Managing Director of Nayifat Finance Company • 2014G–present, Partner in FAL Insurance and Reinsurance Brokerage, a limited liability company operating in insurance brokerage • 2016G–present, Director, Gulf Integrated Industries Co., a joint stock company operating in plastic industries. • 2016G–present, Director, Integrated Lanes, a closed joint stock company operating in car rental • 2017G–present, Director, FALCOM Holding Company, a closed joint stock company operating in investment • 2018G–present, Partner in Integral International Trading Company, a closed joint stock company operating in medical devices and equipment • 2018G –present, Partner in the Building Masters for Plastic Orders and Products, a limited liability company operating in the manufacturing of wooden pallets. • 2018G –present, Partner in Global Energy Integration Company, a limited liability company operating in energy solutions. • 2018G –present, Partner in Global Integration Company for Trade, a limited liability company operating in food and medical equipment. • 2019G –present, Partner un Al Takamiliah Contracting Company, a limited liability company operating in contracting. • 2019G- present, Partner in Al Takamiliah Company for Car Maintenance, a limited liability company operating in car maintenance • 2020G- present, Partner in Smart Commercial Vehicles Company, a limited liability company operating in wholesale and retail
Past Professional Experience	• 2010G–2014G, CEO, Warehousing & Logistics Services Company, a closed joint stock company operating in logistics services • 2010G–2016G, Director, Saudi Ceramics, a joint stock company operating in ceramics • 2010G–2016G, Director, Filling and Packaging Material Manufacturing Company (FIPCO), a joint stock company operating in packaging • 2008G–2020G, Director, Warehousing & Logistics Services Company, a closed joint stock company operating in logistics services • 2009G–2012G, Director, Arabian Pipes Company, a joint stock company operating in the pipelines industry • 2003G–2005G, Director of the Marketing Department and Segment Strategy in Business Development, Al Rajhi Bank, a joint stock company operating in banking services • 1999G–2003G, Head of Marketing Department, Arab National Bank, a joint stock company operating in banking services • 1993G–1999G, Senior Manager, Saudi American Bank (currently Samba Financial Group), a joint stock company operating in banking services

Bandar bin Mohammed bin Ahmed Al Bayez	
Age	41 years
Nationality	Saudi
Board Position	Director
Appointment Date	25/09/2019
Academic Qualifications	• Bachelor's degree in Accounting, King Saud University, KSA, 2001G
Current Positions	• 2013G–present, Director, Nayifat Finance Company • 2014G–present, Director of Operations Department, FALCOM Financial Services, a joint stock company operating in financial and investment services.
Past Professional Experience	• 2013G–2014G, (Acting) Director of Operations Department, FALCOM Financial Services, a joint stock company operating in financial services • 2007G–2013G, Operations Supervisor, FALCOM Financial Services, a joint stock company operating in financial services • 2005G–2006G, Director of Client Accounts, Aljazira Securities Company (currently Aljazira Capital), a limited liability company operating in financial services • 2002G–2005G, Assistant Director of Operations, Riyad Bank, a joint stock company operating in financial services

Atta Hamad Mohammed Al Bayouk	
Age	87 years
Nationality	Saudi
Board Position	Independent Board Member
Appointment Date	25/09/2019G
Academic Qualifications	• Bachelor's degree in Accounting and Business Administration, King Saud University, KSA, 1963G • Fellowship from ICAEW, United Kingdom, 1973G • Fellowship from Society of Accountants & Auditors, Egypt, 1974G • Certified translator from the Ministry of Commerce, License No. 106, Kingdom of Saudi Arabia, 1985G • Administrative Consultant from the Ministry of Commerce, License No. 87, Kingdom of Saudi Arabia, 1990G • (Founding) Member of the Saudi Organization for Certified Public Accountants and Auditors (SOCPA), 1992G

Atta Hamad Mohammed Al Bayouk	
Current Positions	• 1977G–present, Director, Al Bayouk Chartered Accountants, a professional sole proprietorship operating in financial services • 1985G–present, Director, Al Bayouk Translation Company, a professional sole proprietorship operating in translation • 1985G–present, Partner in Al-Farabi Trading Co., Ltd., a limited liability company operating in general trade. • 1986G–present, Partner in the National Veterinary Company, a limited liability company • 1990G–present, Director, Al Faisaliah Management Consulting Company, a professional sole proprietorship operating in management consulting • 2016G–present, Director, Nayifat Finance Company • 2016G–present, Director, Gulf Integrated Industries Co., a closed joint stock company operating in plastic industries. • 2017G–present, Director, Integrated Lanes, a closed joint stock company operating in car rental
Past Professional Experience	• 2011G–2014G, Director, FALCOM Financial Company, a closed joint stock company operating in financial and investment services. • 1973G–1984G, Managing Partner, Ernst & Young - Riyadh (EY Riyadh), a closed joint stock company operating in accounting and auditing • 1970G–1973G, Trained Accountant, Neville Russell - Chartered Accountants, United Kingdom, an office operating in auditing • 1963G–1970G, Accountant and Deputy Director of the Financial Department, Petromin, a joint stock company operating in refining oil and oil derivatives.

Mohammed Taher Abdul Karim Al Lawzi	
Age	51 years
Nationality	Jordanian
Board Position	Independent Board Member
Appointment Date	25/09/2019G
Academic Qualifications	• Bachelor's degree in Economics and Statistics, University of Jordan, Jordan, 1990G • Master's degree in Corporate Finance, University of Salford, Manchester, United Kingdom, 2000G • Chartered Financial Analyst (CFA) Certificate, CFA Institute, USA, 2006G • Certificate in Initial Public Offerings (CIPOS), American Academy of Financial Management (AAFM), USA, 2007G • General Securities Qualification (CME1) Certificate, CMA, KSA, 2009G.
Current Positions	• 2017G–present, Director, Nayifat Finance Company • 2020G–present, Director of Investment Banking Department, Alinma Investment Company, a closed joint stock company operating in financial and investment services.

Mohammed Taher Abdul Karim Al Lawzi	
Past Professional Experience	• 2019G–2020G, Chief Investment Officer, Saudi Kuwaiti Finance House (SKFH), a joint stock company operating in financial services • 2017G–2018G, Deputy CEO, Saudi Kuwaiti Finance House (SKFH), a joint stock company operating in financial services • 2013G–2017G, Director of Investment Banking and Private Equity, Saudi Kuwaiti Finance House (SKFH), a joint stock company operating in financial services • 2006G–2013G, Director of Investment Banking Group, FALCOM Financial Services, a joint stock company in financial and investment services • 2004G–2006G, Member of the Training Board at the Institute of Banking, SAMA (formerly the Saudi Arabian Monetary Authority) • 2002G–2004G, Head of Corporate Finance Department, Jordon's Social Security Investment Fund (SSIF), a governmental body • 1991G–2002G, Portfolio Manager and Senior Financial Analyst, Equity and Projects Department, Jordon's Social Security Investment Fund (SSIF), a governmental body

Hussain Mohammad Salem Al Shakrah	
Age	44
Nationality	Saudi
Board Position	Secretary
Academic Qualifications	• Bachelor's degree, College of Arts, King Saud University, Riyadh, 2002G. • Certified Accountant Course for Non-Accountants, Riyadh Chamber of Commerce & Industry (RCCI), 2004G. • Mini MBA, Arab Union for Human Resources Development, Turkey, 2012G.
Current Positions	• 2009G–present, Secretary, Nayifat Finance Company.
Past Professional Experience	• 2009G–2017G, Director of SME Finance Department, Nayifat Finance Company • 2002G–2009G, Director of Credit and Risk, Nayifat Finance Company • 2002G, Credit Card Coordinator, Alawwal Bank, a public joint stock company operating in banking services • 1996G–2002G, Credit Card Coordinator, Samba Financial Group, a public joint stock company operating in banking services

5.6 Internal Committees and Responsibilities Thereof

Following is a description of the Company's committees:

5.6.1 Shariah Committee

The Shariah Committee oversees the Company's business with respect to the principles of Islamic Shariah. The Committee was formed pursuant to a General Assembly resolution dated on 30/06/1441H (corresponding to 24/02/2020G), and is competent to perform the following:

1- studying and reviewing the Company's investment objectives and policies to ensure they comply with the provisions of Islamic Shariah;
2- reviewing new products and contracts and agreements entered into by the Company;
3- issuing fatwas and decisions to the Company's Management with respect to issues related to operations in accordance with the provisions of Islamic Shariah;
4- periodically monitoring all the Company's business through the Internal Shariah Supervision Department; and
5- submitting an annual Shariah report on the Company's business and its compliance with Shariah controls.

The Company's management shall abide by the directives, controls and decisions issued by the Shariah Committee and shall ensure that they are applied to all the Company's business.

The Shariah Committee presented the annual report for the period from 1 January to 31 December 2020G, in which it confirmed that the Company adhered to the provisions and principles of Islamic Shariah, in accordance with fatwas and directives issued by the Shariah Board.

The Shariah Committee consists of the following members, appointed by the Company's Ordinary General Assembly pursuant to its Resolution dated 30/06/1441H (corresponding to 24/02/2020G):

Table 44: Members of the Shariah Committee

Name	Title
Sheikh Abdullah bin Sulaiman Al Manea	Chairman
Sheikh Dr. Muhammad bin Ali Elgari	Member
Sheikh Dr. Abdulrahman bin Abdulaziz Al Nafisa	Member

Source: The Company

Biographies of Shariah Committee Members

Sheikh Abdullah bin Sulaiman Al Manea	
Age	90
Nationality	Saudi
Title:	Chairman of the Shariah Committee
Academic Qualifications	• Bachelor's degree in Arabic Language, Imam Muhammad bin Saud University, KSA, 1957G. • Master's degree in Comparative Jurisprudence, Higher Judicial Institute, KSA, 1969G.
Current Positions	• 2008G–present, Shariah advisor, Saudi Royal Court. • 1990G–present, Member of a group of private and public Shariah boards and bodies, most of which are Shariah boards of financial institutions. • 1980G–present, Member, International Islamic Fiqh Academy. • 1971G–present, Member, Council of Senior Scholars, KSA.

Sheikh Abdullah bin Sulaiman Al Manea	
Past Professional Experience	• 1996G–2000G, President of the Court of Cassation in the Western Region, Makkah. • 1976G–1996G, Cassation Judge, Court of Cassation in the Western Region, Makkah. • 1975G–1976G, Deputy General of the Grand Mufti of Saudi Arabia, Sheikh Abdulaziz bin Baz (may God have mercy on him), for legal, administrative and financial affairs. • 1969G–1971G, Member, Supreme Judicial Council, KSA. • 1957G–1969G, Fatwa Member under the leadership of the Grand Mufti of Saudi Arabia, Sheikh Muhammad bin Ibrahim (may God have mercy on him).

Sheikh Dr. Muhammad bin Ali Elgari	
Age	70
Nationality	Saudi
Title:	Member of the Shariah Committee
Academic Qualifications	• Ph.D. in Economics, University of California, USA, 1984G • Master's degree in Economics, University of California, USA, 1981G • Bachelor's degree in Economics, King Abdulaziz University, KSA, 1975G
Current Positions	• 2000G–present, Member, Shariah Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). • 2005G–present, Expert, International Islamic Fiqh Academy, Organisation of Islamic Cooperation (OIC). • 1998G–present, Member, Shariah Committee of Dow Jones Islamic Market Index (New York). • 1990G–present, Member of the Editorial Board of the Islamic Economics magazine of the International Association for Islamic Economics (Britain). • 1990G–present, Member of Editorial Board of the Fiqh Academy magazine the International Islamic Fiqh Academy, Organisation of Islamic Cooperation (OIC). • 1998G–present, Member of a number of Shariah boards and councils at financial institutions worldwide. • 1985G–present, Expert, International Islamic Fiqh Academy, Organisation of Islamic Cooperation (OIC).
Past Professional Experience	• 2000G–2008G, Director of King Abdulaziz University's Center for Islamic Economics Research. • 1975G–2008G, Professor of Islamic Economics, King Abdulaziz University, Jeddah.

Sheikh Dr. Abdulrahman bin Abdulaziz Al Nafisa	
Age	• 49
Nationality	• Saudi
Title:	• Member of the Shariah Committee
Academic Qualifications	• Bachelor's degree in Shariah, Imam Mohammad Ibn Saud Islamic University, 2015G. • Master's degree in Sociology, King Saud University, KSA, 2008G. • Master's degree in Islamic Economics, American University, Washington, USA, 2007G. • Bachelor's degree in Islamic Economics, Imam Mohammad Ibn Saud Islamic University, KSA, 1994G. • Ph.D. in Islamic Economics, 2019G.

Sheikh Dr. Abdulrahman bin Abdulaziz Al Nafisa	
Current Positions	• 2016G–present, Member of the Shariah Committee, Nayifat Finance Company. • 2014G–present, Shariah Board Member for a number of investment and financial companies. • 2005G–present, Secretary of the Shariah Board and Director of the Sharia Supervision Department of FALCOM Financial Services, a closed joint stock company operating in financial and investment services. • 2010G–present, Associate Lecturer at Imam Mohammad Ibn Saud Islamic University
Past Professional Experience	• 1994G–2005G, Student Mentor, Ministry of Education. • 1992G–1993G, Social Worker, MHRSD.

5.6.2 Audit Committee

The primary role of the Audit Committee is to monitor the Company's business and affairs and supervising: (i) the soundness, effectiveness and accuracy of the Company's financial statements and reports; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications, independence and performance of the Auditor; and (iv) the performance, soundness and effectiveness of the Company's internal control, audit and financial reporting systems. The bylaws of the Audit Committee were approved in the General Assembly held on February 17, 2021G. The Audit Committee oversees three independent groups, and ensures that the Company appropriately conducts its business with the following three groups:

1- The Company's Internal Audit Department (the Company hired KPMG to perform all internal audit activities);
2- The Auditor of the Company; and
3- The Compliance and Anti-Money Laundering Department.

The duties and responsibilities of Audit Committee include:

- **Financial Statements:**
  - analyse the Company's interim and annual financial statements before presenting them to the Board and provide its opinion and recommendations thereon to ensure their integrity, fairness and transparency;
  - provide its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy;
  - analyse any important or non-familiar issues contained in the financial reports;
  - accurately investigate any issues raised by the Company's CEO (or delegate thereof), CFO (or delegate thereof), the Officer of Compliance and Anti-Money Laundering Department, internal auditor or external auditor;
  - examine the accounting estimates in respect of significant matters that are contained in the financial reports; and
  - examine the accounting policies followed by the Company and provide its opinion and recommendations to the Board thereon.

- **Internal Audit:**
  - examine and review the Company's internal and financial control systems and risk management systems;
  - review internal audit reports and pursue the implementation of corrective measures in respect of the comments included therein;
  - oversee and supervise the performance and the activities of the Company's internal auditor and the Company's Internal Audit Department to ensure they have access to the necessary resources and ensure their effectiveness in performing the tasks and duties assigned to them;
  - approve the Company's internal audit charter; and
  - make recommendations to the Board regarding its resolutions on the appointment, removal and remuneration of the Company's internal auditor.

- **Audit:**
  - provide recommendations to the Board on the nomination, dismissal and remuneration of the auditor, after verifying their independence and reviewing the scope of their work and the terms of their contracts;
  - verify the auditor's independence, objectivity, fairness, and the effectiveness of the audit activities, taking into account the relevant rules and standards;
  - review the plan and activities of the auditor and ensure that it does not provide any technical or administrative works that are beyond its scope of work, and provide its opinion thereon;
  - respond to the auditor's queries; and
  - review the auditor's reports and its comments on the financial statements, and follow up on the procedures taken in connection therewith.

- **Ensuring Compliance:**
  - review the findings of the reports and investigations of supervisory and regulatory authorities and ensure that the Company has taken the necessary actions in connection therewith;
  - ensure the Company's compliance with the relevant laws, regulations, policies and instructions;
  - review the Company's contracts and proposed Related Party transactions, and provide its recommendations to the Board in connection therewith; and
  - report to the Board any issues in connection with what it deems necessary to take action on, and provide recommendations as to the steps that should be taken.

- **Meetings:**
  - The Audit Committee convenes periodically, with at least four meetings held during the Company's Financial Year.
  - The Audit Committee meets periodically with the Company's external auditor and internal auditor.
  - The internal auditor and the external auditor may call for a meeting with the Audit Committee at any time as necessary.

- **Other Functions:**
  - develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports; ensure that such arrangements have been put into action through an adequate independent procedure in respect of the error or inaccuracy, and adopt appropriate follow-up procedures;
  - initiate and oversee special investigations, when necessary; and
  - perform further relevant duties at the request of the Board.

If a conflict arises between the recommendations of the Audit Committee and Board resolutions, or if the Board refuses to put the committee's recommendations into action with regard to appointing or dismissing the Auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the Committee's recommendations and justifications, and the reasons for not following such recommendations.

In order to perform its duties, the Audit Committee may:

1- review the Company's records and documents;
2- request any clarification or statement from the Directors or the Executive Management; and
3- request that the Board calls for a General Assembly Meeting if its activities have been impeded by the Board or if the Company has suffered significant losses or damages.

The Company's General Assembly shall, based on a Board recommendation, issue regulations on the Audit Committee's work, including its controls, procedures, duties, rules for selecting its members, the term of their membership and their remunerations, along with the mechanism for temporarily appointing its members if a Committee's position becomes vacant.

The Audit Committee shall consist of at least three members who may be Shareholders or others, including at least one independent Director and a financial and accounting specialist, and shall not include any Executive Directors.

A person who works, or has worked during the preceding two years, in the executive or financial management of the Company or with the Auditor may not be a member of the Audit Committee.

The Audit Committee currently consists of the following members, appointed pursuant to the Company's Extraordinary General Assembly Resolution dated 24/02/2020G, with a term ending on 24/09/2022G:

Table 45: Members of the Audit Committee

Name	Title
Mohammad Ali Mohammad Al Hokal	Chairman (independent)
Mohammed Taher Abdul Karim Al Lawzi	Member (independent)
Bandar bin Mohammed bin Ahmed Al Bayez	Member (non-independent)

Source: The Company

Biographies of Audit Committee Members

Mohammad Ali Mohammad Al Hokal, Chairman of the Audit Committee	
Age	58
Nationality	Saudi
Title:	Chairman of the Audit Committee and the Asset-Liability Committee / Member of the Credit Committee
Academic Qualifications	• MBA, University of Wisconsin-Whitewater, USA, 1989G. • BBA, Concordia University, Portland, Oregon, USA, 1985G.
Current Positions	• 2018G–present, Director, National Commercial Bank, a public joint stock company operating in banking services. • 2018G–present, Chairman of the Audit Committee, National Commercial Bank, a public joint stock company operating in banking services. • 2016G–present, Chairman of Audit Committee, Nayifat Finance Company. • 2016G–present, Chairman of the Asset-Liability Committee, Nayifat Finance Company. • 2016G–present, Member of Credit Committee, Nayifat Finance Company.
Past Professional Experience	• 2016G–2018G, Director, Nayifat Finance Company. • 2016G–2017G, General Director and Regional Head of the Central Province (Corporate Banking Services Group), Samba Financial Group, a public joint stock company operating in banking services. • 2007–2016G, General Director of Corporate Banking Services Group, Samba Financial Group, a public joint stock company operating in banking services. • 2003–2007G, Regional Head of the Central Province (Corporate Banking Services Group), Alawwal Bank, a public joint stock company operating in banking services. • 1997G–2003G, Head of Corporate and Investment Banking Services Group, Saudi American Bank (currently known as Samba Financial Group), a public joint stock company operating in banking services. • 1995G–1997G, Senior Relationship Manager (Corporate and Investment Banking Services Group), Saudi American Bank (currently known as Samba Financial Group), a public joint stock company operating in banking services. • 1992G–1995G, Relationship Manager (Corporate and Investment Banking Services), Saudi American Bank (currently known as Samba Financial Group), a public joint stock company operating in banking services. • 1990G–1992G, Production Officer/Head of Unit (Services Management Group), Saudi American Bank (currently known as Samba Financial Group), a public joint stock company operating in banking services.

Bandar bin Mohammed bin Ahmed Al-Bayez, Member of the Audit Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Mohammed Taher Abdul Karim Al-Lawzi, Member of the Audit Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

5.6.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for nominating the Directors and developing the remuneration policy for the Directors and members of the Company's Senior Management. The charter of the Nominations and Remunerations Committee was approved by the General Assembly convened on February 17, 2021G. The duties and responsibilities of Nomination and Remuneration Committee include:

- **Nomination:**
  - suggest clear policies and standards for Board membership and Executive Management;
  - nominate candidates for Board membership and submit them to the General Assembly;
  - subject to the terms and conditions of the Corporate Governance Regulations and CMA requirements, provide recommendations to the Board for the nomination or re-nomination of Directors in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving dishonesty;
  - prepare a description of the capabilities and qualifications required for Board membership and Executive Management positions;
  - determine the amount of time that a Director shall allocate to Board activities;
  - annually review the skills and expertise required of the Directors and Executive Management;
  - review the structure of the Board and Executive Management and provide recommendations regarding changes that may be made to such structure;
  - annually ensure the independence of Independent Directors and the absence of any conflicts of interest if a Director also acts as a member of the Board of directors of another company;
  - provide job descriptions for executive, non-executive and independent Directors and Senior Executives;
  - set the procedures to be followed if the position of a Director or a Senior Executive becomes vacant;
  - determine the strengths and weaknesses of the Board and recommend solutions to remedy them that serve the Company's interests; and
  - publish the nomination announcement on the websites of the Company and the Exchange and through any other medium specified by the CMA, to invite persons who wish to be nominated for Board membership; the nomination period shall remain open for at least one month from the date of the announcement.
- **Remuneration:**
  - prepare a clear policy for the remuneration of the Directors, Board committee members and Executive Management, and present such policy to the Board preliminary to its approval by the General Assembly, provided that such policy follows standards that are linked to performance, and disclose and ensure the implementation of such policy; The remuneration policy shall:
    - be consistent with the Company's strategy and objectives;
    - provide remuneration with the aim of encouraging the Directors and Executive Management to achieve the Company's success and long-term development, by, for example, linking the variable portion of remuneration to long-term performance;
    - determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experience, skills and performance level;
    - be consistent with the magnitude, nature and level of risks faced by the Company;
    - take into consideration the practices of other companies in determining remuneration, and avoid unjustified increases in remuneration and compensation that might arise from such comparisons;

- attract, retain and motivate talented professionals;
- suspend or recover remuneration in cases where it is determined that such remuneration was set based on inaccurate information provided by a Director or the Executive Management, to prevent abuse of power to obtain unmerited remuneration; and
- regulate the grant of Company's shares to Directors and the Executive Management, whether newly issued or purchased by the Company.

- explain the relationship between the remunerations granted and the applicable remuneration policy, and highlight any significant deviation from such policy;
- periodically review the remuneration policy and assess its effectiveness in achieving its objectives; and
- provide recommendations to the Board in respect of the remunerations of Directors, the Board committees and Senior Executives, in accordance with the approved policy.

- **Meetings**
  - The Remuneration and Nomination Committee shall convene periodically at least every six months and as necessary.

- **Other Functions**
  - perform further relevant duties at the request of the Board.

The Company's General Assembly, as per the Board's recommendation, shall issue regulations on the Nomination and Remuneration Committee's work, including its controls. procedures, duties and rules for selecting its members, the term of their membership and their remuneration.

The Nomination and Remuneration Committee shall consist of at least three members, whether from Shareholders or others, including at least one independent Director, and it shall not include any Executive Directors.

The current Nomination and Remuneration Committee consists of the following members, appointed by virtue of the Board Resolution dated 25/09/2019G, with a term ending on 24/09/2022G:

Table 46: Members of the Nomination and Remuneration Committee:

Name	Title
Mohammed Taher Abdul Karim Al Lawzi	Chairman (independent)
Abdulaziz Saud Omar Al Blehed	Member (non-independent)
Fahd bin Saleh bin Mohammed Al Musbahi	Member (non-independent)
Bandar bin Mohammed bin Ahmed Al Bayez	Member (non-independent)

Source: The Company

Biographies of Nomination and Remuneration Committee Members

Mohammed Taher Abdul Karim Al Lawzi, Chairman of the Nomination and Remuneration Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Abdulaziz Saud Omar Al Blehed, Member of the Nomination and Remuneration Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Fahd bin Saleh bin Mohammed Al Musbahi, Member of the Nomination and Remuneration Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Bandar bin Mohammed bin Ahmed Al Bayez, Member of the Nomination and Remuneration Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

5.6.4 Risk Committee

The duties and responsibilities of Risk Committee include:

- develop a strategy and comprehensive policies for risk management that are consistent with the nature and size of the Company's activities, monitor their implementation, and review and update them based on the Company's internal and external changing factors;
- determine and maintain an acceptable level of risk for the Company and ensure that the Company does not go beyond such level;
- ensure the feasibility of the Company's continuation and the successful continuity of its activities and determine the risks its faces during the coming twelve (12) months;
- oversee the Company's risk management system and assess the effectiveness of the systems and mechanisms for determining and monitoring the Company's risks in order to identify weaknesses therein;
- regularly reassess the Company's ability to take risks and be exposed to such risks (through stress tests for example);
- prepare detailed reports on the exposure to risks and the recommended measures for managing such risks, and present them to the Board;
- provide recommendations to the Board on matters related to risk management;
- ensure the availability of adequate resources and systems for risk management;
- review and provide recommendations on the organisational structure for risk management prior to approval by the Board;
- verify the independence of risk management employees from activities that may expose the Company to risk;
- ensure that risk management employees understand the risks to the Company and seek to raise awareness of the culture of risk; and
- review any issues raised by the Audit Committee that may affect the Company's risk management.
- Meetings:
  - The Risk Committee convenes periodically at least once every six months, and as necessary.

The Risk Committee consists of three members. The chairman and the majority of its members shall be non-executive Directors. The members of that Committee shall possess an adequate level of knowledge in risk management and finance.

The Risk Committee consists of the following members, appointed by virtue of the Board Resolution dated 25/09/2019G, with a term ending on 24/09/2022G:

Table 47: Members of the Risk Committee

Name	Title
Atta Hamad Mohammed Al Bayouk	Chairman (non-independent)
Abdulaziz Saud Omar Al Blehed	Member (non-independent)
Saleh Nasser Sulaiman Al Omair	Member (independent)

Source: The Company

Biographies of Risk Committee Members

Atta Hamad Mohammed Al Bayouk, Chairman of the Risk Committee	
Biography	See Subsection 5.5 (“Biographies of the Directors and the Secretary”) of this Section.

Abdulaziz Saud Omar Al Blehed, Member of the Risk Committee	
Biography	See Subsection 5.5 (“Biographies of the Directors and the Secretary”) of this Section.

Saleh Nasser Sulaiman Al Omair, Member of the Risk Committee	
Biography	See Subsection 5.5 (“Biographies of the Directors and the Secretary”) of this Section.

5.6.5 Executive Committee

The Executive Committee aims to assist the CEO and the Managing Director in carrying out the activities and tasks assigned thereto by the Chairman to ensure the efficiency of the Company’s operations. It may exercise all powers granted to it by the Board, including:

- review and provide recommendations on the Company’s strategies and goals;
- review and submit recommendations to the Board on proposed long-term business plans and financial and operational plans;
- approve the proposed short- and medium-term business and financial and operational plans in line with the approved long-term plans of the Company;
- review Islamic finance products and banking facilities and approve all new products and businesses;
- approve credit limits exceeding the powers of the Credit Committee according to the authority matrix;
- approve SME doubtful debt write-offs;
- review and approve annual staff budgets, CAPEX and OPEX, and approve key positions;
- review the Board of Directors’ recommendations on joint ventures, agreements, acquisitions and divestitures, in line with business and long-term financial and operational plans;
- assess and make recommendations to the Chairman on the sale, lease or exchange of the Company’s property or assets;
- approve the establishment of branch offices in line with the Company’s approved strategies, business plans and long-term financial and operational plans;
- approve the Company’s policies and procedures, except for those related to accounting and compliance which are reviewed by the Audit Committee;
- make recommendations to the Board on investment plans, including the investment of the Company’s surplus funds;
- receive and discuss reports from the Management regarding legal correspondence, litigation, or significant issues, and recommend appropriate action to be taken by the Chairman;
- monitor the performance of the Company and its individual business units, and request clarifications and explanations regarding any deviation from the approved plans and budget;
- examine information on performance through the observations and comments of parties involved and benchmark with similar organizations and activities;

- approve CAPEX and OPEX within the limits of its authority and in accordance with the Company's authority matrix; and
- perform any other duties that the Chairman may delegate thereto from time to time.

The Executive Committee consists of the following members, appointed by virtue of the Board Resolution dated 25/09/2019G, with a term ending on 24/09/2022G:

Table 48: Members of the Executive Committee

Name	Title
Abdulaziz Saud Omar Al Blehed	Chairman (non-independent)
Abdulmohsen Abdulrahman Musaed Al Sowailem	Member (Executive non-independent)
Fahd bin Saleh bin Mohammed Al Musbahi	Member (non-independent)
Bandar bin Mohammed bin Ahmed Al Bayez	Member (non-independent)

Source: The Company

Biographies of Executive Committee Members

Abdulaziz Saud Omar Al Blehed, Chairman of the Executive Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Abdulmohsen Abdulrahman Musaed Al Sowailem, Member of the Executive Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Fahd bin Saleh bin Mohammed Al Musbahi, Member of the Executive Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Bandar bin Mohammed bin Ahmed Al Bayez, Member of the Executive Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

5.6.6 Credit Committee

The Credit Committee shall oversee and review credit operations, including credit objectives, credit risk, credit policies, controls and procedures, in addition to examining credit risk exposure. The Credit Committee may exercise all powers granted to it by the Board (provided that the powers of the Committee do not conflict with the broader powers vested in the Board), including:

- oversee and control the Company's credit activities on behalf of the Board;
- review and approve credit policies and procedures, and ensure that the Board is informed of any violations or exceptions to the policies, so the Board may recommend relevant correctional actions;
- set customer credit limits and obtain the Management's approvals for Islamic finance products provided to retail and SME customers (specifying such within the terms of reference), noting that the Credit Committee shall review and approve credit limits when such limits are exceeded; accurately review SME credit requests based on Credit Committee restrictions and the recommendations of the Credit Manager, and issue final decisions to either accept or reject them;
- determine the conditions, set the write-off policy, and grant the relevant approvals for outstanding receivables on installments and any recommended changes;
- develop customer classifications (for example, by customer group, sector, geographic location, product type, etc.) and customer assessment criteria to be used in pricing the Company's products and setting concentration/ exposure limits;

- when necessary, provide guidance to the Management to prepare a credit risk analysis report and periodically review the credit risk of the portfolio; review and assess information related to the Company's credit risk, including negatively rated Islamic finance products, high risk Islamic finance products, limits of Islamic finance products, and monitor non-performing Islamic finance products; discuss the problems and issues related to non-performing Islamic finance products with the Credit department, make recommendations, and agree to reschedule the debts;
- set up the security policy and the rules for amendment in line with SAMA instructions;
- review the credit process, including the Company's credit risk management strategies, policies, controls and systems; ensure that the systems adopted by the Board to identify, assess, manage and oversee Islamic finance products are designed and used effectively;
- ensure that credit requests and customer files are properly archived and that information is kept confidential; and
- perform such other duties or responsibilities as the Board may expressly delegate to the Committee from time to time or as may be necessary to monitor and improve credit operations.

The Credit Committee consists of the following members, appointed by virtue of the Board Resolution dated 25/09/2019G, with a term ending on 24/09/2022G:

Table 49: Members of the Credit Committee

Name	Title
Saud Huwaimel Farraj Al Dosari	Chairman (non-independent)
Mohammad Ali Mohammad Al Hokal	Member (independent)
Fahd bin Saleh bin Mohammed Al Musbahi	Member (non-independent)

Source: The Company

Biographies of Credit Committee Members

Saud Huwaimel Farraj Al Dosari, Chairman of the Credit Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Mohammad Ali Mohammad Al Hokal, Member of the Credit Committee	
Biography	See Subsection 5.6.2 ("Audit Committee").

Fahd bin Saleh bin Mohammed Al Musbahi, Member of the Credit Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

5.6.7 Asset-Liability Committee

The Asset-Liability Committee is responsible for monitoring the liquidity and capital adequacy of the Company, and reviewing long-term investments in the Company's equity. The Committee shall also review liquidity and cash flows, set budget growth targets, and monitor dividend payments to investors. The Committee may exercise all powers granted to it by the Board (provided that the powers of the Committee do not conflict with the broader powers vested in the Board), including:

- prepare an appropriate asset liability management (ALM) policy that sets out, among other things, the general policy for management of the Company's assets and liabilities in terms of liquidity, profit rate management, capital and investment management, hedging and the use of derivatives;
- develop a process for identifying, assessing and managing risks that may affect the assets and liabilities of the Company, including determining the levels of the Company's risk tolerance with regard to its assets and liabilities;

- regularly review the liquidity position and monitor the Company's liquidity management activities, including selling, lending, credit and collection activities;
- ensure that the activities and procedures of the Company's divisions are in line with ALM strategy;
- review the prices of the Company's products and how the Company's profits are affected by changing interest rates in the market;
- review economic trends, in general, and provide advice on market trends, competitions, regulations and other matters that may affect liquidity risks and fluctuations in assets, liabilities, income or profits faced by the Company;
- ensure that the Company puts in place appropriate internal controls to maintain the adequacy and effectiveness of the risk management process related to the Company's assets and liabilities, including the role of the Management in this process. These internal controls form an integral part of the Company's internal control system, and will be monitored by the Internal Audit Department (Nayifat Finance Company hired KPMG to perform all internal audit activities);
- prepare and review an emergency plan to ensure the Company is well prepared to face any liquidity risk crisis;
- review and approve investment objectives, policies and directives recommended by the Management;
- oversee the investment activities carried out by the Management, such as purchase, sale, disbursement and other activities related to the Company's investments;
- conduct periodic assessments of the Company's capital structure, and oversee the development of long-term capital structure directives;
- provide feedback and comments on budgets (from a liquidity risk perspective);
- review the following Management reports:
  - the economic report, by analyzing and expressing opinion on the market, including economic factors such as profit rates, inflation, exchange rates, key market indicators, economic policies, etc;
  - the financial report, which includes data on key financial matters, balance sheet updates and variance analyses and the profit and loss statement;
  - liquidity risk review, including a summary of the Company's liquidity position and cash flow forecasts; and
  - profit rate risk review report, including a summary of the profitability of all products.
- perform any other duties that the Board may delegate thereto from time to time.

The Asset-Liability Committee consists of the following members, appointed under the Board Resolution dated 25/09/2019G, with a term ending on 24/09/2022G:

Table 50: Members of the Asset-Liability Committee

Name	Title
Mohammad Ali Mohammad Al Hokal	Chairman (independent)
Abdulmohsen Abdulrahman Musaed Al Sowailem	Member (non-independent)
Saleh Nasser Sulaiman Al Omair	Member (independent)
Gohar Iqbal Sheikh	Non-voting Member (non-independent)

Source: The Company

Biographies of Asset-Liability Committee Members

Mohammad Ali Mohammad Al Hokal, Chairman of the Asset-Liability Committee	
Biography	See Subsection 5.6.2 ("Audit Committee").

Abdulmohsen Abdulrahman Musaed Al Sowailem, Member of the Asset-Liability Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Saleh Nasser Sulaiman Al Omair, Member of the Asset-Liability Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Gohar Iqbal Sheikh, Member of the Asset-Liability Committee	
Age	58
Nationality	Pakistani
Academic Qualifications	• Member, Institute of Chartered Accountants of Pakistan (ICAP). • Bachelor's degree in Commerce, University of Karachi, Pakistan, 1983G.
Current Positions	• 2020G–present, Director of Finance and Treasury Department, Nayifat Finance Company.
Past Professional Experience	• 2019G–2020G, Director of Finance and Strategy, Nayifat Finance Company. • 2018G–2019G, Financial Controller, Mezzan Bank, a Pakistani company operating in banking services. • 2008G–2017G, CFO, Bank Albilad, a public joint stock company operating in banking services. • 2005G–2008G, Director of Finance and Operations, BankIslami Pakistan, a Pakistani company operating in banking services. • 1998G–2005G, CFO, Meezan Bank, a Pakistani company operating in banking services. • 1992G–1998G, SVP Finance, Crescent Investment Bank, a Pakistani company operating in banking services. • 1989G–1992G, VP Finance, National Development Finance Corporation, a Pakistani institution operating in banking services. • 1988G–1989G, Head of Internal Audit, Wellcome Pakistan, a Pakistani company operating in the pharmaceutical sector. • 1983G–1988G, Auditor, Ernst & Young – Pakistan, an audit office.

5.6.8 Strategic Committee

The Strategic Committee's duties and responsibilities include:

- discuss all matters that are expected to have a tangible impact on the Company's long-term strategies with the Company's CEO, Senior Management, and the committees related to the Committee;
- make recommendations on matters related to the Company's strategic initiatives for approval by the Board;
- assist the Management in its supervisory responsibilities related to the Company's long-term strategy, the risks and opportunities related to the strategy, and strategic decisions related to investments, acquisitions and divestitures by the Company;
- coordinate with the relevant committees to ensure the Company's strategy is implemented;
- review the strategic risks and opportunities identified through the Company's strategic risk assessment and other operations, the impact of emerging or developing competitive activities, legal developments, and global economic conditions;
- work with the Company's management to oversee the development of an acquisition strategy that is in line with the Company's long-term strategy and includes an understanding of acquisitions and the implications on the remaining targets and competitors; develop a procedure for overseeing how and when multiple decisions are made regarding major acquisitions, execution of transactions, post-acquisition measures, mergers, in addition to monitoring specific parameters including harmonisation;

- review the Company's procedures for reviewing, recommending and approving acquisitions, and make recommendations to the Board on the various levels of powers during the acquisition;
- work with the CEO and the Company's management to oversee recommendations made to the Board on some strategic decisions related to possible exit from some current areas, access to new areas, acquisitions, joint ventures, investments or disposal of companies and assets; and
- assess operating performance, compare performance against target acquisition plan indicators, and ensure synergies.

The Strategic Committee consists of the following members who were appointed pursuant to the Board of Directors' decision dated 26/01/1441H (corresponding to 25/09/2019G), provided that the term of the session ends on 29/02/144H(corresponding to 24/09/2022G):

Table 51: Members of the Strategic Committee

Name	Title
Saud Huwaimel Farraj Al Dosari	Chairman (non-independent)
Abdulmohsen Abdulrahman Musaed Al Sowailem	Member (executive non-independent)
Mohammed Taher Abdul Karim Al Lawzi	Member (independent)

Source: The Company

Biographies of Strategic Committee Members

Saud Huwaimel Farraj Al Dosari, Chairman of the Strategic Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Abdulmohsen Abdulrahman Musaed Al Sowailem, Member of the Strategic Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Mohammed Taher Abdul Karim Al Lawzi, Member of the Strategic Committee	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

5.6.9 Compliance and Anti-Money Laundering Department

Compliance with Laws and Regulations

Finance Laws and the Implementing Regulations Thereof

The Saudi finance sector is regulated by SAMA. SAMA has passed the Finance Lease Law and the Finance Companies Control Law and the Implementing Regulations thereof, published in the Official Gazette on 13/10/1433H (corresponding to 31/08/2012G), which entered into force 90 days from the date of publication with the aim of regulating the finance sector in a more comprehensive manner. Further, SAMA's Responsible Lending Principles for Individual Customers was issued on 02/09/1439H (corresponding to 16/05/2018G).

The Finance Laws and Implementing Regulations thereof require all companies engaging in finance business (as shown below) in the Kingdom to obtain a licence from SAMA. These laws granted companies a grace period of two years from the date the laws entered into force on 29/11/2012G to obtain the licence. Consequently, before the end of the day on 28/02/1435H (corresponding to 31/12/2013G), all finance companies must have submitted licencing applications with a work plan attached that explains how to adapt their business to comply with these laws, or to exit the Saudi financial market. The Company obtained a licence from SAMA on 28/02/1435H (corresponding to 31/12/2013G), and on 23/12/1439H (corresponding to 03/09/2018G). This licence was renewed for a period of five years, ending on 26/02/1445H (corresponding to 11/09/2023G).

Below are the most significant elements of the financing regulations and their implementing regulations applicable to the Company's business:

- **Licencing Requirements:** The following finance activities require an independent licence from SAMA.
  - Real-estate finance
  - Productive asset finance
  - SME Finance
  - Financial leasing
  - Credit card finance
  - Consumer finance
  - Microfinance
  - Any other activity approved by SAMA

In order to comply with all these requirements, the Company had to complete these tasks. The Company has already adopted an integrated automated system called "RISKNUCLEUS® COMPLIANCE", a fully automated, structured and easy-to-use solution, which streamlines compliance management in a company by integrating all regulatory compliance activities within a single framework. This system also maintains an updated rules library, identifies requirements, assigns roles and responsibilities, assesses the performance of specific activities and works/areas, records all violations and monitors their removal, and makes use of reports and dashboards to form an integrated view.

Anti-Money Laundering and Combating Terrorist Financing (AML/CTF)

In addition to the above, and with reference to the Anti-Money Laundering Law and Implementing Regulations thereof issued under Royal Decree No. M/39 dated 25/06/1424H, the Law on Combating Terrorism Crimes and Financing along with and its Executive Regulations issued pursuant to Cabinet Resolution No. (228) dated 05/02/1440H, and SAMA circulars, and in accordance with the local and international regulatory and supervisory requirements related to AML/CFT, SAMA has issued the Rules Governing Anti-Money Laundering and Combating Terrorism Financing, which are mandatory policies and procedures with which licenced finance companies must comply.

The Company has taken the initiative to provide an integrated automated system called "RISK NUCLEUS® AML" to protect Shareholders' assets. This system is an integrated AML solution that takes into account all regulatory requirements and provides companies with additional tools to protect themselves from regulatory and reputational risks that may arise from involvement in money laundering activities. This system examines customers, transactions, employees and others in light of sanctions lists, takes into account customer due diligence/KYC, performs customer risk assessments, monitors transactions through a fully adjustable scenario manager and workflow unit, automates reports of suspicious activities and currency transactions, saves necessary documentation and prepares extensive reports.

5.6.10 Internal Audit

An independent department that falls under the Audit Committee. It provides advice to independently and objectively carry out internal audit activities, with the aim of adding to the Company and improving its operations, which, in turn, helps the Company achieve its goals by adopting a structured and systematic approach to assess and develop the effectiveness of governance, risk management and control processes.

The Company decided to hire KPMG, a leading audit company, to carry out all internal audit activities in order to ensure the efficiency of the work.

5.6.11 Risk Department

The Company's Risk Department is an independent department that falls under the Risk Committee, which monitors credit risk (for retail and corporate segments), market risk and operational risks, in addition to all risks mentioned by SAMA.

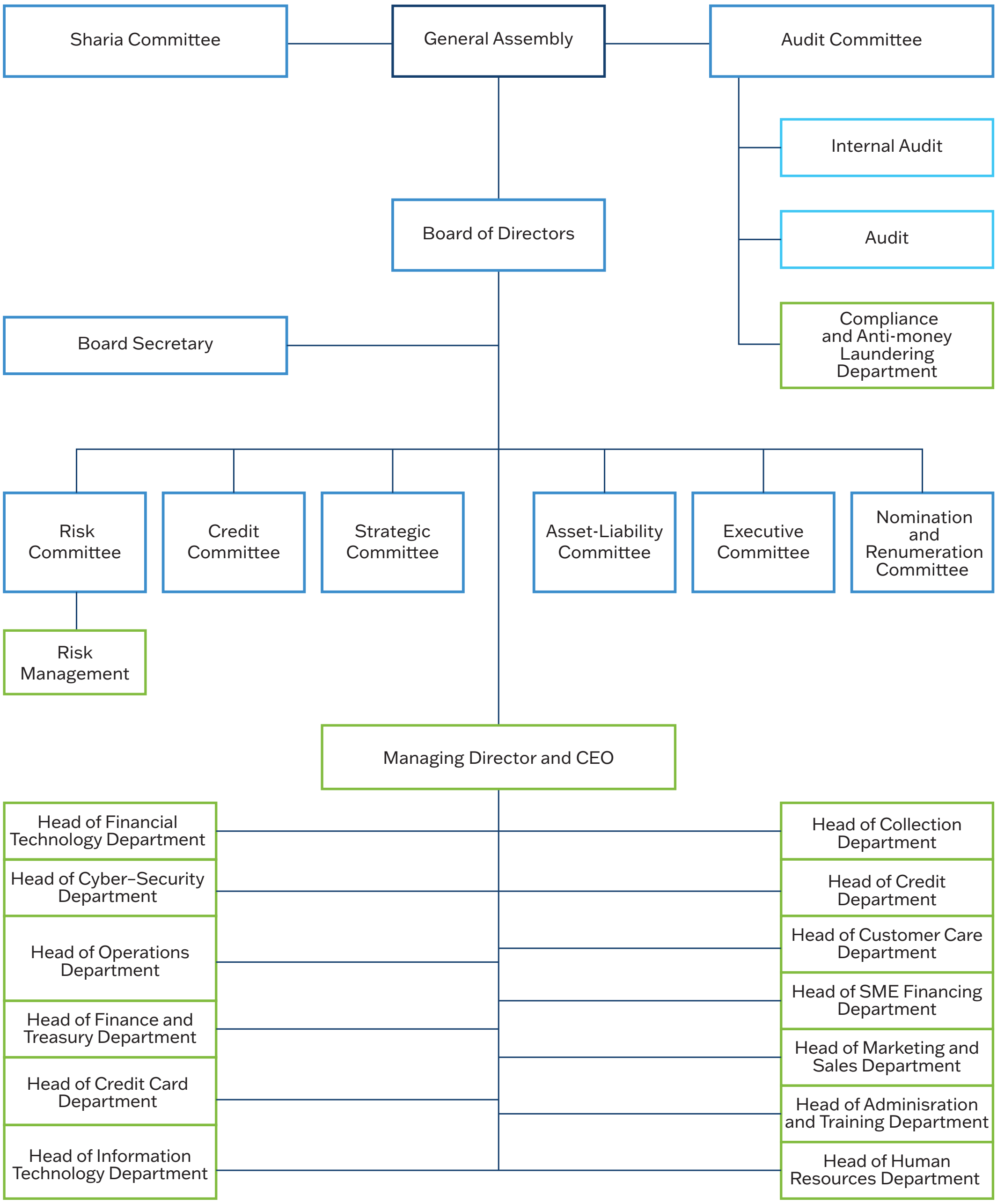
The Risk Department develops and operationalises policies and procedures, and measures and assesses the Company's risk tolerance. The Department is also entrusted with developing and operationalising all policies and procedures related to operational risks and preparing a relevant plan to carry out risk assessments in line with the assessment plan approved by the Risk Committee. Moreover, the Risk Department shall review all Company policies and ensure oversight. The Risk Department is responsible for submitting a periodic risk report (on a quarterly basis) to the members of the Risk Committee and the Directors. The report should include an analysis of the risks that the Company faces to reduce future risks.

The Risk Department shall develop the Company's risk mechanism and improve its effectiveness in avoiding potential future risks that adversely affect the Company.

5.7 Executive Management

The Senior Management includes qualified and experienced members with the knowledge and expertise necessary to run the Company's business in line with the objectives and directives of the Board and the stakeholders. The Company has been successful in retaining its Senior Management team, developing qualified employees and promoting them to senior positions in the Company. The following chart shows the Senior Executives as at the date of this Prospectus:

Figure 34: Executive Management Chart



Source: The Company

The following table sets out the details of the Company's Executive Management:

Table 52: Details of the Company's Executive Management

Name	Title	Nationality	Age	Date of Appointment	Number of Shares Direct Ownership Pre-Offering	Number of Shares Direct Ownership Post-Offering	Direct Ownership Pre-Offering	Direct Ownership Post-Offering	Indirect Ownership Pre-Offering	Indirect Ownership Post-Offering
Abdulmohsen Abdulrahman Al Sowailem	CEO and Managing Director	Saudi	50	16/12/2014G	2,433,959	1,582,073	2,434%	1,582%	0.801%	0.520%
Turki Suleiman Al Obaid*	Head of Sales and Marketing Department	Saudi	43	15/10/2014G	56,792	36,915	0,057&	0,037%	-	-
Turki Nasser Al Qahtani	Head of Human Resource Department	Saudi	44	16/03/2016G	56,792	36,915	0,057&	0,037%	-	-
Sultan Shweit Al-Nefiei	Head of Operations Department	Saudi	42	25/08/2015G	81,132	52,736	0,081%	0,053%	-	-
Ahmed Ibrahim Haml	Head of Administrative and Training Department	Saudi	51	14/02/2012G	48,680	31,642	0,049%	0,032%	-	-
Noura Talal Al Muhaid	Head of Customer Care Department	Saudi	41	18/12/2010G	172,933	112,406	0,173%	0,112%	-	-
Tariq Mubarak AlYami	Head of Credit Department	Saudi	45	01/02/2016G	-	-			-	-
Nikhil Bhardwaj	Head of Credit Card Department	Indian	47	16/11/2014G	-	-			-	-
Hassan Tema Aql Al-Duqm	Head of Collection Department	Jordanian	37	07/12/2014G						
Mohammed Abdulrahman El-Shami	Chief Risk Officer	Austrian	45	16/10/2017G	-	-			-	-
Muhammad Saad Muhammad Al-Sahim	Head of Cyber-Security	Saudi	34	06/04/2020G	-	-			-	-
Luay Omar Bakraa	Head of SME Finance	Saudi	38	11/11/2018G	-	-			-	-
Jamal Ayed Hassan Al-Shammari	Head of IT Department	Saudi	37	19/07/2020G	-	-			-	-

Name	Title	Nationality	Age	Date of Appointment	Number of Shares Direct Ownership Pre-Offering	Number of Shares Direct Ownership Post-Offering	Direct Ownership Pre-Offering	Direct Ownership Post-Offering	Indirect Ownership Pre-Offering	Indirect Ownership Post-Offering
Gohar Iqbal Sheikh	Chief Financial Officer and Treasurer	Pakistani	58	25/09/2019G						
Mohamed Aly El Salman	Head of FinTech Department	Saudi	41	08/08/2021G						
Abdulrahman Ben Fahd Ben Gifan	Head of Compliance and AML and Anti Terrorism Funding Department	Saudi	36	08/08/2021G	-	-			-	-

Source: The Company

* Mr. Turki Suleiman Al Obaid has resigned from his position as Head of Human Resource Department of the Company, and his last day in this role is on 26/04/1443H (corresponding to 01/12/2021G). The Company is currently looking for a replacement for Mr. Turki Suleiman Al Obaid.

5.7.1 Biographies of Senior Management

Following is a summary of the current and past experience, qualifications and positions of Senior Executives:

Abdulmohsen Abdulrahman Musaed Al Sowailem, CEO and Managing Director	
Biography	See Subsection 5.5 ("Biographies of the Directors and the Secretary") of this Section.

Turki Suleiman Saleh Al Obaid, Head of Sales and Marketing Department*	
Age	43
Nationality	Saudi
Academic Qualifications	• BBA, Imam Mohammad Ibn Saud Islamic University, KSA, 2013G. • BBA, American University in London, Distance Education, 2006G. • Diploma in Insurance, Bahrain Institute of Banking & Finance (BIBF), 2004G. • Diploma in sales and marketing, Institute of Public Administration, KSA, 2002G.
Current Positions	• 2014G–present, Director of Sales and Marketing, Nayifat Finance Company
Past Professional Experience	• 2005G–2014G, Administrative positions, Mobily, a public joint stock company operating in telecommunications services. • 2002G–2005G, Executive Officer (Personal Lines), Norwich Union Insurance (currently "AXA Gulf"), a public joint stock company operating in financial services.

Turki Naser Hamad Al Qahtani, Head of Human Resource Department	
Age	44
Nationality	Saudi
Academic Qualifications	• MBA, AAST, Alexandria, Egypt, 2009G. • BBA, King Abdulaziz University, KSA, 2006G • Administrative Advisor, Ministry of Commerce licence No. 14990 • Certified Manager, SHRM
Current Positions	• 2016G–present, HR Manager, Nayifat Finance Company.
Past Professional Experience	• 2008G–2016G, Director of Human Resources and Administration, Filling and Packaging Material Manufacturing Company (FIPCO), a joint stock company operating in manufacturing services. • 2000G–2008G, HR Manager, Al Duhami Trading and Contracting Company, a limited liability company operating in trade and contracting services.

* Mr. Turki Suleiman Al Obaid has resigned from his position as Head of Human Resource Department of the Company, and his last day in this role is on 26/04/1443H (corresponding to 01/12/2021G). The Company is currently looking for a replacement for Mr. Turki Suleiman Al Obaid.

Sultan Shweit Waqian Al-Nefiei, Head of Operations Department	
Age	42
Nationality	Saudi
Academic Qualifications	• BBA - Marketing, King Abdulaziz University, KSA, 2000G
Current Positions	• 2015–present, COO, Nayifat Finance Company.
Past Professional Experience	• 2010G–2015G, Senior Manager, Director of Corporate Services Branches in the Central Province (Corporate Banking), Riyad Bank, a joint stock company operating in banking services. • 2008G–2010G, Assistant Director of Customer Service, Riyad Bank, a joint stock company operating in banking services. • 2005G–2008G, Customer Service Supervisor, Riyad Bank, a public joint stock company operating in banking services. • 2000G–2005G, Public Relations Officer and Tender Supervisor, Ministry of Interior, a governmental body.

Ahmed Ibrahim Farie Hamli, Head of Administrative and Training Department	
Age	51
Nationality	Saudi
Academic Qualifications	• BBA, King Faisal University, KSA, 2014G • Diploma in English Language, Imam Mohammad Ibn Saud Islamic University, 2004G
Current Positions	• 2016G–present, Head of Administrative and Training Department, Nayifat Finance Company
Past Professional Experience	• 2012G–2016G, HR Manager, Nayifat Finance Company. • 2011G–2012G, HR Manager, AUVA Projects & Supplies Company, a limited liability company operating in contracting. • 2005G–2011G, Payroll Officer, Riyadh Cables Group Company, a closed joint stock company operating in the cable industry. • 1999G–2004G, Personnel Manager, Bait Al Saggaf Trading Est, a sole proprietorship operating in the trade sector.

Noura Talal Khalil Al Muhaid, Head of Customer Care Department	
Age	41
Nationality	Saudi
Academic Qualifications	Diploma, Executive Secretary, Institute of Public Administration, KSA, 2003G.
Current Positions	2010G–present, Director of Customer Care, Nayifat Finance Company.
Past Professional Experience	• 2005G–2018G, Various positions in customer service and sales in Samba Financial Group, a public joint stock company operating in banking services. • 2005–2010G, Customer Service and Sales Representative, Samba Financial Group, a public joint stock company operating in banking services.

Tariq Mubarak Saad Al-Yami, Head of Credit Department	
Age	45
Nationality	Saudi
Academic Qualifications	• High School, KSA, 1994G. • Certified Credit Specialist from the International Academy of Financial Business, USA
Current Positions	• 2016G–present, Head of Credit Department, Nayifat Finance Company.
Past Professional Experience	• 2001G–2016G, Director of Customer Assets, Samba Financial Group, a public joint stock company operating in banking services.

Nikhil Bhardwaj, Head of Credit Card Department	
Age	47
Nationality	Indian
Academic Qualifications	• B.S. in Electronics, Delhi University, India, 1994G. • Higher Diploma in Business Administration, Centre for Management Development (CMD), India, 1996G.
Current Positions	• 2018G–present, Head of Credit Card Department, Nayifat Finance Company.
Past Professional Experience	• 1998G–2003G, E-serve International, a joint stock company operating in credit and collection. • 2003G–2005G, Regional Manager - Collections, ICIC Bank, a joint stock company operating in finance. • 2006G–2007G, Head of Personal Loan Collections Division, Citi Financial - India, a joint stock company operating in finance • 2007G–2008G, Collection Manager, GE Money, a joint stock company operating in finance • 2009G–2014G, Collection Manager, Citibank Egypt, a joint stock company operating in the commercial banking sector. • 2014G–2018G, Collection Director, Nayifat Finance Company.

Hassan Tema Aql Al-Duqm, Head of Collection Department	
Age	37
Nationality	Jordanian
Academic Qualifications	Bachelor's degree in Accounting, Philadelphia University, Jordan, 2005G.
Current Positions	2018G–present, Collection Director, Nayifat Finance Company.
Past Professional Experience	• 2014G–2018G, Director of Tele Collection, Nayifat Finance Company. • 2010G–2014G, Debt Collection Supervisor, Arab Bank, a Jordanian public joint stock company operating in banking services. • 2008G–2010G, Retail Credit Officer, Arab Bank, a Jordanian public joint stock company operating in banking services. • 2005G–2008G, Debt Collector, Arab Bank, a Jordanian public joint stock company operating in banking services.

Gohar Iqbal Sheikh, Chief Financial Officer and Treasurer	
Biography	See Subsection 5.6.7 ("Asset-Liability Committee") of this Section.

Muhammad Saad Muhammad Al-Sahim, Head of Cyber-Security Department	
Age	34
Nationality	Saudi
Academic Qualifications	• Bachelor's degree in Information Systems, California State University Northridge (CSUN), Los Angeles, USA, 2012G • Certified Ethical Hacker, 2019G • Certified Information Systems Auditor (CISA), 2019G
Current Positions	• 2020G–present, Director of Cyber-Security, Nayifat Finance Company
Past Professional Experience	• 2019G–2020G, Director of Cyber-Security, Deutsche Gulf Finance, a closed joint stock company operating in finance services. • 2017G–2019G, IT Supervisor, Deutsche Gulf Finance, a closed joint stock company operating in finance services. • 2015G–2017G, IT Specialist, Deutsche Gulf Finance, a closed joint stock company operating in finance services.

Luay Omar Ali Bakraa, Head of SME Department	
Age	38
Nationality	Saudi
Academic Qualifications	• Bachelor's degree in Accounting and Information Systems, Prince Sultan College for Tourism and Business, KSA, 2011G • Diploma in Business Administration, University of Hail, KSA, 2006G
Current Positions	• 2019G–present, Director of SME Finance, Nayifat Finance Company
Past Professional Experience	• 2018G–2019G, Regional Director of SME Finance, Nayifat Finance Company • 2018G, Senior Relationship Manager (Business Banking), Alawwal Bank, a public joint stock company operating in banking services. • 2015G–2018G, Relationship Manager (Corporate Banking), Bank AlJazira, a public joint stock company operating in banking services. • 2013G–2015G, Assistant Relationship Manager (Business Banking), Alawwal Bank, a public joint stock company operating in banking services. • 2007G–2013G, Corporate Services Coordinator, Alawwal Bank, a public joint stock company operating in banking services.

Mohammed Abdulrahman El-Shami, Chief Risk Officer	
Age	45
Nationality	Austrian
Academic Qualifications	• BBA, Northeastern University, Boston, USA, 1998G. • MBA, Northeastern University, Boston, USA, 2002G. • Certified Internal Auditor (CIA), Institute of Internal Auditors (IIA), USA, 2007G. • CME1 Certificate, CMA, KSA, 2013G.
Current Positions	• 2017–present, Head of Risk Department, Nayifat Finance Company
Past Professional Experience	• 2004G–2013G, Senior Manager - Risk Advisory Services, Ernst & Young - Riyadh (EY Riyadh), a closed joint stock company operating in auditing. • 2013G–2016G, Chief Risk Officer, Saudi Fransi Capital, a joint stock company operating in financial and advisory services. • 2016G–2017G, Chief Risk Officer, Albilad Capital, a joint stock company operating in financial and advisory services. • 2017G, Head of Advisory Services, Ata Al Bayouk Chartered Accountants, a professional sole proprietorship operating in auditing.

Abdulrahman Ben Fahd Ben Gifan, Head of Compliance and, AML Department	
Age	36
Nationality	Saudi
Academic Qualifications	• Bachelor's degree in Finance Management, King Saud University, 2009
Current Positions	• 2021G–present, Head of Compliance and AML and Anti Terrorism Funding Department, Nayifat Finance Company.
Past Professional Experience	• 2017G–2021G, Head of Compliance and Governance Department, Saudi Fransi for Financial Leasing Company. • 2012G–2017G, Senior Compliance Officer – Namaa Bank, a public joint stock company operating in banking services.

Mohamed Ali Al Salman, Head of FinTech Department	
Age	41
Nationality	Saudi
Academic Qualifications	Bachelor's Degree in Litterature and Information, King Saud University, 2005G.
Current Positions	• 2021G–present, Head of FinTech Department, Nayifat Finance Company
Past Professional Experience	• 2016–2021G, Vice President of Digital Channels, Riyad Bank, a public joint stock company operating in banking services. • 2008G–2015G, Digital Channels Development Officer, SABB Bank, a public joint stock company operating in banking services.

5.7.2 Biographies of the Directors of Departments Affiliated to the Company's Committees

Following is a summary of the current and past experience, qualifications and positions of the Directors of Departments Affiliated to the Company's Committees:

Mohammed Abdulrahman El-Shami, Chief Risk Officer	
Biography	See Subsection 5.7.1 ("Biographies of Senior Management") of this Section.

Abdulrahman Ben Fahd Ben Nagifan, Head of Compliance, AML and Anti- Terrorism Funding Department	
Biography	See Subsection 5.7.1 ("Biographies of Senior Management") of this Section.

5.7.3 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Company's Senior Management. Such contracts state their salaries and remuneration in accordance with their qualifications and experience, and include a number of benefits such as a monthly transportation allowance and a housing allowance. These contracts are renewable and subject to the Saudi Labour Law.

CEO

The Company's CEO is Abdulmohsen Abdulrahman Musaed Al Sowailem, who was appointed under the Board Resolution dated 25/01/1441H (corresponding to 24/09/2019G). In addition to managing the day-to-day affairs and business of the Company, the duties of the CEO include:

- preparing the strategic direction of the Company for review and approval by the Board;
- developing the annual work plan and the financial budget for review and approval by the Board;
- coordinating and planing with departments to meet budget objectives;
- assessing issues and trends that may affect the achievement of the Company's goals;
- creating an environment that attracts and retains efficient cadres and talent;
- appointing, training and developing the skills of employees to achieve the company's short- and long-term goals;
- overseeing the Company's activities and providing administrative and technical support to the Executive Management; and
- supporting quality control activities and promoting a culture of quality.

The CEO receives a monthly salary, housing and transportation allowances, and an annual fixed bonus. The CEO is also entitled to an annual bonus for achieving or exceeding the required target, paid every three years based on the recommendation of the Nomination and Remuneration Committee with Board approval.

The CEO's tenure is determined under his/her employment contract, which is automatically renewed by the Company.

CFO

The Company's CFO is Jawhar Iqbal Sheikh, who was appointed under a contract of employment with the company on 26/01/1441H (corresponding to 25/09/2019G) for a period of three years, automatically renewed.

The CFO receives a monthly salary and housing and travel allowances, as well as an annual performance-based bonus.

Except as disclosed in the Subsection 12.11 "Related Party Transactions" of Section 12 ("Legal Information") of this Prospectus, the Directors, Secretary and Senior Management confirm that neither they nor their relatives have any interest in any agreement or contract effective or expected to concluded at the date this Prospectus is submitted.

5.8 Remuneration and Compensation of Directors and Executive Management

Pursuant to the Company's Bylaws, the Ordinary General Assembly shall determine the Directors' remuneration. Each Director shall receive an annual bonus of three hundred thousand Saudi Riyals (SAR 300,000), subject to the official decisions and instructions issued by the Ministry of Commerce in this regard, and in compliance with the Companies Law and other laws and regulations. The Directors are also entitled to meeting attendance and transportation allowances as determined by the Board in accordance with the regulations, decisions and instructions issued by the competent Saudi authorities.

Pursuant to Paragraph (3) of Article (76) of the Companies Law, the total remuneration received by a Director shall not exceed five hundred thousand Saudi Riyals (SAR 500,000) annually. The General Assembly shall determine the Directors' remuneration.

The General Assembly must approve the Board's remuneration and compensation. Directors are not entitled to vote on such remuneration and compensation.

The Company approved an additional monthly bonus for the Chairman of the Strategic Committee (who is also the Chairman of the Board), Saud Huwaimel Farraj Al Dosari, for the administrative and advisory services he provides to the Company ex officio. He also received an annual bonus for the Company's performance at the recommendation of the Nomination and Remuneration Committee with Board approval. The Chairman of the Executive Committee received all remuneration for previous years based on the recommendation of the Nomination and Remuneration Committee with Board approval. The Company also approved an additional bonus for the Director of SME Finance, the Collections Director, the Director of Customer Care, and the Director of Sales and Marketing for their performance and achievement of their assigned targets, which is reflected in the Company's performance, based on the recommendation of the Nomination and Remuneration Committee with Board approval.

The following table sets out the details of the remuneration and compensation of Directors, Committee members and top five Senior Executives (including the CEO and CFO) for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 53: Remuneration and Compensation of Directors and Top Five Senior Executives in 2018G, 2019G and 2020G.

Description	2018G (SAR thousands)	2019G (SAR thousands)	2020G (SAR thousands)
Directors	2,700	2,700	2,700
Committee Members*	4,386	4,388	4,358
Top five senior executives, including CEO and CFO **	15,731	19,758	21,435
Total	**22,817**	**26,84**	**28,493**

Source: The Company

* Including all remunerations received by the members of the Committees and the Chairman of the Strategic Committee Saud Huwaimel Farraj Al Dosari, (who is also the Chairman), which amounted to 3.7 million SAR annually for each of the fiscal years 2018G, 2019G and 2020G, for the administrative and advisory services he provides to the Company. The Company ceased paying these remunerations to the Chairman of the Strategic Committee as of 1/1/2021G.

** In addition to the bonuses paid to the CEO in his capacity as member of the Board of Directors.

5.9 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Directors undertake to comply with the Corporate Governance Regulations issued by the CMA. The CMA issued the Corporate Governance Regulations on 16/05/1438H (corresponding to 13/02/2017G), as amended on 01/06/1441H (corresponding to 14/014/2021G), which entered into force as of 22/4/2017G, with the exception of specific provisions that entered into force on 31/12/2017G.

The Company adopted its Internal Corporate Governance Manual pursuant to the Board of Director's decision dated 23/02/1441H (corresponding to 23/10/2019G), the General Assembly's decision dated 25/01/1441H (corresponding to 24/09/2019G) and Article (94) of the Corporate Governance Regulations. The bylaws of the Audit Committee were approved in the General Assembly held on 05/07/1442H (corresponding to 17/02/2021G) in accordance with Article (54) of the Corporte Governance Manual. The General Assembly also approved the regulations and policies that require its approval in accordance with the provisions of the Corporate Governance Regulations pursuant to its resolutions dated 25/01/1441H (corresponding to 24 /09/2019G) upon the suggestion of the Board of Directors dated 23/02/1441H (corresponding to 23/10/2019G). In addition, the Company adopted a clear policy for the remuneration of the Directors, Board committee members and Executive Management in the Nomination and Remuniration Manual pursuant to the General Assembly's decision dated 05/07/1442H (corresponding to 17/02/2021G). The Company also agreed on the conflict of interest policy pursuant to the Board of Director's decision dated 23/02/1441H (corresponding to 23/10/2019G). The Internal Corporate Governance Manual and the relevant Manuals include provisions related to the following:

a. Shareholders' rights;

b. the Board of Directors (including Board formation and membership, Board meetings and working procedures, the Board's competencies, duties and powers, and development, support, assessment and remuneration);

c. Board Committees;

d. Executive Management and administrative committees;

e. control and internal audit;

f. the Auditor;

g. disclosure and transparency;

h. internal policies; and

i. document retention.

The Company's internal governance regulations are a set of rules and standards that define and regulate the duties and responsibilities of the Company's Management, Board and Board committees, and ensure compliance with the best corporate governance practices in order to protect the rights of Shareholders and stakeholders. The primary objective of the Internak Corporate Governance Manual is to maintain the Company's increased value to stakeholders. To this end, the principles of effective oversight and management must be defined. The Company believes that these governance principles must be clear to all stakeholders, in order to secure their rights and enhance their participation in the corporate governance process.

The Board intends to review the Internal Corporate Governance Manual at least once a year and make the changes it deems necessary, as required by any applicable laws and regulations, and implement such in line with best practices.

As at the date of this Prospectus, the Company is in compliance with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

a. Paragraph (a) of Article (8) providing that upon calling for a meeting of the General Assembly, the Company shall announce information about the nominees for Board membership on the Exchange's website.

b. Paragraph (c) of Article (8) which restricts voting in the General Assembly for the nominees whose information were announced in accordance with Paragraph (a) of Article 8 above.

c. Paragraph (d) of Article (13) which provides that the Company must publish the General Assembly invitation on: (i) the website of the CMA ; (ii) the Company's website; and (iii) in a daily newspaper distributed in the area where the Company's head office is located.

d. Paragraph (c) of Article (14) providing that the Company must make all information related to the agenda of the General Assembly available through the website of the financial market and the Company's website. The Article further provides that the Company must make available information related to the items on the agenda of the General Assembly, especially the report of the Board of Directors, the Auditor, the financial statements and the report of the Audit Committee.

e. Paragraph (e) of Article (15) providing that the Company notifies the public and the CMA of the results of the General Assembly immediately upon its conclusion.

f. Paragraph (d) of Article (17) providing that the Company notify the CMA of Directors' names and membership capacity and any changes affecting their membership.

g. Paragraph (b) of Article (19) providing that upon termination of a Director's membership, the Company shall promptly notify the CMA and the Exchange, and specify the reasons for such termination.

h. Article (68) providing that the Company publish a nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated for Board membership.

The Company currently does not comply with the above articles of the Corporate Governance Regulations, given that it is a closed joint stock company and the Company's shares have not been listed on the Exchange. The Directors undertake to comply with these articles as soon as the CMA issues its approval for the listing of the Shares on the Exchange. In addition, the Directors confirm that the Company is currently in compliance with all other provisions of the Corporate Governance Regulations and the Companies Law. The Company has not to date amended its Bylaws, nor consequently the Company's internal governance regulations, to be in line with the latest amendments to the Companies Law. The Directors undertake to amend the Bylaws in the first Extraordinary General Assembly following the Offering and to comply with all decisions and instructions issued by the CMA in relation to the Corporate Governance Regulations.

The Company has eight permanent committees, namely: (i) the Shariah Committee, (ii) the Audit Committee, (iii) the Nomination and Remuneration Committee, (iv) the Risk Committee, (v) the Executive Committee, (vi) the Credit Committee, (vii) the Assets-Liability Committee, and (viii) the Strategic Committee (for further details, please see Section 5.6 "Internal Committees and Responsibilities thereof"). The Company's Board of Directors consists of nine members, eight of whom are non-executives, and three independent members, in accordance with the provisions of the Corporate Governance Regulations.

5.9.1 Objectives of the Company's Corporate Governance Manual

The objective of the Company's Corporate Governance Manual is to enhance the Company's strength and competitiveness by creating a strong control environment and an integrated risk management culture, in compliance with Shariah principles.

The Company's Corporate Governance Manual focuses on managing the relationships between the Company's Board, Management and Shareholders. Its objective is to:

a. enhance the role of the Company's Shareholders and facilitate the exercise of their rights;

b. specify the competencies and responsibilities of the Board and the Executive Management;

c. enhance the role of the Board and the Committees and develop their capabilities in order to enhance the Company's decision-making mechanisms;

d. enhance the Company's reputation through further transparency;

e. allow entities to demonstrate their ability to perform their legal and ethical obligations as well as their obligations to Shareholders;

f. develop accurate standards for accountability;

g. help uncover fraud, dishonesty and unethical behaviour;

h. provide strategic guidance and adopt the Company's strategies;

i. monitor the Management's performance;

j. oversee financial performance; and

k. ensure that the Company puts in place appropriate policies, procedures and processes for risk management and internal control.

5.9.2 Access to and Approval of the Company's Governance Manual and Amendments Thereto

a. The Manual has been prepared in accordance with the Kingdom's applicable laws, including the Implementing Regulations of the Finance Companies Control Law issued by SAMA and others issued by the Ministry of Commerce, in addition to the Corporate Governance Regulations issued by the CMA Board.

b. The Manual is first adopted by the Board, and then presented to the Shareholders' General Assembly for review and approval. The Secretary is responsible for maintaining the Manual.

c. The Board shall review the Manual at least once a year to add necessary amendments and updates, as it deems appropriate.

d. The Manual must be read in conjunction with the Company's Bylaws and the Kingdom's applicable laws. If there is any conflict between the Manual and the Company's Bylaws or any other applicable laws, the latter shall prevail. Furthermore, if there is any conflict between the Manual and any current or future Company documents, the Secretary shall be informed of such in order to clarify the matter.

e. The Company's Internal Governance Manual is available on the Company's website.

5.10 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director or CEO the power to vote on any contract or transaction in which they have a direct or indirect interest pursuant to Article 71 of the Companies Law, nor to participate in any business that aims to compete with the Company pursuant to Article 72 of the Companies Law.

Accordingly, a Director must inform the Board of any personal interest they may have in transactions or contracts concluded for the Company's account. The Chairman shall notify the Ordinary General Assembly when it convenes of the transactions and contracts in which any Director has a personal interest. Such notification shall be accompanied by a special report from the auditor. This declaration must be recorded in the minutes of the meeting, and the interested Director shall not participate in voting on the resolution to be adopted in this respect. Based on the above, the Directors shall acknowledge that:

- they will comply with Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations;
- they will not vote on General Assembly resolutions related to any Related Party transaction or contract in which the Directors have a direct or indirect interest; and
- they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with Article 72 of the Companies Law.

Except for what is mentioned in Section 12.11 "Related Party Transactions" of this Prospectus, the members of the Board of Directors, any of the senior executives, the Secretary of the Board, or any of their relatives or affiliates have no interest in any existing contracts or transactions whether written or verbal under consideration or contemplated with the Company up to the date of this Prospectus.

The following table shows the percentage of direct and indirect ownership of board members who have direct or indirect ownership in the company as on the date of this Prospectus:

Table 54: Members of the Board of Directors of the Company

Name	Title	Nationality	Membership Status	Direct Ownership[1] (%)		Indirect Ownership[1] (%)	
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
Saud Huwaimel Farraj Al Dosari	Chairman of the Board	Saudi	Non-executive	7.866%	5.113%	-	-
Abdulaziz Saud Omar Al Blehed	Vice Chairman	Saudi	Non-executive	7.252%	4.714%	-	-
Fahd bin Saleh bin Mohammed Al Musbahi[2]	Director	Saudi	Non-executive	-	-	0.056%	0.037%
Mohammed bin Ali bin Mohammed Al Hokal	Director	Saudi	Independent	4.540%	2.951%	-	-
Abdulmohsen Abdulrahman Musaed Al Sowailem[3]	Director / CEO / Managing Director	Saudi	Executive	2.434%	1.582%	0.801%	0.520%
Bandar bin Mohammed bin Ahmed Al Bayez[4]	Director	Saudi	Non-executive	-	-	0.067%	0.043%

Source: The Company

1 Direct and indirect ownership percentages are approximate.

2 The indirect ownership of Fahd bin Saleh bin Mohammed Al Musbahi results from his direct ownership of 0.08% in FALCOM Holding Company, which owns 73.855% in the Company.

3 The indirect ownership of Abdulmohsen Abdulrahman Musaed Al Sowailem results from his direct ownership of 1.08% in FALCOM Holding Company, which owns 73.855% in the Company.

4 The indirect ownership of Bandar bin Mohammed bin Ahmed Al Bayez results from his direct ownership of 0.09% in FALCOM Holding Company, which owns 73.855% in the Company.

5.11 Cases Of Bankruptcy And Insolvency Of Members Of The Board Of Directors And Executive Management

There are no cases of bankruptcy for members of the Board of Directors, members of the Executive Management or the Secretary of the Board of Directors as on the date of this Prospectus. Further, there are no cases of insolvency in the previous five years for a company in which any of the Board Members, members of the Executive Management or the Secretary of the Board of Directors was appointed by the insolvent company in an administrative or supervisory position.

5.12 Direct And Indirect Interests Of Board Members And Executive Management

None of the members of the Board of Directors, the Executive Management, the Secretary of the Board of Directors or any of their relatives has any direct or indirect interest in the shares and debt instruments of the Company, and any interest in any other matter that may affect the business of the Company, except for what is disclosed in Section 5.3 "Board of Directors and Board of Secretary", Section 5.7 "Executive Management" and Section 12.11 "Related Party Transactions" of this Prospectus.

Further, none of the members of the Board of Directors, the Executive Management, the Secretary of the Board of Directors or any of their relatives has an interest in any contract or agreement valid or intended to be concluded as on the date of this Prospectus in the Company's business, except for what was disclosed in Section 12.11 "Related Party Transactions" of this Prospectus.

5.13 Employee Shares

The Company does not have any employee share incentive programs in place prior to the application for registration and Offering subject to this Prospectus.

6- Management's Discussion and Analysis of Financial Condition and Results of Operations

This Section provides an analysis of the operational performance and financial position of the Company for the financial years ended 31 December 2018G, 2019G and 2020G, and the three-month period ended 31 March 2021G.

All amounts stated in this Section are presented in Saudi Riyals (SAR), and all percentages are rounded to the nearest decimal point. Therefore, a calculation of the percentage increase/decrease based on amounts presented in tables within this Section (shown in thousands) may not be exactly equivalent to the corresponding percentages as stated in tables. In addition, for the purposes of this Section, the financial information as at and for the years ended 31 December 2018G and 2019G has, unless otherwise indicated, been derived without material adjustment from the comparative columns of the 2019G Financial Statements and 2020G Financial Statements, respectively. The financial information as at and for the year ended 31 December 2020G has, unless otherwise indicated, been derived from the 2020G Financial Statements (for further information, please refer to pages F-59 and F-92 of the 2019G Financial Statements and 2020G Financial Statements, respectively). The financial information for the three-month period ended 31 March 2020G and the three-month period ended 31 March 2021G was derived 2021G Three Month Interim Period Financial Statements. The financial information has not undergone any significant change (unless mentioned otherwise). These financial statements are included in Section 19 ("Financial Statements and Auditor's Report") of this Prospectus.

This Section may include data of forward looking nature about the Company's future projections based o Executive Management's plans and current expectations for the Company's growth, results of operations, and financial condition. Therefore, they may entail risks and uncertainties. The Company's actual results could differ materially from those expressed or implied in such forward looking statements due to various factors and future events, including those discussed within this section and elsewhere in the Prospectus, particularly, in Section 2 ("Risk Factors").

6.1 Directors' declaration for Financial Statements

Refer to "Directors' Declarations" section 11 of the Prospectus

6.2 Company overview

Nayifat Finance Company ("Nayifat" or the "Company") was registered as a Closed Joint Stock Company under Commercial Registration Number 1010176451 issued in Riyadh on 9th Jumada Al-Akhirah 1431H (corresponding to 23 May 2010G). In accordance with the Law of Supervision of Finance Companies, SAMA granted the Company a license to operate as financing company under the name of Nayifat Finance Company.

Pursuant to SAMA license No. 5/ASh/201312 dated 28 Safar 1435H (corresponding to 31 December 2013G), renewed on 23 Dhu'l-Hijjah1439 (corresponding to 3 September 2018G), expiring on 26 Safar 1445H (corresponding to 12 September 2023G), the Company is authorized to engage in the following activities:

- Consumer finance
- Lease finance
- Small and medium enterprise finance
- Credit Card Finance

The Company obtained a non-objection letter from SAMA to operate in FinTech through its newly launched crowdfunding platform "ULend" on 19 April 2020G.

The Company offers its services via following products:

6.2.1 Tawarruq

A contract whereby the Buyer (Customer) purchases a commodity or an asset from a Seller (Company) on a deferred payment basis. The selling price by the company comprises the cost plus an agreed profit margin. The Buyer sells the same commodity or an asset to a third party on a spot payment basis at market price to raise the needed cash.

6.2.2 Murabaha

A contract whereby the Company sells to customers a commodity or an asset, which the company has purchased and acquired, based on promise received from customer to buy. The selling price comprises the cost plus an agreed profit margin.

6.2.3 Ijarah

Ijarah is an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijarah could end by transferring the ownership for the leased asset to the lessee.

6.3 Key factors affecting the results of operation

The following is a discussion of the most significant factors that have affected, or are expected to affect Nayifat's financial conditions and results of operations. These factors are based on the information currently available to the Management and may not represent all of the factors that are relevant to an understanding of the Company's current or future results of operations. Please see the "Risk Factors" and "Important Notice" sections of this Prospectus.

6.3.1 Access to adequate financing

Nayifat future growth of finance portfolio is to a large extent dependent on the Company's access to commercial financing from the banks. In order to meet its funding requirements and finance its loan portfolio, Company relies on its capital base and medium to long term financing from local commercial banks. The Company has utilized 26.3% of the total facilities with available headroom of SAR 1.6 billion (73.7%) as at 31 March 2021G.

In addition to above, SAMA has issued new 'Deposit Taking Finance Companies (DTFCs) Regulations 2020' in November 2020G allowing the finance companies to take time / term deposits after obtaining approval from SAMA. The Company can also resort to other sources of funding i.e. sukuk issuance and securitization of portfolio, if required.

As a best practice, Nayifat has established and maintained a liquidity contingency fund pursuant to its Board approval. The objective of this reserve is to provide an additional liquidity backstop to the Company, in order to meet its funding needs under any unexpected events, adverse economic conditions, market fluctuations and earnings problems that may result in liquidity constraints. The balance of this liquidity contingency fund amounted to SAR 70.0 million as at 31 March 2021G.

6.3.2 Portfolio growth and quality

The ability to strike the optimum balance between continued portfolio growth while ensuring that the quality of the portfolio is not compromised is critically important as this may impact Company's results of operations. A deterioration in portfolio quality going forward may result in higher provisioning and/or write-off charges, which in turn will adversely impact Company's operating and net margins.

Moreover, the Company's portfolio mainly comprised of consumer loans with low exposure towards Small and Medium Enterprises ("SMEs"). The consumer loans represented 95.7% and 92.4% of the total gross financing portfolio at 31 December 2020G and 31 March 2021G, respectively.

Portfolio composition table

Porfolio composition				
SAR'000	31 December 2018	31 December 2019	31 December 2020	31 March 2021
Consumer	2,148,080	2,637,689	2,237,006	2,221,028
SME	-	34,640	100,507	176,325
Total	**2,148,080**	**2,672,329**	**2,337,513**	**2,397,353**
%				
Consumer	100.0%	98.7%	95.7%	92.6%
SME	-	1.3%	4.3%	7.4%

Source: Management information

However, the Company re-launched its SME segment in 2019G with financing through the Monshaat program (Government backed low-cost funding and refinance), Kafalah program (self-financing with Government guarantee) and Fintech platform (involving strategic investors). As a result, the total gross receivables from SME segment increased from SAR 34.6 million at 31 December 2019G to SAR 176.3 mvillion at 31 March 2021G.

Further, the Company also diversified its product suite through launch of the credit cards business and Fintech platform in 2020G after obtaining approval from SAMA. The Company is continuously seeking to expand its customer base and its financing portfolio. Management is focused on increasing financing portfolio diversification with respect to economic sectors, and by introducing new products. Management expects that this diversification should provide both opportunities for growth as well as a means to managing risks.

Portfolio composition by product table

Porfolio composition				
SAR'000	31 December 2018	31 December 2019	31 December 2020	31 March 2021
Tawarruq	2,147,884	2,672,297	2,337,487	2,397,327
Ijarah	56	-	-	-
Murabaha	140	32	26	26
Total	**2,148,080**	**2,672,329**	**2,337,513**	**2,397,353**
%				
Tawarruq	**99.99%**	**99.9%**	**99.9%**	**99.9%**
Ijarah	**0.003%**	**-**	**-**	**-**
Murabaha	**0.007%**	**0.1%**	**0.1%**	**0.1%**

Source: Management information

Tawarroq is considered to be the key product of the Company between 31 December 2018G and 31 March 2021G. It accounted for 99.9% of the total portfolio between 31 December 2018G and 31 March 2021G.

6.3.3 Islamic borrowing rate

%	Financial year ended as at 31 December			Three months period ended as at 31 March
	2018G	2019G	2020G	2021G
Average lending rate	23.0%	24.8%	25.3%	25.3%
Net profit rate spread	17.1%	18.5%	20.2%	22.1%

Source: Management information

Since the Company is largely dependent on the bank borrowings for funding its portfolio, it is exposed to profit rate risk. As at 31 March 2021G, the financial liabilities of SAR 548.2 million were based on floating rates and not subject to profit rate swap, therefore, a 100 basis points change in commission rates could have approximately a SAR 5.5 million annual impact on the Company's profitability. The Company monitors the fluctuations in the commission rates on a regular basis and respond appropriately to minimize the profit rate risk by adjusting the lending rates for future contracts. The Company has available hedging limits as part of its financing agreements, however, opts not to utilize these in view of the low profit rate environment.

6.3.4 Net profit rate spread

	Financial year ended as at 31 December			Three months period ended as at 31 March
	2018G	2019G	2020G	2021G
Average borrowing rate	5.9%	6.3%	5.1%	3.3%
Average lending rate	23.0%	24.8%	25.3%	25.3%
Net profit rate spread	17.1%	18.5%	20.2%	22.1%

Source: Management information

Net profit spread represents the difference between the lending rate and the borrowing rate of the Company. Efficient management of the net profit rate spread is a key factor, which can impact the Company's operations. Therefore, inability to pass on the increase in borrowing rate to the customers will have a negative effect on the Company's net margins. The average net profit rate spread amounted to 22.1% (with derivative impact) as at 31 March 2021G (while the average lending rate stood at 25.3% as at 31 March 2021G, the average borrowing rate amounted to 3.3% as at the same date).

Management is proactive in managing the net profit rate spread and any increase in the borrowing cost could be passed on to the new customers by adjusting the future contracts.

6.3.5 Ability to retain experienced management

An experienced management team with in-depth knowledge of the financial services is one of the key factors that has resulted in the effective management of the Company's operations over the years. The Company holds an experienced senior management, therefore, retention of the experienced team is a key factor for Company's growth and effective management of operations.

6.3.6 Impact of changes in SAMA rules and regulations on the Company

Nayifat is currently a financing company governed by SAMA under the 'Implementing Regulation of the Finance Companies' and 'Responsible financing Framework'. Changes in the rules and regulations have a considerable impact on the operations as well as the performance of the Company.

During the period under analysis, the average loan size declined from SAR 57,198 per booking in 2018G to SAR 40,017 per booking in 2019G. This was due to revision in the debt burden ratio by SAMA in 2019G. As per the 'Responsible financing Principles' to individuals issued by SAMA under Circular No. (46538/99), following debt burden thresholds were implemented:

Salary range (monthly)	In case of no real estate finance	In case of real estate finance finance
< SAR 15,000	Up to 45% of total salary	Up to 55% of total salary
SAR 15,000 – SAR 25,000	Up to 45% of total salary	Up to 65% of total salary
> SAR 25,000	As per credit policies of the lender	

SAMA has also issued new 'Deposit Taking Finance Companies (DTFCs) Regulations 2020' in November 2020G allowing the finance companies to take time / term deposits from commercial companies operating within the kingdom. However, the Company has not yet applied for this as the application will be subject to higher provisioning policy against its financing portfolio in case the aforementioned regulations are adopted. Company is discussing the provisioning aspect with SAMA and has not yet decided on the timeline for entering into this business segment. It should be noted that in case the Company starts applying the new policies, it will have to start estimating the provisions based on IFRS9 or based on the DTFCs regulations, whichever is higher. It should be mentioned that the current provisions are being booked on the basis of the IFRS9 standard and in case the DTFCs regulations are adopted, provisions will be also estimated based on these regulations and the Company will be booking the higher provision (between the provision booked based on IFRS9 and the provision booked based on the DTFCs policies).

The Company has increased its collection team and overall recovery efforts to reduce Company's net exposure. The Company has the policy of writing-off non-performing customers after 24 months (720 days) past due date. In view of the write-off recoveries, and the review of the Auditor, the Company has revised the write-off policy from 24 to 48 months with effect from 1 January 2021G. As a result, no write-offs were recorded during the three months period ended 31 March 2021G. SAMA had issued a circular in November 2020G which required that the receivables to be written-off after 450 days. The effective date of the circular was 1 July 2021G, however, SAMA has extended the effective date until 31 December 2023G for the said write-off policy. It should be mentioned that the SAMA has required the Company to apply the 15 months policy at the earliest. Starting the fourth quarter of 2021G and for the new products, the Company shall start applying the new policy which requires the write-off of financial assets after 15 months of its due date. Concerning the current portfolio, the Company will gradually apply the same period mentioned in the circular prior to 31 December 2023G.

Prior to this, Company issued loans as per Company's discretion based on its credit scoring criteria which went up to 70% of income in the absence of any mortgage

6.4 Summary of significant accounting policies

Accounting policies have been included in the 'Financial Statements and Auditor's Report' section of this Prospectus, which have been applied in the year ended 31 December 2018G, 2019G, and 2020G.

The 2018G Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of Zakat and income tax. The 2019G Financial Statements and 2020G Financial Statements have been prepared in accordance with IFRS. Below is a summary of significant accounting policies applied by the Company in preparing the Financial Statements:

6.4.1 New standards and interpretations not yet adopted

The new standards and amendments to existing standards and interpretations, which are effective for annual periods beginning on or after January 1, 2021G have not been applied in preparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company.

6.4.2 Functional and presentation currency

The Company's financial statements are preented in Saudi Arabian Riyals since this is the Company's functional and presentation currency.

6.4.3 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term bank deposits with original maturities of three months or less, which are available to the Company without any restrictions.

6.4.4 Term deposits

Term deposits include placements with banks and other short-term liquid investments with original maturities of more than three months but not more than one year from the purchase date.

6.4.5 Islamic financing receivables (IFR)

IFR comprising of Tawarruq and Islamic credit cards originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from the gross receivables.

6.4.6 Repossessed assets – real estate

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due (for SME finance only). These properties are held for capital appreciation, long-term rental yields or both. These assets are initially recognized at fair value. Subsequent to initial recognition, these are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Any rental income is charged to statement of comprehensive income.

6.4.7 Intangible assets

Recognition and measurement

Intangibles assets acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures on intangible assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets are amortized on a straight-line basis in the statement of comprehensive income over its estimated useful life which ranges from 3 to 7 years, from the date on which it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6.4.8 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized within other income in statement of comprehensive income.

Subsequent costs

Subsequent expenditures are capitalized only when it is probable that the future economic benefits of the expenditures will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives were as follows:

- Building Freehold improvements 3 to 10 years
- Leasehold improvements 5 years or a period of lease whichever is lesser
- Furniture and office equipment 3 to 10 years

6.4.9 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

6.4.10 Impairment of non-financial assets

Non-financial assets, subsequent to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

6.4.11 End of service benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia. The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on remeasurement of obligation are recognized immediately in the statement of other comprehensive income.

Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

6.4.12 Revenue recognition

Income from Islamic financing receivables is recognized in the statement of comprehensive income using the effective yield method, using the applicable effective profit rate ("EPR"), on the outstanding balance over the term of the contract. The calculation of the EPR includes transaction costs, fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial asset.

Other income is recognized on accrual basis as the services are rendered.

6.4.13 Financial Instruments

a. Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b. Classification

- The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income, or through statement of comprehensive income (SOCI), and those to be measured at amortized cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability form the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the two measurement categories as described in (c) below.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification and subsequent measurement of Company's equity instruments is described below.

c. Measurement

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through SOCI, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at (FVSI) are expensed in SOCI.

Subsequent measurement of debt instrument

It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its debt instruments into three measurement categories:

1- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in SOCI when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and Islamic financing receivables has been classified as financial assets under amortized cost.

2- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to SOCI and recognized in other gains/(losses). Profit from these financial assets is included in finance income using the effective yield method.

3- **Fair value through statement of income (FVSI):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through SOCI. A gain or loss on a debt investment that is subsequently measured at fair value through SOCI and is not part of a hedging relationship is recognized in SOCI and presented net in the SOCI statement within other gains/(losses) in the year in which it arises. Profit from these financial assets is included in the finance income.

Subsequent measurement of equity instruments

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income when the Company's right to receive payments is established.

a. Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

b. Definition of default:

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

c. Staging criteria:

The financial assets of the Company have the following staging criteria:

1- Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. The Company's Islamic finance receivables primarily represent retail and consumer loans and therefore management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis, the balances which are less than 60 days past due do not result in significant increase in credit risk and are considered as performing. The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2- Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment/ installment. The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

3- Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due. The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

d. Write-off

Financial assets are written-off, when the Company has concluded that there is no reasonable expectation of recovery. Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment in the statement of comprehensive income/loss.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

a. The contractual cash flows that are due to the Company under the contract; and

b. The cash flows that the Company expects to receive.

For credit cards, which includes both a loan and an undrawn commitment component, the Company measures expected credit losses over the period that the Company is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

e. De-recognition of financial assets

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

f. Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

g. Modifications of financial assets and financial liabilities

1- Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income.

2- Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of comprehensive income.

h. Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its Islamic financing exposure to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are 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 derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in the statement of comprehensive income. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an un-recognised firm commitment. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting years for which they were / are designated. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the SOCI for the year.

6.4.14 Segments

The Company's operations are in the Kingdom of Saudi Arabia and the Company currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue. As at 31 December 2020G, the total revenue amounting to SAR 414.5 million from external customers, includes SAR 413.5 million which relates to Tawarruq and SAR 0.9 million related to credit cards in addition to financing SME's and providing financial technology solutions (Fintech) and crowdfunding for SME's through the electronic platform (ULend), and all Non-current assets are in the Kingdom of Saudi Arabia.

6.4.15 Treasury shares

Own equity instruments that are re-acquired (Treasury shares) are recognised at cost and presented as a deduction from equity and are adjusted for any transaction cost, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in Retained earnings.

6.4.16 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate. Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset reduced to zero.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

6.4.17 Zakat

The company is subject to Zakat in accordance with Zakat regulations and it's by-laws and the rules issued by the Chairman of the Board of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of comphrenesive income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat (refer to provision for Zakat and Zakat payable for details).

6.4.18 Critical accounting estimates and judegements

The preparation of the financial statements in conformity with IFRSs' requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilitites, 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 year in which the estimates are revised and in any future years affected. The only significant area where management has used estimates, assumptions or exercised judgements is Provision for financial assets.

6.5 Key Performance Indicators and non-IFRS financial measures

The following table presents the Company's key performance indicators for the financial year ended 31 December 2018G, 2019G and 2020G and the financial period ended 31 March 2021G

Table 55: Key Performance Indicators and non-IFRS financial measures

	Unit	Financial year ended as at 31 December			Three months period ended as at 31 March 2021G
		2018G	2019G	2020G	
Net profit margin (before Zakat)	%	53.5%	54.8%	54.5%	65.2%
Return on average assets (before Zakat)	%	9.4%	11.4%	11.7%	14.0%
Return on average equity (before Zakat)	%	19.1%	21.7%	21.1%	22.5%
Net Islamic financing receivables to loans	X	2.1	2.0	2.3	2.8
Debt to equity	X	0.7	0.9	0.6	0.5
Islamic financing receivables to equity	X	1.5	1.7	1.4	1.3
Average borrowing rate	%	5.9%	6.3%	5.1%	3.3%
Average lending rate	%	23.0%	24.8%	25.3%	25.3%
Net profit rate spread	%	17.1%	18.5%	20.2%	22.1%
Total number of financing contracts	#	39,081	38,384	43,946	44,082
Number of new financing contracts	#	10,796	24,220	13,331	4,891
New loan distributions	SAR'000	595,836	970,152	578,885	243,535
Average new financing amount	SAR'000	57	40	43	39

Source: Management information

*Disclaimer: The Company supplements its use of IFRS financial measures with non-IFRS financial measures and include net profit margin (before Zakat), return on average equity (before Zakat), net Islamic financing receivables to loans, debt to equity, Islamic financing receivables to equity, average borrowings rate, average lending rate, net profit rate spread, total number of lending contracts, new loan distributions and average new loan amount. These non-IFRS financial measures do not have a standardised meaning and other companies may calculate them differently. Therefore, the Company's non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures. The Company believes that the historical non-IFRS financial measures are useful as an additional tool to help management and investors make informed decisions about the Company's financial and operating performance or liquidity.

6.6 Results of Operations for the financial years ended 31 December 2018G, 2019G and 2020G

6.6.1 Statement of Income

The following table shows the Company's statement of income for the financial years ended 31 December 2018G, 2019G, and 2020G

Table 56: Results of Operations - Statement of Income

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Income from Islamic financing	322,278	389,888	414,470	21.0%	6.3%	13.4%
Other income	3,111	2,414	2,439	(22.4%)	1.0%	(11.5%)
Expenses						
Finance costs (*)	(51,991)	(55,570)	(43,225)	6.9%	(22.2%)	(8.8%)
Reversal of impairment – net	14,127	25,482	1,470	80.4%	(94.2%)	(67.7%)
Salaries and employees related expenses	(81,025)	(96,387)	(98,451)	19.0%	2.1%	10.2%
Other general and administrative expenses (*)	(29,507)	(42,344)	(38,980)	43.5%	(7.9%)	14.9%
Depreciation and amortization (*)	(4,625)	(9,951)	(11,962)	115.2%	20.2%	60.8%
Total expenses	**(153,021)**	**(178,770)**	**(191,148)**	**16.8%**	**6.9%**	**11.8%**
Income before Zakat	**172,368**	**213,532**	**225,761**	**23.9%**	**5.7%**	**14.4%**
Zakat						
Charge for the year	(17,237)	(21,532)	(24,296)	24.9%	12.8%	18.7%
Reversal of prior year	21,430	26,821	-	25.2%	(100.0%)	(100.0%)
Net income for the year	**176,561**	**218,821**	**201,465**	**23.9%**	**(7.9%)**	**6.8%**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Income from Islamic financing increased by 21.0% from SAR 322.3 million in 2018G to SAR 389.9 million in 2019G. Income from Islamic financing further increased by 6.3% to SAR 414.5 million in 2020G. The increase in the said periods was driven by the disbursement of new loans of SAR 970.1 million in 2019G, which led to an increase in income from Islamic financing. Moreover, the weighted average lending rate increased from 23.0% in 2018G to 24.8% in 2019G. The weighted average lending rate further increased to 25.3% during 2020G, which also contributed to the increase in the Company's revenue during the said periods.

Other income includes rental income and profit on term deposits. Other income decreased by 22.4% in 2019G from SAR 3.1 million in 2018G to SAR 2.4 million 2019G. This was primarily due to the decrease in income from rentals by 23.8% and the decrease in profit on term deposits by 21.6% in 2019G. Other income did not witness significant fluctuations between 2019G and 2020G.

Finance costs further decreased by 22.2% during 2020G. This was primarily due to decrease in finance charges on Islamic bank financing by SAR 9.6 million and decrease in bank fees by SAR 2.5 million during 2020G. Finance charges decreased mainly due to decline in borrowing rate from 6.4% in 2019G to 5.2% in 2020G and repayments of financing balances due to AlAwwal Bank which were considered to be expensive (balances due to AlAwwal Bank declined from SAR 250.5m as at 31 December 2019G to nil as at 31 December 2020G).

Reversal of impairment - net consists of provision for impairment and income from recoveries after write-off. The Company recognized a net reversal of impairment of 14.1 million, 25.5 million and SAR 1.5 million in 2018G, 2019G and 2020G, respectively, which was mainly due to income from write-off recoveries. Amounts were recovered by the collection team after the receivables were written-off for non-payment of instalments from 24 months past due date.

Salaries and employee-related expenses increased by 19.0% from SAR 81.0 million to SAR 96.4 million in 2019G, due to an increase in employee headcount, increments in employees' salaries as well as increase in key management fees and bonuses. Salaries and employee-related expenses further increased by 7.2% from SAR 96.4 million in 2019G to SAR 98.5 million in 2020G. This primarily resulted from an increase of 7.2% related to salaries and employee-related expenses during the period.

Other general and administrative expenses mainly include insurance, rents, professional fees, IT support expenses and other expenses. Other general and administrative expenses increased by 43.5% in 2019G from SAR 29.5 million in 2018G to SAR 42.3 million in 2019G, primarily due to increase in marketing expenses by 735.8% from SAR 1.0 million in 2018G to SAR 8.4 million in 2019G. Other general and administrative expenses decreased by 7.9% to SAR 39.0 million during 2020G, due to decrease in legal & professional fees by 24.4% from SAR 8.4 million during 2019G to SAR 6.4 million during 2020G. Also, marketing and advertisements expenses decreased by 97.2% from SAR 8.4 million during 2019G to SAR 0.2 million during 2020G. Moreover, the Company did not recognize any IPO related expenses and loss from revaluation of ETF units during 2020G, which amounted to SAR 8.7 million and SAR 4.4 million during 2019G, respectively.

Depreciation and amortization expenses increased by 115.2% to SAR 10.0 million in 2019G, and by 20.2% to SAR 12.0 million during 2020G. The increase in 2019G and 2020G was due to the increase in the property and equipment and computer software and the resulting depreciation/amortisation.

6.6.1.1 Income from Islamic Financing

The following table presents an overview of the Company's income from Islamic financing for the financial year ended 31 December 2018G, 2019G, and 2020G

Table 57: Income from Islamic financing

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Profit from financing products	321,636	383,415	411,407	19.2%	7.3%	13.1%
Fee and commission income	11,562	17,327	13,400	49.9%	(22.7%)	7.7%
Amortization of transaction costs	(10,920)	(10,854)	(10,337)	(0.6%)	4.8%	2.7%
Total	**322,278**	**389,888**	**414,470**	**21.0%**	**6.3%**	**13.4%**

Source: Management information

The following table presents an overview of the Company's income from Islamic financing by product for the financial year ended 31 December 2018G, 2019G, and 2020G

Table 58: Income from Islamic financing by product

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Tawarruq	321,603	386,547	404,746	20.2%	4.7%	12.2%
Murabaha	(35)	(88)	(4)	(151.4%)	(95.5%)	(66.2%)
Ijarah	(13)	43	0	430.8%	(100.0%)	(100.0%)
SME	722	3,386	9,728	369.0%	187.3%	267.1%
Total	**322,278**	**389,888**	**414,470**	**21.0%**	**6.3%**	**13.4%**

Source: Management information

6.6.1.2 Profit from financing products

The following table shows income from profit from financing products for the financial year ended 31 December 2018G, 2019G, and 2020G

Table 59: Profit from financing products

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G 2020G
Profit from financing products	327,664	392,104	411,411	19.7%	4.9%	12.1%
Profit suspense account	(6,029)	(8,690)	(4)	44.1%	(100.0%)	(97.5%)
Total	**321,636**	**383,415**	**411,407**	**19.2%**	**7.3%**	**13.1%**

Source: Management information

Profit from financing products increased by 19.7% in 2019G, from SAR 327.7 million in 2018G to SAR 392.1 million in 2019G, due to increase in number of financing contracts from 10,796 contract in 2018G to 24,220 contract in 2019G, which resulted in higher loan disbursements of 31.9% in 2018G to 42.2% in 2019G from SAR 595.8 million in 2018G to SAR 970.1 million in 2019G. Profit from financing products increased by 4.9% to SAR 411.4 million during 2020G, mainly due to higher loan bookings in 2019G, which resulted in higher revenue impact during 2020G. Although income from Islamic financing increased during 2020G, we noted that the number of bookings declined from 24,220 during 2019G to 13,331 during 2020G. This was primarily driven by a decline in booking rate from 42.2% during 2019G to 30.4% during 2020G as a result of Covid-19 pandemic (value of new loan disbursements declined from SAR 970.2 million in 2019G to SAR 578.9 million in 2020G). The Company deliberately curtailed the sales in order to maintain the quality of assets and reduce the risk of default. Further, the net profit rate spread also witnessed an increase from 18.5% during 2019G to 20.2% during 2020G. It should be noted that the number of applications remained at an average of 2,822 applications per month during 2018G as compared to 4,780 applications per month in 2019G. The lower number of applications in 2018G was due to low growth in the consumer-financing segment. Due to the economic downturn and salary reduction of public sector employees in prior periods, customers resorted to financial institutions like Nayifat to reschedule their loans, however following the resetting of their salary allowances during 2018G, consumers' ability to borrow from banks increased, which resulted in the decline in the consumer financing segment of the Company. It should be noted that the number of applications and the booking decrease between June and August each year was during the Eid holidays.

Profit suspense account represents income from clients who have not fulfilled their contractual obligations within 90 days after their due date. Income from these accounts is suspended and adjusted from Islamic financing receivable in the balance sheet. Profit suspense account increased by 44.1% from SAR 6.0 million in 2018G to SAR 8.7 million in 2019G. The balance declined to SAR 3,643 in 2020G. Fluctuations in profit suspense account were related to the recovery of installments overdue during the reporting period.

The Company had 26 operational branches as at 31 December 2020G. One of the branche reported loss of SAR 0.2m during the financial year ended 31 December 2020G. Revenue contribution from this branch accounted 0.1% of the total revenue generated during 2020G. Prior to 2020G, no branch-wise reports were maintained. In additions to the branches, the newly launched financing products (credit cards business and crowdfunding ULend platform) recorded a loss of SAR 4.3 million and SAR 0.4 million, respectively, in 2020G.

Majority of Company's revenue during December 2018G-2020G was generated from Tawarruq product and insignificant contribution to the revenue was made from Ijarah and Murabaha financing.

6.6.1.3 Fee and Commission Income

The following table shows the Company's income from fee and commission for the financial year ended 31 December 2018G, 2019G, and 2020G

Table 60: Fee and Commission Income

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Admin fees	6,094	7,047	7,396	15.6%	5.0%	10.2%
Waqala fees	5,468	10,280	5,709	88.0%	(44.5%)	2.2%
Other fees	-	-	295	na	na	na
Total	**11,562**	**17,327**	**13,400**	**49.9%**	**(22.7%)**	**7.7%**

Source: Management information

Admin fees represent the service fees charged by the Company upon disbursement of Islamic loans which is amortized over the period of the loan. In accordance with Article 83 of the Implementing Regulations of the Law on Supervision of Finance Companies issued by SAMA, service charges to be paid by the borrower to the finance company shall not exceed one percent of the finance amount or five thousand riyals (SAR 5,000), whichever is lower. Admin fees increased by 15.6% from SAR 6.1 million in 2018G to SAR 7.0 million in 2019G, primarily due to an increase in the amount of new loan disbursements from SAR 595.8 million in 2018G to SAR 970.1 million in 2019G. Admin fees did not witness any significant fluctuations during 2020G compared to 2019G.

Waqala fees relate to the fixed fee charged by the Company pertaining to Tawarruq financing at the time of financing disbursals to the customers and varies based on the amount of loan. Waqala fees increased by 88.0% from SAR 5.5 million in 2018G to SAR 10.3 million in 2019G, due to an increase in number of finaincing contacts by 13,424 bookings in 2019G. Waqala fees decreased by 44.5% during 2020G to SAR 5.7 million. This was primarily due to a decrease in the amount of new loan disbursements by 40.3% from SAR 970.1 million during 2019G to SAR 578.9 million during 2020G.

No other fees were recognized in 2018G and 2019G. Other fees during 2020G were related to fees charged by the Company on use of credit cards (such as, cash withdrawal / advance etc.).

6.6.1.4 Finance Costs

The following table shows the details of finance costs for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 61: Finance Costs

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Finance costs on Islamic bank financing	53,794	49,614	40,023	(7.8%)	(19.3%)	(13.7%)
Finance cost on lease liabilities (*)	-	292	194	na	(33.6%)	nm
Gain on fair valuation of derivatives	(6,339)	(688)	(857)	(89.1%)	24.6%	(63.2%)
Bank charges	4,536	6,352	3,865	40.0%	(39.2%)	(7.7%)
Total	**51,991**	**55,570**	**43,225**	**6.9%**	**(22.2%)**	**(8.8%)**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Finance costs on Islamic bank financing represent the profit charged by the banks against the financing facilities extended to the Company. Finance charges on Islamic bank financing decreased by 7.8% in 2019G from SAR 53.8 million in 2018G to SAR 49.6 million in 2019G. This was primarily due to decline in average borrowing rate from 6.7% (without derivative impact) in 2018G to 6.4% (without derivative impact) in 2019G. Decline in average borrowing rate was due to decline in SIBOR as well as bank spread due to prevailing economic situation. Finance charges on Islamic bank financing decreased by 19.3% to SAR 40.0 million during 2020G. This was primarily due to decline in average borrowing rate from 6.4% (without derivative impact) in 2019G to 5.2% (without derivative impact) during 2020G, in addition to prepayment of borrowings to one of the banks.

Gain on fair valuation of derivatives represents the Shariah-compliant profit rate swap (derivatives) arrangements as part of the financing facilities obtained from SNB (formerly NCB), Gulf Bank and Alawwal Bank. Company recognized gains on fair valuation of derivatives of SAR 6.3 million, SAR 0.7 million and SAR 0.9 million in 2018G, 2019G and 2020G, respectively, pursuant to mark-to-market exercise carried out at each balance sheet date. The notional value of these derivative contracts amounted to SAR 323.2 million, SAR 108.6 million and SAR 9.1 million as at 31 December 2018G, 2019G and 2020G, respectively.

Bank charges represent the fees charged by the commercial banks in connection with the transactions which mainly include standing instruction charges, transfer charges, etc. Bank charges increased by 40.0% in 2019G from SAR 4.5 million in 2018G to SAR 6.4 million in 2019G. This was primarily due to one-time brokerage fee of SAR 1.6 million charged by Al Rajhi Bank for bank financing in 2019G. Bank charges decreased by 39.2% to SAR 3.9 million during 2020G. This was primarily due to waiver on bank charges provided by banks pursuant to in response to curb the impact of Covid-19 pandemic on business during 2020G.

6.6.1.5 Reversal of Impairment

The following table shows the details of reversal of impairment for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 62: Reversal of Impairment

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Provision for impairment	(13,229)	(14,200)	(34,092)	7.3%	140.1%	60.5%
Income from write off recoveries	27,356	39,682	35,562	45.1%	(10.4%)	14.0%
Total	**14,127**	**25,482**	**1,470**	**80.4%**	**(94.2%)**	**(67.7%)**

Source: Financial Statements and management information

The provision for impairment relates to the Company's Islamic financing portfolio. The Company assesses the expected credit losses associated with the financial assets on a forward-looking basis. As mentioned previously and based on the IFRS 9 standard which was adopted by the Company since 1 January 2017G, non-financial assets, subsequent to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

Provision for impairment increased by 7.3% in 2019G from SAR 13.2 million in 2018G to SAR 14.2 million in 2019G due to the increase in total gross receivables by 24.4% as at 31 December 2019G. Provision for impairment increased by 140.1% to SAR 34.1 million during 2020G, due to the anticipated impact of the Covid-19 pandemic on the Company's receivables. The macroeconomic assumptions in the IFRS 9 model were revised in March 2020G based on Moody's outlook of Saudi economy which led to such increase in provision charge during 2020G. The credit rating of the company's loan portfolio cannot be ascertained because the credit rating of the customers are not monitored after the disbursement of loans and this is due to the limited market information which is not within the company's control. Prior to disbursement of loans, credit rating information for clients is available and is reviewed by the company's credit department.

Income from write-off recoveries relates to balances that were recovered by the collection team after accounts receivable are written off due to non-payment of installments 24 months past due date. We have mentioned previously that the Company has revised the write-off policy from 24 to 48 months with effect from 1 January 2021G. It should be also noted that the SAMA had issued a circular in November 2020G which required that the receivables to be written-off after 450 days. The effective date of the circular was 1 July 2021G, however, SAMA has extended the effective date until 31 December 2023G for the said write-off policy.

Income from write-off recoveries increased by 45.1% from SAR 27.4 million in 2018G to SAR 39.7 million in 2019G. This increase was mainly due to the increasing efforts of the collection team and the proactive legal measures taken by the Company. Income from write-off recoveries decreased by 10.4% during 2020G to SAR 35.6 million, due to the Covid-19 pandemic. For additional information about provision for impairment, refer to table 72.

6.6.1.6 Salaries and Employees Related Expenses

The following table shows details of salaries and employees related expenses for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 63: Salaries and Employees Related Expenses

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Salaries & employee related costs	49,390	58,845	63,101	19.1%	7.2%	13.0%
Management fees and bonus	31,635	30,454	28,292	(3.7%)	(7.1%)	(5.4%)
Chairman, Directors and Board committee fees	-	7,088	7,058	nm	(0.4%)	nm
Total	**81,025**	**96,387**	**98,451**	**19.0%**	**2.1%**	**10.2%**

Source: Financial Statements and management information

Salaries and employee related costs increased by 19.1% in 2019G from SAR 49.4 million in 2018G to SAR 58.8 million in 2019G. This was primarily due to the increase in number of the Company's employees from 492 employees (including 100 outsourced employees) in 2018G to 562 employees (including 152 outsourced employees) in 2019G. Salaries and employee related costs increased by 7.2% to SAR 63.1 million during 2020G primarily due to salary increments during the same period. Outsourced employees are temporary external employees hired by the Company to support work requirements. The Company hires these employees through recruitment agencies using contractual agreements which govern the work conditions and duration of work to be performed by these staff.

Management fees and bonuses include the remunerations for Board Members and achievement bonuses for senior management as well as Company's employees. Management fees and bonuses decreased by 3.7% in 2019G from SAR 31.6 million in 2018G to SAR 30.5 million in 2019G. Management fees and bonuses further decreased by 7.1% to SAR 28.3 million during 2020G. The decrease in 2019G and 2020G was due to a decline in collection incentives and staff bonuses. It should be mentioned that during 2017G, the Company issued loans to executive management for the purchase of the Company's shares at par value of SAR 35.0m. The balance was classified as part of prepayments and other receivables and was amortized gradually between 2018G and 2020G at a pace of SAR 1.0m amortization charge per year.

Chairman, Directors and Board committee fees include attendance and annual fees paid to Board and Board sub-committee members. These expenses were reported as part of other line items (management fees and bonus) during 2018G. Chairman, Directors and Board committee did not witness material fluctuation during 2019G and 2020G.

6.6.1.7 Other general and Administrative Expenses

The following table shows the details of other general and administrative expenses for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 64: Other general and Administrative Expenses

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Insurance	5,035	6,342	6,571	26.0%	3.6%	14.2%
Rentals relating to short term leases (*)	3,417	1,281	1,348	(62.5%)	5.2%	(37.2%)
Legal & professional charges	4,620	8,445	6,385	82.8%	(24.4%)	17.6%
Utilities, telephone and communication	2,911	3,307	4,883	13.6%	47.7%	29.5%
Repairs, maintenance & office supplies	2,619	3,985	4,787	52.2%	20.1%	35.2%
IT support charges	2,076	4,323	8,776	108.2%	103.0%	105.6%
Exchange traded fund valuation impact	3,795	4,374	-	15.3%	(100.0%)	(100.0%)
Loss on revaluation of repossessed assets held for sale	-	-	2,458	nm	nm	nm
Marketing and advertisements	1,002	8,375	237	735.8%	(97.2%)	(51.4%)
VAT expense	2,159	-	-	(100.0%)	nm	(100.0%)
Others	1,873	1,912	3,535	2.1%	84.9%	37.4%
Total	**29,507**	**42,344**	**38,980**	**43.5%**	**(7.9%)**	**14.9%**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 determining ("Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Insurance mainly related to the premium paid for medical insurance, property insurance and customer life insurance. Insurance expenses increased by 26.0% in 2019G, from SAR 5.0 million in 2018G to SAR 6.3 million in 2019G, due to an increase in the number of new fainancing disbursed in 2019G. The increase in number of new clients led to an increase in expenses pertaining to customer life insurance. The insurance expenses did not witness any significant fluctuations during 2020G compared to 2019G.

Rentals relating to short term leases mainly include rental expenses of all the Company's branches. Rentals relating to short term leases decreased by 62.5% in 2019G, from SAR 3.4 million in 2018G to SAR 1.3 million in 2019G following the adoption of IFRS 16, whereby right-of-use assets and lease liabilities were recognized. This resulted in a decline in rental cost and an increase in depreciation expense. There was no material fluctuation in rentals relating to short term leases during 2020G.

Legal and professional charges mainly relate to consultancy expenses pertaining to external audit, legal and Zakat consultancy. Legal and professional charges increased by 82.8% from SAR 4.6 million in 2018G to SAR 8.4 million in 2019G. Legal and professional charges decreased by 24.4% to SAR 6.4 million during 2020G. The increase in 2019G and the decrease in 2020G was due to charging of one-time expenses of SAR 3.0 million pertaining to previous IPO in 2019G.

Utilities, telephone and communications did not witness any significant fluctuations between 2018G and 2019G. The expense increased by 47.7% from SAR 3.3 million during 2019G to SAR 4.9 million during 2020G, due to an increase in electricity and water rates.

Repair, maintenance and office supplies include maintenance charges, postage and courier charges, cleaning charges and printing & stationery. Repair, maintenance and office supplies increased by 52.2% in 2019G from SAR 2.6 million in 2018G to SAR 4.0 million in 2019G. This increase was primarily driven by the increase in repairs and maintenance due to the change of Company's head office to a new location in 2019G. Repair, maintenance and office supplies increased by 20.1% to SAR 4.8 million during 2020G mainly on account of additional cleaning and sanitization charges on account of the Covid-19 pandemic.

IT support charges increased by 108.2% in 2018G from SAR 2.1 million in 2018G to SAR 4.3 million in 2019G. The increase was due to the implementation of the cyber-security plan and recognition of related expenses, as per the instructions of SAMA. IT support charges further increased by 103.0% to SAR 8.8 million during 2020G, due to expenses related to systems and licenses obtained in relation to a cyber-security project.

Exchange traded fund (ETF) valuation impact pertain to the realized loss incurred on buying and selling of ETF's by the Company in connection with the investment account maintained with FALCOM for the Tawarruq product. The expense increased by 15.3% in 2019G from SAR 3.8 million in 2018G to SAR 4.4 million in 2019G. This was primarily attributed to the higher number of transactions driven by increase in number of new financing contracts from 10,796 in 2018G to 24,220 in 2019G. No loss was recognized during 2020G. The Company changed the underlying commodity for Tawarruq from ETF to Platinum during the last quarter of 2019G due to incurring losses while trading in ETFs. Platinum has stable prices and is being traded in UK commodity stock market through FALCOM Financial Services (a related party).

The Company recognized a loss on revaluation of repossessed assets held for sale amounting of SAR 2.5 million during 2020G. Company conducted a valuation exercise during 2020G and the fair market value of certain assets had depleted and was lower than the book value by SAR 2.5 million as at 31 December 2020G. The Company carried out the fair valuation exercise in 2019G where the fair market value of certain assets was lower than the book value by SAR 5.2 million, however, no loss was recognized in financial period in 2019G. This was due to total fair value of all the assets on a net basis was considered to be insignificant.

Marketing and advertisement expenses consist of expenses related to Company's publications and brochures. Marketing and advertisement expenses increased by 735.8% from SAR 1.0 million in 2018G to SAR 8.4 million in 2019G, due to recognition of one-time expenses of SAR 5.8 million in 2019G pertaining to previous IPO. Marketing and advertisement expenses decreased by 97.2% to SAR 0.2 million during 2020G, mainly due to recognition of IPO related expenses in 2019G.

VAT expenses amounted to SAR 2.2 million during 2018G VAT expense pertaining to 2019G and 2020G was reported as part of the relevant expense accounts.

Others mainly comprise of withholding tax expense, pre-operating expenses of the credit card business segment (2020G only) and miscellaneous expenses. Other expenses did not witness significant fluctuations between 2018G and 2019G. Others increased by 84.9% from SAR 1.9 million during 2019G to SAR 3.5 million during 2020G. The increase was mainly due to charging of pre-operating expenses pertaining to the credit card business segment launched in 2020G.

6.6.1.8 Depreciation and Amortization

The following table shows details of depreciation and amortization for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 65: Depreciation and Amortization

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Depreciation (*)	3,093	7,550	7,714	144.1%	2.2%	57.9%
Amortization	1,532	2,401	4,248	56.7%	76.9%	66.5%
Total	**4,625**	**9,951**	**11,962**	**115.2%**	**20.2%**	**60.8%**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Depreciation expense relates to depreciation of the Company's property and equipment during each financial year. The expense increased by 144.1% in 2019G from SAR 3.1 million in 2018G to SAR 7.6 million in 2019G, due to recognition of right-of use assets following the adoption of IFRS 16 in 2019G. Depreciation expense did not witness material fluctuation during 2020G, compared to 2019G.

Amortization relates to SAMA licenses and computer software which are amortized over 5 and 3 years, respectively. Amortization expense increased by 56.7% from SAR 1.5 million to SAR 2.4 million in 2019G, due to additions of SAR 4.0 million related to IT licenses that were obtained and renewed. Additional IT related costs were incurred to implement the cyber-security plan in line with the instructions of SAMA. Amortization expenses increased by 76.9% to SAR 4.2 million during 2020G, mainly due to additions to intangible assets (software and licenses) during 2020G.

6.6.1.9 Other Income

The following table shows other income details for the financial year ended 31 December 2018G, 2019G, and 2020G

Table 66: Other Income

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Rental income	1,142	870	867	(23.8%)	(0.3%)	(12.9%)
Income on short-term deposit – murabaha	1,969	1,544	1,572	(21.6%)	1.8%	(10.6%)
Total	**3,111**	**2,414**	**2,439**	**(22.4%)**	**1.0%**	**(11.5%)**

Source: Financial Statements and management information

Rental income includes income from lease of repossessed assets (as part of SME financing). Decrease in rental income in 2018G compared to 2019G was due to reduction in annual lease value of these assets. Rental income income did not witness material fluctuation during the 2020G, compared to 2019G.

Income on short-term deposit – murabaha relate to commission bearing deposits. Income on short-term deposit – murabaha decreased by 21.6% to SAR 1.5 million in 2019G. This decrease was due to certain deposits reaching their maturity date, which led to decline in related commission income. Income on short-term deposit – murabaha did not witness material fluctuation during 2020G, compared to 2019G.

6.6.2 statement of financial position

The following table presents a summary of the Company's statement of financial position as at 31 December 2018G, 2019G, and 2020G.

Table 67: statement of financial position

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Assets						
Cash and cash equivalents	111,231	52,596	70,092	(52.7%)	33.3%	(20.6%)
Term and margin deposits	86,729	114,684	190,150	32.2%	65.8%	48.1%
Islamic financing receivables	1,455,387	1,728,094	1,520,583	18.7%	(12.0%)	2.2%
Equity investments at fair value through OCI	893	893	893	nm	nm	nm
Prepayments and other receivables	55,610	19,603	12,940	(64.7%)	(34.0%)	(51.8%)
Investment property	-	20,669	18,211	nm	(11.9%)	nm
Intangible assets	6,405	8,008	12,852	25.0%	60.5%	41.7%

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Property and equipment (*)	36,914	44,223	43,680	19.8%	(1.2%)	8.8%
Total assets	**1,753,169**	**1,988,770**	**1,869,401**	**13.4%**	**(6.0%)**	**3.3%**
Liabilities						
Accruals and other liabilities	21,748	46,148	34,707	112.2%	(24.8%)	26.3%
Islamic bank financings and lease liabilities (*)	681,791	873,789	664,806	28.2%	(23.9%)	(1.3%)
Provision for Zakat	42,130	21,532	23,811	(48.9%)	10.6%	(24.8%)
Zakat payable	53,302	23,082	17,311	(56.7%)	(25.0%)	(43.0%)
Provision for employees' end of service benefits	6,450	7,802	9,391	21.0%	20.4%	20.7%
Total liabilities	**805,421**	**972,353**	**750,026**	**20.7%**	**(22.9%)**	**(3.5%)**
Equity						
Share capital	850,000	1,000,000	1,000,000	17.6%	-	8.5%
Statutory reserve	18,261	40,143	60,290	119.8%	50.2%	81.7%
Retained earnings	79,487	41,426	59,085	(47.9%)	42.6%	(13.8%)
Treasury shares	-	(65,152)	-	nm	(100.0%)	nm
Total equity	**947,748**	**1,016,417**	**1,119,375**	**7.2%**	**10.1%**	**8.7%**
Total liabilities & equity	**1,753,169**	**1,988,770**	**1,869,401**	**13.4%**	**(6.0%)**	**3.3%**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Total assets increased by 13.4% from SAR 1,753.2 million as at 31 December 2018G to SAR 1,988.8 million as at 31 December 2019G, due to an increase in receivables by 18.7% from SAR 1,455.4 million as at 31 December 2018G to SAR 1,728.1 million as at 31 December 2019G. Total assets did not witness any significant fluctuations between 31 December 2019G and 31 December 2020G except for term and margin deposits and Islamic financing receivables. In the case of term and margin deposits, these increased by 65.8% from SAR 114.7 million as at 31 December 2019G to SAR 190.2 million as at 31 December 2020G driven by the increase of term deposit with Emirates NBD bank by SAR 70.0m. On the other hand, Islamic financing receivables declined by 12.0% from SAR 1,728.1 million as at 31 December 2019G to SAR 1,520.6 million as at 31 December 2020G due to the decline in loans disbursements as well as settlements made by customers.

Total liabilities increased by 20.7% from SAR 805.4 million as at 31 December 2018G to SAR 972.4 million as at 31 December 2019G. This increase was due to an increase in accruals and other liabilities (112.2%), Islamic bank financings and lease liabilities (28.2%), and provision for employees' end of service benefits (21.0%) as at 31 December 2019G. Total liabilities decreased by 22.9% to SAR 750.0 million as at 31 December 2020G, mainly due to a decrease in Islamic bank financing by 23.9%.

Total shareholders' equity increased by 7.2% and 10.1% as at 31 December 2019G and 31 December 2020G was due to net income of SAR 218.8 million and SAR 201.5 million generated by Company in 2019G and 2020G, respectively. It should be noted that shareholders' equity as at 31 December 2019G included SAR 65.2m million worth of treasury shares. During 2019G, the Company bought 2.5 million of its own shares from Falcom Private Equity Fund at SAR 26.0 per share (net book value of SAR 11.2 million at 31 December 2018G – par value SAR 10 per share) for a total consideration of SAR 65.2 million. These were reported as Treasury Shares under equity. During 2020G, these shares were allocated to all the existing shareholders per the approval from the Board of Directors and SAMA, which explains the decline in the balance of treasury share to nil as at 31 December 2020G. With regards to dividends, the Company has paid dividends amounting to SAR 1 per share (total of SAR 98.5 million).

6.6.2.1 Assets

The following table presents a summary of assets as at 31 December 2018G, 2019G, and 2020G.

Table 68: Assets

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Cash and cash equivalents	111,231	52,596	70,092	(52.7%)	33.3%	(20.6%)
Term and margin deposits	86,729	114,684	190,150	32.2%	65.8%	48.1%
Islamic financing receivables	1,455,387	1,728,094	1,520,583	18.7%	(12.0%)	2.2%
Equity investments at FVTOCI	893	893	893	-	-	-
Prepayments and other receivables	55,610	19,603	12,940	(64.7%)	(34.0%)	(51.8%)
Investment property	-	20,669	18,211	nm	(11.9%)	nm
Intangible assets	6,405	8,008	12,852	25.0%	60.5%	41.7%
Property and equipment (*)	36,914	44,223	43,680	19.8%	(1.2%)	8.8%
Total assets	**1,753,169**	**1,988,770**	**1,869,401**	**13.4%**	**(6.0%)**	**3.3%**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

6.6.2.2 Cash and cash equivalents

The following table presents a summary of cash and cash equivalents as at 31 December 2018G, 2019G, and 2020G.

Table 69: Cash and cash equivalents

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Cash in hand	200	10	10	(95.0%)	-	(77.6%)
Cash at banks	111,031	52,586	70,082	(52.6%)	33.3%	(20.6%)
Total	**111,231**	**52,596**	**70,092**	**(52.7%)**	**33.3%**	**(20.6%)**

Source: Financial Statements and management information

Cash in hand consists mainly of cash available in the branches and petty cash funds allocated to meet the routine petty cash expenses.

The Company has bank accounts with various banks, including Alawwal Bank, SNB, Al Rajhi Bank, Riyad Bank and Emirates NBD. Cash at banks decreased by 52.6% from SAR 111.0 million as at 31 December 2018G to SAR 52.6 million as at 31 December 2019G due to net cash outflow of SAR 53.3 million from operating activities in 2019G, compared to net cash inflow from operating activities of SAR 230.6 million in 2018G. This decline was driven by increase in Islamic financing receivables at 31 December 2019G due to new loan disbursals by the Company during 2019G. Cash at banks increased by 33.3% at 31 December 2020G from SAR 52.6 million as at 31 December 2019G to SAR 70.1 million as at 31 December 2020G, due to net cash inflow of SAR 425.1 million from operating activities during 2020G. It should be noted that the liquidity contingency fund mentioned earlier is composed of the Company's cash balances and deposits.

6.6.2.3 Term and Margin Deposits

The following table presents a summary of term and margin deposits as at 31 December 2018G, 2019G, and 2020G.

Table 70: Term and margin Deposits

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Margin deposits held with banks	13,500	54,987	35,587	307.3%	(35.3%)	62.4%
Term deposits	73,229	59,697	154,563	(18.5%)	158.9%	45.3%
Total	**86,729**	**114,684**	**190,150**	**32.2%**	**65.8%**	**48.1%**

Source: Financial Statements and management information

Margin deposits held with banks represent the cash margin held by banks in connection with bank financing facilities. These represents 10% of the total financing obtained by Company from respective banks. Margin deposits held with banks increased by 307.3% from SAR 13.5 million as at 31 December 2018G to SAR 55.0 million as at 31 December 2019G. The increase was due to the additional cash margin on new loans obtained from Riyad Bank and Emirates NBD. Margin deposits held with banks decreased by 35.3% to 35.6 million as at 31 December 2020G mainly due to reclassification of a SAR 20.0 million deposit with Emirates NBD from margin deposits as at 31 December 2019G to term deposits as at 31 December 2020G due to the fact that the aforementioned deposit is a call deposit. It should be noted that the SAR 35.6m margin deposit held with banks balance as at 31 December 2020G is a restricted balance which cannot be used but after the settlement of the corresponding loans.

Term deposits include commission bearing deposits held with a local bank on prevailing market rates. Term deposits decreased by 18.5% to SAR 59.7 million as at 31 December 2019G, due to some deposits reaching their maturity date. Term deposits increased by 158.9% from SAR 59.7 million as at 31 December 2019G to SAR 154.6 million as at 31 December 2020G, due to term deposits with the Emirates NBD amounting to SAR 120.0 million. During 2020G, the Company initiated an investment fund with Falcom with a balance of SAR 34.6m to trade in underlying commodity for Tawarruq starting from the last quarter of 2019G. It should be noted that the value of these commodities are based on the market value of their listed shares.

6.6.2.4 Islamic Financing Receivables

The following table presents a summary of the Islamic financing receivables as at 31 December 2018G, 2019G, and 2020G.

Table 71: Islamic financing receivables

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Tawarruq financing	1,455,387	1,728,094	1,512,000	18.7%	(12.5%)	1.9%
Islamic credit cards	-	-	8,583	na	na	na
Total	**1,455,387**	**1,728,094**	**1,520,583**	**18.7%**	**(12.0%)**	**2.2%**

Source: Financial Statements and management information

The following table presents a summary of the Tawarruq financing receivables as at 31 December 2018G, 2019G, and 2020G.

Table 72: Tawarruq financing

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Gross receivables – Tawarruq	2,148,080	2,672,329	2,328,647	24.4%	(12.9%)	4.1%
Unearned finance income	(644,435)	(914,830)	(773,593)	42.0%	(15.4%)	9.6%
Net of unearned finance income	**1,503,645**	**1,757,499**	**1,555,054**	**16.9%**	**(11.5%)**	**1.7%**
Provision for impairment	(48,258)	(29,405)	(43,054)	(39.1%)	46.4%	(5.5%)
Total	**1,455,387**	**1,728,094**	**1,512,000**	**18.7%**	**(12.5%)**	**1.9%**

Source: Financial Statements and management information

Gross receivables increased by 24.4% from SAR 2,148.1 million as at 31 December 2018G to SAR 2,672.3 million as at 31 December 2019G. This increase was due to an increase in new loan disbursements from SAR 595.8 million in 2018G to SAR 970.1 million in 2019G. Gross receivables decreased by 12.9% to SAR 2,328.6 million as at 31 December 2020G. This decrease was primarily due to a decrease in disbursals of financing from SAR 970.2 million in 2019G to 578.9 million in 2020G as a result of the Covid-19 pandemic as well as settlement of outstanding loans by clients. Gross receivables include outstanding profit from clients who have failed to pay their installments for a period of 90 days or more, accrued revenue and deferred and outstanding management fees.

Unearned finance income represents the outstanding profit income to be received by the Company over the remaining term of the loans, which was not due as at balance sheet date. Unearned finance income increased by 42.0% from SAR 644.4 million as at 31 December 2018G to SAR 914.8 million as at 31 December 2019G. Unearned finance income decreased by 15.4% to SAR 773.6 million as at 31 December 2020G. The increase at 31 December 2019G and the decrease at 31 December 2020G was due to increase and decrease in receivables, respectively.

Provision for impairment relates to a provision for accounts receivable related to performing, non-performing and underperforming assets. Refer to the movement in impairment provision section for details.

The following table presents a summary of the Islamic credit cards receivables as at 31 December 2020G.

Table 73: Islamic credit cards

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Gross receivables	-	-	8,866	na	na	na
Impairment provision	-	-	(283)	na	na	na
Total	**-**	**-**	**8,583**	**na**	**na**	**na**

Source: Financial Statements and management information

Company launched its credit card segment in June 2020G and the outstanding receivables amounted to SAR 8.9 million as at 31 December 2020G.

Table 74: Lending Compliance as per SAMA

SAR'000	As at 31 December		
	2018G	2019G	2020G
Limit on lending			
Total equity and reserves (A)	**947,748**	**1,016,417**	**1,119,375**
Limit as per SAMA (B)	3.5	3.5	3.5
Total allowed limit (C=A*B)	3,317,118	3,557,460	3,917,813
Net receivables (D)	(1,455,387)	(1,728,094)	(1,520,583)
Lending headroom (E=C+D)	1,861,731	1,829,366	2,397,230
Compliance ratio as per FS	1.5	1.7	1.4
Compliance status	**Compliant**	**Compliant**	**Compliant**

Source: Management information

The Company remained compliant with the lending covenants as per SAMA regulations between 2018G and 2020G. The covenants states that the aggregate amount of finance offered by a finance company shall not exceed three folds the capital and reserves of a Company engaging in finance activities (other than real estate financing) during a certain year or period.

6.6.2.5 Islamic financing receivables by segment

The following table presents a summary of the Islamic financing receivables by segment as at 31 December 2018G, 2019G, and 2020G.

Table 75: Islamic financing Receivables by Category

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Consumer	2,148,080	2,637,689	2,237,006	22.8%	(15.2%)	2.0%
SME	-	34,640	100,507	nm	190.1%	nm
Gross	**2,148,080**	**2,672,329**	**2,337,513**	**24.4%**	**(12.5%)**	**4.3%**

Source: Management information

The Company's lending portfolio consists mainly of retail clients or consumers (individuals) with a small percentage in the SME segment. The Company finances SMEs on a client-by-client basis, depending on the financial stability of the potential client and its compliance with the scoring criteria set by the Company.

The Company re-launched its SME segment in 2019G with financing through the Monshaat program (low-cost funding and refinance), Kafalah program (self-financing with Government guarantee) and Fintech platform (involving strategic investors). These helped reduce the Company's exposure in case of delinquencies. As a result, growth was observed in the SME segment in 2019G and 2020G.

6.6.2.6 Islamic financing receivables by Product

The following table presents a summary of Islamic financing receivables by product as at 31 December 2018G, 2019G, and 2020G.

Table 76: Islamic financing receivables by Product

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Tawarruq	2,147,884	2,672,297	2,337,487	24.4%	(12.5%)	4.3%
Ijarah	56	-	-	(100.0%)	nm	(100.0%)
Murabaha	140	32	26	(77.1%)	(18.8%)	(56.7%)
Gross	**2,148,080**	**2,672,329**	**2,337,513**	**24.4%**	**(12.5%)**	**4.3%**

Source: Management information

Tawarruq product accounted for the largest share of the Company's business as at 31 December 2018G, 2019G and 2020G.

The reason for limited customer base in Ijarah and Murabaha was due to applications not being able to comply with the Company's internal credit policy, as well as the following reasons:

- existing competition in Ijarah financing;
- increased efforts to repossess assets and its management in case of customer delinquency;
- higher resource requirements to manage and insure the underlying assets/commodities part of other Islamic financing products.

The Company launched the credit card product in June 2020G, and an amount of SAR 8.9 million recognized as receivables as at 31 December 2020G. These are classified as part of Tawarruq.

6.6.2.7 Islamic financing receivables by sector

The following table presents a summary of the Islamic financing receivables by sector as at 31 December 2018G, 2019G, and 2020G.

Table 77: Islamic financing receivables by sector

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Public sector	2,058,738	2,532,893	2,152,677	23.0%	(15.0%)	2.3%
Private	89,342	104,796	84,329	17.3%	(19.5%)	(2.8%)
SMEs	-	34,640	100,507	nm	190.1%	nm
Gross	**2,148,080**	**2,672,329**	**2,337,513**	**24.4%**	**(12.5%)**	**4.3%**

Source: Management information

The public sector includes military personnel and government employees. The public sector accounted for the largest portion of the Company's receivables representing 95.8%, 94.8% and 92.1% of the total receivables as at 31 December 2018G, 2019G, and 2020G, respectively. This was due to the focus on this category of clients to reduce potential risk of non-compliance. Clients in public sector are distinguished from other sectors due to their lower risk due to:

- Stability/job security and length of service term;
- Receipt of salaries on time through their bank accounts

6.6.2.8 Islamic financing Receivables by Income Level

The following table presents a summary of the Islamic financing receivables by income level as at 31 December 2018G, 2019G, and 2020G.

Table 78: Islamic financing receivables by Income Level

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
<5,000	5,598	8,017	10,339	43.2%	29.0%	35.9%
5,001-10,000	751,550	880,059	676,792	17.1%	(23.1%)	(5.1%)
10,001-15,000	951,905	1,119,082	941,501	17.6%	(15.9%)	(0.5%)
15,001-20,000	308,296	423,505	414,446	37.4%	(2.1%)	15.9%
>20,000	130,731	207,026	193,928	58.4%	(6.3%)	21.8%
SMEs (SAR 1.0 million to SAR 10.0 million)	-	34,640	100,507	na	190.1%	na
Gross	**2,148,080**	**2,672,329**	**2,337,513**	**24.4%**	**(12.5%)**	**4.3%**

Source: Management information

The Company's Islamic financing receivables are mainly concentrated in the income level that ranges between SAR 5,000 and SAR 15,000 per month. Islamic financing receivables from such income range collectively account for 79.3%, 74.8% and 69.2% of the total receivables as at 31 December 2018G, 2019G, and 2020G, respectively. Such concentration was due to Company's focus on these clients as low to middle income groups are in higher need of financing. The rate of return to the Company is same across all the income bands and the rates only vary depending on the tenor and the amount of loan.

The income bands from SAR 1.0 million to SAR 10.0 million represented SMEs. Increase in receivables at 31 December 2019G and 2020G in this band was due to re-launching of SME segment in 2019G.

6.6.2.9 Islamic financing receivables by location

The following table presents a summary of the Islamic financing receivables by location as at 31 December 2018G, 2019G, and 2020G.

Table 79: Islamic financing receivables by location

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Riyadh Region	965,315	1,301,863	1,244,189	34.9%	(4.4%)	13.5%
Dammam Region	314,774	419,152	361,988	33.2%	(13.6%)	7.2%
Makkah Region	334,015	439,742	359,466	31.7%	(18.3%)	3.7%
Tabuk	92,207	54,921	29,531	(40.4%)	(46.2%)	(43.4%)
Medina	70,817	61,952	38,119	(12.5%)	(38.5%)	(26.6%)
Hail	39,269	27,555	20,658	(29.8%)	(25.0%)	(27.5%)
Jazan	87,951	79,431	55,221	(9.7%)	(30.5%)	(20.8%)
Abha/Asir	90,015	138,033	100,637	53.3%	(27.1%)	5.7%
Al Jawf	55,131	58,838	49,127	6.7%	(16.5%)	(5.6%)
Al Qassim	27,877	41,700	39,752	49.6%	(4.7%)	19.4%
Al Baha	26,788	29,025	21,547	8.4%	(25.8%)	(10.3%)
Najran	43,921	20,117	17,278	(54.2%)	(14.1%)	(37.3%)
Gross	**2,148,080**	**2,672,329**	**2,337,513**	**24.4%**	**(12.5%)**	**4.3%**

Source: Management information

The five major locations (Riyadh, Dammam, Makkah, Tabuk, and Medina) accounted for 82.7%, 85.2% and 87.0% of the total Islamic financing receivables as at 31 December 2018G, 2019G, and 2020G, respectively. Riyadh region drives majority of the business since it is the business hub of the Company. The Company opened 3 new branches during 2018G -2020G: 2 in 2018G, 1 in 2020G.

The fluctuation in the Islamic financing receivables across the branches during the reporting period is dependent on the various factors which include:

- Company's internal decision to distribute the amounts of new loans
- Quality of financing applications received
- Collections
- Population
- Penetration of banks (i.e., underbanked)

6.6.2.10 Classification of Islamic Financing Receivables

The following table presents a summary of the classification of Tawarruq financing receivables as at 31 December 2018G, 2019G, and 2020G.

Table 80: Classification of Tawarruq Financing Receivables

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Performing	1,356,721	1,641,250	1,399,839	21.0%	(14.7%)	1.6%
Underperforming	33,951	27,458	25,170	(19.1%)	(8.3%)	(13.9%)
Non-performing	112,973	88,791	130,045	(21.4%)	46.5%	7.3%
Total	**1,503,645**	**1,757,499**	**1,555,054**	**16.9%**	**(11.5%)**	**1.7%**

Source: Financial Statements and management information

Under expected credit loss model part of IFRS 9, performing receivables represent balances due for less than 60 days and have a high potential to meet contractual obligations. Performing assets increased by 21.0% from SAR 1,356.7 million as at 31 December 2018G to SAR 1,641.3 million as at 31 December 2019G, due to the increase in number of new loan disbursements in 2019G. Performing assets decreased by 14.7% to SAR 1,399.8 million as at 31 December 2020G, due to forward flow of receivables from performing buckets to underperforming and non-performing buckets in the wake of Covid-19 pandemic as well as due to the overall decline in the outstanding portfolio of the Company.

Under-performing receivables represent the balances where the customer is more than 60 days and less than 90 days past due date (as per IFRS 9) in making a contractual payment/instalment. Underperforming receivables decreased by 19.1% from SAR 34.0 million as at 31 December 2018G to SAR 27.5 million as at 31 December 2019G. The decline between 2018G and 2019G was due to increased efforts made by the collection team to improve collectability from clients. The balance decreased by 8.3% from SAR 27.5 million as at 31 December 2019G to SAR 25.2 million as at 31 December 2020G, due to forward flow of receivables to non-performing buckets driven by the delay in settlement of receivables by the clients in consequence of the Covid-19 pandemic.

Non-performing' receivables represent the defaulted financial assets and the customer failed to make a contractual payment/instalment within 90 days after it fall due. The balance decreased by 21.4% from SAR 113.0 million as at 31 December 2018G to SAR 88.8 million as at 31 December 2019G. The decrease was primarily due to the movement of non-performing receivables into underperforming/performing receivables due to higher collections. This resulted in a decline in non-performing receivables as a percentage of the total Islamic financing receivables from 7.5% at 31 December 2018G to 5.1% as at 31 December 2019G. Non-performing assets increased by 46.5% from SAR 88.8 million as at 31 December 2019G to SAR 130.0 million as at 31 December 2020G (8.4% of total Islamic financing receivables), driven by delay in instalments as a result of the Covid-19 pandemic. It should be noted that receivables are classified as non- performing when the customer fails to make a contractual payment / installment within 90 days of its due date. Non-performing receivables can be reclassified as performing receivables in case customers start settling their dues and collections improve.

The following table presents a summary of the classification of Islamic credit cards receivables as at 31 December 2020G.

Table 81: Classification of Islamic credit cards receivables

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Performing	-	-	7,686	na	na	na
Underperforming	-	-	403	na	na	na
Non-performing	-	-	777	na	na	na
Total	**-**	**-**	**8,866**	**na**	**na**	**na**

Source: Financial Statements and management information

Company launched its credit card segment in June 2020G and the outstanding receivables amounted to SAR 8.9 million as at 31 December 2020G.

The following table shows the ageing of non-performing Islamic financing receivables as at 31 December 2020G.

Table 82: Ageing of non-performing Islamic financing receivables

SAR'000	As at 31 December		
	Not working	Provision	Net provision
90-180 days	32,465	(1,285)	31,180
180 -270 days	21,882	(3,000)	18,882
270-360 days	23,910	(6,443)	17,467
360 -450 days	21,256	(7,808)	13,448
450-540 days	14,002	(7,501)	6,501
540 -630 days	10,076	(7,024)	3,052
630- 720 days	7,231	(5,817)	1,414
Total	**130,822**	**(38,878)**	**91,944**

Source: Financial Statements

6.6.2.11 Movement in Provision for Impairment of Islamic financing receivables

The following table presents a summary of the movement in the provision for impairment of Islamic financing receivables as at 31 December 2018G, 2019G, and 2020G.

Table 83: Movement in Provision for Impairment of Islamic financing receivables

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Opening	76,231	48,258	29,405	(36.7%)	(39.1%)	(37.9%)
Charge for the year	13,229	14,200	34,092	7.3%	140.1%	60.5%
Written-off during the year	(41,202)	(33,053)	(20,160)	(19.8%)	(39.0%)	(30.1%)
Total	**48,258**	**29,405**	**43,337**	**(39.1%)**	**47.4%**	**(5.2%)**

Source: Financial Statements

The Company early adopted IFRS 9 with effect from 1 January 2017G and calculated the impairment provision of Islamic financing receivables in accordance with the ECL model.

Net provision for impairment decreased by 39.1% from SAR 48.3 million as at 31 December 2018G to SAR 29.4 million as at 31 December 2019G, due to the write-off amounting to SAR 33.1 million in 2019G. Net provision for impairment increased by 47.4% to SAR 43.3 million as at 31 December 2020G, due to the anticipated impact of the Covid-19 on Islamic financing receivables pandemic on the Company's receivables. Company revised the macroeconomic assumptions used in the IFRS 9 provision calculation during March 2020, in line with Moody's outlook of the Saudi economy which resulted in higher provision. Non-operating assets witnessed an increase from SAR 113.0 million in 2018G to SAR 130.8 million in 2020G.

The Company has the policy of writing-off 'non-performing' customers after 24 months past due date. The Company continues to recover written off amounts from clients. Write-offs amounted to SAR 41.2 million, SAR 33.1 million and SAR 20.2 million as at 31 December 2018G, 2019G, and 2020G, respectively. We have mentioned previously that the Company has revised the write-off policy from 24 to 48 months with effect from 1 January 2021. As a result, no write-offs were recorded during the three months period ended 31 March 2021G. we also mentioned that the Company is also in the process of getting SAMA's approval for the said change in write-off policy. SAMA had issued a circular in November 2020G which required that the receivables to be written-off after 450 days. The effective date of the circular was 1 July 2021G, however, SAMA has extended the effective date until 31 December 2023G for the said write-off policy.

The collection team continues to recover these written off amounts. Income from such subsequent write-off recoveries amounted to SAR 27.4 million, SAR 39.7 million and SAR 35.6 million during 2018G, 2019G and 2020G, respectively.

6.6.2.12 Equity Investments at Fair Value Through OCI

As at 31 December 2018G, Company recorded equity investments at fair value through other comprehensive income amounting to SAR 0.9 million in 'Saudi Financial Lease Contract Registry Company' (no movement over the period under review). This is related to an investment in an entity specialized in leasing within KSA as per SAMA requirements (refer to section 12.3"Subsidiaries and other Investments" for details).

6.6.2.13 Prepayments and other receivables

The following table presents a summary of prepayments and other receivables as at 31 December 2018G, 2019G, and 2020G.

Table 84: Prepayments and other receivables

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Repossessed assets held for sale - real estate	20,669	-	-	(100.0%)	nm	(100.0%)
Advances, prepayments and others (*)	11,608	7,936	12,940	(31.6%)	63.1%	5.6%
Receivable from key management personnel	23,333	11,667	-	(50.0%)	(100.0%)	100.0%
Total	**55,610**	**19,603**	**12,940**	**(64.7%)**	**(34.0%)**	**(51.8%)**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Repossessed assets held for sale include real estate or other assets earmarked as designated collaterals against settlement of finances due. These assets are recorded as assets held for sale and are initially recorded at the lower of the receivable amount and the current fair value of the related assets. Repossessed assets held for sale were reported as investment property amounting to SAR 20.7 million and SAR 18.2 million on the face of the balance sheet as at 31 December 2019G and 2020G, respectively. Hence, the corresponding financial information pertaining to 2018G and associated with the repossessed assets are not comparable.

During 2019G, the Company revalued the repossessed assets and the net book value for certain assets were less than the net book value by SAR 5.2 million, and the Company did not record impairment provision for this amount during 2019G. As at 31 December 2020G, these included seven properties with a cumulative fair value of SAR 25.4 million. Further, the fair value of five other properties was less than the carrying value of the receivable amount therefore an impairment provision of SAR 2.5 million (charged to other general and administrative expenses) was recognized by the Company against this during 2020G. For further details on the Compnay's policy for the valuation of the repossessed assets, please refer to the significant accounting policies of this prospectus.

Advances, prepayments and others mainly include prepaid rent pertaining to the branches, prepaid insurance and advances to suppliers. Advances, prepayments and others decreased by 31.6% from SAR 11.6 million as at 31 December 2018G to SAR 7.9 million as at 31 December 2019G, due to the application of IFRS 16 which resulted in decline in prepaid rentals as they were adjusted as part of lease liabilities. Additionally, the Company expensed the previous IPO expenses to the income statement during 2019G. Advances, prepayments and others increased by 63.1% from SAR 7.9 million as at 31 December 2019G to SAR 12.9 million as at 31 December 2020G, due to the recording of prepaid IPO expenses of SAR 2.3 million pertaining to the on-going IPO process.

Receivables from key management personnel pertain to the loans issued to the executive management for purchase of Company's shares at nominal share price with a total value of SAR 35.0 million under the 'share bonus agreement' approved in the General Assembly meeting dated 12 December 2017G and post approval by SAMA it was recorded as receivables in the company's financials. These loans were to be settled as bonus shares to the employees' based on their future performance. Further, the Company started to amortize the balance over a period of three years starting from 01 January 2018G until 31 December 2020G. The outstanding balance of receivables from key management personnel was therefore fully amortized as at 31 December 2020G.

6.6.2.14 Intangible Assets

The following table presents a summary of the net book value of intangible assets as at 31 December 2018G, 2019G, and 2020G.

Table 85: Intangible Assets

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Cost						
Opening	5,681	9,922	13,926	74.7%	40.4%	56.6%
Additions during the year	4,241	4,004	9,092	(5.6%)	127.1%	46.4%
Closing	9,922	13,926	23,018	40.4%	65.3%	52.3%
Accumulated depreciation						
Opening	(1,985)	(3,517)	(5,918)	77.2%	68.3%	72.7%
Charge for the year	(1,532)	(2,401)	(4,248)	56.7%	76.9%	66.5%
Closing	(3,517)	(5,918)	(10,166)	68.3%	71.8%	70.0%
Total net book value	**6,405**	**8,008**	**12,852**	**25.0%**	**60.5%**	**41.7%**

Source: Financial Statements and management information

Intangible assets mainly include SAMA license and computer software.

Additions to intangibles made in 2018G, were mainly related to the renewal costs of the SAMA license and other software licenses.

Intangible additions of SAR 4.0 million during the year ended 31 December 2019G were related to licenses obtained and renewed in relation to information technology. Additional IT related costs were incurred in order to implement the cyber–security plan as instructed by SAMA.

Additions to intangible assets in 2020G amounted to SAR 9.1 million related to the implementation of the system and licenses obtained in connection with the cyber-security project and the launch of FinTech platform. Further, additions pertain to the new system (Newgen) being implemented to replace the existing FinnOne loan management system.

6.6.2.15 Property and Equipment

The following table presents a summary of the net book value of the Company's property and equipment as at 31 December 2018G, 2019G, and 2020G.

Table 86: Property and equipment

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Freehold land	27,963	27,963	27,963	-	-	-
Building and freehold improvements	3,195	9,851	6,193	208.3%	(37.1%)	39.2%
Leasehold improvements	2,916	1,724	2,037	(40.9%)	18.2%	(16.4%)
Furniture and office equipment	2,840	4,685	7,487	65.0%	59.8%	62.4%
Total net book value	**36,914**	**44,223**	**43,680**	**19.8%**	**(1.2%)**	**8.8%**

Source: Financial Statements and management information

Freehold land mainly represents the land purchased for SAR 28.0 million in 2016G located in Al Quds district in Riyadh. The said property was being used as the Company's head office, however, the Company moved to a new location on Olaya street in 2019G. The old location is being used for customer care, IT set-up and for Company's branch.

Building and freehold improvements relate to the building that was purchased in Al-Quds District during 2016G. The net book value increased by 208.3% from SAR 3.2 million as at 31 December 2018G to SAR 9.9 million as at 31 December 2019G mainly due to recognition, under this account, of right of use assets under IFRS 16. The net book value of building and freehold improvements decreased by 37.1% between 31 December 2019G and 31 December 2020G due to ongoing depreciation recognized.

Leasehold improvements mainly consist of renovations and other costs incurred by the Company for its branches. The decrease in the net book value of leasehold improvements between 2018G and 2019G was mainly due to annual depreciation charge. The net book value of leasehold improvements increased from SAR 1.7 million as at 31 December 2019G to SAR 2.0 million as at 31 December 2020G, mainly due to additional improvements and renovations of the Company's branches during 2020G.

Furniture and office equipment mainly include computers, IT equipment, office furniture, and other electronics. The net book value of furniture and equipment increased by 65.0% from SAR 2.8 million as at 31 December 2018G to SAR 4.7 million as at 31 December 2019G, due to the relocation of the head office to FALCOM building. After the relocation, new furniture and office equipment for the head office were also purchased. The net book value of furniture and equipment further increased by 59.8% from SAR 4.7 million as at 31 December 2019G to SAR 7.5 million as at 31 December 2020G. This increase was due to the purchase of new computers for some of the Company's branches.

The Company applied IFRS 16 with effect from 1 January 2019G, using the retrospective adjustment approach. Accordingly, the comparative information has not been modified and continues to be included in accordance with IAS 17 ("Leases") and IFRIC Interpretation 4: ("Determining Whether an Arrangement Contains a Lease"). Upon application of IFRS 16, the Company recognized lease liabilities related to leases, which were previously classified as "operating leases" under the principles of IAS 17 ("leases"). These liabilities were measured at the present value of the remaining lease payments, discounted using the additional borrowing rate of the lessee from 1 January 2019G. The weighted average borrowing rate applied to lease liabilities on 1 January 2019G was 5% which was determined based on the average cost of the Company's capital as at the date of application.

Right of use assets were measured at the amount equal to the lease liability. Therefore, there was no impact on retained earnings.

Right of use assets have been adjusted to the extent of any prepaid and due lease payments in relation with a lease contract recognized in the statement of financial position as at 31 December 2018G. Due to application of IFRS 16, property and equipment increased by SAR 10.4 million on 1 January 2019G, and prepayments decreased by SAR 2.6 million.

6.6.2.16 Liabilities

The following table presents a summary of liabilities as at 31 December 2018G, 2019G, and 2020G.

Table 87: Liabilities

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Accruals and other liabilities	21,748	46,148	34,707	112.2%	(24.8%)	26.3%
Islamic bank financings and lease liabilities*	681,791	873,789	664,806	28.2%	(23.9%)	(1.3%)
Provision for Zakat	42,130	21,532	23,811	(48.9%)	10.6%	(24.8%)
Zakat payable	53,302	23,082	17,311	(56.7%)	(25.0%)	(43.0%)
Provision for employees' end of service benefits	6,450	7,802	9,391	21.0%	20.4%	20.7%
Total	**805,421**	**972,353**	**750,026**	**20.7%**	**(22.9%)**	**(3.5%)**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining Whether an Arrangement Contains a Lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

6.6.2.17 Accruals and other liabilities

The following table presents a summary of accruals and other liabilities as at 31 December 2018G, 2019G and 2020G.

Table 88: Accruals and other liabilities

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Payable to suppliers	446	2,532	126	467.7%	(95.0%)	(46.8%)
Accrued employees' cost	3,539	5,529	4,918	56.2%	(11.1%)	17.9%
Accrued key management bonus and board remuneration	6,319	12,894	13,303	104.1%	3.2%	45.1%
Accrued expenses	4,115	4,626	4,391	12.4%	(5.1%)	3.3%
Unrealized loss on fair valuation of derivatives	1,600	911	54	(43.1%)	(94.1%)	(81.6%)
Others	5,729	19,656	11,915	243.1%	(39.4%)	44.2%
Total	**21,748**	**46,148**	**34,707**	**112.2%**	**(24.8%)**	**26.3%**

Source: Financial Statements and management information

Payable to suppliers represents payables to domestic and international suppliers pertaining to software, website and other IT related services. Payable to suppliers increased by 467.7% from SAR 0.4 million as at 31 December 2018G to SAR 2.5 million as at 31 December 2019G. Payable to suppliers decreased by 95.0% to SAR 0.1 million as at 31 December 2020G. Increase in 2019G was primarily due to purchase of IT related equipment for the implementation of the cyber security plan as instructed by SAMA in 2019G. Decrease in 2020G was mainly due to the settlemt of the payable balance following the completion of the ecyber security project and the settlement of the corresponding balances.

Accrued employees' cost mainly include accrued employee leaves, bonus pertaining to the collection team, sales incentives and employee ticketing and social insurance expenses. Accrued employees' cost increased from SAR 3.5 million as at 31 December 2018G to SAR 5.5 million as at 31 December 2019G, primarily due to higher employee remuneration and sales incentives in 2019G in line with Company's performance. Accrued employees' cost decreased by 11.1% to SAR 4.9 million as at 31 December 2020G, due to decline in sales incentive by SAR 0.9 million on account economic slowdown as a result of the Covid-19 pandemic.

Accrued key management bonus and board remuneration represents the remuneration of the Board of Directors in addition to the incentives allocated to the employees of the Company. Accrued key management bonus and board remuneration increased by 104.1% from SAR 6.3 million as at 31 December 2018G to SAR 12.9 million as at 31 December 2019G. Accrued key management bonus and board remuneration further increased to SAR 13.3 million as at 31 December 2020G. The increase was due to an increase in employee incentives as a result of higher profitability.

Accrued expenses mainly comprise accrued professional fees (audit, legal, consultant etc.), utilities, IT expenses, accrued IT support expenses, accrued promotions & advertising and other related expenses. Accrued expenses increased by 12.4% from SAR 4.1 million as at 31 December 2018G to SAR 4.6 million as at 31 December 2019G. Accrued expenses decreased by 5.1% to SAR 4.4 million as at 31 December 2020G. Movement in the balance was in the ordinary course of business varies on a yearly basis.

Unrealized loss on fair valuation of derivatives represents the impact of fair valuation of derivative contracts. The Company hedged its profit rate risk in order to reduce its financial exposure. The Company had one active contract as at 31 December 2020G. This contract will expire during the first quarter of 2021G. The Company does not plan to renew the contract as the SIBOR, and the bank spreads are currently low due to the current economic situation.

Others mainly include Amanah accounts (unclaimed balances) which mainly represent the amounts credited to the Company's bank accounts. Others increased by 243.1% from SAR 5.7 million as at 31 December 2018G to SAR 19.7 million as at 31 December 2019G. Others, however, decreased by 39.4% to SAR 11.9 million as at 31 December 2020G. The increase and decrease in other payables as at 31 December 2019G and 2020G were due to an increase and decrease in unclaimed balances, respectively.

6.6.2.18 Islamic Bank Financing and Lease Liabilities

The following table presents a summary of Islamic bank financing and lease liabilities as at 31 December 2018G, 2019G, and 2020G.

Table 89: Islamic Bank Financing and Lease Liabilities

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Islamic bank financings – gross	684,697	868,438	652,567	26.8%	(24.9%)	(2.4%)
Unamortized deferred charges	(4,610)	(3,291)	(2,235)	(28.6%)	(32.1%)	(30.4%)
Accrued finance cost	1,704	3,469	11,022	103.6%	217.7%	154.3%
Islamic bank financings – net	681,791	868,616	661,354	27.4%	(23.9%)	(1.5%)
Lease liabilities (*)	-	5,173	3,452	-	(33.3%)	na
Total	**681,791**	**873,789**	**664,806**	**28.2%**	**(23.9%)**	**(1.3%)**
Bank financing – net						
Current	334,406	352,025	295,526	5.3%	(16.0%)	(6.0%)

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Non-current	347,385	516,591	365,828	48.7%	(29.2%)	2.6%
Total	**681,791**	**868,616**	**661,354**	**27.4%**	**(23.9%)**	**(1.5%)**
Lease liabilities						
Current (*)	-	3,453	1,828	na	(47.1%)	na
Non-current (*)	-	1,720	1,624	na	(5.6%)	na
Total (*)	**-**	**5,173**	**3,452**	**na**	**(33.3%)**	**na**

Source: Financial Statements and management information

*Note: The Company has adopted IFRS 16 from 1 January 2019G, using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 ("Leases") and IFRIC 4 ("Determining whether an arrangement contains a lease"). Accordingly, the financial information of 2018G is not comparable in relation to and due to adoption of IFRS 16. Refer to page 138.

Islamic bank financing increased by 27.4% from SAR 681.8 million as at 31 December 2018G to SAR 868.6 million as at 31 December 2019G. This was mainly due to obtaining additional financing of SAR 581.0 million in 2019G. These additions mainly included financing of SAR 164.0 million and SAR 227.0 million from Bank Albilad and Riyad Bank, respectively. Islamic bank financing decreased by 23.9% to SAR 661.4 million as at 31 December 2020G primarily due to repayment of bank financing as well as lower drawdowns during 2020G.

Unamortized deferred charges represent the deferred admin and management fee payable by the Company over the remaining tenor of the bank loans. Such charges were not accrued as at the end of each balance sheet date. These charges normally range from 0.25% - 1.0% of the loan amount.

Accrued finance cost represents the profits due as at each balance sheet date and was paid in the subsequent period.

The Company adopted IFRS 16 with effect from 1 January 2019G and recognized the lease liabilities in line with the requirements of the said standard. Refer to accounting policies section for details.

6.6.2.19 Financing Details

The following table presents a summary of the financing details as at 31 December 2020G.

Table 90: Financing details

	As at 31 December 2020G						
	Type of loan	Maturity (months)	Accounts receivable coverage (%)	Profit rate swaps	Available limit	Outstanding SAR'000	Headroom
Bank Albilad	Revolving	35	125%	No	300,000	146,080	153,920
Al Rajhi Bank	Revolving	39	125%	No	400,000	199,333	200,667
National Bank of Bahrain	Revolving	9	125%	No	150,000	10,000	140,000
Riyad Bank	Revolving	43	135%	No	417,000	208,884	208,116
Bank AlJazira	Revolving	45	120%	No	150,000	9,500	140,500
Emirates NBD	Revolving + term	36	125%	No	132,844	61,917	70,927
NCB (1)	Term	5	135%	Yes	-	9,459	-

	As at 31 December 2020G						
	Type of loan	Maturity (months)	Accounts receivable coverage (%)	Profit rate swaps	Available limit	Outstanding SAR'000	Headroom
Alawwal Bank (2)	Revolving	N/A	125%	Yes	505,000	-	505,000
SAMA	Term	Varied (3)	N/A	No	7,395	7,395	-
Total					2,062,239	652,567	1,419,131

Source: Management information

Note (1): The facility limit as per agreement was SAR 120.0 million which was fully utilized by Company. The outstanding payable balance amounted to SAR 9.5 million at 31 December 2020G. Being a term loan, no headroom is available.

Note (2): Alawwal is now SABB bank after the merger of these two banks.

Although facility letter has been expired for Alawwal, the facility is available for draw down and the renewal of facility documents is under process.

Note (3): During 2020G, SAMA provided profit-free loans of SAR 7.4 million to the Company in three batches (Batch 1: SAR 2.7 million received on 5 October 2020G, Batch 2: SAR 4.3 million received on 23 December 2020G and Batch 3: SAR 0.4 million received on 30 December 2020G). Batch 1 is repayable in 15 monthly instalments with first instalment in February 2021G. Batch 2 is repayable in 18 monthly instalments with first instalment in April 2021G. Batch 3 is repayable in 15 monthly instalments with first instalment in May 2021G. Such loans were provided to facilitate the financing companies against SAMA's order to defer instalments of SMEs for six months period during Covid-19 pandemic in 2020G.

The Company has financing facilities of SAR 2.1 billion from various banks as at 31 December 2020G. The Company has utilized 31.6% of the total facilities with available headroom of SAR 1.4 billion as at 31 December 2020G.

6.6.2.20 Bank wise outstanding bank financing

The following table presents a summary of bank wise outstanding bank financing as at 31 December 2018G, 2019G, and 2020G.

Table 91: Bank wise outstanding bank financing

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Alawwal Bank (*)	325,673	250,471	-	(23.1%)	(100.0%)	(100.0%)
Riyad Bank	43,750	232,078	208,884	430.5%	(10.0%)	118.5%
Bank Albilad	84,142	197,877	146,080	135.2%	(26.2%)	31.8%
Al Rajhi Bank	102,633	98,996	199,333	(3.5%)	101.4%	39.4%
National Bank of Bahrain	35,833	20,000	10,000	(44.2%)	(50.0%)	(47.2%)
Bank AlJazira	-	-	9,500	nm	nm	nm
GIB	18,750	-	-	(100.0%)	nm	(100.0%)
ANB	10,208	-	-	(100.0%)	nm	(100.0%)
Emirates NBD	31,354	51,042	61,917	62.8%	21.3%	40.5%
SNB	32,354	17,974	9,459	(44.4%)	(47.4%)	(45.9%)
SAMA	-	-	7,395	nm	nm	nm
Total	684,697	868,438	652,567	26.8%	(24.9%)	(2.4%)

Source: Management information

Note (*): Alawwal is now SABB bank after the merger of these two banks

Alawwal Bank, Riyad Bank, Bank Albilad, Emirates NBD and Al Rajhi Bank are the Company's main financiers. The balances of such banks accounted for 85.8%, 95.6% and 94.4% of the total financing balance as at 31 December 2018G, 2019G, and 2020G, respectively. Fluctuations in outstanding balance with the banks as at each balance sheet date was due to additional drawdowns and repayments made by the Company in accordance with the terms of financing agreements.

Table 92: Borrowing compliance as per SAMA

SAR'000	As at 31 December		
	2018G	2019G	2020G
Total equity and reserves (A)	947,748	1,016,417	1,119,375
Limit as per SAMA (B)	2	2	2
Total allowed limit (C=A*B)	1,895,496	2,032,834	2,238,750
Total outstanding (D)	(681,791)	(868,616)	(661,354)
Borrowing headroom (E=C+D)	1,213,705	1,164,218	1,577,396
Compliance ratio as per FS	0.7	0.9	0.6
Compliance	Compliant	Compliant	Compliant

Source: Management information

As per SAMA rules, any company that is involved in the financing services other than real estate financing is not allowed to borrow more than two times of its equity and reserves. We noted that the Company remained compliant with this SAMA requirement between 31 December 2018G and 31 December 2020G.

Table 93: Financial covenants

	As at 31 December		
	2018G	2019G	2020G
Al Awwal bank			
A minimum current ratio of 1x is to be maintained throughout the duration of the facilities	✓	✓	✓
A minimum Tangible Net Worth of SAR600.0m throughout the duration of the facilities	✓	✓	✓
The Leverage ratio (Total liabilities divided by Tangible Net Worth) should not to exceed 3x throughout the duration of he facilities	✓	✓	✓
Total Debt/Gross Receivable (Short/Long) not to exceed 80% throughout the life-time of the facilities	✓	✓	✓
Al Bilad Bank			
Receivables coverage 125%	✓	✓	✓
Interest coverage should not be less than 3x	✓	✓	✓
Submission of quarterly financial statements	✓	✓	✓
The Leverage ratio (Total liabilities divided by Tangible Net Worth) should not to exceed 2.5x throughout the duration of he facilities	✓	✓	✓
National Bank of Bahrain			
Minimum tangible net worth of SAR 900.0m (prior to FY18 SAR 550.0m)	✓	✓	✓
Minimum current ratio of 1.25x	✓	✓	✓
Maximum leverage of 3x	✓	✓	✓
Loans obtained during any fiscal year with maturity above 3 years must not exceed 500% of the shareholding	✓	✓	✓

	As at 31 December		
	2018G	2019G	2020G
Bank Al-Jazira			
To maintain a maximum tangible leverage ratio at (1.5 : 1)	✓	✓	✓
Current ratio not to fall below (1 :1)	✓	✓	✓
Al Rajhi Bank			
Company shall provide the annual financial statements within 90 days of the year end	✓	✓	✓
Lending portfolio should not exceed 3x of the shareholders' equity	✓	✓	✓
Riyad Bank			
Maximum leverage ratio to be at 2:1	✓	✓	✓
Coverage of the financial amount to be 135% during the life of the loan	✓	✓	✓
Minimum current ratio to be at 1.25x	✓	✓	✓
Total financing should not exceed 3x obligor's total equity	✓	✓	✓
SNB			
Maximum leverage ratio of 2.8 :1	✓	✓	✓
The receivables shall not be less than 135% (125% disclaimer from benefits of receivables, 10% A reserve amount of the outstanding obligation)	✓	✓	✓
Minimum liquidity ratio of 1:1.2	✓	✓	✓
Total amounts financed shall not exceed 3x Nayifat's shares	✓	✓	✓
Default in banks portfolio shall not exceed 5%, in case if the default rate is calculated by the relevant department (the volume of exposure to the contract is more than 90 days and inactive against the size of the contract) and exceeding 5%, the contract shall be replaced by another contract through a commitment from the Nayifat to include the replacement list	✓	✓	✓
Emirates NBD			
Total Debt / Equity Ratio not to exceed 3 : 1	✓	✓	✓
Debt to EBITDA should not exceed to 4 : 1	✓	✓	✓
Total debt / Gross receivables portfolio not to exceed 80%	✓	✓	✓
Dividend payout ratio not to exceed 50% of net profit after Zakat	✓	✓	✓
Gross non-performing loan to not exceed to 8%	✓	✓	×
Non-performing loans coverage to be minimum 30%	✓	✓	✓

Source: Management information

*✓: compliant

×: non-compliant

Short-term and long-term agreements include a number of financial covenants which the Company should abide by. It should be noted that the Company was in full compliance with the covenants highlighted in the financing agreements. The only non-compliance instance was noted in the case of the financial covenant mentioned in the Emirates NBD agreement and which states that the non-performing loans should not exceed 8% of gross receivables at any given date. However, the Company's non-performing loans stood at 8.4% of gross receivables at 31 December 2020G, resulting in breach of a covenant related to the Emirates NBD facility. The Company has obtained a waiver from the bank in connection to the aforementioned breach during the first quarter of 2021G.

Table 94: Profit rate swap arrangements

SAR'000	31 December 2018G		31 December 2019G		31 December 2020G		Dec20 vs Dec19 charge for the period
	Notional value	MITM Loss / (gain)	Notional value	MITM Loss / (gain)	Notional value	MITM Loss / (gain)	
Al Awwal Bank	191,498	1,334	69,921	608	-	-	(608)
SNB	112,919	(326)	38,719	303	9,146	54	(249)
GIB	18,750	60	-	-	-	-	-
Total	**323,167**	**1,068**	**108,640**	**911**	**9,146**	**54**	**(857)**

Source: Management information

The Company entered into profit rate swap arrangements as part of the financing agreements with Al Awwal Bank, SNB and GIB. The notional value of the profit rate swap arrangements stood at SAR 323.2 million as at 31 December 2018G, SAR 108.6 million as at 31 December 2019G and SAR 9.1 million as at 31 December 2020G. It should be noted that AlAwwal bank's swap was matured on 31 December 2020G; whereas, the SNB related swap will mature in the first quarter of 2021G.

6.6.2.21 Provision for Zakat and Zakat payable

Table 95: Provision for Zakat and Zakat payable

Summary of historical and potential liabilities (SAR'000)			
Years	Zakat	Payments	Potential liability
2009G-2013G	15,309	(15,309)	-
2014G-2017G (settlement plan)	36,065	(18,754)	17,311
2018G (Settled)	17,237	(17,237)	-
2019G (open)	22,017	(22,017)	-
FY20 - Zakat provision (Out of this amount SAR 23.3 million was paid to ZATCA 29 April 2021G)	23,278	-	23,278
Total	**113,905**	**(73,316)**	**40,589**
Provision Zakat and tax as per financial statements 2020G			23,811
Recorded in Zakat payable			17,311
Total liability booked as at 31 December 2020G			**41,122**

Source: Financial Statements and management information

The final assessment and settlement for the Zakat liability for the years 2009G – 2013G was received during the year 2019G. The amount SAR 15.3 million was settled on 7 July 2019G. On 6 February 2019G, ZATCA proposed that the Company settle the previous Zakat for the years from 2014G-2017G by paying 10% of the net profit as the full settlement of Zakat liability which amounted to SAR 36.1 million. The Company signed the settlement agreement and paid 20% of the balance as an advance payment amounted to SAR 7.2 million and the remainder is being paid over a 5 years period in December of each year, with the last settlement payment to be made in December 2023G. Accordingly, in 2019G the Company has reversed Zakat expense of SAR 26.8 million for previous years. In 2018G, the Company charged an amount of SAR 17.2 million to Zakat provision and booked a reversal of SAR 21.4 million. The Zakat liability of 2018G and 2019G have been fully settled. The Zakat return for 2020G was filed in the precised timing on 31 March 2021G and a Zakat certificate for 2020G was obtained.

6.6.2.22 Provision for Employee End of Service Benefits

The following table presents the summary of historical and potential liability as at 31 December 2020G.

Table 96: Provision for Employee End of Service Benefits

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Opening	5,125	6,450	7,802	25.9%	21.0%	23.4%
Charge for the year	1,996	1,800	3,076	(9.8%)	70.9%	24.1%
Benefits paid	(671)	(448)	(1,487)	(33.2%)	231.9%	48.9%
Closing	**6,450**	**7,802**	**9,391**	**21.0%**	**20.4%**	**20.7%**

Source: Financial Statements and management information

Provision for employees' end of service benefits includes the statutory provision for end of service benefits. These are paid to employees upon resignation or termination of employment by the Company in line with the Saudi Labor Law. Provision for employees' end of service benefits increased by 21.0% from SAR 6.5 million as at 31 December 2018G to SAR 7.8 million as at 31 December 2019G. This was primarily due to increase in the number of employees from 492 employees (including outsourced) at 31 December 2018G to 562 employees (including outsourced) at 31 December 2019G. Provision for employees' end of service benefits further increased by 20.4 % as at 31 December 2020G. This increase was due to an increase in the remuneration resulting from increments as well as increase in the overall service of the existing employees (including outsourced).

6.6.3 Shareholders' Equity

The following table presents a summary of shareholders' equity as at 31 December 2018G, 2019G, and 2020G.

Table 97: Shareholder's Equity

SAR'000	As at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Share capital	850,000	1,000,000	1,000,000	17.6%	-	8.5%
Statutory reserve	18,261	40,143	60,290	119.8%	50.2%	81.7%
Retained earnings	79,487	41,426	59,085	(47.9%)	42.6%	(13.8%)
Treasury shares	-	(65,152)	-	nm	(100.0%)	nm
Total	**947,748**	**1,016,417**	**1,119,375**	**7.2%**	**10.1%**	**8.7%**

Source: Financial Statements and management information

6.6.3.1 Share Capital

Company had a share capital of SAR 635.0 million (63.5 million shares of SAR 10 each) at the start of 2018G. SAMA provided approval to the Company for increase in share capital during the reporting period as follows:

- In 2018G to SAR 850.0 million, through issuance of bonus shares to shareholders, approved by the General Assembly on 28 February 2018G
- In 2019G to SAR 1.0 billion, through issuance of bonus shares to shareholders, approved by the General Assembly on 2 December 2019G.

6.6.3.2 Statutory Reserve

The 'statutory reserve' is a regulatory requirement for the Companies in Saudi Arabia. As per the regulations the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of 10% of net income until the reserves equals 30% of the share capital. This reserve is not available for dividend distribution. The transfer is made to the statutory reserve account on an annual basis at the end of the year.

6.6.3.3 Dividends

In 2020G, the Company has paid dividends, net of treasury shares, amounting to SAR 1 per share after obtaining Board and SAMA approval.

6.6.3.4 Retained Earnings

The movement in retained earnings was mainly driven by the net income recognized by the Company adjusted for dividends and transfers to statutory reserves for the financial year ended 31 December 2018G, 2019G, and 2020G.

6.6.3.5 Treasury Shares

During 2019G, the Company bought 2.5 million of its own shares from Falcom Private Equity Fund at SAR 26.0 per share (net book value of SAR 11.2 million at 31 December 2018G – par value SAR 10 per share) for a total consideration of SAR 65.2 million. These were reported as Treasury Shares under equity. During 2020G, these shares were allocated to all the existing shareholders per the approval from the Board of Directors and SAMA.

6.6.4 Statement of Cash Flows

The following table presents a summary of the Company's statement of cash flows for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 98: Statement of Cash Flows

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Net cash generated from / (used in) operating activities	230,630	(53,306)	425,129	(123.1%)	897.5%	35.8%
Net cash used in investing activities	(83,599)	(36,409)	(91,729)	(56.4%)	151.9%	4.7%
Net cash (used in) / generated from financing activities	**(311,414)**	**31,080**	**(315,904)**	**110.0%**	**(1,116.4%)**	**0.7%**
Net change in cash and cash equivalents	**(164,383)**	**(58,635)**	**17,496**	**(64.3%)**	**(129.8%)**	**nm**
Cash and cash equivalents at the beginning of the year	275,614	111,231	52,596	(59.6%)	(52.7%)	(56.3%)
Cash and cash equivalents at the end of the year	**111,231**	**52,596**	**70,092**	**(52.7%)**	**33.3%**	**(20.6%)**

Source: Financial Statements and management information

6.6.4.1 Cash Flows from Operating Activities

The following table presents a summary of the statement of cash flows from the Company's operating activities for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 99: Statement of Cash Flows from Operating Activities

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Net income for the year before Zakat	172,368	213,532	225,761	23.9%	5.7%	14.4%
Adjustments for non-cash items						
Depreciation and amortization	4,625	9,951	11,962	115.2%	20.2%	60.8%
Provision for employees' end of service benefits	1,996	1,800	3,076	(9.8%)	70.9%	24.1%

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Loss on revaluation of repossessed assets	-	-	2,458	nm	nm	nm
Reversal of impairment – net	(14,127)	(25,482)	(1,470)	80.4%	(94.2%)	(67.7%)
Finance costs	51,991	55,570	43,225	6.9%	(22.2%)	(8.8%)
Changes in operating assets and liabilities						
Islamic financing receivables	76,300	(247,225)	208,981	(424.0%)	(184.5%)	65.5%
Prepayments and other receivables	4,011	15,509	6,663	286.7%	(57.0%)	28.9%
Accruals and other liabilities	(2,133)	26,000	(11,441)	(1,318.9%)	(144.0%)	(131.6%)
Employees' end of service benefits paid	(671)	(448)	(1,487)	(33.2%)	231.9%	48.9%
Zakat paid	(7,325)	(45,529)	(27,788)	521.6%	(39.0%)	94.8%
Finance costs and other charges paid	(56,405)	(56,984)	(34,811)	1.0%	(38.9%)	(21.4%)
Net cash generated from / (used in) operating activities	230,630	(53,306)	425,129	(123.1%)	(897.5%)	35.8%

Source: Financial Statements and management information

Cash used in operating activities amounting to SAR 53.3 million in 2019G was mainly due to an increase in receivables as a result of an increase in new loan disbursements in 2019G. Cash generated from operating activities amounting to SAR 425.1 million during 2020G was mainly due to the decrease in receivables during 2020G.

6.6.4.2 Cash Flows from Investing Activities

The following table presents a summary of the statement of cash flows from the Company's investing activities for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 100: Statement of Cash Flows from Investing Activities

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Additions to property and equipment	(4,000)	(4,450)	(7,171)	11.3%	61.1%	33.9%
Additions to intangible asset	(4,241)	(4,004)	(9,092)	(5.6%)	127.1%	46.4%
Term and margin deposits	(75,358)	(27,955)	(75,466)	(62.9%)	170.0%	0.1%
Net cash used in investing activities	(83,599)	(36,409)	(91,729)	(56.4%)	151.9%	4.7%

Source: Financial Statements and management information

Cash used in investing activities decreased by 56.4%, from SAR 83.6 million in 2018G to SAR 36.4 million in 2019G. This movement was mainly related to the fluctuation in the amount invested in term deposits. Cash used in investing activities increased to SAR 91.7 million during 2020G, mainly due to the increase in term deposits driven by an investment of a term deposit in the Emirates NBD during 2020G.

6.6.4.3 Cash Flows from Financing Activities

The following table presents a summary of the statement of cash flows from the Company's financing activities for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 101: Statement of Cash Flows from Financing Activities

SAR'000	Financial year ended 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Proceeds from financings	279,386	581,375	236,783	108.1%	(59.3%)	(7.9%)
Repayment of financings	(505,800)	(397,635)	(452,653)	(21.4%)	13.8%	(5.4%)
Dividends paid	(85,000)	(85,000)	(98,507)	-	15.9%	7.7%
Principal elements of lease payments	-	(2,508)	(1,527)	nm	(39.1%)	nm
Treasury stock	-	(65,152)	-	nm	(100.0%)	nm
Net cash (used in) / generated from financing activities	**(311,414)**	**31,080**	**(315,904)**	**(110.0%)**	**(1,116.4%)**	**0.7%**

Source: Financial Statements and management information

Net movement in financing activities during 2018G, 2019G and 2020G was mainly attributable to proceeds from and repayments to the banks in connection with Islamic bank financing. Cash used in financing activities was also attributable to dividends paid during 2018G, 2019G and 2020G.

6.6.5 Related Party Transactions and Balances

The following table presents a summary of related party transactions for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 102: Related Party Transactions

SAR'000	Nature of transaction	Financial year ended 31 December		
		2018G	2019G	2020G
Shareholders	Cash dividends declared and paid	85,000	85,000	98,507
Key management personnel	Compensation for the year	21,401	19,670	22,007
	Employees' end of service benefits	614	636	1,032
	Incentive for continuing service	11,667	11,667	11,667
Chairman, Directors and Board Committee members	Remuneration for the period of Chairman, Directors and Board Committee members	-	7,088	7,058
Other related parties	Zakat/VAT consultancy fee	427	308	269
	IT software services rendered	2,594	5,648	8,053
Affiliates	Commodities/ securities dealings account - deposit made	4,000	21,800	26,500
	Rental charge	273	1,206	1,179
	Advisory charges and other	1,122	1,660	1,764

Source: Financial Statements and management information

Shareholders

The Company announced and paid cash dividends of SAR 85.0 million, SAR 85.0 million and SAR 98.5 million to shareholders in 2018G, 2019G and 2020G, respectively.

Key Management Personnel

Compensation for the year: This included compensation paid to all the directors (executive and non-executive) and senior management reporting to the CEO of the Company. The transactions vary year on year in the normal course of business. Remuneration of Chairman, Directors and Board Committee members was disclosed separately for 2019G and 2020G.

Employees' end of service benefits: This represents the benefits paid to the senior management of the Company.

Incentive for continuing service: This represents the amortization charge of the loan amounting to SAR 35.0 million provided to Saudi executive employees for the purchase of the Company's shares. This balance was amortized over a period of three years with a maturity date of 31 December 2020G. Refer to prepayments and other receivables section for details.

Chairman, Directors and Board Committee members

Remuneration for the period of Chairman, Directors and Board Committee members: This represents the remuneration and attendance allowances paid to the Chairman, Directors and Board Committee members. These costs were disclosed as part of compensation for the year under key management personnel during 2018G.

Other Related Parties

Zakat and VAT consultancy fee: This represents the charges paid to the Zakat consultant Ata Albayok's accounting office which is owned by one of the Board members 'Ata Al Bayouk'. These transactions were undertaken through a contractual agreement under normal commercial terms.

IT Software services provided: This relates to the IT related services provided by 'ITIS', an entity related to the Company's board member, Fahad Saleh Al 'Musabhi. Increase in these costs during 2019G were mainly attributable to implementation of cyber security plan as instructed by SAMA. Further increase in these costs during 2020G were mainly attributable to increase in business with the related party. among other IT related services providers, the company has been using services from ITIS for some projects as well.

Affiliates

Commodities/securities dealing account: Until 2019G, the Company used ETFs as the underlying commodity for Tawarruq financing and owned ETF units which are sold to the customers. ETF was being managed by Falcom. However, from the last quarter of 2019G, the Company replaced ETFs with Platinum as the underlying commodity. Transactions reported during 2018G and 2019G represented transfers made to the ETF in connection with maintaining the value of investments in the fund. Increase from SAR 4.0 million in 2018G to SAR 21.8 million in 2019G and to SAR 26.5 million in 2020G was mainly due to an overall increase in the business of the Company. These transactions were undertaken through a contractual agreement at normal commercial terms.

Rental charge: This pertains to the rent paid to Falcom for Olaya branch and store as well as the head office space (2019G onwards) which are located in Falcom's head office building on Olaya street. These transactions were undertaken through a contractual lease agreement at normal commercial terms.

Advisory charges and other: Advisory charges and other mainly include:

- Commissions paid to Falcom in connection with the purchase and sale of ETFs / Platinum for its Tawarruq products
- Shared fees for Shariah Supervisory Board payments made to Falcom Related Party Balances

The following table presents a summary of the balances of related parties for the financial year ended 31 December 2018G, 2019G, and 2020G.

Table 103: Related Party Balances

SAR'000	Financial year ended as at 31 December			Increase/(decrease)		CAGR
	2018G	2019G	2020G	December 2019G	December 2020G	2018G-2020G
Receivables from / advances to related parties						
Affiliates - Term deposits	2,340	9,697	34,562	314.4%	256.4%	284.3%
Receivable from key management personnel	23,333	11,667	-	(50.5%)	(100.0%)	nm
Total	**25,673**	**21,364**	**34,562**	**(16.8%)**	**61.8%**	**16.0%**
Payables / accruals						
Key management compensation and Board remuneration	7,063	12,894	13,303	82.6%	3.2%	37.2%
Provision of EOSB of Key Management Personnel	-	3,046	3,263	nm	7.1%	nm
Total	**7,063**	**15,940**	**16,566**	**125.7%**	**3.9%**	**53.1%**

Source: Financial Statements and management information

Receivables from / advances to related parties

Affiliates – short term deposits: This represented deposit with Falcom in ETF and Platinum (fourth quarter 2019G and onwards). The value of these financial assets is based on the market value of stocks included therein. Fluctuations in amount due from Falcom was linked to the value of ETF / Platinum investment as well as the overall business requirement at each balance sheet reporting date.

Receivables from key management personnel: The Company, in accordance with SAMA's requirements, issued shares to Saudi executive employees during 2017G. The Company recognized this transaction as a loan to staff. This receivable was amortized over a period of three years until 31 December 2020G. Refer to prepayments and other receivables section for details.

Payables / accruals

Key management compensation and Board remuneration: This relates to the accrued bonus payable to senior management as well as remuneration payable to board members. Increase in the balance at 31 December 2019G was due to increase in bonus accrual for senior management. There was no material variance in this balance as at 31 December 2020G.

Provision of EOSB of Key Management Personnel: This represents the end of service benefits payable to the key management staff of the Company. Increase in balance by 7.1% at 31 December 2020G was associated with overall increase in service years of those key management personnel.

6.7 Results of Operations for the three months period ended 31 March 2021G

6.7.1 Interim statement of comprehensive income

The following table presents the Company's interim statement of comprehensive income for the financial periods ended 31 March 2020G and 2021G.

Table 104: Results of Operations – Interim statement of comprehensive income

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Income from Islamic financing	108,431	99,059	(8.6%)
Other income	111	325	192.8%
Expenses			
Finance costs	(13,894)	(5,999)	(56.8%)
Reversal of impairment – net	544	5,409	894.3%
Salaries and employee related expenses	(24,934)	(20,787)	(16.6%)
Other general and administrative expenses	(7,572)	(10,301)	36.0%
Depreciation and amortization	(2,928)	(3,082)	5.3%
Total expenses	**(48,784)**	**(34,760)**	**(28.7%)**
Income before Zakat	**59,758**	**64,624**	**8.1%**
Charge for the period	(6,010)	(6,700)	11.5%
Net income for the period	**53,748**	**57,924**	**7.8%**

Source: Financial Statements and management information

Income from Islamic financing declined by 8.6% from SAR 108.4 million during the three months period ended 31 March 2020G to SAR 99.1 million during the three months period ended 31 March 2021G. This primarily resulted from the lower financing base during the three months period ended 31 March 2021G (average financing portfolio of SAR 1.57 billion) as compared to higher financing base during the three months period ended 31 March 2020G (average financing portfolio of SAR 1.74 billion).

Other income increased by 192.8% from SAR 0.1 million during the three months period ended 31 March 2020G to SAR 0.3 million during the corresponding period in 2021G. This was primarily on account of credit card related expenses of SAR 0.4 million recorded during March 2020G.

Finance costs decreased by 56.8% from SAR 13.9 million during the three months period ended 31 March 2020G to SAR 6.0 million during the corresponding period in 2021G. This was due to the decline in finance cost on Islamic bank financing by SAR 7.4 million in the three months period ended 31 March 2021G driven by decline in average Islamic bank borrowings as well as the reduction in profit rate.

Reversal of impairment – net increased by 894.3% from SAR 0.5 million during the three months period ended 31 March 2020G to SAR 5.4 million during the three months period ended 31 March 2021G. This was mainly on account of decline in provision for impairment by 25.3% and increase in income from write off recoveries by 38.9% during the three months period ended 31 March 2021G as compared to the three months period ended 31 March 2020G.

Salaries and employee-related expenses declined by 16.6% from SAR 24.9 million during the three months period ended 31 March 2020G to SAR 20.8 million during the three months period ended 31 March 2021G. This primarily resulted from the decline in salaries & employee related costs and management fees and bonus accounts by SAR 1.3 million and SAR 2.7 million, respectively.

Other general and administrative expenses increased by 36.0% from SAR 7.6 million in the three months period ended 31 March 2020G to SAR 10.3 million in the three months period ended 31 March 2021G. This was mainly on account of increase in VAT expense during the three months period ended 31 March 2021G.

Depreciation and amortization increased by 5.3% from SAR 2.9 million during the three months period ended 31 March 2020G to SAR 3.1 million during the corresponding period in 2021G. This was primarily driven by the increase in amortization expense from SAR 0.8 million during the three months period ended 31 March 2020G to SAR 1.3 million during the three months period ended 31 March 2021G.

6.7.1.1 Income from Islamic financing

The following table presents an overview of the Company's income from Islamic financing for the financial periods ended 31 March 2020G and 2021G.

Table 105: Income from Islamic financing

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Profit from financing products	107,493	97,494	(9.3%)
Fee and commission income	3,540	4,347	22.8%
Amortization of transaction costs	(2,602)	(2,782)	6.9%
Total	**108,431**	**99,059**	**(8.6%)**

Source: Management information

The following table presents an overview of the Company's income from Islamic financing by product for the financial periods ended 31 March 2020G and 2021G.

Table 106: Income from Islamic financing

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Tawarruq	106,748	93,790	(12.1%)
Murabaha	(4)	-	(100.0%)
Ijarah	-	-	na
SME	1,687	5,269	212.3%
Total	**108,431**	**99,059**	**(8.6%)**

Source: Management information

6.7.1.2 Profit from financing products

The following table shows income from profit from financing products for the financial periods ended 31 March 2020G and 2021G.

Table 107: Profit from financing products

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Profit from financing products	107,496	97,494	(9.3%)
Profit Suspense account	(4)	-	(100.0%)
Total	**107,493**	**97,494**	**(9.3%)**

Source: Management information

Profit from financing products declined by 9.3% from SAR 107.5 million during the three months period ended 31 March 2020G to SAR 97.5 million during the three months period ended 31 March 2021G. This primarily resulted from the lower financing base during the three months period ended 31 March 2021G (average financing portfolio of SAR 1.57 billion) as compared to higher financing base during the three months period ended 31 March 2020G (average financing portfolio of SAR 1.74 billion).

Company had 27 operational branches as at 31 March 2021G. Two of the branches reported loss of SAR 0.5m (combined) during the three months period ended 31 March 2021G. Revenue contribution from these two branches accounted 2.1% of the total revenue generated during 3M21. While the average lending rate stood at 23.8% and 25.3% during the three months period ended 31 March 2020G and the three months period ended 31 March 2021G, the average borrowing rate stood at 5.4% and 3.3% at the aforementioned periods. As a result, the net profit rate spread amounted to 18.4% and 22.0% in the three months period ended 31 March 2020G and the three months period ended 31 March 2021G.

It should be noted that the average booking rate increased to 40.3% in the first quarter of 2021G as compared to 34.4% in the first quarter of 2020G where the drop in booking rate in the first quarter of 2020G was mainly due to the imposed lockdowns during the Covid-19 outbreak.

6.7.1.3 Fee and commission income

The following table shows the Company's income from fee and commission for the financial periods ended 31 March 2020G and 2021G.

Table 108: Fee and commission income

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Admin fee	1,902	1,954	2.87%
Waqala fee	1,638	2,128	29.9%
Other fee	-	264	na
Total	**3,540**	**4,347**	**22.8%**

Source: Management information

Admin fee did not witness material fluctuation during the three months period ended 31 March 2021G as compared to the corresponding period in 2020G.

Waqala fee increased by 29.9% from SAR 1.6 million during the three months period ended 31 March 2020G to SAR 2.1 million during the three months period ended 31 March 2021G. This primarily resulted from an increase in the number of bookings from 3,826 bookings during the three months period ended 31 March 2020G to 4,891 bookings during the three months period ended 31 March 2021G.

Other fees during the three months period ended 31 March 2021G was mainly related to fees charged by the Company on use of credit cards (such as, cash withdrawal / advance etc.). Credit card business was launched in June 2020G, therefore, no fee was recorded during the three months period ended 31 March 2020G.

6.7.1.4 Finance costs

The following table shows the details of finance costs for the financial periods ended 31 March 2020G and 2021G.

Table 109: Finance costs

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Finance cost on Islamic bank financing	12,489	5,049	(59.6%)
Finance cost on lease liabilities	55	34	(38.2%)
Gain on fair valuation of derivatives	(11)	(45)	(309.1%)
Bank charges	1,361	961	(29.4%)
Total	**13,894**	**5,999**	**(56.8%)**

Source: Management information

Finance cost on Islamic bank financing declined by 59.6% from SAR 12.5 million during the three months period ended 31 March 2020G to SAR 5.0 million during the three months period ended 31 March 2021G. This was mainly driven by a decline in the borrowings from SAR 973.8 million as at 31 March 2020G to SAR 561.4 million as at 31 March 2021G. Further, average borrowing rate also witnessed a decline from 5.4% during the three months period ended 31 March 2020G to 3.3% during the three months period ended 31 March 2021G.

Finance cost on lease liabilities did not witness material fluctuation during the three months period ended 2021G as compared to the corresponding period in 2020G.

Increase in gain on fair valuation of derivatives by 309.1% during the three months period ended 31 March 2021G as compared to the corresponding period in 2020G was due to loss of SAR 49.4 thousand recognized from Alawwal hedging contract during the three months period ended 31 March 2020G. Alawwal hedging contract expired during 2020G, therefore, no gain or loss was recognized during the three months period ended 31 March 2021G.

Bank charges declined by 29.4% from SAR 1.4 million during the three months period ended 31 March 2020G to SAR 1.0 million during the three months period ended 31 March 2021G. This was primarily on account of upfront fees of SAR 0.5 million charged by Riyad bank on Monsha'at facility during the three months period ended 31 March 2020G.

6.7.1.5 Reversal for impairment, net

The following table shows the details of reversal of impairment, net for the financial periods ended 31 March 2020G and 2021G.

Table 110: Reversal for impairment, net

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Provision for impairment	(7,259)	(5,426)	(25.3%)
Income from write off recoveries	7,803	10,835	38.9%
Total	**544**	**5,409**	**894.3%**

Source: Financial Statements and management information

Provision for impairment declined by 25.3% from 7.3 million during the three months period ended 31 March 2020G to SAR 5.4 million during the three months period ended 31 March 2021G. This primarily resulted from an overall decline in Islamic financing receivables from SAR 1.7 billion as at 31 March 2020G to SAR 1.6 billion at 31 March 2021G. Further, the economic factor assumptions used for calculating expected credit loss has also witnessed improvement in line with ease of lock down and other restrictions.

Income from write off recoveries increased by 38.9% from SAR 7.8 million during the three months period ended 31 March 2020G to SAR 10.8 million during the three months period ended 31 March 2021G. This was due to increased efforts of the collections team to recover the amounts from customers and the proactive legal measures taken by the Company. Additionally, precautionary measures were imposed by Government during the month of March 2020G which also affected the recoveries during the three months period ended 31 March 2020G. For additional information about provision for impairment, refer to table 130, "Movement in Provision for Impairment of Islamic financing receivables".

6.7.1.6 Salaries and employee related expenses

The following table presents Nayifat's salaries and employee related expenses for the financial periods ended 31 March 2020G and 2021G.

Table 111: Salaries and employee related expenses

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Salaries & employee related costs	19,181	17,841	(7.0%)
Management fees and bonus	4,792	2,083	(56.5%)
Directors and Board committee fees	961	863	(10.2%)
Total	**24,934**	**20,787**	**(16.6%)**

Source: Financial Statements and management information

Salaries and employee related costs declined by 7.0% from SAR 19.2 million during the three months period ended 31 March 2020G to SAR 17.8 million during the three months period ended 31 March 2021G. This was primarily driven by a decline in the headcount from 587 employees (including outsourced) as at 31 March 2020G to 529 employees as at 31 March 2021G.

Management fees and bonus decreased by 56.5% from SAR 4.8 million during the three months period ended 31 March 2020G to SAR 2.1 million during the three months period ended 31 March 2021G. This was mainly on account of amortization expenses of SAR 2.9 million recognized during the three months period ended 31 March 2020G related to the '3-year achievement-based share bonus agreement' introduced by the Company in 2017G for its executive staff. Since the amortization of the total balance of SAR 35.0 million was completed in December 2020G, no expense was recognized during the three months period ended 31 March 2021G.

Directors and Board committee fees declined by 10.2% from SAR 1.0 million during the three months period ended 31 March 2020G to SAR 0.9 million during the three months period ended 31 March 2021G. This was primarily driven by decline in number of meetings projected during the three months period ended 31 March 2021G as compared to the corresponding period in 2020G.

6.7.1.7 Other general and administrative expenses

The following table shows the details of other general and administrative expenses for the financial periods ended 31 March 2020G and 2021G.

Table 112: Other general and administrative expenses

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Insurance	1,545	1,294	(16.2%)
Rentals relating to short term leases	311	388	24.8%
Legal & professional charges	1,119	1,427	27.5%
Utilities, telephone and communication	682	1,098	61.0%
Repairs, maintenance & office supplies	946	1,037	9.6%
IT support charges	1,033	278	(73.1%)
Loss on revaluation of investment property	223	-	(100.0%)
Marketing and advertisements	16	544	3300.0%
VAT expense	769	3,088	301.6%
Others	928	1,147	23.6%
Total	**7,572**	**10,301**	**36.0%**

Source: Management information

Insurance declined by 16.2% from SAR 1.5 million during the three months period ended 31 March 2020G to SAR 1.3 million during the three months period ended 31 March 2021G. This decline was mainly associated with the decline in the premium of customer life insurance by SAR 0.2 million during the three months period ended 31 March 2021G as compared to the corresponding period in 2021G in line with decline in the overall consumer finance portfolio. The Company had 43,284 consumer finance customers at 31 March 2021G as compared to 47,525 consumer financing customers at 31 March 2020G.

Rentals relating to short term leases increased by 24.8% from SAR 0.3 million during the three months period ended 31 March 2020G to SAR 0.4 million during the three months period ended 31 March 2021G. This primarily resulted from increase in annual rent as per the lease agreements.

Legal and professional charges increased by 27.5% from SAR 1.1 million during the three months period ended 31 March 2020G to SAR 1.4 million during the three months period ended 31 March 2021G. This primarily resulted from the slowdown of collection process after imposition of precautionary measures (travel restrictions, lockdown etc.) during the month of March 2020G which resulted in lower legal and professional charges during the three months period ended 31 March 2020G.

Utilities, telephone and communications expense increased by 61.0% from SAR 0.7 million during the three months period ended 31 March 2020G to SAR 1.1 million during the three months period ended 31 March 2021G. This increase was mainly due to an increase in telephone expenses by SAR 0.5 million during the three months period ended 31 March 2021G. Higher telephone expenses were due to overall change in the work environment post Covid-19 pandemic (remote working, etc.).

Repairs, maintenance & office supplies increased by 9.6% from SAR 0.9 million during the three months period ended 31 March 2020G to SAR 1.0 million during the three months period ended 31 March 2021G. This was primarily driven by increase in admin entertainment expenses by SAR 0.1 million during the three months period ended 31 March 2021G in the normal course of business. Lower such expenses were incurred in the month of March 2020G on account of lock down to curb the spread of Covid-19 pandemic by Government.

IT support charges declined by 73.1% from SAR 1.0 million during the three months period ended 31 March 2020G to SAR 0.3 million during the three months period ended 31 March 2021G. The Company had entered into long term licensing agreement with various vendors to implement the cyber security plan during 2020G which resulted in higher IT support charges during the three months period ended 31 March 2020G.

As the valuation exercise for investment property is conducted by Management on an annual basis at the end of financial year, no revaluation was done as at 31 March 2021G. Therefore, no gain or loss was recognized during the three months period ended 31 March 2021G by the Company. Based on internal deliberation, the Company booked a loss of SAR 0.2 million during the three months period ended 31 March 2020G.

Marketing and advertisement expenses increased by SAR 0.5 million during the three months period ended 31 March 2021G as compared to the corresponding period in 2020G. This was due to increased marketing campaigns launched by the Company pertaining to credit cards and fintech.

VAT expense increased by 301.6% from SAR 0.8 million during the three months period ended 31 March 2020G to SAR 3.1 million during the three months period ended 31 March 2021G. The increase was mainly associated with an increase in VAT rate (from 5.0% to 15.0%) with effect from 01 July 2020G.

Other expenses increased by 23.6% from SAR 0.9 million during the three months period ended 31 March 2020G to SAR 1.1 million during the three months period ended 31 March 2021G. This was primarily driven by an increase in credit card related expenses by SAR 0.3 million during the three months period ended 31 March 2021G, which were partially offset by increase in other expenses in the normal course of business.

6.7.1.8 Depreciation and amortization

The following table shows details of depreciation and amortization for the financial periods ended 31 March 2020G and 2021G.

Table 113: Depreciation and amortization

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Depreciation	2,130	1,832	(14.0%)
Amortization	798	1,250	56.6%
Total	**2,928**	**3,082**	**5.3%**

Source: Management information

Depreciation expense declined by 14.0% from SAR 2.1 million during the period ended 31 March 2020G to SAR 1.8 million during the period ended 31 March 2021G. This was mainly on account of decline in depreciation expense of leasehold improvements (SAR 0.2 million), furniture and fixtures (SAR 0.1 million) and right of use assets (SAR 0.4 million). Certain assets were fully depreciated in 2020G; therefore, no depreciation of such assets was recognized during the period ended 31 March 2021G. The decline was partially offset by increase in depreciation pertaining to computer hardware (SAR 0.4 million) during the period ended 31 March 2021G as a result of additions between April 2020G and December 2020G.

Amortization expense increased by 56.6% from SAR 0.8 million during the three months period ended 31 March 2020G to SAR 1.3 million during the three months period ended 31 March 2021G. This primarily resulted from increase in intangible assets (mainly computer software) from SAR 9.4 million as at 31 March 2020G to SAR 14.0 million as at 31 March 2021G driven by the implementation of cyber security plan.

6.7.1.9 Other income

The following table shows details of other income for the financial periods ended 31 March 2020G and 2021G.

Table 114: Other income

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Rentals	217	217	-
Income on short-term deposit – murabaha	262	108	(58.8%)
Credit card related expenses – net	(368)	-	(100.0%)
Total	**111**	**325**	**192.8%**

Source: Management information

Rentals income remained constant during the three months period ended 31 March 2020G as compared to the three months period ended 31 March 2021G.

Income from short-term deposit – murabaha declined by 58.8% from SAR 0.3 million during the three months period ended 31 March 2020G to SAR 0.1 million during the three months period ended 31 March 2021G. This was mainly due to decline in profit rate driven by decline in SIBOR during the three months period ended 31 March 2021G as compared to corresponding period in 2020G. 3 months SIBOR (monthly average) declined from 1.3% at March 2020G to 0.8% at March 2021G.

Credit card related expenses of SAR 0.4 million during the three months period ended 31 March 2020G were associated with the pre-operating charges prior to the launch of credit cards. After the launch of credit cards segment in June 2020G, such expenses were recognized in other general and administrative expenses.

6.7.2 Interim statement of financial position

The following table presents a summary of the Company's interim statement of financial position as at 31 December 2020G and 31 March 2021G.

Table 115: Interim statement of financial position

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Assets			
Cash and cash equivalents	70,092	51,383	(26.7%)
Term and margin deposits	190,150	140,202	(26.3%)
Islamic financing receivables	1,520,583	1,550,043	1.9%
Equity investments at FVTOCI	893	893	-
Prepayments and other receivables	12,940	17,712	36.9%
Investment property	18,211	18,211	-
Intangible assets	12,852	13,979	8.8%
Property and equipment	43,680	43,230	(1.0%)
Total assets	**1,869,401**	**1,835,653**	**(1.8%)**
Liabilities			
Accruals and other liabilities	34,707	36,637	5.6%

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Islamic bank financing and lease liabilities	664,806	563,815	(15.2%)
Provision for Zakat	23,811	30,512	28.1%
Zakat payable	17,311	17,311	-
Provision for employees' end of service benefits	9,391	10,079	7.3%
Total liabilities	**750,026**	**658,354**	**(12.2%)**
Equity			
Share capital	1,000,000	1,000,000	-
Statutory reserve	60,290	60,290	-
Retained earnings	59,085	117,009	98.0%
Total shareholders' equity	**1,119,375**	**1,177,299**	**5.2%**
Total liabilities and shareholders' equity	**1,869,401**	**1,835,653**	**(1.8%)**

Source: Financial Statements and management information

Total assets did not witness material fluctuation between 31 December 2020G and 31 March 2021G.

Total liabilities declined by 12.2% from SAR 750.0 million at 31 December 2020G to SAR 658.4 million at 31 March 2021G. This primarily resulted from the decline in bank financing by 15.1% from SAR 661.4 million at 31 December 2020G to SAR 561.4 million at 31 March 2021G which was driven by higher settlements and lower drawdowns.

Total equity increased by 5.2% from SAR 1,119.4 million at 31 December 2020G to SAR 1,177.3 million at 31 March 2021G. This was mainly on account of surge in retained earnings driven by the net income of SAR 57.9 million generated during the three months period ended 31 March 2021G.

6.7.2.1 Assets

The following table presents a summary of assets as at 31 December 2020G and 31 March 2021G

Table 116: Assets

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Cash and cash equivalents	70,092	51,383	(26.7%)
Term and margin deposits	190,150	140,202	(26.3%)
Islamic financing receivables	1,520,583	1,550,043	1.9%
Equity investments at FVTOCI	893	893	-
Prepayments and other receivables	12,940	17,712	36.9%
Investment property	18,211	18,211	-
Intangible assets	12,852	13,979	8.8%
Property and equipment	43,680	43,230	(1.0%)
Total assets	**1,869,401**	**1,835,653**	**(1.8%)**

Source: Financial Statements and management information

6.7.2.2 Cash & cash equivalents

The following table presents Nayifat's cash & cash equivalents as at 31 December 2020G and 31 March 2021G.

Table 117: Cash & cash equivalents

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Cash in hand	10	10	-
Cash at banks	70,082	51,373	(26.7%)
Total	**70,092**	**51,383**	**(26.7%)**

Source: Financial Statements and management information

Cash in hand consists of petty cash available to meet the routine business expenses.

Cash at banks declined by 26.7% from SAR 70.1 million at 31 December 2020G to SAR 51.4 million at 31 March 2021G. This primarily resulted from the movement in net cash from operating activities and financing activities, partially offset by the movement of net cash from investing activities during the three months period ended 31 March 2021G.

6.7.2.3 Term and margin deposits

The following table presents a summary of term and margin deposits as at 31 December 2020G and 31 March 2021G.

Table 118: Term and margin deposits

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Margins deposits held with banks	35,587	35,587	-
Term deposits	154,563	104,615	(32.3%)
Total	**190,150**	**140,202**	**(26.3%)**

Source: Financial Statements and management information

Margin deposits held with banks remained constant between 31 December 2020G and 31 March 2021G.

Term deposits decreased by 32.3% from SAR 154.6 million at 31 December 2020G to SAR 104.6 million at 31 March 2021G. This was primarily driven by decline in investment with Emirates NBD bank from SAR 120.0 million at 31 December 2020G to SAR 70.0 million as at 31 March 2021G.

6.7.2.4 Islamic financing receivables

The following table presents a summary of the Islamic financing receivables as at 31 December 2020G and 31 March 2021G

Table 119: Islamic financing receivables

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Tawarruq financing	1,512,000	1,539,040	1.8%
Islamic credit cards	8,583	11,003	28.2%
Total	**1,520,583**	**1,550,043**	**1.9%**

Source: Financial Statements and management information

The following table presents a summary of the Tawarruq financing receivables as at 31 December 2020G and 31 March 2021G.

Table 120: Tawarruq financing

SAR'000	As at 31 December 2020G	As at 31 March 2021G	Increase/(decrease) March 2021G
Gross receivables - Tawarruq	2,328,647	2,385,717	2.5%
Unearned finance income	(773,593)	(798,547)	3.2%
Net of unearned finance income	**1,555,054**	**1,587,170**	**2.1%**
Provision for impairment	(43,054)	(48,130)	11.8%
Total	**1,512,000**	**1,539,040**	**1.8%**

Source: Financial Statements and management information

Gross receivables did not witness material fluctuation between 31 December 2020G and 31 March 2021G. The 1.8% increase was attributed to new loan disbursements amounting to SAR 256.2 million during the first quarter of 2021G. This was partially offset by collections made from customers during the same period.

Unearned finance income did not witness significant fluctuation between 31 December 2020G and 31 March 2021G.

Provision for impairment increased by 11.8% at 31 March 2021G, from SAR 43.1 million at 31 December 2020G to SAR 48.1 million at 31 March 2021G. This was primarily due to higher receivables in under and non-performing age buckets at 31 March 2021G driven by holding of cash by customers ahead of the month of Ramadan. Collectively, under-performing and non-performing receivables increased from SAR 155.2 million at 31 December 2020G to SAR 172.6 million at 31 March 2021G. Such movement of receivables in higher buckets was due to delay in collections amid current economic situation driven by Covid-19 pandemic.

The following table presents a summary of the Islamic credit cards receivables as at 31 December 2020G and 31 March 2021G.

Table 121: Islamic credit cards

SAR'000	As at 31 December 2020G	As at 31 March 2021G	Increase/(decrease) March 2021G
Gross receivables	8,866	11,636	31.2%
Provision for impairment	(283)	(633)	123.7%
Total	**8,583**	**11,003**	**28.2%**

Source: Financial Statements and management information

Gross receivables from Islamic credit cards increased by 31.2% from SAR 8.9 million at 31 December 2020G to SAR 11.6 million at 31 March 2021G due to increase in the number of issued credit cards. Company had 774 credit cards in issue as at 31 March 2021G as compared to 545 cards as at 31 December 2020G.

Due to overall increase in credit card receivables, provision for impairment also witnessed an increase of 123.7% as at 31 March 2021G.

The following table presents the borrowing compliance status with SAMA limits and requirements

Table 122: Borrowing Compliance as per SAMA

SAR'000	As at 31 December	As at 31 March
	2020G	2021G
Limit on lending		
Total equity and reserves (A)	1,119,375	1,177,299
Limit as per SAMA (B)	3.5	3.5
Total allowed limit (C=A*B)	3,917,813	4,120,547
Net receivables (D)	(1,520,583)	(1,550,043)
Lending headroom (E=C+D)	2,397,230	2,570,504
Compliance ratio as per FS	1.4	1.3
Compliance status	**Compliant**	**Compliant**

Source: Management information

The Company remained compliant with the lending covenants as per SAMA regulations between 31 December 2020G and 31 March 2021G. The covenants states that the aggregate amount of finance offered by a finance company shall not exceed three folds the capital and reserves of a Company engaging in finance activities (other than real estate financing) during a certain year or period.

Islamic financing Receivables by Category

The following table presents a summary of the Islamic financing receivables by category as at 31 December 2020G and 31 March 2021G.

Table 123: Islamic financing receivables by Category

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Consumer	2,237,006	2,221,028	(0.7%)
SME	100,507	176,325	75.4%
Total	**2,337,513**	**2,397,353**	**2.6%**

Source: Management information

Consumer segment remained the highest contributor to the Islamic financing receivables constituting 95.7% and 92.6% of the total Islamic financing receivables as at 31 December 2020G and 31 March 2021G, respectively. Islamic financing receivables from consumer segment did not witness a material fluctuation between 31 December 2020G and 31 March 2021G.

Receivables from SME segment increased by 75.4% from SAR 100.5 million at 31 December 2020G to SAR 176.3 million at 31 March 2021G. This was primarily due to new loans of SAR 53.0 million (principal only, excluding SAR 25.7 million unearned finance income) issued to SMEs during the three months period ended 31 March 2021G.

Receivables by product

The following table presents a summary of Islamic financing receivables by product as at 31 December 2020G and 31 March 2021G.

Table 124: Receivables by product

SAR'000	As at 31 December 2020G	As at 31 March 2021G	Increase/(decrease) March 2021G
Tawarruq	2,337,487	2,397,327	2.6%
Murabaha	26	26	-
Total	**2,337,513**	**2,397,353**	**2.6%**

Source: Management information

Tawarruq product constituted almost 100.0% of the entire portfolio of the Company as at 31 December 2020G and 31 March 2021G. The Company launched the credit card product in June 2020G, and receivables of SAR 8.9 million and SAR 11.6 million were related to these as at 31 December 2020G and 31 March 2021G, respectively. These were classified as part of Tawarruq.

Receivables by sector

The following table presents a summary of the Islamic financing receivables by sector as at 31 December 2020G and 31 March 2021G.

Table 125: Receivables by sector

SAR'000	As at 31 December 2020G	As at 31 March 2021G	Increase/(decrease) March 2021G
Public	2,152,677	2,135,006	(0.8%)
Private	84,329	86,022	2.0%
SMEs	100,507	176,325	75.4%
Total	**2,337,513**	**2,397,353**	**2.6%**

Source: Management information

The public sector includes military personnel and government employees. The public sector accounted for the largest portion of the Company's receivables representing 92.1% and 89.1% of the total receivables as at 31 December 2020G and 31 March 2021G, respectively. Islamic financing receivables in these sectors did not witness material fluctuation between 31 December 2020G and 31 March 2021G.

Refer to 'Islamic financing receivables by category' for details on movement in SMEs.

Islamic financing Receivables by Income Level

The following table presents a summary of the Islamic financing receivables by income level as at 31 December 2020G and 31 March 2021G.

Table 126: Islamic financing Receivables by Income Level

SAR'000	As at 31 December 2020G	As at 31 March 2021G	Increase/(decrease) March 2021G
<5,000	10,339	13,682	32.3%
5,001-10,000	676,792	649,100	(4.1%)
10,001-15,000	941,501	934,905	(0.7%)
15,001-20,000	414,446	423,425	2.2%
>20,000	193,928	199,916	3.1%
SMEs (SAR 1.0 million to SAR 10.0 million)	100,507	176,325	75.4%
Total	**2,337,513**	**2,397,353**	**2.6%**

Source: Management information

The Company's Islamic financing receivables are mainly concentrated in the income level that ranges between SAR 5,000 and SAR 20,000 per month. Islamic financing receivables from these income level collectively represented 87.0% and 83.7% of the total Islamic financing receivables as at 31 December 2020G and 31 March 2021G, respectively. Such concentration was due to Company's focus on these clients as low to middle income groups are in higher need of financing. The rate of return to the Company is same across all the income bands and the rates only vary depending on the tenor and the amount of loan.

Islamic financing receivables by location

The following table presents a summary of the Islamic financing receivables by location as at 31 December 2020G and 31 March 2021G.

Table 127: Islamic financing receivables by location

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Riyadh region	1,244,189	1,326,560	6.6%
Dammam region	361,988	353,982	(2.2%)
Makkah region	359,466	353,680	(1.6%)
Al Baha	21,547	20,881	(3.1%)
Jizan	55,221	54,409	(1.5%)
Jouf	49,127	48,607	(1.1%)
Madina	38,119	35,191	(7.7%)
Qassim	39,752	39,205	(1.4%)
Tabuk	29,531	26,599	(9.9%)
Abha/Asir	100,637	100,090	(0.5%)
Hail	20,658	22,150	7.2%
Najran	17,278	15,999	(7.4%)
Total	**2,337,513**	**2,397,353**	**2.6%**

Source: Management information

Islamic financing receivables from all locations (except Riyadh and Hail) observed a declining trend as at 31 March 2021G primarily due to settlement of loans and lower disbursals during the same period.

The increase in Islamic financing receivables from Riyadh region and Hail city as at 31 March 2021G was due to higher new loan disbursements in these regions.

Classification of Islamic Financing Receivables

The following table presents a summary of the classification of Islamic financing receivables as at 31 December 2020G and 31 March 2021G.

Table 128: Classification of Tawarruq Financing Receivables

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Tawarruq			
Performing	1,399,839	1,414,547	1.1%
Underperforming	25,170	33,021	31.2%

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Non-performing	130,045	139,602	7.3%
Total	**1,555,054**	**1,587,170**	**2.1%**
Islamic credit cards			
Performing	7,686	9,423	22.6%
Underperforming	403	656	62.8%
Non-performing	777	1,557	100.4%
Total	**8,866**	**11,636**	**31.2%**

Source: Financial Statements and management information

Tawarruq

Performing assets did not witness material fluctuation between 31 December 2020G and 31 March 2021G.

Under-performing and non-performing receivables increased at 31 March 2021G due to delay in collections driven by holding of cash by customers ahead of the month of Ramadan.

Islamic credit cards

Performing credit cards receivables increased by 22.6% from SAR 7.7 million at 31 December 2020G to SAR 9.4 million at 31 March 2021G. This primarily resulted from new credit cards issued during the three months period ended 31 March 2021G.

Under-performing and non-performing receivables from credit cards segment increased at 31 March 2021G which was due to delayed settlement of outstanding balances by the customers.

It should be noted that the annual number of gross delinquent customers (monthly average), representing customers with delayed instalments from due date, increased from 15,323 customers in the three months period ended 31 March 2020G to 18,890 customers in three months period ended 31 March 2021G. Customers are classified as delinquent when an instalment is delayed from the due date from all the age buckets. Non-performing delinquent customers amounted to 4,044, and 3,648 during the three months period ended 31 March 2020G and the three months period ended 31 March 2021G, respectively. Net loss rate gradually declined driven by an increase in write-off recoveries. The Company had open litigations against 5,979 customers as at 31 March 2021G compared to 5,761 as at 31 December 2020G under different age buckets.

Balances associated with these litigations amounted to SAR 328.9 million as at 31 December 2020G and SAR 335.9 million as at 31 March 2021G.

The Company had written off / booked provisions of SAR 160.9 million in connection to these litigations as at 31 December 2020G. The exposed portion of the balances associated with these litigations amounted to SAR 168.0 million as at 31 December 2020G (exposed balances refer to the balances against which no provision has been booked).

The Company has booked provisions amounting to SAR 158.2 million against these litigations as at 31 March 2021G. On the other hand, exposed portion of balances associated with these cases amounted to SAR 177.7 million as at 31 March 2021G (total value of litigations amounted to SAR 335.9 as at 31 March 2021G).

The aforementioned provisions were booked in accordance with the Company's policy. As the balances move to higher buckets, the provision is increased accordingly.

Movement in Provision for Impairment of Islamic financing receivables

The following table shows the age of non-performing Islamic financing receivables as at 31 March 2021G.

Table 129: Ageing of non-perfroming Islamic financing receivables

SAR'000	As at 31 March 2021G		
	Not working	Provision	Net provision
90-180 days	32,539	(2,098)	30,441
180 -270 days	20,902	(3,804)	17,098
270-360 days	18,802	(4,971)	13,831
360 -450 days	21,183	(7,681)	13,502
450-540 days	19,161	(8,376)	10,785
540 -630 days	12,792	(7,193)	5,599
630- 720 days	15,780	(11,623)	4,157
Total	**141,159**	**(45,746)**	**95,413**

Source: Financial Statements

Movement in Provision for Impairment of Islamic financing receivables

The following table presents a summary of the movement in the provision for impairment of Islamic financing receivables as at 31 December 2020G and 31 March 2021G.

Table 130: Movement in Provision for Impairment of Islamic financing receivables

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Opening	29,405	43,337	47.4%
Charge for the year / period	34,092	5,426	(84.1%)
Written-off during the year / period	(20,160)	-	(100.0%)
Total	**43,337**	**48,763**	**12.5%**

Source: Financial Statements and management information

The Company has increased its collection team and overall recovery efforts to reduce Company's net exposure. The Company has the policy of writing-off non-performing customers after 24 months (720 days) past due date. In view of the write-off recoveries, and the Auditor's review, the Company has revised the write-off policy from 24 to 48 months with effect from 1 January 2021G. As a result, no write-offs were recorded during the three months period ended 31 March 2021G. SAMA had issued a circular in November 2020G which required that the receivables to be written-off after 450 days. The effective date of the circular was 1 July 2021G, however, SAMA has extended the effective date until 31 December 2023G for the said write-off policy. Starting the fourth quarter of 2021G and for the new products, the Company shall start applying the new policy which requires the write-off of financial assets after 15 months of its due date instead of 24 months. Concerning the current portfolio, the Company will gradually apply the same period mentioned in the circular prior to 31 December 2023G.

The Company has analyzed the incremental impact of retrospective application of change in write off policy from the beginning of 2018G from 720 DPD (days past due) to 450 DPDs (chapter 9 of provisions policies).

The application resulted in decline in reported net income before Zakat by SAR 9.6 million, SAR 7.7 million, SAR 13.4 million and SAR 2.9 million during 2018G, 2020G, 2021G (Forecasted for full year based on 8 months actual results) and the first quarter of 2021G, respectively. Whereas, the reported net income before Zakat increased by SAR 19.8 million during 2019G.

Net positive impact during 2019G was due to decline in write-offs in 2019G from SAR 90.3 million (day 1 entry of SAR 43 million and during the year entry of SAR 47.3 million) in 2018G to SAR 31.5 million in 2019G. Further, write-off recoveries also witnessed a significant increase in 2019G from SAR 27.0 million in 2018G to SAR 42.7 million in 2019G. The collection of 2019G includes SAR 32.7 million pertaining to 2018G written-off balances.

The aformentioned calculation is based on the following key assumptions:

- The starting point of this analysis is January 1, 2018G.
- The analysis has been done with the actual results from January 1, 2018G to August 31, 2021G (and August 31, 2021G projected to full year forecast).
- Contracts which crossed 450 DPD were taken on monthly basis from January 2018G to August 31, 2021G.

Further, for the purpose of the effect on the Financial statements of that relevant year all the actual collections (deemed as recoveries in a write-off context) which pertain to contracts assumed to be written off as on January 1, 2018G and following months till August 31, 2021G were taken to calculate the estimated effect of that relevant years.

The net effect on income statement is calculated as per the following:

(i) The net impact of write off (450 dpd) adjusted by the provision against such loans

(ii) Provisioning charge required on remaining portfolio (450 dpd)

(iii) The net impact of (i) & (ii) is further reduced by the recoveries in the relevant years between January 1, 2018G to August 31, 2021G between 450 dpd to 720 dpd;

The impact so calculated up to August 31, 2021G has been projected for full year 2021G.

It should be noted that the Company has analyzed the impact of retrospective application of chapter 9 of provisions policies. The application date of the new policies has been set to be 1 July 2021G as mandated by SAMA. However, SAMA has extended the application date till 1 January 2022G and has also granted an additional time period to gradually absorb any losses resulting from write-offs till 31 December 2023G.

It should be also mentioned that the aforementioned analysis was just performed to assess the potential results of the application of the new provision policies. However, this analysis is not related to the write-off policies which the Company used to apply previously. Furthermore, this analysis does not have any impact on the financing assets which were recorded in previous periods. Hence, the Company cannot guarantee the accuracy of the numbers and percentages mentioned as part of the analysis, since these are based on assumptions and inconclusive numbers.

Equity Investments at Fair Value Through OCI

As at 31 December 2018G, Company recorded equity investments at fair value through other comprehensive income amounting to SAR 0.9 million in 'Saudi Financial Lease Contract Registry Company' (no movement over the period under review). This is related to an investment in an entity having leasing license in KSA as per SAMA requirements. No change was witnessed in the equity investments at fair value through OCI between 31 December 2020G and 31 March 2021G.

Prepayments and other receivables

The following table presents a summary of prepayments and other receivables as at 31 December 2020G and 31 March 2021G.

Table 131: Prepayments and other receivables

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Prepaid rent	215	982	356.9%
Prepaid IPO expenses	2,298	4,104	78.5%
Prepaid insurance	1,133	2,661	134.8%
Advances to suppliers	7,046	8,346	18.5%

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
VAT receivable	760	362	(52.4%)
Accrued revenue	537	644	20.0%
Others	950	612	(35.6%)
Total	**12,940**	**17,712**	**36.9%**

Source: Management information

Prepaid rent increased by 356.9% at 31 March 2021G from SAR 0.2 million at 31 December 2020G to SAR 1.0 million at 31 March 2021G. This was primarily due to payment of the premium at the start of the financial year which resulted in higher prepaid rent balance at 31 March 202G1 as compared to 31 December 2020G

Prepaid IPO expenses increased by 78.5% at 31 March 2021G from SAR 2.3 million at 31 December 2020G to SAR 4.1 million at 31 March 2021G. This was primarily due to additional payments made to advisors (financial, legal, market etc.) engaged in the on-going IPO process of the Company. These amounts will be recovered from the sale proceeds of the selling shareholders and are not Company expenses.

Prepaid insurance mainly relates to employees' medical and group life insurance for staff. Prepaid insurance increased by 134.8% at 31 March 2021G from SAR 1.1 million at 31 December 2020G to SAR 2.7 million at 31 March 2021G. This was primarily due to payment of the premium at the start of the financial year which resulted in higher prepaid insurance balance at 31 March 202G1 as compared to 31 December 2020G

Advances to suppliers increased by 18.5% at 31 March 2021G from SAR 7.0 million at 31 December 2020G to SAR 8.3 million at 31 March 2021G. This was primarily due to increase in advances paid to domestic as well as international suppliers. Such advances were mainly related to various IT related vendors, consultants and other suppliers in the ordinary course of business.

VAT receivable declined by 52.4% at 31 March 2021G from SAR 0.8 million at 31 December 2020G to SAR 0.4 million at 31 March 2021G. This was in the normal course of business and results from the settlements of the balances.

Accrued revenue relates to accrual for investment income from the banks. Accrued revenue increased by 20.0% at 31 March 2021G from SAR 0.5 million at 31 December 2020G to SAR 0.6 million at 31 March 2021G. This was in the normal course of business and depends on the balance as well as the timing of investments.

Others mainly include employee related prepayments (staff loan, advance salary etc.) and prepaid IT related cost and other prepayments. Others declined by 35.6% at 31 March 2021G from SAR 1.0 million at 31 December 2020G to SAR 0.6 million at 31 March 2021G. This was due to decline in prepaid IT related costs and other prepaid expenses by SAR 0.4 million. Others may fluctuate on a period to period basis depending on the requirements.

Intangible assets

The following table presents a summary of the net book value of intangible assets as at 31 December 2020G and 31 March 2021G.

Table 132: Intangible assets

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Cost			
Opening	13,926	23,018	65.3%
Additions during the year / period	9,092	2,403	(73.6%)
Closing	**23,018**	**25,421**	**10.4%**

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Accumulated depreciation			
Opening	(5,918)	(10,166)	71.8%
Charge for the year / period	(4,248)	(1,276)	(70.0%)
Closing	(10,166)	(11,442)	12.6%
Total net book value	**12,852**	**13,979**	**8.8%**

Source: Financial Statements and Management information

Net book value of intangible assets increased by 8.8%, from SAR 12.9 million at 31 December 2020G to SAR 14.0 million at 31 March 2021G. This primarily resulted from the additions made during the three months period ended 31 March 2021G mainly relating to computer software and licenses.

Property and equipment

The following table presents a summary of the net book value of the Company's property and equipment as at 31 December 2020G and 31 March 2021G.

Table 133: Property and equipment

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Freehold land	27,963	27,963	-
Buildings and freehold improvements	6,193	5,445	(12.1%)
Leasehold improvements	2,037	2,319	13.8%
Furniture and office equipment	7,487	7,503	0.2%
Total net book value	**43,680**	**43,230**	**(1.0%)**

Source: Financial Statements and Management information

Net book value of freehold land remained constant at 31 March 2021G as compared to 31 December 2020G.

Net book value of buildings and freehold improvements declined by 12.1% at 31 March 2021G, from SAR 6.2 million at 31 December 2020G to SAR 5.5 million at 31 March 2021G. This was primarily due to depreciation charge of SAR 0.8 million during the three months period ended 21 March 2021G.

Net book value of leasehold improvements increased by 13.8% at 31 March 2021G, from SAR 2.0 million at 31 December 2020G to SAR 2.3 million at 31 March 2021G. This was primarily due to addition of SAR 0.4 million during the three months period ended 31 March 2021G pertaining to Company's branches. The increase was partially offset by a depreciation charge of SAR 0.2 million during the three months period ended 31 March 2021G.

Net book value of furniture and office equipment did not witness material fluctuation between 31 December 2020G and 31 March 2021G.

Liabilities

The following table presents Nayifat's liabilities as at 31 December 2020G and 31 March 2021G.

Table 134: Liabilities

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Accruals and other liabilities	34,707	36,637	5.6%
Islamic bank financings and lease liabilities	664,806	563,815	(15.2%)
Provision for Zakat	23,811	30,512	28.1%
Zakat payable	17,311	17,311	-
Provision for employees' end of service benefits	9,391	10,079	7.3%
Total	**750,026**	**658,354**	**(12.2%)**

Source: Financial Statements and management information

Accruals and other liabilities

The following table presents a summary of accruals and other liabilities as at 31 December 2020G and 31 March 2021G.

Table 135: Accruals and other liabilities

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Accounts payable to suppliers	126	835	562.5%
Accrued employees' cost	4,918	4,182	(15.0%)
Accrued key management fees and board remuneration	13,303	1,835	(86.2%)
Accrued expenses	4,391	4,995	13.8%
Unrealized loss on fair valuation of derivatives	54	9	(83.3%)
Others	11,915	24,782	108.0%
Total	**34,707**	**36,637**	**5.6%**

Source: Management information

Accounts payable to suppliers increased by SAR 0.7 million from SAR 0.1 million at 31 December 2020G to SAR 0.8 million at 31 March 2021G. Account payable to suppliers increased in the normal course of business and is dependent on the Company's requirements.

Accrued employee's cost decreased by 15.0% from SAR 4.9 million at 31 December 2020G to SAR 4.2 million at 31 March 2021G. This primarily resulted from the payment of bonus to an executive during the three months period ended 31 March 2021G which was accrued for the three years till 31 December 2020G as per the contract.

Accrued key management fees and board remuneration declined by 86.2% from SAR 13.3 million at 31 December 2020G to SAR 1.8 million at 31 March 2021G. This was mainly driven by settlement of balance of SAR 9.8 million during the month of January 2021G. Additionally, the Company recognized accrual of SAR 1.1 million for the three months period ended 31 March 2021G.

Accrued expenses increased by 13.8%, from SAR 4.4 million at 31 December 2020G to SAR 5.0 million at 31 March 2021G. This primarily resulted from increase in early settlement control account by SAR 0.6 million at 31 March 2021G driven by higher number of early settlements.

Unrealized loss on fair valuation of derivatives represents the impact of fair valuation of derivative contracts. The Company hedged its profit rate risk in order to reduce its financial exposure. The Company had one active contract as at 31 March 2021G. The Company does not plan to renew the contract as the SIBOR, and the bank spreads are currently low due to the prevailing economic situation.

Others increased by 108.0% from SAR 11.9 million at 31 December 2020G to SAR 24.8 million at 31 March 2021G. Others at 31 March 2021G included the amount payable to Ex-CFO of the Company against end of service benefits. Further the payable at 31 March 2021G also included an amount of SAR 12.0 million payable against '3-year achievement-based share bonus agreement' to the employees.

Islamic Bank Financing and Lease Liabilities

The following table presents a summary of Islamic bank financing and lease liabilities as at 31 December 2020G and 31 March 2021G.

Table 136: Islamic Bank financing and Lease Liabilities

SAR'000	As at 31 December 2020G	As at 31 March 2021G	Increase/(decrease) March 2021G
Islamic bank financing - gross	652,567	557,300	(14.6%)
Unamortized deferred charges	(2,235)	(1,882)	(15.8%)
Accrued finance cost	11,022	5,960	(45.9%)
Islamic bank financing - net	661,354	561,378	(15.1%)
Lease liabilities	3,452	2,437	(29.4%)
Total	**664,806**	**563,815**	**(15.2%)**
Bank financing			
Current	295,526	235,403	(20.3%)
Non-current	365,828	325,975	(10.9%)
Total	661,354	561,378	(15.1%)
Lease liabilities			
Current	1,828	893	(51.1%)
Non-current	1,624	1,544	(4.9%)
Total	**3,452**	**2,437**	**(29.4%)**

Source: Financial statements and management information

Islamic bank financing

Islamic bank financing - net declined by 15.1% as at 31 March 2021G from SAR 661.4 million as at 31 December 2020G to SAR 561.4 million as at 31 March 2021G. This primarily resulted from the loan repayments during the three months period ended 31 March 2021G.

Unamortized deferred charges represent the deferred admin and management fee payable by the Company over the remaining tenor of the bank loans. Such charges were not accrued as at the end of each statement of financial position date. These charges normally range from 0.25% - 1.0% of the loan amount.

Accrued finance cost represents the profits due as at each statement of financial position date and was paid in the subsequent period.

Lease liabilities

The Company adopted IFRS 16 with effect from 1 January 2019G and recognized the lease liabilities in line with the requirements of the said standard. Refer to accounting policies section for details.

Financing Details

The following table presents a summary of the financing details as at 31 March 2021G.

Table 137: Financing details

SAR'000	As at 31 March 2021G						
	Type of loan	Maturity (months)	Accounts receivable coverage	Profit rate swaps	Available limit	Outstand-ing	Headroom
Bank Albilad	Revolving	24	125%	No	300,000	112,922	187,078
Al Rajhi Bank	Revolving	29	125%	No	400,000	153,679	246,321
National Bank of Bahrain	Revolving	6	125%	No	150,000	32,500	117,500
Riyad Bank	Revolving	27	135%	Yes	400,000	180,573	219,427
Bank AlJazira	Revolving	42	120%	No	150,000	9,000	141,000
Emirates NBD	Revolving + term	23	125%	No	115,552	59,552	56,000
SNB (1)	Term	2	135%	Yes	-	2,036	-
SABB (2)	Revolving	N/A	125%	Yes	400,000	-	400,000
SAMBA	Revolving	N/A	125%	No	200,000	-	200,000
SAMA loan (3)	Term	Varied (3)	N/A	No	7,395	7,038	-
Total					**2,122,947**	**557,300**	**1,567,326**

Source: Management information

Note (1): The facility limit as per agreement was SAR 120.0 million which was fully utilized by Company. The outstanding payable balance amounted to SAR 2.0 million at 31 March 2021G. Being a term loan, no headroom is available

Note (2): Previously Alawwal. After the merger of Alawwal and SABB bank, previous facility amounting to SAR 505.0 million from Alawwal bank was replaced with a new facility of SAR 400.0 million from SABB.

Note (3): During 2020G, SAMA provided profit-free loans of SAR 7.4 million to the Company in three batches (Batch 1: SAR 2.7 million received on 5 October 2020G, Batch 2: SAR 4.3 million received on 23 December 2020G and Batch 3: SAR 0.4 million received on 30 December 2020G). Batch 1 is repayable in 15 monthly instalments with first instalment in February 2021G. Batch 2 is repayable in 18 monthly instalments with first instalment in April 2021G. Batch 3 is repayable in 15 monthly instalments with first instalment in May 2021G. Such loans were provided to facilitate the financing companies against SAMA's order to defer instalments of SMEs for six months period during Covid-19 pandemic in 2020G.

The Company has financing facilities of SAR 2.1 billion from various banks as at 31 March 2021G. The Company has utilized 26.3% of the total facilities with available headroom of SAR 1.6 billion as at 31 March 2021G.

During the three months period ended 31 March 2021G, the Company signed a new revolving facility agreement with SAMBA for SAR 200.0 million. No amount was withdrawn from this facility as at 31 March 2021G.

Bank wise outstanding bank financing

The following table presents a summary of bank wise outstanding bank financing as at 31 December 2020G and 31 March 2021G

Table 138: Bank wise outstanding bank financing

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Riyad Bank	208,884	180,573	(13.6%)
Bank Albilad	146,080	112,922	(22.7%)
Al Rajhi Bank	199,333	153,679	(22.9%)
National Bank of Bahrain	10,000	32,500	225.0%
Bank AlJazira	9,500	9,000	(5.3%)
Emirates NBD	61,917	59,552	(3.8%)
SNB	9,459	2,036	(78.5%)
SAMA loans	7,395	7,038	(4.8%)
Total	**652,567**	**557,300**	**(14.6%)**

Source: Management information

Fluctuations in outstanding balance with the banks as at between 31 December 2020G and 31 March 2021G was due to additional drawdowns and repayments made by the Company in accordance with the terms of financing agreements.

Table 139: Borrowing Compliance as per SAMA

SAR'000	As at 31 December	As at 31 March
	2020G	2021G
Total equity and reserves (A)	1,119,375	1,177,299
Limit as per SAMA (B)	2	2
Total allowed limit (C=A*B)	2,238,750	2,354,598
Total outstanding (D)	(661,354)	(561,378)
Borrowing headroom (E=C+D)	**1,577,396**	**1,793,220**
Compliance ratio as per FS	0.6	0.5
Compliance	**Compliant**	**Compliant**

Source: Management information

Between 31 December 2020G and 31 March 2021G, the Company remained compliant with the lending covenants as per SAMA regulations which states that the aggregate amount of finance offered by a finance company shall not exceed two folds the capital and reserves of a Company engaging in finance activities (other than real estate financing) during a certain year or period.

Table 140: Financial covenants

	As at 31 December 2020G	As at 31 March 2021G
Al Awwal bank		
A minimum current ratio of 1x is to be maintained throughout the duration of the facilities	✓	✓
A minimum Tangible Net Worth of SAR600.0m throughout the duration of the facilities	✓	✓
The Leverage ratio (Total liabilities divided by Tangible Net Worth) should not to exceed 3x throughout the duration of he facilities	✓	✓
Total Debt/Gross Receivable (Short/Long) not to exceed 80% throughout the life-time of the facilities	✓	✓
Al Bilad Bank		
Receivables coverage 125%	✓	✓
Interest coverage should not be less than 3x	✓	✓
Submission of quarterly financial statements	✓	✓
The Leverage ratio (Total liabilities divided by Tangible Net Worth) should not to exceed 2.5x throughout the duration of he facilities	✓	✓
National Bank of Bahrain		
Minimum tangible net worth of SAR 900.0m (prior to FY18 SAR 550.0m)	✓	✓
Minimum current ratio of 1.25x	✓	✓
Maximum leverage of 3x	✓	✓
Loans obtained during any fiscal year with maturity above 3 years must not exceed 500% of the shareholding	✓	✓
Bank Al-Jazira		
To maintain a maximum tangible leverage ratio at (1.5 : 1)	✓	✓
Current ratio not to fall below (1 :1)	✓	✓
Al Rajhi Bank		
Company shall provide the annual financial statements within 90 days of the year end	✓	✓
Lending portfolio should not exceed 3x of the shareholders' equity	✓	✓
Riyad Bank		
Maximum leverage ratio to be at 2:1	✓	✓
Coverage of the financial amount to be 135% during the life of the loan	✓	✓
Minimum current ratio to be at 1.25x	✓	✓
Total financing should not exceed 3x obligor's total equity	✓	✓
SNB		
Maximum leverage ratio of 2.8 :1	✓	✓

	As at 31 December	As at 31 March
	2020G	2021G
The receivables shall not be less than 135% (125% disclaimer from benefits of receivables, 10% A reserve amount of the outstanding obligation)	✓	✓
Minimum liquidity ratio of 1:1.2	✓	✓
Total amounts financed shall not exceed 3x Nayifat's shares	✓	✓
Default in banks portfolio shall not exceed 5%, in case if the default rate is calculated by the relevant department (the volume of exposure to the contract is more than 90 days and inactive against the size of the contract) and exceeding 5%, the contract shall be replaced by another contract through a commitment from the Nayifat to include the replacement list	✓	✓
Emirates NBD		
Total Debt / Equity Ratio not to exceed 3 : 1	✓	✓
Debt to EBITDA should not exceed to 4 : 1	✓	✓
Total debt / Gross receivables portfolio not to exceed 80%	✓	✓
Dividend payout ratio not to exceed 50% of net profit after Zakat	✓	✓
Gross non-performing loan to not exceed to 8%	✓	×
Non-performing loans coverage to be minimum 30%	✓	✓
Samba		
Assignment of receivables covering 125% of the outstanding exposure	✓	✓
No single obligor should count for more than 5% out of total assigned receivables	✓	✓
Tangible net worth (after adjusting intangibles) shall be no less than SAR 900.0m	✓	✓
Leverage ratio should not exceed 3:1	✓	✓
Company not to allow bank borrowings to finance more than 85% of the net trade receivables portfolio	✓	✓
Current ratio to be better than 1.5:1	✓	✓
Not to pay or distribute any dividend exceeding 100.0% of net income	✓	✓

Source: Management information

*✓: compliant

×: non-compliant

Short-term and long-term agreements include a number of financial covenants which the Company should abide with. It should be noted that the Company was in full compliance with the covenants highlighted in the financing agreements. The only non-compliance instance was noted in the case of the financial covenant mentioned in the Emirates NBD agreement and which states that the non-performing loans should not exceed 8% of gross receivables at any given date. However, the Company's non-performing loans stood at 8.4% and 8.8% of gross receivables at 31 December 2020G and 31 March 2021G, resulting in breach of a covenant related to the Emirates NBD facility. The aforementioned breach resulted from delays in collections due to customers wanting to maintain certain high cash levels prior to the start of the Ramadan month.

Table 141: Profit rate swap arrangements

SAR'000	As at 31 December		As at 31 March		Dec20 vs Mar21 charge for the period
	2020G		2021G		
	Notional value	MITM Loss / (gain)	Notional value	MITM Loss / (gain)	
Al Awwal Bank	-	-	-	-	-
SNB	9,146	54	3,055	9	(45)
Total	**9,146**	**54**	**3,055**	**9**	**(45)**

Source: Management information

The Company entered into profit rate swap arrangements as part of the financing agreements with Al Awwal Bank and SNB. The notional value of the profit rate swap arrangements stood at SAR 9.1 million as at 31 December 2020G and SAR 3.1 million as at 31 March 2021G. It should be noted that AlAwwal bank's swap was matured on 31 December 2020G; whereas, the SNB related swap will mature in the first quarter of 2021G.

Zakat payable

The following table presents the summary of historical and potential Zakat liability as at 31 March 2021G.

Summary of historical and potential liabilities (SAR'000)			
Years	Zakat	Payments	Potential liability
2009G-2013G	15,309	(15,309)	-
2014G-2017G (settlement plan)	36,065	(18,754)	17,311
2018G (Settled)	17,237	(17,237)	-
2019G (open)	22,017	(22,017)	-
2020G - Zakat provision (Out of this amount SAR 23.3 million was paid to ZATCA 29 April 2021G)	23,278	-	23,278
Three months period ended 31 March 2021G	5,953	-	6,700
Total	**119,857**	**(73,316)**	**47,289**
Provision Zakat and tax as per financial statements			30,512
Recorded in Zakat payable			17,311
Total liability booked as at 31 March 2021G			**47,823**

Source: Financial statements and management information

The Company has booked additional Zakat provision of SAR 6.7 million for the three months period ended 31 March 2021G.

No Zakat payments were made during the three months period ended 31 March 2021G.

The Company is up to date with its Zakat declarations and has submitted its Zakat return for the financial year 2020G in a timely manner and has obtained the Zakat certificate. Financial year 2018G, 2019G and 2020G are open for assessment since ZATCA did not raise any assessment for this year.

Provision for Employees' End of Service Benefits

The following table presents a summary of employees' end of service benefits as at 31 December 2020G and 31 March 2021G.

Table 142: Provision for Employees' End of Services Benefits

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Opening	7,802	9,391	20.4%
Charge for the year / period	3,076	914	(70.3%)
Benefits paid	(1,487)	(225)	(84.9%)
Closing	**9,391**	**10,079**	**7.3%**

Source: Financial Statements and Management information

Provision for employees end of service benefits increased by 7.3% from SAR 9.4 million at 31 December 2020G to SAR 10.1 million at 31 March 2021G. This primarily resulted from increase in current service of the existing employees.

6.7.3 Shareholders' equity

The following table presents a summary of shareholders' equity as at 31 December 2020G and 31 March 2021G.

Table 143: Shareholders' equity

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Share capital	1,000,000	1,000,000	-
Statutory reserve	60,290	60,290	-
Retained earnings	59,085	117,009	98.0%
Total	**1,119,375**	**1,177,299**	**5.2%**

Source: Financial Statements and management information

Total equity increased by 5.2% from SAR 1,119.4 million at 31 December 2020G to SAR 1,177.3 million at 31 March 2021G. This was mainly on account of retained earnings driven by the net income of SAR 57.9 million recorded during the three months period ended 31 March 2021G.

The Company has the practice of distributing the dividends on a semi-annual basis. Hence, no dividends were distributed during the three months ended 31 March 2021G.

6.7.4 Interim statement of Cash flows

The following table presents a summary of the Company's interim statement of cash flows for the financial periods ended 31 March 2020G and 2021G.

Table 144: Interim Statement of Cash flows

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Net cash generated from operating activities	82,333	30,370	(63.1%)
Net cash used in investing activities	(14,652)	46,189	(415.2%)
Net cash used in financing activities	105,270	(95,268)	(190.5%)
Net cash flows for the period	**172,951**	**(18,709)**	**(110.8%)**
Opening cash and cash equivalents	52,596	70,092	33.3%
Closing cash and cash equivalents	**225,547**	**51,383**	**(77.2%)**

Source: Financial Statements and management information

6.7.4.1 Interim Statement of Cash Flows from Operating Activities

The following table presents a summary of the interim statement of cash flows from the Company's operating activities for the financial periods ended 31 March 2020G and 2021G.

Table 145: Interim Statement of Cash Flows from Operating Activities

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Net income for the period before Zakat	59,758	64,624	8.1%
Adjustments for non-cash items			
Depreciation and amortization	2,928	3,082	5.3%
Provision for employees' end of service benefits	764	688	(9.9%)
Reversal of impairment - net	(544)	(5,409)	894.3%
Finance costs	13,894	5,999	(56.8%)
Changes in operating assets and liabilities			
Islamic financing receivables	28,603	(24,051)	(184.1%)
Prepayments and other receivables	(7,925)	(4,772)	(39.8%)
Accruals and other liabilities	(94)	1,930	2,153.2%
Rental paid	(1,157)	(1,016)	(12.2%)
Finance costs and other charges paid	(13,894)	(10,705)	(23.0%)
Net cash generated from operating activities	**82,333**	**30,370**	**(63.1%)**

Source: Financial Statements and management information

Cash flow from operations declined by 63.1% during the three months period ended 31 March 2021G as compared to the corresponding period in 2020G. This primarily resulted from the increase in Islamic financing receivables during the three months period ended 31 March 2021G.

6.7.4.2 Interim statement of cash flows from investing activities

The following table presents Nayifat's interim statement of cash flows from investing activities for the financial periods ended 31 March 2020G and 2021G.

Table 146: Interim statement of cash flows from investing activities

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Additions to property and equipment	(1,806)	(1,356)	24.9%
Additions to intangibles	(2,257)	(2,403)	(6.5%)
Term and margin deposits	(10,589)	49,948	571.7%
Net cash generated from (used in) / generated from investing activities	**(14,652)**	**46,189**	**415.2%**

Source: Financial Statements and management information

Net cash outflow of SAR 14.7 million during the three months period ended 31 March 2020G turned into net cash inflow of SAR 46.2 million during the three months period ended 31 March 2021G. This was primarily on account of maturity of term deposit with Emirates NBD amounting to SAR 50.0 million during the three months period ended 31 March 2021G.

6.7.4.3 Interim statement of cash flows from financing activities

The following table presents Nayifat's interim statement of cash flows from financing activities for the financial periods ended 31 March 2020G and 2021G.

Table 147: Interim statement of cash flows from financing activities

SAR'000	Three months period ended 31 March		Increase/(decrease)
	2020G	2021G	March 2021G
Proceeds from financings	203,388	30,000	(85.2%)
Repayment of financings	(98,118)	(125,268)	(27.7%)
Net cash generated from / (used in) financing activities	**105,270**	**(95,268)**	**(190.5%)**

Source: Financial Statements and management information

Net cash outflow of SAR 95.3 million was recorded during the three months period ended 31 March 2021G as compared to an inflow of SAR 105.3 million during the corresponding period in 2020G. This was primarily due to lower drawdown of additional funding and higher repayments made to the banks during the three months period ended 31 March 2021G as compared to the corresponding period in 2020G.

6.7.5 Related party transactions and balances

The following table presents a summary of related party transactions for the financial periods ended 31 March 2020G and 2021G.

Table 148: Related party transactions

SAR'000	Nature of transaction	Three months period ended 31 March	
		2020G	2021G
Key management personnel	Compensation for the period	2,907	3,309
	Employees' end of service benefits	436	285
	Incentive for continuing service	2,917	-
Directors and Board Committee members	Remuneration for the period of Directors and Board Committee members	840	850
Other related parties	Zakat/VAT consultancy fee	95	146
	IT software services rendered	1,971	2,011
Affiliates	Commodities/ securities dealings account - deposit made	11,000	500
	Rental charge	453	492
	Advisory charges and other	10	-
Total		**20,629**	**7,593**

Source: Financial Statements

Key management personnel

Compensation for the period: This included compensation paid to CEO and the senior management of the Company. No material fluctuation was witnessed between the three months period ended 31 March 2020G and 2021G.

Employees' end of service benefits: This represents the benefits accrued to the senior management of the Company. No material fluctuation was witnessed between the three months period ended 31 March 2020G and 2021G.

Incentive for continuing service: This represents the amortization charge of the loan amounting to SAR 35.0 million provided to executive employees for the purchase of the Company's shares. This balance was being amortized over a period of three years with a last maturity date of 31 December 2020G. Hence, no such transaction was recorded during the three months period ended 31 March 2021G.

Directors and Board Committee members

Remuneration for the period of Directors and Board Committee members: This represents the remuneration and attendance allowances accrued for the Directors and Board Committee members.

Other related party

Zakat and VAT consultancy fee: These transactions did not witness material fluctuation between the three months period ended 31 March 2020G and 2021G.

IT Software services provided: These transactions did not witness material fluctuation between the three months period ended 31 March 2020G and 2021G.

Affiliates

Commodities/ securities dealings account deposit made: The decrease in the transactions from SAR 11.0 million during the three months period ended 31 March 2020G to SAR 0.5 million during the three months period ended 31 March 2021G. This was primarily due to payment of SAR 11.0 million during the three months period ended 31 March 2020G for commodity purchasing. No such material transaction was carried out during the three months period ended 31 March 2021G.

Rental charge: No material fluctuation was witnessed between the three months period ended 31 March 2020G and 2021G.

The following table presents a summary of the balances of related parties as at 31 December 2020G and 31 March 2021G.

Table 149: Related party balances

SAR'000	As at 31 December	As at 31 March	Increase/(decrease)
	2020G	2021G	March 2021G
Receivables from / advances to related parties			
Affiliates - short-term deposits	34,562	34,616	0.2%
Total	**34,562**	**34,616**	**0.2%**
Payables / accruals			
Key management compensation and Board remuneration	13,303	2,154	(83.8%)
Provision of EOSB of Key Management Personnel	3,263	2,764	(15.3%)
Total	**16,566**	**4,918**	**(70.3%)**

Source: Financial Statements and management information

Receivables from / advances to related parties

Affiliates – short term deposits: No fluctuation was witness between 31 December 2020G and 31 March 2021G.

Payables / Accruals

Key management compensation and Board remuneration: This relates to the accrued bonus payable to senior management as well as remuneration payable to board members. The decrease in the balance at 31 March 2021G was due settlement of SAR 9.8 million during the month of January 2021G by the Company.

Provision of EOSB of Key Management Personnel: No material fluctuation was witnessed between 31 December 2020G and 31 March 2021G.

6.7.6 Commitments and Contingencies

Contingencies

The Company had certain legal cases against the Company pending in courts. However, based on Company's best estimates, there are no significant contingencies as at 31 March 2021G.

Capital Commitments

There are no significant capital commitments as at 31 March 2021G.

Operating Lease Commitments

The following table presents a summary of the operating lease commitments at 31 December 2018G, 2019G and 2020G.

Table 150: Operating lease commitments

SAR'000	Financial year ended as at 31 December		
	2018G	2019G	2020G
Less than one year	3,162	-	-
1-5 years	6,503	-	-
More than 5 years	59	-	-
Total	**9,724**	**-**	**-**

Source: Financial Statements

The Company's operating lease commitments relate to rentals of branch offices. Upon application of IFRS 16, lease commitments exceeding one year were recognized as operating lease liabilities, whereas, short-term lease contract commitments amounted to SAR 1.3 million each at 31 December 2020G and 31 March 2021G.

Credit Card related Commitments

The Company's credit card related comprise irrevocable commitments to extend credit. The unused portion of these commitments amounted to SAR 2.1 million and SAR 1.9 million as at 31 December 2020G and 31 March 2021G, respectively.

7- Dividend Distribution Policy

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights and obligations attached to the Shares equally, including the right to receive a portion of the dividends declared. Payment of any dividends will be recommended by the Board as part of its annual report before being approved by the Shareholders at a General Assembly meeting. Neverthless, to the Company does not guanrantee any distribution of dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position, and such other factors as the Board deems relevant, in addition to legal and regulatory considerations. The Company's expectations regarding these factors are dependent on many assumptions, risks and uncertainties that may be beyond the Company's control (for a discussion of the risks associated with the distribution of dividends, see Section 2.3.5 ("Risks Related to the Company's ability to distribute dividends".) For example, the Shares entitle their holders the right to receive any dividends that the Company declares from the date of this Prospectus and for subsequent financial years. Although the Company intends to distribute dividends to its Shareholders on annual basis, the Company does not guarantee the distribution of such dividends or the amounts to be distributed in any given year.

It is the Company's intention to make dividend payments to its Shareholders with a view to maximizing Shareholders' investments in line with the Company's capital expenses and investment requirements, depending on the Company's income and financial position, market conditions, general economic conditions and other factors, including the Company's reinvestment needs, cash and capital needs, business prospects and economic activity as well as other legal and regulatory considerations.

In addition, investors who wish to invest in the Offer Shares should be aware that the Dividend Distribution Policy may change from time to time.

Although the Company intends to pay annual dividends to its Shareholders, it does not make any assurance that dividends will actually be paid nor any assurance as to the amount which will be paid in any given year. Distribution of dividends is also subject to a number of restrictions provided in the Company's Bylaws and in Article 26 of the Implementing Regulations of the Finance Companies Control Law that obligates the Company (1) to ensure that the distribution does not decrease its level of capital and liquidity ratios from prescribed levels; (2) the total distributions in the financial year shall not exceed the profits achieved during the last financial year; and (3) compliance with any other conditions determined by SAMA, in addition to the requirement of obtaining a non-objection prior to distributing, announcing or recommending the distribution of dividends of any other distributions. Dividends will be distributed in Saudi Riyals.

The Company's annual net profits shall be distributed as follows:

1- ten percent (10%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;
2- the Ordinary General Assembly may, at the request of the Board, set aside ten percent (10%) of the net profits to form an additional reserve to be allocated towards one or more specific purposes determined by the Assembly;
3- the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders;
4- out of the balance of the net profits, Shareholders shall receive a payment of no less than 5% of the Company's paid-up capital;
5- subject to Article 21 of the Company's Bylaws, no more than 10% of the balance will be allocated to Director remuneration, provided that entitlement to such remuneration is prorated to the number of meetings attended by a Director; and
6- the balance shall then be distributed to the Shareholders as a share in the profits or transferred to the retained earnings account.

The Shareholder shall be entitled to their dividend share, whether in cash or in the form of shares, in accordance with the resolution issued by the Ordinary General Meeting pertaining to such distribution. The resolution shall also set out the entitlement date and distribution date. Shareholders who are registered in the Shareholders Registers at the end of the day on the set entitlement date shall be entitled to dividends.The dividend distribution policy is aligned with Article 49 of the Company's Bylaws.

The Company may engage a third party commercial bank with which the Company does business to organise and complete dividend distribution. In any case, the use of a third party shall exempt the Company from its legal responsibility to the Shareholders with regard to dividend distribution.

By a Board Resolution and subject to CMA rules, the Company may, quarterly or semi-annually, distribute interim dividends.

Following is a summary of dividends declared and distributed by the Company since the start of 2018G:

Table 151: Dividends Distributed for the Years Ended 31 December 2018G, 2019G, and 2020G

	2018G (Thouusand SAR)	2019G (Thouusand SAR)	2020G (Thouusand SAR)
Dividends declared for the period	85,000	85,000	98,507
Number of Shares	85,000	85,000	100,000
Dividends paid during the period for one share (Saudi Riyal)	1	1	0,985
Dividends paid for the period	85,000	85,000	98,507
Company's share capital during the period	850,000	850,000	1,000,000
Net Profit for the year	176,561	218,821	201,465
Dividend to Profit Ratio	48%	39%	49%

Source: The Company

Offer Shares are not entitled to any dividends declared prior to the date of this Prospectus. Offer Shares shall be entitled to dividends declared by the Company from the date of this Prospectus and subsequent financial years. As at the date of this Prospectus, the Directors confirm that there are no declared or outstanding dividends for the said periods except as set out above.

Dividends were distributed by virtue of a decision of the Board of Directors dated 24/05/2021G for 77 million Saudi Riyals, 2021G, equivalent to 0.77 Riyals per share. On 08/06/2021G, the Shareholders were notified that the Company had obtained no objection from SAMA for the Company to distribute cash dividends for the mentioned period.

8- Use of Offering Proceeds

The total proceeds from the Offering are estimated at one billion one hundred and ninety million Saudi Riyals (SAR 1,190,000,000), of which approximately SAR fifty one million (51,000,000) will be applied towards the Offering expenses, which include the fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisors, Auditor, Receiving Entities, Market Consultant, and other consultants, as well as marketing, printing, translation and distribution fees and other costs and expenses related to the Offering. The Company will not receive any part of the net Offering Proceeds.

The net Offering proceeds of approximately SAR one billion one hundred thirty-nine million 1,139,000,000 will be distributed to the Selling Shareholders on a pro-rata basis, according to the number of Offer Shares to be sold by each of them in the Offering. The Company will not receive any part of the net proceeds from the Offering. The Selling Shareholders will bear all fees, expenses and costs related to the Offering.

9- Capitalisation and Indebtedness of the Company

Prior to the Offering, the Selling Shareholders owned the entire share capital of the Company and, following completion of the Offering, the Selling Shareholders will own 65% of the share capital of the Company

The table below sets out the capitalisation of the Company as derived from the Financial Statements. The following table should be read in conjunction with the relevant Financial Statements which are set out in Section 19 (“Financial Statements and Auditor’s Report”).

Table 152: Capitalisation and Indebtedness of the Company

(SAR thousands)	As at 31 December 2018G	As at 31 December 2019G	As at 31 December 2020G	As at 31 March 2021G
Islamic bank financing	681,791	868,616	661,354	561,378
Shareholders equity				
Share capital	850,000	1,000,000	1,000,000	1,000,000
Statutory reserve	18,261	40,143	60,290	60,290
Retained earnings	79,487	41,426	59,085	117,009
Treasury shares	-	(65,152)	-	-
Total shareholders equity	947,748	1,016,417	1,119,375	1,177,299
Total capitalisation (Total Islamic banking finance + Total shareholders’ equity)	1,629,539	1,885,033	1,780,729	1,738,677
Islamic bank financing to total capitalisation	41.84%	46.08%	37.14%	32.29%

Source: Financial Statements and management information

The Directors declare that:

a. none of the Company’s shares are subject to shares options rights;

b. the Company does not have any debt instruments as at the date of this Prospectus; and

c. the Company’s cash balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months following the date of this Prospectus.

10- Statements by Experts

All advisors and the Auditor, whose names are listed on Page (viii), (ix) and (x) have given their written consent to the reference to their names, addresses and logos and to the publication of their statements in this Prospectus as received, and have not, as of the date of this Prospectus, withdrawn their consent. Moreover, as of the date of this Prospectus, neither the advisors nor any of their employees, forming part of the working group providing services to the Company, or their relatives, have any shareholding interest or hold any shares in the Company, nor do they have an interest in the Company of any kind, which would impair their independence.

11- Directors' Declarations

The Directors declare that:

1- Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere;

2- they have not, nor any of the Senior Executives or Board Secretary have been declared bankrupt or been subject to bankruptcy proceedings at any time;

3- there has been no declaration, within the last five years, of any bankruptcy or insolvency of any of the Company's Directors, Senior Executives or Secretary holding an administrative or supervisory position;

4- except as described in Section 12.11 ("Related Party Transactions"), none of the Directors, Senior Executives, Secretary, or any relatives or affiliates thereof have any interest in any existing written or oral contracts, arrangements or agreements under consideration or to be concluded with the Company as at the date of this Prospectus;

5- except as disclosed in Section 5.3 ("Board of Directors and Board Secretary") and Section 5.7 ("Executive Management"), none of the Directors, Senior Executives, Secretary, or any relatives thereof have any shares or interests of any kind in the Company. The Company shall not provide a cash loan of any kind to the Directors or guarantee any loan obtained by a Director;

6- except as disclosed in Section 5.3 ("Board of Directors and Board Secretary"), Section 5.7 ("Executive Management"), and Section 5.8 ("Remuneration and Compensation of Directors and Executive Management"), no commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Company during the three years preceding the date of application for registration and offer of securities with respect to the issuance or offering of any securities;

7- there has been no interruption in the Company's business that may influence or have a significant impact on the financial position during the last 12 months;

8- there is no intention to materially change the nature of the Company' activities;

9- the Directors have not voted on resolutions in connection with related party transactions or contracts in which they have a direct or indirect interest;

10- there has been no material adverse change in the Company's financial or trading position during the three years immediately preceding the date of filing the application for registration and offer of securities subject to this Prospectus with the CMA, until the approval date of this Prospectus;

11- there are no employee share schemes that would involve employees in the Company's share capital, and no other similar arrangements are in place;

12- the Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation, which would adversely and materially affect the financial position;

13- except as disclosed in Section 2 ("Risk Factors"), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have a material impact (directly or indirectly) on its business;

14- except as disclosed in Section 2 ("Risk Factors"), the Company is not aware of any seasonal factors or economic cycles related to the business that may have an effect on the Company's businesses or financial position;

15- the statistical information used in Section 3 ("Market Overview") obtained from third-party sources represents the latest information available from each respective source;

16- all contracts and agreements that the Company believes to be significant or material or which may affect investors' decisions to invest in the Offered Shares have been disclosed, andthere are no other material agreements that have not been disclosed;

17- all terms and conditions that may affect investors' decisions to invest in the Offer Shares have been disclosed;

18- as at the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities, and the Company has no intention to enter into any new agreements with Related Parties except as set out in Section 12.11 ("Related Party Contracts and Transactions");

19- The Selling Shareholders will bear all expenses and costs related to the Offering, and such costs will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisors, Auditor, Market Consultant, and Receiving Entities, as well as marketing, printing, translation and distribution fees and other expenses related to the Offering;

20- except as disclosed in Section 2.1.18 ("Risks related to potential Tax and Zakat liability"), there is no dispute with or objection from Zakat, Tax and Customs Authority;

21- they have developed procedures, controls and systems that enable the Company to meet all requirements of the relevant laws and regulations, including the Companies Law, the Capital Market Law and its Implementing Regulations, the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules;

22- all increases in the Company's share capital are in compliance with the laws and regulations of the KSA;

23- except as disclosed in Section 2 ("Risk Factors"), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

24- the Company has obtained all necessary licenses and permits to carry out its business activities;

25- except as disclosed in Section 12.14 ("Litigation, Claims, and Statutory Procedures"), the Company is not party to any litigation, claims, lawsuits or current proceedings that could materially affect the Company's business operations or financial position;

26- except as disclosed in Section 12.7 ("Financing Agreements"), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding borrowings or indebtedness (including commercial bank overdrafts, liabilities under acceptance, acceptance credits or purchase commitments);

27- none of the Company's assets are under mortgage, right or charge as at the date of this Prospectus;

28- the Company has working capital sufficient for at least twelve (12) months immediately following the date of publication of this Prospectus;

29- as at the date of this Prospectus, the Company does not have a policy in connection with research and development;

30- the financial information contained in this Prospectus has been derived from the Financial Statements for the financial years ending on 31 December 2018, 2019 and 2020, as well as the financial statements for the three months period ending on 31 March 2021 and no material amendments have been made thereto except for rounding;

31- the Company is capable of preparing the required reports in a timely manner in accordance with the Implementing Regulations issued by the CMA;

32- all necessary approvals have been obtained from lenders to offer 35% of the Company's shares through an IPO; and the Company is compliant with all terms and conditions of agreements with all lenders, who have granted the Company loans, facilities and financing;

33- The legal and beneficial ownership of the shares in the Company as of the date of this Prospectus belongs to the people whose names are listed in Table 42: (Ownership Structure of the Company Pre and Post Offering")

34- With the exception of what is stated in Section 12.11("Related Party Transactions") and Section 2.2.10 ("The impact of changes in laws and government policies in the Kingdom"), all related party transactions that were previously entered into by the Company, including the determination of the material consideration for the transaction, has been carried out in a regular and legal manner and on appropriate and fair commercial basis, as is done with other third parties. The members of the Board of Directors also acknowledge that all future dealings with related parties will be conducted on a commercial basis, and all related parties transactions will be voted on during Board meetings, and- if the rules require so – during the Company's General Assembly, with abstinence from the relevant Board member to vote on decisions related to the business and transactions made for the account of the Company and in which they have a direct or indirect interest, whether it be during the Board of Directors or the General Assembly meetings.

35- With the exception of what is stated in Section 12.11 ("Related Party Transactions"), members of the Board of Directors or their relatives or Senior Executives have no interest in any agreement or contract valid or expected to be concluded on the date of this Prospectus.

In addition to the above, the Directors confirm that:

1- third-party information and data included in this Prospectus, including information obtained or derived from the market study report conducted by the Market Consultant, is reliable and there is no reason to believe that such information is materially inaccurate;

2- the Company has established appropriate internal control systems, including a written policy to regulate conflicts of interest and address any possible conflicts, which include the misuse of the Company's assets and abuse resulting from Related Party transactions. The Company has also ensured that its operational and financial systems are sound and that appropriate control procedures for risk management are in place, as required under Part 5 of the Corporate Governance Regulations. The Directors also review the Company's internal control procedures annually;

3- the Company's internal control, accounting, and information technology systems are sufficient and adequate;

4- except as disclosed in Section 12.11 ("Related Party Transactions"), as at the date of this Prospectus, there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;

5- as at the date of this Prospectus, none of the Directors have participated in any activities similar to or in competition with the Company's activities. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

6- unless otherwise approved by the General Assembly on a yearly basis, the Directors shall not have a direct or indirect interest in the transactions and contracts entered into by the Company;

7- the Directors shall notify the Board of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board meeting;

8- all Related Party transactions for the year ending 31/12/2021G shall be entered into on a commercial basis and all works and contracts with Related Parties shall be subject to a vote in Board meetings and in the General Assembly and, if required by regulation, without the vote of the Directors on any resolution related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

9- the Directors and the CEO shall not have the right to vote on decisions relating to their fees and remuneration; and

10- neither the Directors nor any Senior Executive shall obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

1- record all resolutions of the Board of Directors as written meeting minutes, which shall be signed by the Directors;

2- disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations; and

3- comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.

12- Legal Information

12.1 Declarations Related to Legal Information

1- the Offering does not violate the applicable laws and regulations in the Kingdom;

2- the Offering does not breach the terms of any contracts or agreements to which the Company is a party to;

3- all material legal information relating to the Company has been disclosed in the Prospectus;

4- except as disclosed in Section 12.14 ("Litigation, Claims, and Statutory Procedures"), the Company is not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company; and

5- the Directors are not involved in any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Issuer.

12.2 The Company

Nayifat Finance Company is a closed joint stock company registered with the Commercial Register of Riyadh under No. 1010176451 dated 21/02/1423H (corresponding to 04/05/2002G). Its registered address is Al Worood District, Al Olaya Main Street, FALCOM Financial Services Building, P.O. Box: 27389, Riyadh, 11417 Kingdom of Saudi Arabia. The current share capital of the Company is one billion Saudi Riyals (SAR 1,000,000,000) divided into one hundred million (100,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The Company has received a Membership Certificate with the number 121759 issued on 21/02/1423H (corresponding to 04/05/2002G) by the Riyadh Chamber of Commerce. The certificate is valid until 20/02/1447H (corresponding to 14/08/2025G). The Company's activities, per its Commercial Registration certificate, include: lease financing, SME financing, credit card financing, and consumer financing.

The Company's activities are focused on providing Shariah-compliant financial solutions to individuals and institutions for the purpose of financing their personal needs and developing their businesses. The Company has twenty-seven (27) branches (that are located across twenty-three (23) cities in Saudi Arabia (for more details about the Company's branches, see Section 12.4 "Company Branches" of this Prospectus).

12.2.1 Shareholding Structure

The current share capital of the Company is one billion Saudi Riyals (SAR 1,000,000,000), fully paid and divided into one hundred million (100,000,000) ordinary cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

The following table sets out the shareholding structure of the Company pre-and post-Offering:

Table 153: Shareholding Structure of the Company

Shareholder	Pre-Offering						Post-Offering					
	Number of Shares	Total Nominal Value (SAR)	Direct Ownership Percentage1	Number of Shares	Total Nominal Value (SAR)	Indirect Ownership Percentage	Number of Shares*	Total Nominal Value (SAR)	Direct Ownership Percentage2	Number of Shares	Total Nominal Value (SAR)	Indirect Ownership Percentage
FALCOM Holding Company	73,854,638	738,546,380	73.855%	-	-	-	48,005,515	480,055,150	48.006%	-	-	-
Saud Huwaimel Farraj Al Dosari	7,866,128	78,661,280	7.866%	-	-	-	5,112,983	51,129,830	5.113%	-	-	-
Abdulaziz Saud Omar Al Blehed	7,252,249	72,522,490	7.252%	-	-	-	4,713,962	47,139,620	4.714%	-	-	-
Mohammad Ali Mohammad Al Hokal	4,539,566	45,395,660	4.54%	-	-	-	2,950,718	29,507,180	2.951%	-	-	-
Abdulmohsen Abdulrahman Musaed Al Sowailem	2,433,959	24,339,590	2.434%	800,643	800,643	0.801%	1,582,073	15,820,730	1.582%	520,418	520,418	0,520%
Al Fahd Company for Trading, Industry and Contracting	1,966,834	19,668,340	1.967%	-	-	-	1,278,441	12,784,410	1.278%	-	-	-
Saad Ali Sulaim Al Qahtani	1,475,134	14,751,340	1.475%	-	-	-	958,837	9,588,370	0.959%	-	-	-
Noura Talal Khalil Al Muhaid	172,933	1,729,330	0.173%	-	-	-	112,406	1,124,060	0.112%	-	-	-
Hussain Mohammad Salem Al Shakrah	169,922	1,699,220	0.170%	-	-	-	110,450	1,104,500	0.110%	-	-	-
Sultan Shweit Waqain Al Otaibi	81,132	811,320	0.081%	-	-	-	52,736	527,360	0.053%	-	-	-
Turki Naser Hamad Al Saad Al Qahtani	56,792	567,920	0.057%	-	-	-	36,915	369,150	0.037%	-	-	-
Turki Suleiman Saleh Al Obaid	56,792	567,920	0.057%	-	-	-	36,915	369,150	0.037%	-	-	-
Ahmed Ibrahim Farie Hamli	48,680	486,800	0.048%	-	-	-	31,642	316,420	0.032%	-	-	-
Ayman Ahmed Abdulkarim Al Zayer	25,241	252,410	0.025%	-	-	-	16,407	164,070	0.016%	-	-	-
Public	-	-	-	-	-	-	35,000,000	350,000,000	35.00%	-	-	-
Total	100,000,000	1,000,000,000	100%	-	-	-	100,000,000	1,000,000,000	100%	-	-	-

Source: The Company

*The resulting fractions of shares after the offering were distributed to the shareholders in the manner shown in the table.

1- The above-mentioned percentages of direct and indirect ownership are approximate percentages.

2- The indirect ownership of Board member Abdulmohsen Abdulrahman Musaed Al Swailem results from his direct ownership of 1.08% of FALCOM Holding Company, which in turn owns 73.855% of Nayifat Finance Company.

For more details about the Company's shareholding structure, see Section 4.7 ("History of the Company and its Share Capital Development and Changes in Ownership Structure") and Section 4.8 ("About the Companies Owning Shares in the Company") of this Prospectus.

12.3 Subsidiaries and Investments

The Company owns eighty-nine thousand, two hundred and eighty-five (89,285) shares of the share capital of Saudi Financial Lease Contract Registry (SEJEL), as an investment under the Finance Lease Law, representing 2.3256% of SEJEL's share capital. SEJEL's share capital is thirty eight million three hundred ninety two thousand eight hundred and fifty Saudi Riyals (SAR 38,392,850). SEJEL was established as a closed joint stock company with Commercial Registration No. 1010612415 dated 03/02/1439H (corresponding to 23/10/2017G) under Part 3 of the Finance Lease Law, for the purpose of registering finance lease contracts, as amended, pursuant to SAMA Approval No. 381000124076 dated 23/12/1438H (corresponding to 14/09/2017G). The following table sets out the shareholding structure of SEJEL: :

Table 154: Shareholding Structure of SEJEL

No.	Shareholder	Number of shares	Total Nominal Value (in SAR)	Ownership percentage %
1	Bidaya Company for Real Estate Financing	89,315	893,150	2.3263%
2	Al Riyadh Bank	89,285	892,850	2.3256%
3	Saudi British Bank	178,570	1,785,700	4.6511%
4	Saudi Orix Company for Financial Leasing	89,285	892,850	2.3256%
5	Ijarah Company for Financing	89,285	892,850	2.3256%
6	Saudi National Bank	89,285	892,850	2.3256%
7	Al Bilad Bank	89,285	892,850	2.3256%
8	Al Jeer Company for Financing	89,285	892,850	2.3256%
9	Al Raida Company for Financing	89,285	892,850	2.3256%
10	Raya Company for Financing	89,285	892,850	2.3256%
11	Arab National Bank	89,285	892,850	2.3256%
12	Nayifat Company for Financing	89,285	892,850	2.3256%
13	Dar Al Tamlik Company	89,285	892,850	2.3256%
14	The Financial Leasing Company	89,285	892,850	2.3256%
15	Amlak International Company for Real Estate Financing	89,285	892,850	2.3256%
16	Al Yosr Company for Ejara and Financing	89,285	892,850	2.3256%
17	Saudi French Bank	89,285	892,850	2.3256%
18	Gulf Cranes Company for Financial Leasing	89,285	892,850	2.3256%
19	Al Rajhi Bank	89,285	892,850	2.3256%
20	The Saudi Company for Real Estate Financing	89,285	892,850	2.3256%
21	Saudi Investment Bank	89,285	892,850	2.3256%

No.	Shareholder	Number of shares	Total Nominal Value (in SAR)	Ownership percentage %
22	Ajal Company for Financing Services	89,285	892,850	2.3256%
23	Duetche Gulf Company for Financing	89,285	892,850	2.3256%
24	Enmaa Bank	89,285	892,850	2.3256%
25	Al Jazeera Bank	89,285	892,850	2.3256%
26	The National Company for Financing	89,285	892,850	2.3256%
27	Al Murabaha Al Marina Company for Financing	89,285	892,850	2.3256%
28	Carnav Company for Financing	89,285	892,850	2.3256%
29	Al Jasereya Company for Financing	89,285	892,850	2.3256%
30	The Saudi Company for Financing	89,285	892,850	2.3256%
31	Abdellatif Jamil United Company for Real Estate Financing	89,285	892,850	2.3256%
32	Abdellatif Jamil United Company for Financing	89,285	892,850	2.3256%
33	Al Khalij Company for Financing	89,285	892,850	2.3256%
34	Tamwily International Company	89,285	892,850	2.3256%
35	Al Amthal Company for Financing	89,285	892,850	2.3256%
36	Usoul Al Hadithah Company for Financing	89,285	892,850	2.3256%
37	Saudi Dar Al Itiman Company	89,285	892,850	2.3256%
38	Tawkilaat Company for Financing	89,285	892,850	2.3256%
39	Al Taysir Al Arabiya Company	89,285	892,850	2.3256%
40	The Saudi French Company for Financial Leasing	89,285	892,850	2.3256%
41	Tamwil Al Oula Company	89,285	892,850	2.3256%
42	Emirates National Dubai Bank	89,285	892,850	2.3256%

Except for the Company's shareholding in SEJEL, the Company does not directly or indirectly own any shares in any company inside or outside the Kingdom.

12.4 Company Branches

The Company has twenty-seven (27) branches (located across twenty-three (23) cities in Saudi Arabia. The branches exercise activities similar to those listed in the company's commercial register. Prior to operating all of its branches, the Company received SAMA's non-objection with respect to opening such branches. The following table sets out the details of the Company's registered branches:

Table 155: Company Branches

No.	Branch	Commercial Registration No.	Issue Date	Expiry date
(1)	Riyadh	1010361769	09/03/1434H (corresponding to 21/01/2013G)	09/03/1444H (corresponding to 05/10/2022G)
(2)	Riyadh	1010609169	13/09/1438H (corresponding to 08/06/2017G)	13/09/1443H (corresponding to 14/04/2022G)
(3)	Riyadh	1010609170	13/09/1438H (corresponding to 08/06/2017G)	13/09/1443H (corresponding to 14/04/2022G)
(4)	Abha	5850068147	29/03/1436H (corresponding to 16/07/2015G)	29/03/1447H (corresponding to 18/03/2026G)
(5)	Dammam	2050117283	19/11/1439H (corresponding to 01/08/2018G)	19/11/1444H (corresponding to 08/06/2023G)
(6)	Hafer Albaten	2511018370	09/03/1434H (corresponding to 21/07/2013G)	09/03/1444H (corresponding to 04/04/2023G)
(7)	Hail	3350040719	09/01/1435H (corresponding to 12/11/2013G)	09/01/1445H (corresponding to 27/07/2023G)
(8)	Al Hafuf	2250049662	20/01/1434H (corresponding to 04/12/2012G)	20/01/1444H (corresponding to 18/08/2022G)
(9)	Jazan	5900020800	16/03/1434H (corresponding to 28/01/2013G)	16/03/1444H (corresponding to 12/10/2022G)
(10)	Jeddah	4030189485	14/05/1430H (corresponding to 09/05/2009G)	14/05/1445H (corresponding to 28/11/2023G)
(11)	Jubail	2055025208	22/09/1437H (corresponding to 27/06/2016G)	22/09/1447H (corresponding to 11/03/2026G)
(12)	Al Kharj	1011019025	16/03/1434H (corresponding to 28/01/2013G)	16/03/1444H (corresponding to 12/10/2022G)
(13)	Madina	4650052613	26/07/1432H (corresponding to 28/06/2011G)	25/07/1447H (corresponding to 14/01/2026G)
(14)	Makkah	4031080772	09/09/1435H (corresponding to 06/07/2014G)	09/01/1445H (corresponding to 27/07/2023G)
(15)	Buraidah	1131046727	09/03/1434H (corresponding to 21/01/2013G)	09/03/1444H (corresponding to 05/10/2022G)
(16)	Sakaka	3400017276	09/01/1435H (corresponding to 12/11/2013G)	09/01/1445H (corresponding to 27/07/2023G)
(17)	Tabuk	3550029238	09/03/1434H (corresponding to 21/01/2013G)	09/03/1444H (corresponding to 05/10/2022G)
(18)	Qatif	2053112169	23/09/1439H (corresponding to 07/06/2018G)	28/05/1445H (corresponding to 12/12/2023G)
(19)	Dawadmi	1116009153	09/03/1434H (corresponding to 21/01/2013G)	09/03/1444H (corresponding to 05/10/2022G)
(20)	Riyadh	1010569384	27/07/1440H (corresponding to 03/04/2019G)	27/07/1445H (corresponding to 08/02/2024G)

No.	Branch	Commercial Registration No.	Issue Date	Expiry date
(21)	Al Baha	5800105744	21/01/1442H (corresponding to 09/09/2020G)	21/01/1447H (corresponding to 16/07/2025G)
(22)	Jeddah	4030390351	21/01/1442H (corresponding to 09/09/2020G)	21/01/1447H (corresponding to 16/07/2025G)
(23)	Najran	5950119625	21/01/1442H (corresponding to 09/09/2020G)	21/01/1447H (corresponding to 16/07/2025G)
(24)	Taif	4032240801	17/06/1441H (corresponding to 11/02/2020G)	17/06/1447H (corresponding to 08/12/2025G)
(25)	Bisha	5851875824	14/02/1442H (corresponding to 01/10/2020G)	14/02/1447H (corresponding to 08/08/2025G)
(26)	Khobar	2051231714	21/01/1442H (corresponding to 09/09/2020G)	21/01/1447H (corresponding to 16/07/2025G)
(27)	Al Majmaah	1122103534	28/10/1442H (corresponding to 09/06/2021G)	28/10/1447H (corresponding to 16/04/2026G)

Source: The Company

12.5 Key Licenses and Approvals

The Company has obtained all key licences necessary to conduct its business, including its branches, from the competent authorities. The Company also obtained SAMA's non-objection letter dated 19/2/1442H (corresponding to 07/10/2020G), providing SAMA's non-objection to the Company to the initial public offering of part of its shares. Below is a summary of the key licences issued to the Company and its branches:

The following table sets out the Company's key licences and approvals.

Table 156: The Company's Key Licences, Approvals and No-Objection Certificates

Type of License/ Approval/ certificates / Non-objection certificate	Purpose	Licence No./ Approval/Certificates/ Non-objection certificate	Issue Date	Expiry date	Issuing Authority
Licence to engage in finance activities	Lease financing, SME financing, consumer financing and credit card financing in the Kingdom	5/ASh/201312	28/02/1435H (corresponding to 31/12/2013G)	26/02/1445H (corresponding to 11/09/2023G)	SAMA
Non-objection letter	Pilot operation of a debt crowdfunding platform in a regulatory sandbox	N/A	04/12/1442H (corresponding to 14/07/2021G)	Three months from 22/07/2021G	SAMA
Non-objection letter	Non-objection to commence the procedures of the IPO	42009567	19/02/1442H (corresponding to 07/10/2020G)	N/A	SAMA
Non-objection letter	Non-objection to the Company for providing electronic services to its customers	43014231	14/02/1443H (corresponding to 21/09/2021G)	14/02/1444H (corresponding to 10/09/2022G)	SAMA

Type of License/ Approval/ certificates / Non-objection certificate	Purpose	Licence No./ Approval/Certificates/ Non-objection certificate	Issue Date	Expiry date	Issuing Authority
Chamber of Commerce Certificate	Chamber of Commerce Membership Certification	121759	21/02/1423H (corresponding to 04/05/2002G)	20/02/1447H (corresponding to 14/08/2025G)	The Riyadh Chamber of Commerce, the Kingdom of Saudi Arabia
Saudisation Certificate	Certificate issued by the MHRSD stating that the Company is in compliance with the Saudisation standards	20002107001538	26/11//1442H (corresponding to 06/07/2021G)	26/11/1442H (corresponding to 06/10/2021G)	The Ministry of Labor and Social Development
Social Insurance Settlement Certificate	Certificate stating that the Company has settled all of its financial obligations in respect of GOSI	36135915	27/05/1442H (corresponding to 11/01/2021G)	27/06/1442H (corresponding to 10/02/2021G)	The General Organisation for Social Insurance
Civil Defence Certificate	Certificate confirming the Company's compliance with Civil Defence requirements	1-000743524-42	25/11/1442H (corresponding to 05/07/2021G)	25/11/1443H (corresponding to 24/06/2022G)	The General Directorate of Civil Defence
Operational License	License to engage in commercial activity	41022579237	09/02/1441H (corresponding to 08/10/2019G)	09/02/1446H (corresponding to 13/08/2024G)	Riyadh Municipalitiy
Zakat/ Tax certificate	Certificate issued by ZATCA confirming that the Company has filed its Zakat return for the financial year 2020G	1110723810	17/09/1442H (corresponding to 29/04/2021G)	29/09/1443H (corresponding to 30/04/2022G)	The General Authority of Zakat and Tax
VAT Registration Certificate	Value-Added Tax Registration Certificate	300054533800003	06/05/1440H (corresponding to 22/01/2019G) the registration expires on 14/04/1439H (corresponding to 01/01/2018G)	N/A	The General Authority of Zakat and Tax

Source: The Company

Table 157: Ministry of Municipal and Rural Affairs Licenses

Licensee	License Number	Issue Date	Expiration Date	Issuing Authority
Abha	41042624783	07/04/1443H (corresponding to 26/02/2021G)	07/04/1446H (corresponding to 10/10/2024G)	Assir Municipality
Al-Baha Branch	40082129501	20/10/1437H (corresponding to 25/07/2016G)	19/10/1445H (corresponding to 28/04/2024G)	Al-Baha Municipality
Dammam Branch	39121522423	09/01/1441H (corresponding to 01/06/2020G)	11/01/1446H (corresponding to 09/04/2025G)	Eastern Province Municipality
Hafr Al-Batin Branch	41063375199	N/A	29/06/1446H (corresponding to 30/12/2024G)	Hafr Al-Batin Municipality
Hail Branch	3909655036	24/05/1441H (corresponding to 19/01/2012G)	13/07/1446H (corresponding to 13/01/2025G)	Hail Municipality
Al-Hafuf Branch	3909469913	15/06/1437H (corresponding to 24/03/2016G)	14/06/1444H (corresponding to 07/01/2023G)	Al-Ahsa Municipality
Jazan Branch	41103579629	N/A	16/11/1446H (corresponding to 14/05/2025G)	Jazan Municipality
Jeddah Branch (Al-Andalus)	39111448049	10/05/1441H (corresponding to 05/01/2020G)	10/05/1446H (corresponding to 12/11/2024G)	Jeddah Municipality
Jeddah Branch (Al-Faiha)	41063334901	N/A	26/06/1446H (corresponding to 27/12/2024G)	Jeddah Municipality
Al-Jubail	41113597673	N/A	23/11/1446H (corresponding to 21/05/2025G)	Eastern Province Municipality
Al-Kharj	40102479290	02/02/1432H (corresponding to 06/01/2011G)	02/02/1444H (corresponding to 29/08/2022G)	Riyadh Municipality
Medinah Branch	40031810736	N/A	06/03/1444H (corresponding to 02/10/2022G)	Medinah Municipality
Makkah Branch	3909587915	N/A	01/02/1443H (corresponding to 08/09/2021G)	Makkah Municipality
Najran Branch	42023973220	N/A	26/02/1444H (corresponding to 22/09/2022G)	Najran Municipality
Riyadh Branch (Al-Olaya)	40102408390	N/A	04/03/1446H (corresponding to 07/09/2024G)	Riyadh Municipality
Buraidah Branch	3909383417	04/12/1436H (corresponding to 17/09/2015G)	04/12/1445H (corresponding to 10/06/2024G)	Al-Qasseem Municipality

Licensee	License Number	Issue Date	Expiration Date	Issuing Authority
Riyadh Branch (Exit 10)	40102435074	N/A	19/12/1445H (corresponding to 25/06/2024G)	Riyadh Municipality
Riyadh Branch (Khurais)	40092385665	N/A	03/01/1444H (corresponding to 01/08/2022G)	Riyadh Municipality
Riyadh Branch (Al-Budiah)	40102402844	12/01/1433H (corresponding to 07/12/2011G)	12/01/1444H (corresponding to 10/08/2022G)	Riyadh Municipality
Sakaka Branch	41022576301	10/02/1438H (corresponding to 10/11/2016G)	09/02/1446H (corresponding to 13/08/2024G)	Al-Jouf Municipality
Taif Branch	3911848793	N/A	01/03/1443H (corresponding to 07/10/2021G)	Taif Municipality
Tabuk Branch	3909327631	N/A	01/03/1443H (corresponding to 07/10/2021G)	Tabuk Municipality
Qatif Branch	40042007861	20/04/1440H (corresponding to 27/12/2018G)	20/04/1446H (corresponding to 23/10/2024G)	Eastern Province Municipality
Al-Dawadmi Branch	40031829255	04/03/1440H (corresponding to 12/11/2018G)	04/03/1444H (corresponding to 30/09/2022G)	Riyadh Municipality
Bisha Branch	41052648641	14/05/1441H (corresponding to 09/01/2020G)	13/05/1446H (corresponding to 15/11/2024G)	Bisha Municipality
Al-Khobar	42065228884	N/A	01/08/1445H (corresponding to 11/02/2021G)	Eastern Province Municipality

It is worth mentioning that with respect to the Company's branch in Al Majmaah, the Ministry of Municipal and Rural Affairs License has not been issued since the property is still in the fit out phase.

Table 158: The General Directorate of Civil Defence Certificates

Licensee	License Number	Issue Date	Expiry Date	Issuing Authority
Abha	2-000442419-42	14/04/1442H (corresponding to 29/11/2020G)	14/04/1443H (corresponding to 19/11/2021G)	The General Directorate of Civil Defence
Al-Baha Branch	2-000349336-41	03/11/1441H (corresponding to	23/12/1442H (corresponding to	The General Directorate of Civil Defence
Dammam Branch	1-000741294-42	21/11/1442H (corresponding to 01/07/2021G)	21/11/1443H (corresponding to 20/06/2022G)	The General Directorate of Civil Defence
Hafr Al-Batin Branch	2-000508435-42	19/06/1442H (corresponding to 01/02/2021G	19/06/1443H (corresponding to 22/01/2022G)	The General Directorate of Civil Defence
Hail Branch	1-000740855-42	22/11/1442H (corresponding to 30/06/2021G)	20/11/1443H (corresponding to 19/06/2022G)	The General Directorate of Civil Defence
Al-Hafuf Branch	2-000263342-42	17/04/1442H (corresponding to 02/12/2020G)	17/04/1443H (corresponding to 22/11/2021G)	The General Directorate of Civil Defence
Jazan Branch	2-000263342-42	03/11/1442H (corresponding to 13/06/2021G)	03/11/1443H (corresponding to 02/06/2022G)	The General Directorate of Civil Defence
Jeddah Branch (Al-Andalus)	2-000276124-32	02/04/1442H (corresponding to 17/11/2020G)	02/04/1443H (corresponding to 07/11/2021G)	The General Directorate of Civil Defence
Jeddah Branch (Al-Faiha)	2-000359757-42	08/10/1442H (corresponding to 20/05/2021G)	08/10/1443H (corresponding to 09/05/2022G)	The General Directorate of Civil Defence
Al-Jubail Branch	2-000461690-42	25/10/1442H (corresponding to 06/06/2021G)	25/10/1443H (corresponding to 26/05/2022G)	The General Directorate of Civil Defence
Al-Kharj Branch	3-000361310-42	19/06/1442H (corresponding to 28/04/2021G)	16/09/1443H (corresponding to 17/04/2022G)	The General Directorate of Civil Defence
Medinah Branch	2-000222985-42	01/03/1442H (corresponding to 18/10/2020G)	01/03/1443H (corresponding to 07/10/2021G)	The General Directorate of Civil Defence
Makkah Branch	2-000222997-42	01/04/1442H (corresponding to 16/11/2020G	01/04/1443H (corresponding to 06/11/2021G)	The General Directorate of Civil Defence
Najran Branch	1-000606050-42	26/02/1442H (corresponding to 13/10/2020G)	26/02/1443H (corresponding to 03/10/2021G)	The General Directorate of Civil Defence
Riyadh Branch (Al-Olaya)	2-000456707-42	21/05/1442H (corresponding to 05/01/2021G)	21/05/1443H (corresponding to 25/12/2021G)	The General Directorate of Civil Defence
Buraidah Branch	2-000300787-42	07/05/1442H (corresponding to 22/12/2020G	07/05/1443H (corresponding to 11/12/2021G)	The General Directorate of Civil Defence

Licensee	License Number	Issue Date	Expiry Date	Issuing Authority
Riyadh Branch (Exit 10)	2-000484646-42	16/12/1442H (corresponding to 17/07/2021G)	16/12/1443H (corresponding to 22/11/2021H)	The General Directorate of Civil Defence
Riyadh Branch (Khurais)	2-000425439-42	17/04/1442H (corresponding to 02/12/2020G)	17/04/1443H (corresponding to 22/11/2021G)	The General Directorate of Civil Defence
Riyadh Branch (Al-Budiah)	2-000192730-42	20/01/1442H (corresponding to 08/09/2020G)	20/01/1443H (corresponding to 28/08/2021G)	The General Directorate of Civil Defence
Sakaka Branch	1-000740761-42	26/11/1442H (corresponding to 06/07/2021G)	26/11/1443H (corresponding to 25/06/2022G)	The General Directorate of Civil Defence
Taif Branch	1-000609625-42	28/02/1442H (corresponding to 15/10/2020G)	28/02/1443H (corresponding to 05/10/2021G	The General Directorate of Civil Defence
Tabuk Branch	3-000321928-42	12/06/1442H (corresponding to 25/01/2021G)	12/06/1443H (corresponding to 15/01/2022G)	The General Directorate of Civil Defence
Qatif Branch	1-000609335-42	03/04/1442H (corresponding to 18/11/2020G)	03/04/1443H (corresponding to 08/11/2021G)	The General Directorate of Civil Defence
Al-Dawadmi Branch	2-000271232-42	20/02/1442H (corresponding to 07/10/2020G)	20/02/1443H (corresponding to 27/09/2021G)	The General Directorate of Civil Defence
Bisha Branch	1-000474305-41	12/05/1441H (corresponding to 11/10/2019G)	12/05/1442H (corresponding to 29/09/2020G)	The General Directorate of Civil Defence
Al-Khobar	1-000678645-42	27/07/1442H (corresponding to11/03/2021G)	27/07/1443H (corresponding to 28/02/2022G)	The General Directorate of Civil Defence

It is worth mentioning that with respect to the Company's branch in Al Majmaah, the Civil Defence Certificate has not been issued since the property is still in the fit out phase.

12.6 Material Agreements

The Company has entered into a number of material agreements and contracts with multiple parties. This section sets out a summary of agreements and contracts, which may, to the best knowledge of the Board, be material and significant with respect to the Company's business or which may affect investors' decision to subscribe for the Offer Shares. The summary of agreements and contracts referred to below does not include all terms and conditions and it cannot be considered a substitute for the terms and conditions of these agreements and forms.

12.6.1 Customer Service Agreements and Visa Brand Licensing

The Company entered into an agreement with Visa on 16/05/1439H (corresponding to 02/02/2018G) whereby VISA granted the Company a licence to participate in all VISA-accredited programs, and to use VISA trademarks. This agreement authorizes the Company to issue personalized Nayifat credit cards utilizing VISA's trademarks. The cost of issuing the foregoing cards, and consequently the amounts due to the Company are calculated based on the number of VISA cards issued by the Company as well as the number and the value of the transactions carried out by VISA card holders, as per the agreement's schedules. In addition, the Company's fees are payable by the end of each month and there are no current payables due to the Company. It should be noted, that as at 31/12/2020G, a number of 627 credit cards had been issued by the Company since the beginning of the agreement, whereby the number of transactions made by such credit cards was 25,921 transactions amounting to five hundred and nineteen thousand, eight hundred and eight

Saudi Riyals (SAR 519,808). However, for the six months period ending on 31/06/2021G, the number of credit cards issued by the Company since the beginning of the agreement was 1,315 whereby the number of transactions made by such credit cards was 56,055 amounting to eight hundred and twelve thousand, three hundred sixty-four Saudi Riyals (SAR 812,364).

The term of this agreement is five (5) years commencing from its execution date. The agreement is automatically renewable for one year, unless either party notifies the other of its intention not to renew at least (180) days prior to the expiry of the agreement. The agreement is governed by the VISA Group contracting rules and conditions, which require that parties contracting with VISA to not disclose the provisions of those contracts to third parties, however the Company has obtained VISA's consent to disclose this agreement. The agreement, along with any dispute arising therefrom, shall be subject to the laws of the State of California in the United States of America, and the courts of the State of California in the United States of America shall have the jurisdiction over any dispute that may arise out of this agreement.

12.6.2 Agreements with Debt Collection Service Providers

12.6.2.1 Agreement with Wasl Al-Wataniya Debt Collection Company

On 21/05/1437H (corresponding to 01/03/2016G), the Company (as the customer) entered into an agreement with Wasl Al-Wataniya Debt Collection Company (as the service provider), under which Wasl Al-Wataniya Debt Collection Company provides the Company with debt collection services in return to a fee equivalent to 12% of the amounts collected on behalf of the Company by Wasl Al-Wataniya Debt Collection Company. The agreement is valid for one year and is subject to automatic renewal, unless either party gives written notice to the other at least two (2) months prior to expiry of the agreement. The agreement is valid as at the date of this Prospectus.

The agreement shall be terminated on its expiry date, or by virtue of a written notice from the Company for its convenience or upon the service provider's failure to perform its obligation or comply with any of the provisions of this agreement. The termination shall be effective one week after notification.

It should be noted that during the fiscal year ending on 31/12/2020G, the average annual projections set by the Company for monthly collections by Wasl Al-Wataniya Debt Collection Company amounted to was fifty two million, fifty five thousand, four hundred and seventy two (SAR 52,055,472) Saudi Riyals. Wasl Al-Wataniya Debt Collection Company was able to collect twelve million, two hundred thirty five thousand, five hundred thirty two (SAR 12,235,532) Saudi Riyals, which represents 24% of the aforementioned annual projections.

However, for the three months period ending on 31/03/2021G, the average annual projections set by the Company for monthly collections by Wasl Al-Wataniya Debt Collection Company was fifty four million, three hundred eighty-eight thousand, three hundred thirty nine (SAR 54,388,339) Saudi Riyals. Wasl Al-Wataniya Debt Collection Company was able to collect a total debt of three million, seven hundred ninety three thousand, one hundred and fifty nine (SAR 3,793,159) Saudi Riyals, which represents 7% of the aforementioned annual projections.

On 16/05/1442H (corresponding to 30/12/2020G), the Company obtained Wasl Al-Wataniya Debt Collection Company's written approval to disclose any information relating to the agreement.

12.6.2.2 Debt collection agreement between Bait Al-Esterdad Debt Collection Office and the Company

On 21/05/1437H (corresponding to 01/03/2016G), the Company (as the customer) entered into an agreement with Bait Al-Esterdad Debt Collection Office (as the service provider), under which Bait Al-Esterdad Debt Collection Office provides the Company with debt collection services in return for a fee equivalent to 12% of the amounts collected on behalf of the Company by Bait Al-Esterdad Debt Collection Office. The agreement is valid for one year and is subject to automatic renewal, unless either party gives written notice to the other at least two (2) months prior to the expiry of the agreement. The agreement is valid as at the date of this Prospectus.

The agreement shall be terminated on its expiry date, or by virtue of a written notice from the Company for its convenience or upon the service provider's failure to perform its obligation or comply with any of the provisions of this agreement. The termination shall be effective one week after notification.

It should be noted that during the fiscal year ending on 31/12/2020G, the average annual projections set by the Company for monthly collections by Wasl Al-Wataniya Debt Collection Company amounted to was fifty two million, fifty five thousand, four hundred and seventy two (SAR 52,055,472) Saudi Riyals. Wasl Al-Wataniya Debt Collection Company was able to collect twelve million, two hundred thirty five thousand, five hundred thirty two (SAR 12,235,532) Saudi Riyals, which represents 24% of the aformentioned annual projections. .

However, for the three months period ending on 31/03/2021G, the average annual projections set by the Company for monthly collections by Wasl Al-Wataniya Debt Collection Company was fifty four million, three hundred eighty-eight thousand, three hundred thirty nine (SAR 54,388,339) Saudi Riyals. Wasl Al-Wataniya Debt Collection Company was able to collect a total debt of three million, seven hundred ninety three thousand, one hundred and fifty nine (SAR 3,793,159) Saudi Riyals, which represents 7% of the aforementioned annual projections.

On 01/02/1443H (corresponding to 08/09/2021G), the Company obtained Bait Al-Esterad Debt Collection Office's written approval to disclose any information relating to the agreement.

12.6.2.3 Debt collection agreement between Faniyat Al-Etqan Debt Collection Office and the Company

On 21/05/1437H (corresponding to 01/03/2016G), the Company (as the customer) entered into an agreement with Faniyat Al-Etqan Debt Collection Office (as the service provider), under which Faniyat Al-Etqan Debt Collection Office provides the Company with debt collection services in return to a fee equivalent to 12% of the amounts collected on behalf of the Company by Faniyat Al-Etqan Debt Collection Office. The agreement is valid for one year and is subject to automatic renewal, unless either party gives written notice to the other at least two (2) months prior to the expiry of the agreement.

It should be noted, that during the fiscal year ending on 31/12/2020G, the average projections set by the Company for monthly collections by Faniyat Al-Etqan Debt Collection Office amounted to fifty six million, two hundred and ten thousand, eight hundred and one (SAR 56,210,801) Saudi Riyals. Faniyat Al-Etqan Debt Collection Office was able to collect a total debt of twelve million, nine hundred sixty eight thousand, five hundred and thirty (SAR 12,968,530) Saudi Riyals, which represents 23% of the aforementioned annual projections.

However, for the three months period ending on 31/03/2021G, the average amount projections set by the Company for monthly collections by Faniyat Al- Etqan Debt Collection Office amounted to fifty four million, one hundred sixty seven thousand, four hundred and fourteen (SAR 54,167,414) Saudi Riyals. Faniyat Al-Etqan was able to collect a total debt of four million, fifty eight thousand, five hundred and twenty seven (SAR 4,058,527) Saudi Riyals, which represents 7% of the aforementioned annual projections.

The agreement shall be terminated on its expiry date, or by virtue of a written notice from the Company for its convenience or upon the service provider's failure to perform its obligation or comply with any of the provisions of this agreement. The termination shall be effective one week after notification.

12.6.2.4 Debt collection agreement between Ejada for Debt Collection Company and the Company

On 29/01/1443H (corresponding to 06/09/2021G), the Company (as the customer) entered into an agreement with Ejada for Debt Collection Company (as the service provider), under which Ejada for Debt Collection Company provides the Company with debt collection services in return to a fee equivalent to 5% of the amounts collected on behalf of the Company by Ejada for Debt Collection Company. The agreement is valid for one year and is subject to automatic renewal, unless either party gives written notice to the other at least thirty (30) days prior to the expiry of the agreement. The agreement is valid as at the date of this Prospectus.

The agreement shall be terminated on its expiry date, or by virtue of a written notice from the Company for its convenience or upon the service provider's failure to perform its obligation or comply with any of the provisions of this agreement. The termination shall be effective one week after notification. Since the agreement was signed on 29/01/1443H (corresponding to 06/09/2021G), the Company is in the process of calculating the average annual projections set by the Company for monthly collections by Ejada for Debt Collection Company in order to determine the success rate of the debt collection.

On 02/02/1443H (corresponding to 09/09/2021G), the Company obtained Ejada for Debt Collection Company's written approval to disclose any information relating to the agreement.

12.6.3 Agreements with the Company's Customers

The Company has more than forty-four thousand (44,000) customers as at 18/08/1443H (corresponding to 31/03/2021G). The Company's customers fall into two main categories: retail and SME customers. The Company enters into contracts with all its customers based on standard forms of the Company's contracts, which include:

12.6.3.1 Deferred Sale Contract

The Company concludes a portion of its contracts with its customers in accordance with the tawarruq-based finance contract model, whereby the Company (as the seller) sells commodities to customers (as buyers), by way of a deferred sale at a price paid in instalments according to the schedules set out in the contract. In return, the Company receives (i) the value of the commodity in instalments according to the schedules set out in the tawarruq-based finance contract; (ii) administrative fees of 1% of the sale value or a maximum of five thousand Saudi Riyals (SAR 5,000); and (iii) additional commission as agency fees to be determined on a case-by-case basis. The Company determines these fees according to criteria specific to the sector or the market's position and the nature of tawarruq operations that require the collection of agency fees to cover their expenses. The average consumer finance under these contracts is fourty thousand Saudi Riyals (SAR 40,000) and their average duration is three years and six months.

It is worth noting that as at 31 March 2021G, the total number of deferred sale agreements was 44,058 with a total funding of one billion, nine hundred and fifty-five million, six hundred eight one thousand, eight hundred ninety-one Saudi Riyals (SAR 1,955,681,891). Whereby, the total remaining from the principal amount of financing was one billion, four hundred seventy seven million, eight hundred thousand, eight hundred thirty nine Saudi Riyals (SAR 1,477,800,839). Together with the profits of the company and the fees and commissions due to the Company, the total amount remaining from the principal amount of the financing, was seven hundred forty three million, two hundred twenty seven thousand, nine hundred fifty-one Saudi Riyals (SAR 743,227,951).

The tawarruq-based finance contract form includes the following: (i) the value of the commodity, (ii) schedule and dates of payment and (iii) fines and penalties for failure to make payments on time. Customers may only transfer the contract under a tawarruq-based finance contract form with the Company's prior consent. A tawarruq-based finance contract form contains a confidentiality clause requiring the Company to maintain the customer's confidentiality, and to keep and not publish the customer's information. In accordance with the tawarruq-based finance contract model, in the event the customer fails to pay the due instalements for a period of fifteen (15) days from their due date then the following instalment shall become immediately due, or in the event the customer fails to pay two consecutive instalments for a period of thirty (30) days from their due date, then the two following instalments shall become due. Additionally, if the customer fails to pay due instalments for a period of ninety (90) days from their due date or fails to pay five instalments (non-consecutively) on their due date, the Company shall be entitled to claim the entire amount immediately, without any prior warning. According to the instructions of SAMA, the agreement could be terminanted by the early payment of the debt on condition that three months worth of profit has been paid in advance.

12.6.3.2 Nayifat Credit Card Application Form

The Company (as the financier) issues its Visa-branded credit cards to its customers in accordance with certain terms and conditions that include the following items: (i) customers shall not use the credit card to purchase any items or services that conflict with the provisions of Islamic Shariah; (ii) customers shall not use the credit card to trade in foreign currencies or buy virtual currencies; (iii) credit cardholders consent to the Company's use of their personal information and sharing it with certain other companies for the purpose of servicing the relevant account; and (iv) credit cardholders consent to the issuance of a promissory note to the Company for the maximum credit limit of the relevant card. In accordance with the terms and conditions of Nayifat credit cards, the Company is not liable for any transactions performed in breach of the terms and conditions of the form.

The Company is entitled to terminate and retrieve the credit card from the clients by virtue of a written notice. Additionally, the Company is entitled to terminate the credit card in the event it is inactive for a period of two (2) years. Any dispute arising from the terms and conditions of Nayifat credit cards shall be referred to SAMA's competent committees or the judicial authorities.The Company sets the maximum credit limit based on the debt burden ration DBR, provided that the Company plans on adopting a risk-based approach where credit score is used to also determine credit limit.

It is worth noting that during the fiscal year ending on 31/12/2020G, the number of credit cards issued by the Company since its establishment was 627 cards and the number of transactions were 25,921 transaction. The value of the transactions for this period was ten million, ninety eight thousand, four hundred sixty nine Saudi Riyals (SAR 10,098,469). However, during the three months period ending on 31/03/2021G, the company had issued 926 credit cards since its establishment and there was 36,977 transactions. The value for the transactions for this period was four million, seven hundred ninety four thousand, two hundred thirty seven Saudi Riyals (SAR 4,794,237).

12.6.3.3 SME Finance Form

The Company (as the financier) enters into contracts to finance SMEs (as the beneficiaries), in accordance with a finance contract form used for both murabaha transactions and tawarruq-based finance. A SME finance contract form includes the following: (i) the finance ceiling, profit margin and any additional commission imposed on the customer, (ii) the payment schedule and the implications of payment default; (iii) the customer's undertaking to provide a promissory note and mortgage (if any); and (iv) the customer's undertaking not to use the finance amount except for the purposes stipulated in the relevant contract. The company is entitled to terminate the finance contract form in the event the customer breaches any of their obligations under the contract. Customers may only transfer the contract under a SME finance contract form with the Company's prior consent. Any dispute arising out of a SME finance contract form shall be resolved amicably, and if this is not possible, it shall be referred to the judicial authorities or financial dispute settlement committees.

It is worth noting, that as at 31 March 2021G, the total number of SME finance agreements was 24 agreement, with a total funding amount of one hundred twenty nine million, eight hundred thousand, one hundred twenty seven Saudi Riyals (SAR 129,800,127). Whereby, the total remaining from the principal amount of financing was one hundred twenty two million, nine hundred forty nine thousand, six hundred and nine Saudi Riyals (SAR 122,949,609). Together with the profits of the company and the fees and commissions due to the Company, the total remaining amount of the principal amount of the financing, was fifty five million, three hundred and nineteen thousand, seventy three Saudi Riyals (SAR 55,319,073). With the understanding that the average duration of these contracts is two years and six months, the term of the contract is only renewable by virtue of a new written agreement between the company and the client. The average value of these contracts is four million Saudi Riyals (SAR 4,000,000).

12.6.4 Other Agreements

Table 159: Other Material Agreements

No.	Agreement	Date and Validity	Parties	Subject	Amount	Material Terms
1.	Service Provision Agreement	Dated 07/02/2018G, the agreement's term is five years from its execution date. Such term is renewable for an additional two (2) years, unless either Party gives written notice to the other party of its intention to terminate the agreement twelve (12) months prior to the termination date.	The Company and Network International LLC	The service provider, provides the Company with credit card hosting and implementation services, as well as chargeback and payment dispute services.	USD 150,000 (Equivalent to SR 562,500)	The agreement is governed by the laws of the Emirate of Dubai and any disputes arising out of the agreement, if the parties were not able to amicably resolve it, it shall be resolved by arbitration under the rules of the DIFC-LCIA. The arbitral tribunal is composed of one arbitrator. The venue of the arbitration shall be Dubai and language of arbitration shall be English. The arbitral award issued by the tribunal shall be final and binding.

No.	Agreement	Date and Validity	Parties	Subject	Amount	Material Terms
2.	Cybersecurity Consultation Offer	Infopercept shall provide Cybersecurity consultation services for a period of three years. The offer is dated 31/01/2021G. The agreement is silent on the term and renewal mechanics.	The Company and Infopercept Company	Providing Cybersecurity Consultation Services	USD 576,000, (Equivalent to SAR 2,160,000)	The agreement does not include onerous terms and conditions, it only sets out the services provided by Infopercept and the service fees.
3.	Licensing and Annual Technical Support Agreement	16/11/2009G, the agreement's tenure shall be one year, automatically renewed for one or more successive periods, unless a party notifies the other party of its intent to not renew the agreement at least sixty (60) days in advance. The agreement is currently valid.	The Company and Nucleus Software Exports Limitied Company	Nucleus grants the Company a non-exclusive and non-transferable license to use a number of programs and modules that are developed and implemented by Nucleus for the Company's business. Nucleus shall also provide implementation and integration services for these modules.	The agreement's value is USD 520,000 (equivalent to SAR 1,950,000) Saudi Riyals. The latest provided invoice issued by Nucleus for the provision of annual maintenance services to the Company between 01/10/2020G and 31/03/2021G amounts to USD 74,434 (equivalent to SAR 279,127)	Both parties are entitled to terminate the agreement for a breach by the other party of its oligations under the agreement. Neverthless, Nucleus shall not be liable for any indirect or consequential loss, loss of revenue or profit, loss of goodwill or damage of data suffered by the Company. Moreover, the liability of Nucleus shall not, in any case, exceed 75% of the agreement's value. The agreement is governed by the laws of England and any disputes arising out of the agreement, if the parties were not able to amicably resolve it, shall be resolved by arbitration under the rules of the International Chamber of Commerce. The arbitral tribunal is composed of one arbitrator for each party. The venue of the arbitration shall be London and language of arbitration shall be English. The arbitral award issued by the tribunal shall be final and binding.

No.	Agreement	Date and Validity	Parties	Subject	Amount	Material Terms
4.	Integration and implementation services Agreement	05/11/1439H (corresponding to 18/07/2018G) the agreement's term is one year, commencing from the first day of each calendar year and ending on the last day of each calendar year. The term is automatically renewable, unless either party notifies the other of its intent to terminate the agreement three months prior to the expiry of its term. The agreement is still valid.	The Company and Swift Company	Swift grants the Company a license to SWIFT Integration Layer software along with providing the Company with consultation services for the installation and operation of the software.	The Company shall pay Swift an amount of EUR 60,700 (equivalent to SAR 267,000) as a lump sum amount for the integration and implementation services, as well as an annual maintenance fee amounting to EUR 10,000 (equivalent to SAR 44,000)	The agreement does not include onerous terms or conditions, other than allowing either parties to terminate the agreement for convenience by virtue of a three months prior written notice.

12.7 Financing Agreements

The Company has concluded ten (10) financing agreements with financial institution for an aggregate value of facilities obtained amounting to SAR 2,288.34 million Saudi Riyals. The amounts withdrawn from these facilities are included under the item titled "Islamic financing agreements" in the statement of financial position (for additional details, please refer to table 137 "Financing details"). This section sets out a summary of the substantive provisions, not of all clauses of the facility contracts. The Company has obtained the approval of all financial institutions set out below on the offering.

12.7.1 Credit Facility Agreement with Bank Albilad

The Company entered into a credit facility agreement with Bank AlJazira on 28/04/1441H (corresponding to 25/12/2019G) to obtain facilities amounting to one hundred fifty million Saudi Riyals (SAR 150,000,000).

Following is a brief summary of the main terms of this agreement:

Table 160: Terms of Credit Facility Agreement with Bank Albilad Dated 15/03/1438H (corresponding to 14/12/2016G)

Item	Description	
Total Facilities	Three hundred million Saudi Riyals (SAR 300,000,000)	
Expiry date	11/12/1442H (corresponding to 21/07/2021G), the agreement is valid as at the date of this Prospectus.	
Facilities	Maximum	A revolving deferred sale limit with a maximum total amount of three hundred million Saudi Riyals (SAR 300,000,000).
	Purpose	Financing the operating cycle.
	Availability Period	Monthly payments repayable over a period of four (4) years.
	Profit Margin	SAIBOR (6 months) + profit margin.
	Fees	An annual issuance fee and a deferral fee.

Item	Description
Guarantees	• A promissory note totaling three hundred eighteen million, two hundred eighty-three thousand Saudi Riyals (SAR 318,283,000). • Assignment of amounts of the Company's finance portfolios to Bank Albilad to cover exposure at a rate of 125% of the finance value, throughout the finance period, plus 70% of the total annual instalments. • If the Company falls behind on repayments for more than thirty (30) days, Bank Albilad has the right to select any of the customer's finance portfolios and require the Company to assign the receivables thereof without notice to, or consent of, the Company. • The Company undertakes to provide further guarantees to the Bank when guarantees are impaired, upon notification by Bank Albilad.
Terms	• The Company may only assign its obligations to third parties with the prior consent of Bank Albilad. • The Company declares that at all times the leverage ratio shall not exceed 1:2.5, and that the debt-service coverage ratio shall not be less than 1:3. • The Company shall notify Bank Albilad of any possible change in its legal form, before making such change. Where Bank Albilad decides to continue the agreement with the Company in its new legal form, the Company undertakes to submit all necessary documents and sign the additional agreements required by Bank Albilad within fifteen (15) days from the date of this required change. • The Company undertakes not to create any mortgage, concession or right on the Company's movable or fixed assets previously provided as collateral to Bank Albilad. • Bank Albilad may, at its absolute discretion, reduce or increase the limits of facilities, service price, expenditures, and profit margin.
Termination and Accelerated Repayment	All obligations to Bank Albilad shall be immediately due and payable, without need for any legal action, upon the occurrence of any default event including, without limitation: • The Company delays settlement of any of its obligations. • The Company violates any guarantees or securities provided to Bank Albilad. • The Company violates any rights or obligations to third parties. • The existing legal entity of the Company is dissolved or any related actions are taken.
Governing Law	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company notified Bank Albilad of the Offering in accordance with the letter dated 29/05/1442H (corresponding to 13/01/2021G), and on 15/06/1442H (corresponding to 28/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.2 Credit Facility Agreement with Bank AlJazira

The Company entered into a credit facility agreement with Bank AlJazira on 28/04/1441H (corresponding to 25/12/2019G) to obtain facilities amounting to one hundred fifty million Saudi Riyals (SAR 150,000,000).

Following is a brief summary of the main terms of this agreement:

Table 161: Terms of Credit Facility Agreement with Bank AlJazira Dated 28/04/1441H (corresponding to 25/12/2019G)

Item	Description
Total Facilities	One hundred fifty million Saudi Riyals (SAR 150,000,000).
Expiry date	23/01/1443H (corresponding to 31/08/2021G), the agreement is valid as at the date of this Prospectus.

Item		Description
Facilities	Maximum	Denomination 1 - a revolving tawarruq-based deferred sale limit with a total amount of one hundred fifty million Saudi Riyals (SAR 150,000,000).
	Purpose	Expanding the customer's financing activities.
	Availability Period	Repayable over five (5) years in equal monthly payments.
	Profit Margin	SAIBOR + the percentage agreed upon between the parties.
	Maximum	Denomination 2 - foreign exchange limit and/or limit for transactions in various treasury products with Bank Aljazira, with a total amount of twenty-five million Saudi Riyals (SAR 25,000,000).
	Purpose	Settling the Company's obligations to external suppliers and/or hedging currency fluctuation risks.
	Availability Period	To be determined later by Bank AlJazira.
	Profit Margin	Not determined
	Fees	Administrative fees of seven hundred fifty thousand Saudi Riyals (SAR 750,000) With respect to Denomination 1, when a deferred sale is executed, the following shall be paid: • an agency fee of one thousand Saudi Riyals (SAR 1,000). • a brokerage fee of seven hundred fifty Saudi Riyals (SAR 750). • a penalty fee of 15% for late payment.
Guarantees	• A promissory note totaling one hundred sixty-five million Saudi Riyals (SAR 165,000,000). • Bank AlJazira may ask the Company to provide additional guarantees. • Bank AlJazira may collect its receivables using any of the Company's assets controlled by Bank AlJazira, including the Company's accounts with Bank AlJazira.	
Terms	• The Company may only waive this agreement with the prior written consent of Bank AlJazira. • The total amount utilized in the two denominations shall not at any time exceed one hundred fifty million Saudi Riyals (SAR 150,000,000). • The Company undertakes to maintain a ratio of total debt-to-equity (D/E) in the range of 1.5:1 and a current ratio of at least 1:1. • The Company must notify Bank AlJazira of any change in its legal form. • The Company undertakes to take out an all risk cooperative insurance policy for its in-kind property and the guarantees provided, and to provide Bank AlJazira with a copy thereof. • The Company undertakes not to create a mortgage on any of its assets without the prior written consent of Bank AlJazira. • With regard to Denomination 1, the returns/receivables assigned to Bank AlJazira are used to pay off the Company's outstanding obligations to Bank AlJazira. • Bank AlJazira may, at its absolute discretion and without prior notice, cancel, reduce or increase facility limits, service price, fees and profit margin.	

Item	Description
Termination and Accelerated Repayment	Bank AlJazira has the right to expedite repayment of facilities and make all amounts immediately due and payable at its absolute discretion and/or upon the occurrence of certain default events, including: • The Company fails to pay any amounts due. • The Company changes its legal form without notifying or obtaining the consent of Bank AlJazira. • The Company does not grant Bank AlJazira priority for transactions in any of the treasury products offered by the Bank. • The Company does not transfer and deposit amounts equal to the total annual installments of the Company, up to 120% of its annual returns, in its account with Bank AlJazira. • The Company violates any rights or obligations to third parties. • The Company fails to maintain an amount equal to the monthly installment in the Company's account with Bank AlJazira thirty (30) days before the due date. • The Company fails to maintain the receivables assigned to Bank AlJazira, whether by way of sale or assignment to third parties.
Governing Law	• The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company notified Bank AlJazira of the Offering in accordance with the letter dated 29/05/1442H (corresponding to 13/01/2021G), and on 01/06/1442H (corresponding to 14/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.3 Credit Facility Agreement with Al Rajhi Bank

The Company entered into a credit facility agreement with Al Rajhi Bank on 04/11/1439H (corresponding to 17/07/2018G), as amended on 04/11/1439H (corresponding to 17/07/2018G) and on 08/06/1441H (corresponding to 02/02/2020G), to obtain facilities amounting to four hundred million Saudi Riyals (SAR 400,000,000).

Following is a brief summary of the main terms of this agreement:

Table 162: Terms of Credit Facility Agreement with Al Rajhi Bank Dated 04/11/1439G (corresponding to 17/07/2018G)

Item	Description
Total Facilities	Four hundred million Saudi Riyals (SAR 400,000,000).
Expiry date	Four (4) years from the date of each withdrawal, the agreement is valid as at the date of this Prospectus.

Item		Description
Facilities	Maximum	A deferred sale contract line facility with a total amount of two hundred fifty million Saudi Riyals (SAR 250,000,000). Each finance transaction must be no less than SAR 25,000,000 and no more than SAR 50,000,000.
	Purpose	Financing the operating cycle.
	Availability Period	Repayable over a period of four (4) years on a semi-annual basis.
	Profit Margin	SAIBOR (6 months) + the percentage agreed upon between the parties.
	Maximum	A supplier chain finance line with a total amount of one hundred million Saudi Riyals (SAR 100,000,000).
	Purpose	Financing the operating cycle.
	Availability Period	Repayable over four (4) years.
	Profit Margin	SAIBOR (6 months) + profit margin.
	Maximum	A buffer deferred sale contract line facility with a total amount of fifty million Saudi Riyals (SAR 50,000,000).
	Purpose	Supporting the seasonal shortfall in second-party cash flows.
	Availability Period	One month.
	Profit Margin	SAIBOR (6 months) + profit margin.
	Fees	The Company undertakes to pay the agreed fees, including a down payment of 0.5% of the price.
Guarantees	• A promissory note totaling four hundred fifty-two million, four hundred forty-four thousand, one hundred seventy-three Saudi Riyals (SAR 452,444,173). • Al Rajhi Bank may ask the Company to provide additional guarantees. • Al Rajhi Bank may collect its receivables from any of the Company's assets overseen by Al Rajhi Bank, including the Company's accounts with Al Rajhi Bank.	
Terms	• The Company shall notify Al Rajhi Bank of any potential change in its legal form before making such change and provide all documents required by Al Rajhi Bank. • The Company shall provide a down payment of 1.25% of the value of each deferred sale contract and not the total amount of the facilities upon execution of the contract. • The Company declares that the total loan portfolio offered by it to its customers will not exceed three times the share capital. • The Company undertakes to provide Al Rajhi Bank with a report on the outstanding income assigned to Al Rajhi Bank and to secure the Company's existing liabilities with a coverage ratio of at least 125% at all times. • Early repayment is permitted subject to certain conditions, including reimbursement of Al Rajhi Bank for costs incurred. • Al Rajhi Bank may reduce or increase the limits of facilities, service price, expenditures and profit margin if it believes that proceeding with the agreement may cause harm.	
Termination and Accelerated Repayment	All obligations to Al Rajhi Bank shall be immediately due and payable, without the need for any legal action, upon the occurrence of any default event including, without limitation: • The Company delays settlement of any of its obligations. • The Company violates any guarantees or securities provided to Al Rajhi Bank. • The Company violates any rights or obligations to third parties. • The existing legal entity of the Company is dissolved or any related actions are taken.	
Governing Law	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.	

Source: The Company

The Company notified Al Rajhi Bank of the Offering in accordance with the letter dated 22/05/1442H (corresponding to 06/01/2020G), and on 22/05/1442H (corresponding to 06/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.4 Credit Facility Agreement with NCB

The Company entered into a credit facility agreement with NCB on 08/10/1438H (corresponding to 02/07/2017G), as amended on 08/02/1440H (corresponding to 07/04/2019G) to obtain facilities amounting to one hundred twenty million Saudi Riyals (SAR 120,000,000).

Following is a brief summary of the main terms of this agreement:

Table 163: Terms of Credit Facility Agreement with NCB Dated 08/10/1438H (corresponding to 02/07/2017G)

Item	Description	
Total Facilities	One hundred twenty million Saudi Riyals (SAR 120,000,000).	
Expiry date	13/08/1441H (corresponding to 06/04/2020G), the agreement is still valid as at the date of this Prospectus.	
Facilities	Maximum	A one-time commercial facility (joint limit) with a maximum total amount of one hundred twenty million Saudi Riyals (SAR 120,000,000).
	Purpose	Supporting working capital requirements.
	Availability Period	Repaid over 48 months for each withdrawal with monthly payments.
	Profit Margin	SAIBOR (1 month) + the percentage agreed upon by the parties
	Maximum	A profit margin swap (a commercial facility partial limit) with a maximum total amount of twenty million Saudi Riyals (SAR 20,000,000).
	Purpose	Confronting fluctuations in profit margin.
	Availability Period	A period of five and a half (5.5) years, maturing on 31/12/2023G.
	Fees	An annual 12% late penalty on outstanding unpaid amounts. The Company agrees to pay the additional fees, which include the pledged assets and value added tax.
Guarantees	• A promissory note totaling one hundred thirty-two million Saudi Riyals (SAR 132,000,000). • Assignment of receivables to NCB covering 125% of the value of the outstanding liabilities, and a reserve of 10% of the value of the outstanding liabilities, with such retained amount mortgaged to NCB. • NCB may collect its receivables using any of the Company's assets controlled by NCB, including the Company's accounts with NCB.	
Terms	• The Company must notify NCB of any change in its ownership or any material change in the Company's Management within fourteen (14) days from the date of the change. • The Company pledges that the leverage ratio will not exceed 1:1.8, the liquidity ratio will not be less than 1:1.2, and the default in the Company's portfolios will not exceed 5%. • The Company undertakes that the financed amounts will not exceed three times the Company's Shares.	
Termination and Accelerated Repayment	All obligations to NCB shall be immediately due and payable, without the need for any legal action, upon the occurrence of any default event including, without limitation: • The Company delays settlement of any of its obligations. • The Company violates any guarantees or securities provided to NCB. • The Company violates any rights or obligations to third parties. • The existing legal entity of the Company is dissolved or any related actions are taken.	
Governing Law	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.	

Source: The Company

The Company notified NCB of the Offering in accordance with the letter dated 29/05/1442H (corresponding to 13/01/2021G), and on 05/06/1442H (corresponding to 18/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.5 Credit Facility Agreement with Riyad Bank

The Company entered into a credit facility agreement with Riyad Bank on 02/06/1439H (corresponding to 18/02/2018G), as amended on 03/03/1440H (corresponding to 11/11/2018G), on 06/07/1440H (corresponding to 13/03/2019G), on 18/09/1440H (corresponding to 23/05/2019G), on 11/11/1440H (corresponding to 14/07/2019G), on 19/01/1442H (corresponding to 07/09/2020G), and on 19/07/1442H corresponding to (03/03/2021G) to obtain facilities amounting to three hundred sixty-seven million Saudi Riyals (SAR 370,500,000).

Following is a brief summary of the main terms of this agreement:

Table 164: Terms of Credit Facility Agreement with Riyad Bank Dated 02/06/1439H (corresponding to 18/02/2018G)

Item	Description	
Total Facilities	Three hundred seventy million and five hundred thousand million Saudi Riyals (SAR 370,500,000).	
Expiry date	03/09/1446H (corresponding to 03/03/2025G).	
Facilities	Maximum	Tawarruq-based financing with a maximum total amount of two hundred fifty million Saudi Riyals (SAR 250,000,000).
	Purpose	Providing further loans to the Company's customers.
	Availability Period	Repayable within four years, in quarterly payments.
	Profit Margin	SAIBOR (three months) + the percentage agreed upon betwen the parties.
	Maximum	A profit margin swap with a maximum total amount of twenty million five hundred thousand Saudi Riyals (SAR 20,500,000).
	Purpose	Hedging the limit provided.
	Availability Period	N/A
	Profit Margin	Treasury commission.
	Maximum	Tawarruq-based financing with a maximum total amount of one hundred million Saudi Riyals (SAR 100,000,000).
	Purpose	Providing further loans to the Company's customers.
	Availability Period	Repayable within four years, in quarterly payments.
	Profit Margin	SAIBOR (3 months) + the percentage agreed upon between the parties.
	Fees	A 2%-0.05% agency commission, an annual 10% delay penalty on outstanding unpaid amounts, and an advance fee of 1% of the total facilities.
Guarantees	• A promissory note. • Assignment of the proceeds from instalments of notes receivable to an account with Riyad Bank. • The financing coverage ratio shall be at least 135% throughout the financing period (notes receivable covering 125% of the value of the outstanding liabilities, and a cash reserve of 10% of the value of the outstanding liabilities of facilities). • Riyad Bank may ask the Company to provide additional guarantees. • Riyad Bank may collect its receivables using any of the Company's assets overseen by Riyad Bank, including the Company's accounts with Riyad Bank.	

Item	Description
Terms	• The reserve amount may be kept as compound murabaha. • The Company undertakes that total financing will not exceed three times the share capital. • The Company may only assign its obligations to third parties with the prior consent of Riyad Bank. • The Company undertakes not to create any mortgage, concession or right on the Company's movable or fixed assets previously provided as collateral to Riyad Bank. • The Company undertakes to maintain a current ratio of at least 1:1.25, a gearing ratio of up to 2:1 and a debt burden ratio of no more than 60% of the total facilities. • Riyad Bank must be notified of any change in the legal form.
Termination and Accelerated Repayment	Riyad Bank has the right to expedite repayment of facilities and make all amounts outstanding under the agreement immediately due and payable upon the occurrence of certain default events, including: • The Company or its associates or subsidiaries fail to comply with any of the provisions of this agreement or any other agreement with third parties. • A change is made to the legal form, ownership structure, control or management of the Company, guarantor, associates or subsidiaries without the prior written consent of Riyad Bank. • The Company, guarantor, associates or subsidiaries are winded up or become bankrupt, or any relevant procedures are taken.
Governing Law	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company notified Riyad Bank of the Offering in accordance with the letter dated 29/05/1442H (corresponding to 13/01/2021G), and on 05/06/1442H (corresponding to 18/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.6 Credit Facility Agreement with Riyad Bank (Monsha'at)

The Company entered into a credit facility agreement with Riyad Bank on 11/11/1440H (corresponding to 14/07/2019G) to obtain facilities through Monsha'at amounting to fifty million Saudi Riyals (SAR 50,000,000).

Following is a brief summary of the main terms of this agreement:

Table 165: Terms of Credit Facility Agreement with Riyad Bank Dated 11/11/1440H (corresponding to 14/07/2019G)

Item	Description	
Total Facilities	Fifty million Saudi Riyals (SAR 50,000,000).	
Expiry date	08/01/1446H (corresponding to 14/07/2024G).	
Facilities	Maximum	Tawarruq-based financing with a maximum total amount of fifty million Saudi Riyals (SAR 50,000,000).
	Purpose	Financing the operating cycle.
	Availability Period	Repayable over five (5) years in quarterly payments.
	Profit Margin	SAIBOR (3 months) + the percentage agreed upon between the parties.
	Fees	A 2%-0.05% agency commission, an annual 10% delay penalty on outstanding unpaid amounts, and an advance fee of 1% of the total facilities.

Item	Description
Guarantees	• A promissory note. • Assignment of the proceeds from instalments of notes receivable to an account with Riyad Bank. • The financing coverage ratio shall be at least 135% throughout the financing period (notes receivable covering 125% of the value of the outstanding liabilities, and a cash reserve of 10% of the value of the outstanding liabilities of facilities). • Riyad Bank may ask the Company to provide additional guarantees. • Riyad Bank may collect its receivables using any of the Company's assets overseen by Riyad Bank, including the Company's accounts with Riyad Bank.
Terms	• The Company pledges that the total financing will not exceed three times the share capital. • The Company may only assign its obligations to third parties with the prior consent of Riyad Bank. • The Company undertakes not to create any mortgage, concession or right on the Company's movable or fixed assets previously provided as collateral to Riyad Bank. • The Company undertakes to maintain a current ratio of at least 1:1.25, and a gearing ratio of up to 2:1. • Riyad Bank must be notified of any change in the legal form.
Termination and Accelerated Repayment	Riyad Bank has the right to expedite repayment of facilities and make all amounts outstanding under the agreement immediately due and payable upon the occurrence of certain default events, including: • The Company or its associates or subsidiaries fail to comply with any of the provisions of this agreement or any other agreement with third parties. • A change is made to the legal form, ownership structure, control or management of the Company, guarantor, associates or subsidiaries without the prior written consent of Riyad Bank. • The Company, guarantor, associates or subsidiaries are winded up or become bankrupt, or any relevant procedures are taken.
Governing Law	The agreement shall be governed by, and construed in accordance with the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company has notified Riyad Bank of the Offering in accordance with the letter dated 29/05/1442H (corresponding to 13/01/2021G), and on 05/06/1442H (corresponding to 18/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.7 Credit Facilities Agreement with Emirates NBD

The Company entered into a credit facility agreement with Emirates NBD on 18/11/1440H (corresponding to 21/07/2019G) as amended on 01/11/1441H (corresponding to 22/06/2020G) and on 12/02/1442H (corresponding to 29/09/2020G), to obtain facilities amounting to one hundred thirty-two million, eight hundred forty-three thousand, seven hundred fifty Saudi Riyals (SAR 132,843,750).

Following is a brief summary of the main terms of this agreement:

Table 166: Terms of Credit Facility Agreement with Emirates NBD Dated 18/11/1440H (Corresponding to 21/07/2019G)

Item	Description
Total Facilities	One hundred thirty-two million, eight hundred forty-three thousand, seven hundred fifty Saudi Riyals (SAR 132,843,750).
Expiry date	48 months from the date of each withdrawal, the agreement is valid as at the date of this Prospectus.

Item		Description
Facilities	Maximum	Medium-term tawarruq-based financing with a maximum total amount of 38,541,666.66.
	Purpose	Financing the Company's funding requirements.
	Availability Period	Repayable within 48 months from the date of each withdrawal in equal monthly payments.
	Profit Margin	SAIBOR + the percentage agreed upon by the parties
	Maximum	Medium-term tawarruq-based financing with a maximum total amount of thirty-two million, nine hundred sixteen thousand, six hundred sixty-six (32,916,666).
	Purpose	Financing the Company's funding requirements.
	Availability Period	Repayable within 48 months from the date of each withdrawal in equal monthly payments.
	Profit Margin	SAIBOR + annual profit margin.
	Maximum	Medium-term tawarruq-based financing with a maximum total amount of twenty-one million, three hundred eighty-five thousand, four hundred sixteen (21,385,416).
	Purpose	Financing the Company's funding requirements.
	Availability Period	Repayable within 48 months from the date of each withdrawal in equal monthly payments.
	Profit Margin	SAIBOR + annual profit margin.
	Maximum	Revolving medium-term tawarruq-based financing with a maximum total amount of forty million Saudi Riyals (SAR 40,000,000), with a PFE for savings of ten million Saudi Riyals.(SAR 10,000,000)
	Purpose	Financing the Company's funding requirements.
	Availability Period	Repayable within 48 months from the date of each withdrawal in equal monthly payments.
	Profit Margin	SAIBOR + annual profit margin.
	Fees	Various administrative fees of 0.5%-1.0%
Guarantees	• A promissory note of a total amount of one hundred forty million Saudi Riyals (SAR 140,000,000). • Assignment of the lending portfolio with a coverage ratio of at least 125% of the value of the facilities. • Assignment of receivables/dues of fifty-one million, one hundred eighteen thousand, four hundred thirty Saudi Riyals (SAR 51,118,430) on 31/12/2018G. • Assignment of receivables/dues of forty-five million, eight hundred seventy thousand Saudi Riyals (SAR 45,870,000) on 18/07/2018G. • Assignment of receivables/dues of fifty-four million, eight hundred two thousand, eight hundred thirteen Saudi Riyals (SAR 54,802,813) on 12/01/2020G.	
Terms	• The Company pledges that the total debt to tangible net worth ratio will not exceed 3:1, the ratio of debt coverage before interest, Zakat, tax, depreciation, and provision for debt repayment will be 4:1, and the ratio of total debt to total portfolio receivables will not exceed 80%. • The Company confirms that the total non-performing financing will not exceed 8%. • The Company shall notify Emirates NBD of any possible change in its legal form, before making such change. • Emirates NBD may, at its absolute discretion, reduce or increase the limits of facilities, service price, expenditures and profit margin.	

Item	Description
Termination and Accelerated Repayment	All obligations to Emirates NBD shall be immediately due and payable, without the need for any legal action, upon the occurrence of any default event including, without limitation: • The Company delays settlement of any of its obligations. • The Company violates any guarantees or securities provided to Emirates NBD. • The Company violates any rights or obligations to third parties. • The existing legal entity of the Company is dissolved or any related actions are taken.
Governing Law	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company submitted to Emirates NBD the letter dated 29/05/1442H (corresponding to 13/01/2021G) to notify it of the Offering and request it to exempt the Company from the requirement that the total non-performing loans be 8%, as the Company's non-performing financing reached 8.3%. On 05/06/1442H (corresponding to 18/01/2021G), the Company received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange, provided that FALCOM Holding Company remains the largest shareholder of the Company. It also approved the exemption of the Company from the requirement pertaining to non-performing loans.

12.7.8 Credit Facility Agreement with NBB

The Company entered into a credit facility agreement with NBB on 24/05/1441H (corresponding to 19/01/2020G) as amended on 29/11/1441H (corresponding to 20/07/2020G), to obtain facilities amounting to one hundred fifty million Saudi Riyals (SAR 150,000,000).

Following is a brief summary of the main terms of this agreement:

Table 167: Terms of Credit Facility Agreement with NBB Dated 24/05/1441H (Corresponding to 19/01/2020G)

Item	Description	
Total Facilities	One hundred fifty million Saudi Riyals (SAR 150,000,000).	
Expiry date	Four years from the date of first withdrawal from the credit facility balance, the agreement is valid as at the date of this Prospectus.	
Facilities	Maximum	Murabaha financing with a maximum total amount of one hundred fifty million Saudi Riyals (SAR 150,000,000).
	Purpose	Financing the loan portfolio to book new loans.
	Availability Period	Repayable in equal quarterly instalments after each withdrawal of the denomination.
	Profit Margin	SAIBOR + the percentage agreed upon by the parties
	Fees	Independent fee based on negotiations. A delay/overdraft fee of 15% over the above profit margin.
Guarantees	• A promissory note for a total amount of one hundred fifty million Saudi Riyals (SAR 150,000,000). • An agreement to assign each denomination required before use, subject to a minimum coverage ratio of 125% of the denomination amount. • Assignment of the agreement portfolio and other assignable contracts. • Assignment of guarantees, provisions and other documents entered into in accordance with the above-mentioned agreements/contracts. • Assignment of any present or future right, ownership or interest, whether in kind, contractual or otherwise, in relation to the above-mentioned agreements/contracts. • A letter from FALCOM Holding Company confirming provision of the facilities granted to the Company.	

Item	Description
Terms	• The Company undertakes to maintain a current ratio of at least 1:1.25, and a leverage ratio of up to 3:1. • NBB may collect its receivables using any of the Company's assets controlled by NBB, including the Company's accounts with NBB. • NBB may, at its absolute discretion, reduce or increase the limits of facilities, service price, expenditures and profit margin.
Termination and Accelerated Repayment	All obligations to Emirates NBB shall be immediately due and payable, without the need for any legal action, upon the occurrence of any default event including, without limitation: • The Company delays settlement of any of its obligations. • The Company violates any guarantees or securities provided to NBB. • The Company violates any rights or obligations to third parties. • The existing legal entity of the Company is dissolved or any related actions are taken.
Governing Law	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company notified NBB of the Offering in accordance with the letter dated 29/05/1442H (corresponding to 13/01/2021G), and on 05/06/1442H (corresponding to 18/01/2021G) received a response from the Bank with no objection to the Company offering a portion of its Shares for public subscription and listing its Shares on the Exchange.

12.7.9 Credit Facility Agreement with SABB

The Company entered into a credit facility agreement with SABB on 04/07/1442H (corresponding to 16/02/2021G) to obtain facilities amounting to four hundred fifteen million Saudi Riyals (SAR 415,000,000).

Following is a brief summary of the main terms of this agreement:

Table 168: Terms of Credit Facility Agreement with SABB Dated 04/07/1442H (corresponding to 16/02/2021G)

Item	Description	
Total Facilities	Four hundred fifteen million Saudi Riyals (SAR 415,000,000).	
Expiry Date	29/09/1442H (corresponding to 30/04/2022G)	
Facilities	Maximum	Denomination 1 – a maximum of four hundred million Saudi Riyals (SAR 400,000,000) for mineral-based tawarruq/murabaha finance.
	Purpose	Financing the financed instalments of the Company on a full recourse basis.
	Availability Period	Repayable in 48 equal monthly instalments.
	Profit Margin	SAIBOR + the percentage agreed upon by the parties
	Maximum	Denomination 2 – a maximum of fifteen million Saudi Riyals (SAR 15,000,000) for hedging based on the promise structure.
	Purpose	Hedging against future price fluctuations.
	Availability Period	A maximum of five years.
	Profit Margin	N/A
	Fees	A brokerage fee for sale of minerals. A fine of 0.25% of Denomination 1 if the used amount is below 50% of the total facility.

Item	Description
Guarantees	• A promissory note of four hundred fifteen million Saudi Riyals (SAR 415,000,000). • If the Company violates its obligations to submit any required documentation related to the agreed-upon guarantees or to correct any issuance thereof on time, SABB may reduce the limits of the facilities available to the Company to zero, in addition imposing penalties on the Company. • If the Company fails to pay its receivables to SABB, SABB may collect its receivables using any of the Company's assets overseen by SABB, including the Company's accounts with SABB.
Terms	• The Company pledges that the current ratio will be at least 1:1, and the total debt to tangible net worth ratio will not exceed 1:3. • The coverage ratio of the allocated portfolio must be increased from 125% to 150% if the percentage of delayed receivables assigned exceeds 3.00%. • Net tangible worth of at least SAR 600,000,000 must be maintained. • The total debt to total receivables ratio must not exceed 80% throughout the term of the facilities. • SABB's prior consent must be obtained before making any change to the Company ownership, partner structure, and Management. • For Denomination 1, there shall be a minimum of SAR 10,000,000 for each financing, combined with SABB's consent under a letter of assignment covering 125% of each withdrawal.
Termination and Accelerated Repayment	SABB may cancel, amend, suspend or expedite repayment of facilities and make all amounts immediately due and payable at its absolute discretion and/or upon the occurrence of any default event, including: • The Company fails to comply with any of the provisions of the facility agreement. • Any of the guarantees stipulated in the agreement expires or is revoked.
Governing Law and Jurisdiction	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company submitted to SABB the letter dated 29/05/1442H (corresponding to 13/01/2020G), and on 05/06/1442H (corresponding to 18/01/2021G), received SABB's consent to the offering of the Company's Shares on the Exchange.

12.7.10 Credit Facility Agreement with Samba Financial Group

The Company entered into a credit facility agreement with Samba Financial Group ("**Samba Bank**") on 12/07/1442H (corresponding to 24/02/2021G) to obtain facilities amounting to two hundred million Saudi Riyals (SAR 200,000,000).

Following is a brief summary of the main terms of this agreement:

Table 169: Terms of Credit Facility Agreement with Samba Bank Dated 12/07/1442H (corresponding to 24/02/2021G)

Item	Description	
Total Facilities	two hundred million Saudi Riyals (SAR 200,000,000).	
Expiry Date	25/04/1443H (corresponding to 03/11/2021G)	
Facilities	Maximum	a maximum of two hundred million Saudi Riyals (SAR 200,000,000) for murabaha finance.
	Purpose	Financing the new clients of the Company.
	Availability Period	Repayable in 12 quarterly installments with profits accrued from the date of use.
	Profit Margin	SAIBOR + the percentage agreed upon by the parties
	Fees	• Administrative fee of 0.75% for each withdrawal

Item	Description
Guarantees	• A promissory note of two hundred million Saudi Riyals (SAR 200,000,000). • If the Company fails to pay its receivables to Samba Bank, Samba Bank may collect its receivables using any of the Company's assets overseen by Samba Bank, including the Company's accounts with Samba Bank. • Assigment of recievables covering 125% of the existing exposure.
Terms	• Net tangible worth of at least SAR 900,000,000 must be maintained. • The Company pledges that the financial leverage ratio shall not be more than (3:1) and the trading ratio shall not be less than (1.5:1). • The Company pledges to not pay or distribute any dividend in excess of 100% of net income for any year. • No single debtor should count more than 5% of the total allocated receivables. • Upon early repayment by the Company, Samba Bank is not obligated to return any Murabaha profits to the Company. • The Company may not assign its obligations under the Agreement. • The Company must notify Samba Bank of any change in its financial position or in its business. • The Company shall ensure that its obligations under this Agreement shall be equal with all other unsecured and unsubjected obligations
Termination and Accelerated Repayment	Samba Bank may cancel, amend, suspend or expedite repayment of facilities and make all amounts immediately due and payable at its absolute discretion and/or upon the occurrence of any default event, including: • The Company fails to comply with any of the provisions of the facility agreement. • A material or negative change in the financial position of the Company or any of the security service providers, including the possibility of insolvency or bankruptcy.
Governing Law and Jurisdiction	The agreement shall be governed by, and construed in accordance with, the laws in force in the Kingdom, and any dispute arising therefrom shall be referred to SAMA's Committee for the Settlement of Banking Disputes.

Source: The Company

The Company submitted to Samba Bank the letter dated 22/09/1442H (corresponding to 04/05/2021G), and on 23/09/1442H (corresponding to 05/05/2021G), received Samba Bank's consent to the offering of the Company's Shares on the Exchange.

12.8 Insurance

The Company maintains insurance policies covering different types of risks associated with its activities. The Following are the key details of the insurance policies.

Table 170: Insurance Policies

Type of Coverage	Insurer	Policy No.	Insured	Coverage Expiry Date	Coverage Amount (SAR)
Collective Cooperative Insurance for Financiers	Wataniya Insurance	P-01-2021-8-804-033842	The Company	28/08/1443H (corresponding to 31/03/2022G)	The coverage amount payable for covered cases is one million and two hundred thousand Saudi Riyals (SAR 1,200,000)

Type of Coverage	Insurer	Policy No.	Insured	Coverage Expiry Date	Coverage Amount (SAR)
Life Insurance	Wataniya Insurance	P-01-2021-8-802-033556	The Company	17/09/1443H (corresponding to 18/04/2022G)	One hundred three million, nine hundred fifty-eight thousand, two hundred Saudi Riyals (SAR 103,958,200)
Directors and Officers Liability Insurance	Solidarity Saudi Takaful Company	P/CRO/20/7004/0000044	The Company	10/02/1443H (corresponding to 18/09/2021G)	One hundred million Saudi Riyals (SAR 100,000,000) per claim
Comprehensive Vehicle Insurance	AXA Cooperative Insurance Company	1/VF/38692/0/0	The Company	28/08/1443H (corresponding to 31/03/2022G)	Damages to insured vehicle: one thousand Saudi Riyals (SAR 1,000) Death and injury of driver or passenger: one hundred thousand Saudi Riyals (SAR 100,000) Injury of a third party or damages to property owned thereby: ten million Saudi Riyals (SAR 10,000,000)
Commercial Vehicle Insurance	AXA Cooperative Insurance Company	1/VX/30499/0/0	The Company	28/08/1443H (corresponding to 31/03/2022G)	Third party liability coverage is up to 10,000,000 for personal injuries and property damage
Compulsory Cooperative Health Insurance	Bupa Arabia for Cooperative Insurance Company	40811100	The Company	25/05/1443H (corresponding to 29/12/2021G)	An annual maximum of five hundred thousand Saudi Riyals (SAR 500,000) per employee
Professional Indemnity Insurance	Saudi Arabian Cooperative Insurance Company (SAICO)	P/102/24/3021/2020/301/41	The Company	07/05/1443H (corresponding to 11/12/2021G)	Ten million Saudi Riyals (SAR 10,000,000) per claim

Type of Coverage	Insurer	Policy No.	Insured	Coverage Expiry Date	Coverage Amount (SAR)
Facility Cyber Risk Insurance	Chubb Arabia Cooperative Insurance Company	CSCHB3-0002/20-02	The Company	26/02/1443H (corresponding to 03/10/2021G)	SAR 37,500,000
Collective Cooperative Insurance - Credit Cards	Walaa Cooperative Insurance Co	E1-20-609-00001	The Company	08/03/1443H (corresponding to 14/10/2021G)	SAR 200,000
Property Insurance	Walaa Cooperative Insurance Co	W1-21-200-000014/0	The Company	28/06/1443H (corresponding to 31/01/2022G)	Damages to assets: up to SAR 34,381,375.54 Business interruption: up to SAR 2,500,000.00 per branch

12.9 Real Estate Owned by the Company

As at the date of this Prospectus, the Company owns ten (10) properties acquired as a result of collecting receivables from defaulting customers in settlement of their debts. The total value of these properties is twenty million six hundred sixty-nine thousand two hundred Saudi Riyals (SAR 20,669,200). The Company evaluates such properties periodically on an annual basis, whereby the Company records on its accounts any depreciation in the properties' market value as compared to their book value, but does not record any events of increase in the valuation. The Company plans on disposing of such properties as soon as an appropriate profitable offer is made and with the approval of the Board of Directors. However, this sale may result in potential loss if market prices generally decline in the real estate market.

The following table sets out the details of such real estate:

Table 171: Real Estate Owned by the Company:

Deed No.	Deed Date	Location	Area (m²)	Property Owner	Mortgaged
1056/142/1	20/07/1432H (corresponding to 22/06/2011G)	Al-Muzahmiya District, Riyadh	900	The Company	No
23096/11	05/05/1425H (corresponding to 23/06/2004G)	Dahrat Al-Badi'ah and As Suwaidi, Riyadh	1,000	The Company	No
1/3/261	16/07/1423H (corresponding to 23/09/2002G)	Ad Dubaiyah, Al-Kharj	5,000	The Company	No
457	01/07/1418H (corresponding to 01/11/1997G)	Olaya District, Al Badayea	840	The Company	No
403	19/06/1418H (corresponding to 21/10/1997G)	Olaya District, Al Badayea	840	The Company	No
310110035665	10/09/1437H (corresponding to 15/06/2016G)	Al Hamra District, Riyadh	1,950	The Company	No

Deed No.	Deed Date	Location	Area (m²)	Property Owner	Mortgaged
586/199/1	16/05/1424H (corresponding to 16/07/2003G)	Al Afjah District, Al-Kharj	5,000	The Company	No
581/199/1	15/05/1424H (corresponding to 15/07/2003G)	Al Afjah District, Al-Kharj	5,000	The Company	No
22456/16	10/05/1425H (corresponding to 28/06/2004G)	Dahrat Al-Badi'ah and As Suwaidi, Riyadh	1,000	The Company	No
1/142/1056	20/07/1432H (corresponding to 22/06/2011G)	Al-Muzahmiya, Riyadh	900	The Company	No

Source: The Company

12.10 Lease Agreements

The Company has entered into twenty-eight (28) lease agreements with a number of landlords, for the purpose of opening Company branches and showrooms across the Kingdom to market and display the Company's products. Following are the key details of the Company's lease agreements:

Table 172: Lease Agreements

Lessee	Lessor	Location	Area (m²)	Annual Rent (SAR)	Term of Lease/Renewal Mechanism (if any)	Purpose
The Company	Hussein Saeed Hussein Al-Kotehi	Abha	450	287,500	Three years commencing on 01/07/2021G (corresponding to 21/11/1442H) and ending on 30/06/2024G (corresponding to 24/12/1445H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Abha
The Company	Obaid Al-Osaimi	Dawadmi	146	75,000	One year commencing on 09/08/2021G (corresponding to 01/01/1443H) and ending on 08/08/2022G (corresponding to 10/01/1444H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Dawadmi
The Company	Abdullah Abdul Hadi Al-Ghamdi	Al Baha	85	100,000	One year commencing on 01/03/2021G (corresponding to 17/07/1442H) and ending on 28/02/2022G (corresponding to 27/07/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Al Baha

Lessee	Lessor	Location	Area (m^2)	Annual Rent (SAR)	Term of Lease/Renewal Mechanism (if any)	Purpose
The Company	Abdullah Salman Mubarak AlSafran	Al Hofuf	146	116,150	One year commencing on 08/09/2021G (corresponding to 01/02/1443H) and ending on 07/09/2022G (corresponding to 11/02/1444H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Al Hofuf
The Company	Jawzaa Falah Al-Mutairi	Hafer Albaten	120	72,000	One year commencing on 20/06/2021G (corresponding to 10/11/1442H) and ending on 19/06/2022G (corresponding to 20/11/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Hafer Albaten
The Company	Nasser AlHamid	Hail	330	100,000	One year commencing on 18/10/2020G (corresponding to 01/03/1442H) and ending on 17/10/2021G (corresponding to 11/03/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Hail
The Company	Al Khaleej Fund for Real Estate Development and Investment Company	Jeddah	415	442,750	One year commencing on 28/07/2021G (corresponding to 18/12/1442H) and ending on 16/07/2022G (corresponding to 17/12/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Jeddah
The Company	Muhammad Eid AlKhater	Jubail	67.5	78,578	One year commencing on 01/07/2021G (corresponding to 21/11/1442H) and ending on 30/06/2022G (corresponding to 01/12/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Jubail

Lessee	Lessor	Location	Area (m^2)	Annual Rent (SAR)	Term of Lease/Renewal Mechanism (if any)	Purpose
The Company	Nasser Abdullah AlSaif	Al Kharj	120	54,000	One year commencing on 13/02/2021G (corresponding to 01/07/1442H) and ending on 12/02/2022G (corresponding to 11/07/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Al Kharj
The Company	Bandar Abdullah Hamad Al Sultan	Riyadh	1580	575,000	One year commencing on 19/01/2021G (corresponding to 06/06/1442H) and ending on 18/01/2022G (corresponding to 15/06/1443H G). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Riyadh
The Company	Abdelaziz Mohamed Abdulrahman Al Rumaih	Riyadh	459	207,000	One year commencing on 01/01/2021G (corresponding to 17/05/1442H) and ending on 31/12/2021G (corresponding to 27/05/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	
The Company	FALCOM Financial Services Company	Riyadh	236	188,000 (in additional to SAR 9,400 for operational purposes and SAR 29,610 for VAT purposes)	One year commencing on 01/05/2021G (corresponding to 19/09/1442H) and ending on 30/04/2022G (corresponding to 29/09/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Riyadh
The Company	FALCOM Financial Services Company	Riyadh	250	60,000 (in additional to SAR 3,000 for operational purposes and 15% VAT of SAR 9,450).	One year commencing on 01/12/2020G (corresponding to 16/04/1442H) and ending on 30/11/2021G (corresponding to 25/04/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Riyadh

Lessee	Lessor	Location	Area (m²)	Annual Rent (SAR)	Term of Lease/Renewal Mechanism (if any)	Purpose
The Company	FALCOM Financial Services Company	Riyadh	1,200	701,250 (in additional to annual maintenance fees amounting to SAR 154,000 and 15% VAT of SAR 128,288)	One year commencing on 01/01/2021G (corresponding to 17/05/1442H) and ending on 31/12/2021G (corresponding to 27/05/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Riyadh
The Company	Abdulaziz Majid AlAnad	Sakaka	176	92,000	One year commencing on 01/02/2021G (corresponding to 19/06/1442H) and ending on 31/01/2022G (corresponding to 28/06/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Sakaka
The Company	Al Saif Stores Holding Company	Tabuk	86	165,600	Four years commencing on 28/03/2021G (corresponding to 15/08/1442H) and ending on 27/03/2025G (corresponding to 27/09/1446H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Tabuk
The Company	Fahd Ali AlFayez	Buraidah	179.25	97,750	One year commencing on 14/01/2021G (corresponding to 01/06/1442H) and ending on 13/01/2022G (corresponding to 10/06/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Buraidah
The Company	Saad Hassan Munif Al Theeb	Bisha	144	86,250	One year commencing on 16/11/2020G (corresponding to 01/04/1442H) and ending on 15/11/2021G (corresponding to 10/04/1442H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Bisha

Lessee	Lessor	Location	Area (m^2)	Annual Rent (SAR)	Term of Lease/Renewal Mechanism (if any)	Purpose
The Company	Hilal Saeed Al-Ghamdi	Dammam	301.86	270,000	One year commencing on 17/03/2021G (corresponding to 04/08/1442H) and ending on 16/03/2022G (corresponding to 13/08/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Dammam
The Company	Ithra Alhayat for Real Estate, represented by Ayed Mansour AlQahtani	Jazan	265	251,160	One year commencing on 01/02/2021G (corresponding to 19/06/1442H) and ending on 31/01/2022G (corresponding to 28/06/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Jazan
The Company	Faisal Ibrahim AlGhamdi	Jeddah	130	80,000	One year commencing on 13/04/2021G (corresponding to 01/09/1442H) and ending on 12/04/2022G (corresponding to 11/09/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Jeddah
The Company	Haji Abdullah Alireza Co., Ltd., represented by Amr Yahya Hakami	Khobar	444	191,705 for the 1st year and 249,206 for the 2nd year	Two years commencing on 01/01/2021G (corresponding to 17/05/1442H) and ending on 31/12/2022G (corresponding to 29/12/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Khobar
The Company	Musnad Sanad AlMutairi	Madina	143	126,500	354 days commencing on 09/08/2021G (corresponding to 01/01/1443H) and ending on 29/07/2022G (corresponding to 03/12/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Medina

Lessee	Lessor	Location	Area (m²)	Annual Rent (SAR)	Term of Lease/Renewal Mechanism (if any)	Purpose
The Company	Ali Saleh Al Khuraim	Najran	117	63,250	One year commencing on 01/02/2021G (corresponding to 19/06/1442H) and ending on 31/12/2022G (corresponding to 28/06/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Najran
The Company	Adel Abdulkarim Abu Al-Saud	Qatif	340	97,750	One year commencing on 01/09/2021G (corresponding to 24/01/1443H) and ending on 31/08/2022G (corresponding to04/02/1444H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Qatif
The Company	Abdulaziz Omair Mansour AlSufyan	Taif	160	115,000	One year commencing on 16/11/2020G (corresponding to 01/04/1442H) and ending on 15/11/2021G (corresponding to10/04/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Taif
The Company	Hussein Hamed Shahaat Al Harbi	Makkah	230	149,500	One year commencing on 13/02/2021G (corresponding to 01/07/1442H) and ending on 12/02/2022G (corresponding to 11/07/1443H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Makkah
The Company	Ahmed Ibrahim Othman Al Humaidi	Al-Majmaah	252	74,750	Three years commencing on 18/08/2021G (corresponding to 10/01/1443H) and ending on 17/08/2024G (corresponding to 13/02/1446H). The agreement shall not be renewed unless agreed upon in writing by the parties.	Lease agreement for a branch/ showroom in Al-Majmaah

Source: The Company

12.11 Related Party Transactions

The Directors confirm that none of the contracts with Related Parties described in this section contain preferential conditions, and have all been concluded on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor for the Offering. Moreover, the Directors declare their intention to comply with Article 71 and 72 of the Companies Law and Article 46 of the CMA Corporate Governance Regulations in relation to contracts with Related Parties. Transactions with related parties, notably those with Board of Directors members having an interest, effective from 17/07/1442H (corresponding to 01/03/2021G) until the date of this Prospectus were approved during the Ordinary General Assembly held on 14/02/1443H (corresponding to 21/09/2021G).

Per the Company's financial statements, the nature of related party transactions include (1) cash dividends declared and paid for the shareholders; (2) compensation for the period, incentive for continuing service, and employees' end of service benefits for the key management personnel; (3) remuneration for the period of the chairman, directors and board committee members; (4) Zakat / VAT consultancy fee and IT software services rendered for other related parties; and (5) commodities / securities dealings, account – deposit made, rental charge and advisory charges and others for affiliates. The total value of the related party transactions amounted to approximately one hundred twenty seven million and ninety eight thousand (SAR 127,098,000) Saudi Riyals as at 2018G, one hundred fifty four million and six hundred eighty three thousand (SAR 154,683,000) Saudi Riyals as at 2019G, one hundred seventy eight million and thirty six thousand (SAR 178,036,000) Saudi Riyals as at 2020G and seven million and five hundred ninety three thousand (SAR 7,593,000) as at the three months period ending on the 31st of March 2021G. In 2018G, the related party transactions represented 15% from the total expenses and 4.6% of the total Murabah contracts for the future. In 2019G, the related party transactions represented 21% from the total expenses and 19% from the total Murabah contracts for the future. In the year 2020G, related party transactions represented 26% of the total general and administrative expenses and 13.9% of the total Murabaha contracts for the future. In the first quarter of 2021G, the related party transactions represented 26% of the total general and administrative expenses and 0.4% of the total murabaha contracts for the future.

The Company has entered into a number of transactions with some Related Parties. Following is a summary of those transactions:

12.11.1 Service Provision Transactions with Related Parties

12.11.1.1 Service Level Agreement (SLA) between the Company and Information Technology Integrated Solutions Company (ITIS)

The Company (as the customer) entered into a contract for provision of help desk and enhancement support services with Information Technology Integrated Solutions Co. (as the service provider) on 17/07/1442H (corresponding to 01/03/2021G). The contract value is six hundred ninty-nine thousand Saudi Riyals (SAR 699,000).

The agreement's term is one year starting from 17/07/1442H (corresponding to 01/03/2021G) and ending on 14/07/1443H (corresponding to 28/02/2022G), the term is automatically renewable for one year, unless otherwise expressed by the Company within 90 days prior to the lapse of the term. On 14/05/1442H (corresponding to 28/12/2020G), the Company obtained ITIS's prior written consent to disclose contractual arrangements entered into with ITIS in the Prospectus.

Since Information Technology Integrated Solutions Co. is wholly owned by Fahd Al Musbahi, a Director, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement has been approved by the Board of Directors on 01/02/2021G and has been approved during the Ordinary General Assembly held on 21/09/2021G. Fahd Al Musbahi, the Director with a conflict of interest, abstained from voting.

12.11.1.2 Service Provision Agreement between the Company and Information Technology Integrated Solutions Company (ITIS)

On 19/09/1442H (corresponding to 01/05/2021G), the Company (as the customer) has signed an offer for agreements with Information Technology Integrated Solutions Co. (as the service provider) whereby ITIS offers the provision of: (a) ULend technical support in return to a service fee of SAR 84,000; (b) customer portal production support in return to a service fee of SAR 97,000; and (c) third party services support in return to a service fee of SAR 150,000. The offers' term is from 19/09/1442H (corresponding to 01/05/2021G) until 29/09/1443H (corresponding to 30/04/2022G).

These signed offers are binding and conclusive on the Company and ITIS. The term is renewable for one year, unless otherwise expressed in writing by the Company (as the customer) within 90 days prior to the lapse of the term.

On 14/05/1442H (corresponding to 28/12/2020G), the Company obtained ITIS's prior written consent to disclose contractual arrangements entered into with ITIS in the Prospectus.

Since Information Technology Integrated Solutions Co. is wholly owned by Fahd Al Musbahi, a Director, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement has been approved by the Board of Directors on 21/04/2021G and has been approved during the Ordinary General Assembly held on 21/09/2021G. Fahd Al Musbahi, the Director with a conflict of interest, abstained from voting.

12.11.1.3 Service Level Agreement between the Company and Information Technology Integrated Solutions Company (ITIS)

On 16/11/1442H (corresponding to 26/06/2021G), the Company (as the customer) accepted an offer to enter into an agreement with Information Technology Integrated Solutions (as the service provider), whereby ITIS provides technical assistance and maintenance services to the Company's Oracle EBS system in return to service fee of SAR 80,000 with a term of six months starting from 01/04/2021G and ending on 30/09/2021G. The offer is considered a binding and conclusive agreement between the Company and ITIS. The agreement contains a confidentiality clause, whereby parties are required to hold the information provided to them.

On 14/05/1442H (corresponding to 28/12/2020G), the Company obtained ITIS's prior written consent to disclose contractual arrangements entered into with ITIS in the Prospectus.

Since Information Technology Integrated Solutions Company is wholly owned by Fahd Al Musbahi, a Director, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement has been approved by the Board of Directors on 21/04/2021G and has been approved during the Ordinary General Assembly held on 21/09/2021G. Fahd Al Musbahi, the Director with a conflict of interest, abstained from voting.

12.11.1.4 Service Level Agreement between the Company and Information Technology Integrated Solutions Company (ITIS)

On 16/08/1442H (corresponding to 29/03/2021G), the Company (as the customer) accepted an offer to enter into an agreement with Information Technology Integrated Solutions Company (as the service provider), whereby ITIS is required to provide technical assistance and maintenance services to the Company's Microsoft SQL DB system in return to a service fee of SAR 66,000, with a term of one year starting from 01/03/2021G and ending on 28/02/2022G. The offer is considered a binding and conclusive agreement between the Company and ITIS.

On 14/05/1442H (corresponding to 28/12/2020G), the Company obtained ITIS's prior written consent to disclose contractual arrangements entered into with ITIS in the Prospectus.

Since Information Technology Integrated Solutions Co. is wholly owned by Fahd Al Musbahi, a Director, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement has been approved by the Board of Directors on 21/04/2021G and has been approved during the Ordinary General Assembly held on 21/09/2021G. Fahd Al Musbahi, the Director with a conflict of interest, abstained from voting.

12.11.1.5 Agreement for Provision of Professional Zakat and Tax Services by Al Bayouk Chartered Accountants

On 14/02/1437H (corresponding to 26/11/2015G), The Company (as the customer) entered into a tax returns assessment and filing services agreement with Al Bayouk Chartered Accountants (as the service provider). The value of the agreement is one hundred eighty thousand Saudi Riyals (SAR 189,000). The term of the agreement is three (3) years ending on 22/04/1440H (corresponding to 31/12/2018G), renewed on 05/05/1441H (corresponding to 01/01/2020G) for the same period. The agreement has been renewed under the same terms and conditions and is valid as at the date of this Prospectus.

The Company is entitled to terminate the agreement at any time by virtue of a written notice communicated to AlBayouk (30) days in advance of the termination date.

Since Al Bayouk Chartered Accountants is wholly owned by Atta Hamad Al Bayouk, a Director, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement was approved by the Board and the General Assembly on 05/07/1442H (corresponding to 17/02/2021G), and the Director with a conflict of interest abstained from voting on the relevant resolutions of the Board and the General Assembly..

12.11.1.6 Agreement for Provision of Professional Services by Al Bayouk Chartered Accountants

The Company (as the customer) entered into a VAT-related service agreement with Al Bayouk Chartered Accountants (as the service provider) on 23/04/1439H (corresponding to 10/01/2018G). whereby AlBayouk Chartered Accountants manage the Company's value-added tax accounts, and provide advisory services for the set-up, application, integration, testing and training of VAT systems in the Company in consideration of SAR 100,000. In addition, AlBayouk Chartered Accountants shall review and submit the Company's monthly VAT declaration in consideration to an amount calculated based on hourly rates of employees in AlBayouk Chartered Accountants that is between SAR 400 and SAR 1,250 with a maximum fee cap of SAR 100,000. AlBayouk Chartered Accountants issued an invoice on 31/03/2021G for the review and submission services provided for the first quarter of the year with an amount of SAR 79,800. AlBayouk Chartered Accountants provided these services for a period of three months. The Company is entitled to terminate the agreement at any time by virtue of a written notice communicated to AlBayouk (30) days in advance of the termination date.

According to the agreement, the first period ended on 31/03/2018G, and if the agreement is not terminated by the Company, its term is extended for an additional three months frp, the aforementioned termination ate. The Company has confirmed that services under this agreement are still ongoing as at the date of this Prospectus.

Since Al Bayouk Chartered Accountants is wholly owned by Atta Hamad Al Bayouk, a Director, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement was approved by the Board and the General Assembly on 05/07/1442H (corresponding to 17/02/2021G), and the Director with a conflict of interest abstained from voting on the relevant resolutions of the Board and the General Assembly.

12.11.1.7 Agreement to Open an Investment Account with FALCOM Financial Services

The Company (as the customer) entered into an agreement to open an account for financial investments with FALCOM Financial Services (as the service provider) on 02/05/1436H (corresponding to 16/02/2015G). Under this agreement, FALCOM Financial Services provides several services and investment products, including trading in securities on behalf and as instructed by the Company, such as the purchase of the necessary commodities in order to complete tawaruq operations. The main objective of the investment account is to complete Tawarruq operations. In consideration of such investment services, the Company will be required to pay certain fees, which are to be presented to the Company at FALCOM Financial Services offices and are based on a pricing scheme set by FALCOM Financial Services. Although the term and renewal mechanisms are not mentioned, the services provided by FALCOM Financial Services are still ongoing according to the provisions of this agreement.

Since (i) FALCOM Financial Services is wholly owned by FALCOM Holding Company, and (ii) Abdulmohsen Abdulrahman Musaed Al Sowailem, a Director, Bandar bin Mohammed bin Ahmed Al Bayez, a Director, Fahd bin Saleh bin Mohammed Al Musbahi, a Director, have interests in FALCOM Financial Services, this agreement is a Related Party transaction in which a Director has an interest. Therefore, pursuant to Article 71 of the Companies Law, this agreement was approved by the Board and the General Assembly on 05/07/1442H (corresponding to 17/02/2021G), and the Director with a conflict of interest abstained from voting on the relevant resolutions of the Board and the General Assembly.

12.11.2 Lease Agreements with Related Parties

12.11.2.1 Lease Agreement for the Company's Head Office with FALCOM Financial Services

The Company (as the tenant) entered into a lease agreement with FALCOM Financial Services (as the landlord) to lease the 1st floor of FALCOM Financial Services Building, Al Olaya Road, Al Worood District, for its headquarters in consideration of an annual rental value of seven hundred and one thousand, two hundred and fifty Saudi Riyals (SAR 701,250) plus an annual operating fee of one hundred and fifty four thousand Saudi Riyals (SAR 154,000) and 15% VAT of one hundred twenty eight thousand, two hundred eighty eight Saudi Riyals (SAR 128,288). The term of the agreement is one year effective as of 01/01/2021G (corresponding to 17/05/1442H) until 31/12/2021G (corresponding to 27/05/1443H).

The lease agreement shall be terminated on its expiry date, and if the parties wish to renew the term of the agreement, they must conclude a new agreement. The lease area is 1,200 square meters. According to the provisions of the agreement, the Company should provide a security deposit amounting to SAR 35,062.50 or an unconditional bank guarantee of the same amount. In addition, the Company is obligated to pay a late payment fee amounting to 0.05% of the rental value for each day the Company is late in paying the rental value.

12.11.2.2 Warehouse Lease Agreement with FALCOM Financial Services

The Company (as the tenant) entered into a lease agreement with FALCOM Financial Services (as the landlord) to lease two warehouses with an area of 250 square meters owned by the lessor located on Al Olaya Road, Al Worood District, for an annual rent of sixty three thousand Saudi Riyals (SAR 60,000), plus an annual operating fee of three thousand Saudi Riyals (SAR 3,000) and 15% VAT of nine thousand, four hundred and fifty Saudi Riyals (SAR 9,450).

The term of the agreement is one year effective as of 01/12/2020G (corresponding to 16/04/1442H) until 30/11/2021G (corresponding to 25/04/1443H). The lease agreement expires at the end of the agreement term, and if the parties wish to renew, a new contract shall be written upon mutual agreement. According to the provisions of the agreement, the Company should provide a security deposit of 5% of the annual rent or an unconditional bank guarantee of the same amount. In addition, the Company is obligated to pay a late payment fee amounting to 0.05% of the rental value for each day the Company is late in paying the rental value.

12.11.2.3 Office Lease Agreement with FALCOM Financial Services

The Company (as the tenant) entered into a lease agreement with FALCOM Financial Services (as the landlord) to lease offices in the northern section of FALCOM Financial Services Building, Al Olaya Road, Al Worood District, with an area of 236 square meters to be used as an independent branch of the Company in Al Olaya, in considation of an annual rent of one hundred eighty-eight thousand Saudi Riyals (SAR 188,000), plus an annual operating fee of (5%) of the annual rent totalling nine thousand and four hundred Saudi Riyals (SAR 9,400) and twenty nine thousand six hundred and ten Saudi Riyals (SAR 29,610) for VAT purposes.

The agreement is effective as of 01/05/2021G (corresponding to 19/09/1442H) until 30/04/2022G (corresponding to 29/09/1443H). The lease agreement expires at the end of the agreement term, and if the parties wish to renew, a new contract shall be written upon mutual agreement.

12.11.2.4 Server Room Lease Agreement with FALCOM Financial Services

The Company (as the landlord) entered into a lease agreement with FALCOM Financial Services (as the tenant), pursuant to which the Company leases out to FALCOM Financial Services an office with a total area of 16 square meters to utilize as server room, in consideration to an annual rental value of SAR 11,500, including VAT.

The agreement's duration is one (1) year starting from 01/08/2021G (corresponding to 22/12/1442H) and ending on 31/07/2022G (corresponding to 02/01/1444H). The agreement shall not be renewed unless agreed upon in writing by the parties.

FALCOM Financial Services is a related party and Abdulmohsen Al-Sowailem and Bandar Mohammad Al Baiz who are Directors have indirect ownership interests in FALCOM Financial Services through FALCOM Holding. As a result, this agreement would be deemed a related party transaction in which Directors have an interest. Therefore, pursuant to Article 71 of the Companies Law, these agreements have been approved during the Ordinary General Assembly held on 21/09/2021G. Abdulmohsen Al-Sowailem and Bandar Mohammad Al Baiz abstained from voting.

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12.12 Trademarks and Property Rights

Trademarks are essential to the Company since they rely on them to promote and market their products. The Company operates under the trademarks registered in its name, and all trademarks used by the Company for its business operation are registered under the Company's name. The following table sets out key details of the Company's registered trademarks:

Table 173: Details of Registered Trademarks

Owner	Class	Country of Registration	Protection Commencement Date	Protection Expiry Date	Registration No.	Logo
The Company	37	Kingdom	12/10/1439H (corresponding to 26/06/2018G)	11/10/1449H (corresponding to 13/09/2027G)	1439022943	النافات NayiFat
The Company	39	Kingdom	12/10/1439H (corresponding to 26/06/2018G)	11/10/1449H (corresponding to 13/09/2027G)	1439022932	النافات NayiFat
The Company	36	Kingdom	28/07/1440H (corresponding to 04/04/2019G)	27/07/1450H (corresponding to 24/12/2028G)	1440019389	يولند ULEND

The Company has registered an internet domain under its name at (a) www.Nayifat.com; (b) www.nayifat.com.sa; and (c) www.nayifat.sa. The domains are remewed on a periodic basis and the latest renewal date was on 06/08/2020G ending on 30/09/2022G.

12.13 Zakat and Tax situation of the Company

The Company is subject to the laws issued by ZATCA in the Kingdom. The Company has filed its Zakat returns and recieved ZATCA's certificates since its formation until 31 December 2020G. It should be noted that the Company has obtained a certificate issued by the ZATCA dated 17/09/1442H (corresponding to 29/04/2021G) confirming that the Company has filed its Zakat retun for the financial year 2020G. The certificate is valid until 29/09/1443H (corresponding to 30/04/2022G). As at the date of this Prospectus, the Company has only received the final Zakat assessments for the period ended between 31 December 2002G (coinciding with the date of the Company's incorporation) through 31 December 2017G and settled all its Zakat liabilities for the same periods. As for the years 2018G, 2019G and 2020G, the Company has also filed its Zakat returns and settled its Zakat liabilities for those years but has not yet received final Zakat assessment from ZATCA. ZATCA has returned credit balances for the assessments that have completed a full Hijri year.

In addition, on 26/06/1440H (corresponding to 03/03/2019G), the Company signed a settlement agreement to end the open Zakat position for the years from 2014G-2018G. The Company is committed to pay thirty six million, sixty five thousand and two hundred Saudi Riyals (SAR 36,065,200) for the years from 2014G-2017G. The Company has settled 20% from the total sum amounting to seven million, two hundred and thirteen thousand and forty (SAR 7,213,040) Saudi Riyals. The remaining amount shall be paid in five (5) equal installments of five million, seven hundred and seventy thousand, four hundred thirty-two (SAR 5,770,432) Saudi Riyals. The Company has paid two (2) installments of eleven million, five hundred and forty thousand, eight hundred sixty four (SAR 11,540,864) Saudi Riyals, bringing the total amount paid by the Company to eighteen million, seven hundred fifty three thousand, nine hundred and four (SAR 18,753,904) Saudi Riyals. Therefore, the Company is due to pay three (3) installments of an amount of seventeen million, three hundred and eleven thousand, two hundred and ninety six (SAR 17,311,296) Saudi Riyals as previously stated. The final payment is due on 1 December 2023G.

On 26/06/1440H (corresponding to 03/03/2019G), the Company also committed by the same agreement to pay for the year 2018G, seventeen million, two hundred thirty six thousand seven hundred and forty nine Saudi Riyals (SAR 17,236,749) by 30 April 2019G, which the Company has fully settled. The effect of this agreement was reflected in the financial statements of 2018G. This Agreement should be deemed definitive and conclusive between the Company and ZATCA, and should result in the end of all the disputes related to the years from 2009G-2018G. However, and since the Company has not received the final Zakat Assessment for the year 2018G, ZATCA may revert to the Company in respect of the settlement of its dues for the year 2018G. (for more details please refer to 2018G Financial Statements in Section 19 ("Financial Statements and Auditor's Report")). The Company has submitted its Zakat returns for the years 2019G and 2020G and paid the due amounts of twenty-two million, sixteen thousand and seven hundred and eighteen (SAR 22,016,718) Saudi Riyals and twenty-three million, threen hundred forty-one thousand and three hundred ninety two (SAR 23,341,392) Saudi Riyals, respectively. The Zakat assessments have not been received from ZATCA for these years.

Although there are no Zakat claims or dues payable for any previous financial year, the Company has set aside an amount of thirteen million, six hundred and seventy thousand (SAR 13,670,000) Saudi Riyals as of 31/03/2021G for any Zakat differences resulting from previous financial years. For further clarifications, the Company will single-handedly assume these Zakat differences.

12.14 Litigation, Claims, and Statutory Procedures

12.14.1 Litigation and Claims

Except for lawsuits arising out of the Company's normal business with defaulting customers, the Directors confirm that the Company, up to the date of this Prospectus, is not involved in any existing or possible litigation, arbitration or administrative proceedings that would, individually or in aggregate, have an adverse impact on its financial position and results of operations. As at 30/06/2021G, the number of lawsuits filed by the Company against defaulting customers has reached six thousand four hundred fifty eight (6,458) cases with potential amounts totaling three hundred twenty-eight million, eight hundred thirty-four thousand, eight hundred twenty six Saudi Riyals (SAR 328,834,826). The Company initiates lawsuits against customers who fail to pay their dues for 120 days or 3 months consecutively.

The Company has a total of 58 pending lawsuits filed against it, with a total disputed amount of SAR 485,129. There are around sixteen (16) lawsuits related to retuning instalments that were wrongfully withdrawn from the relevant customers, eleven (11) lawsuits related to updating customer data with Saudi Credit Bureau ("SIMAH") or changing the sponsor, seventeen (17) requests from clients to reschedule instalments. In addition, there are five (5) claims related to the compensation for termination of services, one (1) claim related to the compensation for termination of credit card services and one (1) other claim related to the transfer of ownership of a car financed by the Company without any additional fees. There are also seven (7) other lawsuits related to objecting the value of the financing, as well as claims related to counterfeiting bonds and terminating the contracts with the Company. The Company expects that the financial impact of the quantifiable lawsuits and those the customers were unable to quantify to exceed SAR 490,776.

12.15 Regulatory Procedures

SAMA has issued three (3) executive decisions against the Company as a result of some statutory violations committed by the Company. The following is a summary of those executive decisions.

12.15.1 Violating Responsible Lending Principles

On 07/09/1440H (corresponding to 12/05/2019G), the Company violated Article 15(b) and Article 16(b) of SAMA's Responsible Lending Principles for Individual Customers passed under SAMA Circular No. 46538/99 dated 02/09/1439H, as amended. SAMA performed an inspection and found that the Company had entered into finance agreements with a number of individual clients with debt burden ratios exceeding the statutory limit of 45%. Accordingly, SAMA adopted the following measures: (i) warning the Company not to repeat such a violation or violate any of the financing laws and regulations; (ii) obliging the Company to pay a penalty of eighty thousand Saudi Riyals (SAR 80,000); and (iii) if the Company continues to violate the provisions of Responsible Lending Principles for Individual Customers, SAMA may impose a penalty of up to ten thousand Saudi Riyals (SAR 10,000) for each day that the violation continues. The Company has taken some actions to prevent the recurrence of this violation, which include modifiyig and updating the Company's servers to enable them to automatically calculate the customer's debt burden ratio, and having this verified by the competent department within the Company.

12.15.2 Repeated Violation of Responsible Lending Principles

On 11/02/1441H (corresponding to 10/10/2019G), the Company violated Article 16(b) and Article 16(c) of SAMA's Responsible Lending Principles for Individual Customers passed under SAMA Circular No. 46538/99 dated 02/09/1439H, as amended. SAMA performed an inspection and found that the Company continued to violate the Responsible Lending Principles and exceeded the statutory debt burden ratio limit of 45%. Accordingly, SAMA adopted the following decisions: (i) obliging the Company to pay a penalty of two hundred fifty thousand Saudi Riyals (SAR 250,000) as a result of violating Article 16(b) of the Responsible Lending Principles; (ii) obliging the Company to pay a penalty of two hundred fifty thousand Saudi Riyals (SAR 250,000) for violating Article 16(c) of the Responsible Lending Principles; (iii) requiring the Company to list the contracts that violate the statutory debt to burden ratios and to provide SAMA with the data of these contracts within ten (10) days from the date of notification; (iv) where the Company continues to violate the Principles set out in this paragraph, SAMA may impose a penalty of up to ten thousand Saudi Riyals (SAR 10,000) for each day that the violation continues. In addition, SAMA may prevent the Company from carrying out its finance activities and distributing dividends or impose any other penalties it deems appropriate under the aforementioned Principles. The Company's recurring violation of the Responsible Lending Principles and the excess debt burden ratios are attributed to a technical error in the Company's automated system through which customers apply for financing. The Company has addressed this technical error in its systems to avoid any future breaches or violations of the debt burden ratios.

12.15.3 Violating Preventive and Precautionary Measures in Response to COVID-19

Pursuant to Executive Decision No. T/20078 dated 12/03/1442H (corresponding to 29/10/2020G), and due to the Company's violation on the same date of the aforementioned executive decision related to SAMA's instructions sent to finance companies regarding resumption of their business in line with the controls and instructions on preventive and precautionary measures in response to COVID-19, SAMA adopted the following measures: (i) warning the Company not to repeat the violation; and (ii) obliging the Company to pay a penalty of twenty five thousand Saudi Riyals (SAR 25,000). The Company has paid the fine and has been complying with SAMA's guidelines on COVID-19 measures. In addition, the Company has raised awareness and educated its staff to ensure the non-reocurence of the violation.

12.16 Summary of Company Bylaws

12.16.1 Objectives of the Company

The objective of the Company is to engage in financing activities in accordance with the Companies Law, the Finance Companies Control Law and the Implementing Regulations thereof, and the relevant regulations, as well as the rules and instructions issued by SAMA. The Company's activities include:

1- SME financing;
2- Lease financing;
3- Consumer financing; and
4- Credit card financing.

The Company operates in accordance with the applicable laws and with the necessary licenses issued by the competent authorities, if any.

12.16.2 Participation and Ownership in Companies

Subject to a written no-objection letter from SAMA, the Company may have an interest or participate in any manner with other entities or companies or solely establish a company carrying out similar activities or that may assist the Company in the realisation of its objectives. The Company may also hold shares in, merge with or acquire these companies after satisfying the requirements of the applicable laws and instructions in this regard.

12.16.3 Company's Head Office

The Company's Head Office is located in Riyadh. It may open branches, offices or agencies inside or outside the Kingdom under a Board resolution, subject to a written no-objection letter from SAMA.

12.16.4 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years, commencing as at the date on which the Company is registered in the Commercial Register. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the end of the Company's term.

12.16.5 Capital and Shares

The Company's capital is set at one billion Saudi Riyals (SAR 1,000,000,000), divided into one hundred million (100,000,000) shares with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary cash shares.

12.16.6 Subscription to Shares

The Founders have subscribed to the entire share capital amounting to one hundred million (100,000,000) fully paid shares.

12.16.7 Preferred Shares

The Company's Extraordinary General Assembly may, in accordance with the guidelines set by the competent authority, issue preferred shares, decide to purchase or sell the same, convert ordinary shares into preferred shares, or convert preferred shares into ordinary shares. Preferred shares do not confer the right to vote in Shareholders' General Assemblies. Such shares entitle holders to the right to a higher percentage of the Company's net profits compared to holders of common shares, after setting aside the statutory reserve, and authorise the Board to complete the purchase and sale in one or several stages.

12.16.8 Sale of Non-Paid up Shares

Each Shareholder undertakes to pay the value of the shares on the set dates. Should a Shareholder fail to pay by the deadline, the Board may, after notifying the Shareholder via registered mail, sell the shares in a public auction in accordance with controls set by the competent authority.

The Company shall collect the amounts due thereto from the proceeds of the sale and return the remaining to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on all of the Shareholder's funds for the unpaid balance.

However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard.

The Company shall cancel the shares sold in accordance with this Article and issue new shares to the purchaser bearing the serial numbers of the cancelled shares. An annotation to this effect shall be made in the Share Register, specifying the name of new holder.

12.16.9 Issuance of shares

The shares shall be nominal shares, and may not be issued at less than their nominal value, but may be issued at a value higher than the nominal value; in which case, the difference in value shall be added as a separate clause relating to the Shareholders' equity, and may not be distributed as dividends to Shareholders. A Share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and shall be jointly responsible for the obligations arising from ownership of said share.

12.16.10 Share Trading

Shares subscribed for by the Founders may only be traded after publishing the financial statements for two financial years, each covering a period of at least 12 months from the date of the decision approving the Company's incorporation. An annotation shall be made on the respective share certificates, indicating their class, the date of the Company's incorporation, and the period during which trading shall be suspended. However, during the Lock-up Period, Shares may, in accordance with the legal provisions for the sale of equity, be transferred from one Founder to another, from the heirs of a deceased Founder to a third party, or if the funds of an insolvent or bankrupt founder are seized, provided that the other Founders are given priority to acquire ownership of such shares.

The provisions of this Article shall also apply to the shares subscribed for by the Founders in the event of a capital increase before the end of the Lock-up period. In all cases, the qualification shares shall not be disposed of without a written no-objection letter from SAMA in accordance with Article 8 of the Finance Companies Control Law.

12.16.11 Shareholders' Register

Without prejudice to Article 8 of the Finance Companies Control Law and Article 10.3 of the Implementing Regulations of the Finance Companies Control Law, Company Shares shall be traded by virtue of an entry made to the Shareholders' Register maintained or outsourced by the Company, which shall include the Shareholders' names, nationalities, residence, and occupations as well as the Share numbers and the amounts paid up on such shares. An annotation shall be made on the share indicating said entry. As far as the Company or third parties are concerned, the transfer of nominal shares shall only be effective from the date of the entry thereof in said register.

The Company shall issue share certificates with serial numbers, signed by the Chairman or by a Director authorised on the Chairman's behalf, and stamped by the Company's stamp. The Share certificate shall, in particular, show the number and date of the ministerial resolution authorising the incorporation of the Company, the number and date of the ministerial resolution announcing the incorporation of the Company, the value of the share capital, the number of distributed Shares, the value of nominal Shares, the paid amount thereof, the Company's objectives in brief, and its head office and term. The Shares may have coupons with serial numbers, and each coupon shall bear the number of the Share to which it is attached.

12.16.12 Increase of Share Capital

1- Subject to a prior written no-objection letter from SAMA and the approval of the competent authorities, the Extraordinary General Assembly may decide to increase the share capital of the Company, provided that the share capital has been paid up in full. This provision shall not apply when the unpaid portion of Share Capital is due to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not yet expired.
2- In any case, the Extraordinary General Assembly may allocate the capital increase shares, or a portion thereof, to the employees of the Company and to the employees of all or some of its subsidiaries, or any of them. Shareholders may not exercise preemptive rights when the Company issues shares allocated to employees.
3- Shareholders who own Shares at the time the Extraordinary General Assembly adopts a resolution approving the increase of the share capital shall have preemptive rights to subscribe for the new Shares, in exchange for contributions in cash. Shareholders shall be notified of their preemptive rights by publication in a daily newspaper or by registered mail informing them of the capital increase resolution and the terms, duration and start and end dates of the Offering.
4- The Extraordinary General Assembly may suspend the Shareholders' preemptive right to subscribe for the capital increase against contributions in cash or may give priority to non-shareholders as it deems appropriate for the Company.
5- Shareholders may sell or assign their preemptive rights during the period from the date of the General Assembly resolution approving the capital increase until the last day open for subscription for the new shares associated with those rights, in accordance with the guidelines established by the competent authority.
6- Without prejudice to the provisions of paragraph 4 hereof, new shares shall be allotted to the holders of preemptive rights who applied to subscribe in proportion to their preemptive rights resulting from the share capital increase, provided that their allotment does not exceed the number of new shares they have applied for. Remaining new shares shall be allotted to preemptive right holders who have asked for more than their proportionate stake, in proportion to their preemptive rights resulting from the share capital increase, provided that their total allotment does not exceed the number of new shares they have requested. Any remaining new shares shall be offered to third parties, unless the Extraordinary General Assembly decides, or the Capital Market Law provides otherwise.

12.16.13 Decrease of Share Capital

Subject to a prior written no-objection letter from SAMA and the approval of the competent authorities, the Extraordinary General Assembly may, for valid reasons, resolve to reduce the capital if it exceeds the Company's needs or if the Company suffers losses. Resolutions to decrease the share capital shall be issued only after reading the Auditor's special report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.

If the share capital decrease is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the share capital decrease resolution in a daily newspaper published in the area where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.16.14 Issuing Bonds and Sukuk

The Company may, in accordance with the applicable laws and regulations, issue negotiable instruments inside or outside the Kingdom, and the Company's Ordinary General Assembly may, under a resolution issued thereby, authorise the Board to issue instruments, either in one or in several parts of a series of issuances under one or more programs established by the Board from time to time. Such issuance shall be made at such times and amounts and on such terms as may be approved by the Board. The Board shall have the right to adopt all necessary actions to issue them, subject to the approval of SAMA, the Shariah Board and the competent authorities. The Company may also, when needed, obtain Shariah-compliant financings in accordance with the rules and regulations established by the Company and SAMA.

12.16.15 Company Management

The Company shall be managed by a Board of Directors composed of nine (9) Directors appointed by the Shareholders' Ordinary General Assembly for a term not exceeding three (3) years, after meeting SAMA's eligibility requirements and obtaining a no-objection letter from SAMA. As an exception, the founders appointed the first board of directors for a period of five (5) years.

12.16.16 End of Board Membership

A Director's membership on the Board shall end at the end of the Board's term or upon termination of that Director's membership on the Board pursuant to any applicable laws, regulations or instructions in the Kingdom. Moreover, membership shall end with resignation or death, or if it is proved to the Board that a Director has breached their duties in a manner detrimental to the Company's interest, provided that such is approved by the Ordinary General Assembly. In addition, membership shall end if a Director misses more than three consecutive meetings without acceptable justification to the Board, is declared bankrupt or insolvent pursuant to a court judgment, submits a petition for settlement with their creditors, ceases to repay their debts, develops a mental illness, commits an act of dishonesty and immorality, or is convicted of forgery. At all times, the Ordinary General Assembly may dismiss all or any of the Directors, without prejudice to the dismissed Director's right to seek compensation from the Company if the dismissal was for an unacceptable reason or at an inappropriate time. A Director may also tender their resignation, provided that such resignation occurs at an appropriate time, otherwise, the said Director shall be held liable for any damage affecting the Company as a result of their resignation.

12.16.17 Board Vacancies

If a seat on the Board becomes vacant, the Board may, after meeting SAMA's eligibility requirements and obtaining a no-objection letter from SAMA, appoint a Director to the vacant position temporarily, based on the number of votes received thereby at the Assembly meeting that elected the Board and provided said Director possesses sufficient experience and competence. The Ministry must be notified of such appointment within five (5) business days from the date of appointment, and the appointment shall be submitted to the Ordinary General Assembly in its next meeting. The new Director shall complete the term of their predecessor. If the number of Directors falls below the minimum quorum stipulated by Article 17 of these Bylaws, the remaining Directors shall invite the Ordinary General Assembly to convene within (60) days to elect the required number of Directors.

12.16.18 Powers of the Board

Without prejudice to the finance laws, the implementing regulations thereof or the powers conferred on the Ordinary General Assembly, the Board shall have broad powers to manage the Company in order to achieve its objectives.

The Board shall have the right to buy and sell real estate; convey and accept conveyance; receive and hand over; rent and lease; collect and pay the price; and mortgage and redeem mortgage. The Board shall have the right to reconcile; waive; contract; make a commitment; engage in businesses in the Company's name and on behalf of the Company; and adopt all actions and measures to achieve the Company's objectives. The Board may open investment accounts with investment companies; open investment portfolios; buy and sell shares; collect profits; open and close current accounts with banks;

issue checks and credits; withdraw and deposit; issue bank guarantees; sign all papers, documents, checks, banking transactions of all kinds, and commercial papers; and assign rights and benefits. The Board may also sign all types of contracts and documents, including, without limitation, articles of association of companies in which the Company is a shareholder and all decisions amending such, whatever the nature of amendment, whether to increase or decrease the share capital or introduce amendments involving the Company's objectives, the exit of a partner, the articles of association, and liquidation of companies in which the Company is a shareholder before MCI, SAGIA, notaries and other related bodies. The Board shall have the right to open branches; appoint and dismiss their managers; issue and cancel commercial registrations; issue licenses; sign agreements and instruments before notaries and official authorities, as well as financing agreements regardless of their term, and guarantees and mortgages with banks, public lending funds and local and international financing agencies; issue official powers of attorney on behalf of the Company; appoint and dismiss employees and representatives and determine their salaries and remuneration. In addition, the Board may develop internal regulations governing the Company's work and relations with third parties, and form specialised working committees and determine their powers and authorities, as well as the mechanism for their selection and work. The Board may conclude Islamic finance agreements, and shall comply with the following conditions for finance agreements with terms exceeding three (3) years:

- the value of finance agreements that the Board is permitted to enter into during the Company's financial year shall not exceed 500% of the Company's capital;
- the Board shall specify in its resolution how the financing is to be used and repaid; and
- the financing conditions and the guarantees provided thereto must not harm the Company, its Shareholders or the creditors' general guarantees. The Board may also sell or mortgage the Company's real estate and assets, including the Company's store, provided the Board minutes contain the reason for its decision to dispose of the Company's real estate, subject to the following conditions:
  - the Board resolution on the sale shall specify the grounds and justifications thereof;
  - the sale shall be roughly comparable to the standard price;
  - the payment for such transaction shall not be deferred except in certain cases and with sufficient guarantees; and
  - such action shall not cause the Company to suspend some of its activities or incur other liabilities.

The Board shall also have the right to discharge the Company's debtors from their obligations, provided the Board minutes contain the reasoning for its decision, subject to the following conditions:

- the discharge shall be after the lapse of one (1) full year from the creation of the debt;
- the discharge shall be for a maximum specified amount not exceeding 1% of the Company's share capital per year for each debtor;
- the discharge shall be a right to be wielded only by the Board and may not be delegated to any person; and
- the discharge shall not involve a Director, Company partner or Related Party, whether the relationship is direct or indirect.

The Board of Directors may, within the limits of its authorities, authorise one or more Directors or third parties to carry out specific work(s).

12.16.19 Remuneration of Directors

Director remuneration shall be three thousand Saudi Riyals (SAR 300,000), and the total amount of remuneration for each Director per year shall not exceed five hundred thousand (SAR 500,000), subject to the limits stipulated by the Companies Law and the regulations thereof. In addition, the Board's report to the Ordinary General Assembly shall contain a comprehensive statement of all remuneration, expense allowances and other benefits received by the Directors during the financial year. Such report shall also include a statement on the earnings of the Directors in their capacities as Company employees or executives and their earnings for any technical, administrative or advisory work provided to the Company. The report shall also include a statement of the number of Board meetings and the number of meetings attended by each Director since the date of the last Ordinary General Assembly meeting.

12.16.20 Powers of the Chairman, Vice Chairman, Managing Director and Secretary

Subject to a written no-objection letter from SAMA and the approval of the competent authorities, the Board shall appoint one Director as Chairman and one as Vice Chairman and may appoint a Managing Director. The Chairman is prohibited from holding any executive position in the Company.

Without prejudice to the provisions of the finance laws and the implementing regulations thereof, the Chairman shall have the authority to buy and sell real estate; convey an accept conveyance; receive and hand over; rent and lease; receive and pay the price; and mortgage and redeem mortgage. The Chairman may represent the Company in its relations with third parties and before the courts and other judicial committees, notaries, dispute resolution committees of all types and levels, arbitral tribunals, labour offices, civil rights authorities, police departments, other government authorities, chambers of commerce and industry, private entities and bodies, companies and institutions. The Chairman may also sign all types of contracts and documents, including, without limitation, memorandums of association of companies in which the Company is a shareholder and all decisions amending such, whatever the nature of amendment, whether to increase or decrease the share capital or introduce amendments involving the Company's objectives, the exit of a partner, the articles of association, and liquidation of companies in which the Company is a shareholder before MCI, SAGIA, notaries and other related bodies. The Chairman shall have the right to open branches; appoint and dismiss their managers; issue replacement instruments; issue and cancel commercial registrations; issue licenses; and sign agreements, instruments, and conveyances before notaries and public and private authorities inside and outside the Kingdom. The Chairman may also sign guarantees, securities, mortgages and redeem mortgages; issue official powers of attorney on behalf of the Company; open and close accounts with local and foreign banks; issue checks and credits; withdraw and deposit; issue bank guarantees; sign commercial papers; assign rights and benefits; and enter into loans, banking facilities and treasury business. The Chairman may open investment accounts with investment companies; open investment portfolios; buy and sell shares; collect profits; and sign all papers, documents, and checks and all documentation thereof. The Chairman shall also have the right to defend; plead; compromise; make statements; have recourse to arbitration on behalf of the Company; appeal, object to, and accept judgments issued against the Company; waive lawsuits; and receive and hand over on behalf of the Company. The Chairman may, within limits of his authorities, deputise one or more persons or third parties to carry out specific work(s).

The Managing Director shall carry out all functions entrusted thereto by the Directors.

The Board shall appoint a Secretary, whether a Director or otherwise, whose remuneration shall be determined by a Board resolution. The Secretary shall be responsible for recording the minutes of Board meetings, in addition to exercising other functions entrusted thereto by the Board. The term of office for the Chairman, Vice Chairman, Managing Director, Secretary and Directors shall not exceed their respective terms of service as directors. They may be reappointed, and the Board may dismiss any of them at any time without prejudice to the right of the dismissed party to seek compensation if the dismissal was due to illegitimate reasons or at an inappropriate time.

In all cases, the total remuneration of the Chairman and the Directors may not exceed 10% of the net profits.

12.16.21 Remuneration of the CEO and Chairman of the Strategic Committee

The remuneration of the CEO and the Chairman of the Strategic Committee shall be determined by a Board resolution, and the Board may delegate the determination of such remuneration and other benefits to the Nomination and Remuneration Committee.

12.16.22 Board Meetings

The Board shall meet at least four times a year, at the invitation of the Chairman, and the invitation shall be documented in the manner deemed appropriate by the Board. The Chairman shall call for a meeting if so requested by any two Directors.

12.16.23 Quorum of Board Meetings

Board meetings shall be valid only if attended by at least half of the Directors, provided that the number of attendees is not less than five (5) Directors. A Director may delegate another Director to attend a Board meeting on their behalf in accordance with the following guidelines:

1- a member of the Board of Directors shall not represent more than one member of the Board of Directors at the meeting;
2- the proxy shall be in writing; and
3- the authorized representative shall not vote on resolutions in which the law prohibits the authorized member from voting.

Board resolutions shall be issued by a majority vote of the Directors present in person or by proxy. (In the event of a tie, the Chairman shall have the casting vote.) The Board may issue resolutions by voting on them by circulation unless a Director requests in writing that a meeting be held to deliberate such resolution. In this case, all such resolutions shall be presented to the Board in its first subsequent meeting. A Director with a direct or indirect interest in any matter or proposal presented to the Board or Board committees shall notify the Board or the committee of their interest in the matter or proposal presented. Such Director, without being excluded from the quorum required for validity of the meeting, shall abstain from participating in discussions and voting in the Board or relevant committee with regard to such matter or proposal.

12.16.24 Board Deliberations

Board deliberations and resolutions shall be recorded in minutes to be signed by the Chairman, the Directors present and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

12.16.25 Board Committee Remuneration

Committee member remuneration includes their earnings in their capacities as employees or executives of the Company and their earnings for any technical, administrative or advisory work provided to the Company. It also includes a statement of the number of committee member meetings and the number of meetings attended by each member. This is determined by a Board resolution at the beginning of each tenure, or as stipulated in the committees' policy manual approved by the Board.

12.16.26 Attendance of Assemblies

Each investor, regardless of the number of shares, shall have the right to attend the Constituent Assembly. Each Shareholder shall have the right to attend General Assemblies of Shareholders and may authorise another person who is not a Director or an employee of the Company to attend the General Assembly on their behalf. The MCI and SAMA may send one or more representatives to attend General Assemblies as observers.

12.16.27 Constituent Assembly

The Founders shall invite all investors to a Constituent Assembly, within 45 days from the date of the Ministry's decision licencing incorporation of the Company. To be validly constituted, the Constituent Assembly must be attended by investors representing at least half of the Company's share capital. If such quorum is not reached, then a second meeting shall be held one hour after the expiry of the period specified for the first meeting, provided that the invitation of the first meeting so stipulates.

In all cases, the second meeting shall be valid regardless of the number of investors represented thereat.

12.16.28 Powers of the Constituent Assembly

Without prejudice to the finance laws, the implementing regulations thereof and the relevant laws and instructions, the Constituent Assembly shall be competent to deal with the matters set out under Article 63 of the Companies Law.

12.16.29 Powers of the Ordinary General Assembly

Except for matters reserved to the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all Company matters. The Ordinary General Assembly shall be convened at least once a year, within the six (6) months following the end of the Company's financial year. Additional Ordinary General Assembly meetings may be convened whenever needed.

12.16.30 Powers of the Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the Bylaws, with the exception of the matters it is prohibited from amending under the law. In all cases, SAMA's written approval must be obtained prior to making any amendment to the Bylaws. The Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, under the same rules and conditions applicable thereto.

12.16.31 Convening Assemblies

Public or private shareholder assemblies shall be convened at the invitation of the Board, in accordance with the Company's Bylaws. The Board shall convene a General Assembly if requested to do so by the Auditor, the Audit Committee, or shareholders representing at least five percent (5%) of the Company's share capital. The Auditor may call for a meeting of the General Assembly if the Board fails to do so within 30 days from the date of the Auditor's request.

The invitation to the General Assembly shall be published in a daily newspaper distributed at the Company's head office at least 21 days prior to the date set for the meeting. However, it is also sufficient to send the invitation to all Shareholders by registered letter by the designated date. A copy of the invitation and the agenda shall be sent to the Ministry of Commerce and SAMA within the period specified for publication.

12.16.32 Record of Assembly Attendance

Shareholders who wish to attend public and private assemblies shall register their names at the Company's head office or any place specified by the Board at least half an hour before the time set for the meeting.

12.16.33 Quorum of Ordinary General Assemblies

Meetings of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least 25% of the Company's share capital. If such quorum is not met at the first meeting, a second meeting shall be convened one hour after the end of the first meeting, provided that the invitation for the first meeting mentions the possibility of having a second meeting.

In any case, the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

12.16.34 Quorum of Extraordinary General Assemblies

Meeting of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing at least 50% of the Company's share capital. If such quorum is not met at the first meeting, a second meeting shall be convened one hour after the end of the first meeting, provided that the invitation for the first meeting mentions the possibility of having a second meeting.

In any case, the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's share capital.

If the required quorum is not met in the second meeting, there shall be an invitation to a third meeting in accordance with Article 33 of the Company's Bylaws. The third meeting shall be deemed valid irrespective of the number of Shares represented therein, upon the approval of the competent authority.

12.16.35 Voting at Assemblies

Each subscriber shall have a vote for every Share represented thereby in the Constituent Assembly, and each Shareholder shall have a vote for every Share represented thereby in General Assemblies. Cumulative voting shall be used to elect the Board of Directors.

12.16.36 Assembly Resolutions

Resolutions of the Constituent Assembly shall be adopted by an absolute majority of the shares represented at the meeting. Resolutions of the Ordinary General Assembly shall be issued by an absolute majority of the shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the Shares represented at the meeting. However, if a resolution is related to the increase or decrease of the share capital, extension of the Company's term, dissolution of the Company prior to the expiry of the term specified under the Bylaws or merger of the Company with another company, then such resolution shall be valid only if adopted by a majority vote of three-quarters of the Shares represented at the meeting. Such resolution shall be effective only if approved by SAMA.

12.16.37 Assembly Deliberations

Each Shareholder shall have the right to discuss the items listed in the Assembly's agenda and to direct questions in respect thereto to the Directors and the Auditor. The Directors or the Auditor shall answer the Shareholders' questions in a manner that does not harm the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then such Shareholder may refer the issue to the Assembly and its decision in this regard shall be conclusive.

12.16.38 Chairmanship of Assembly Meetings and Preparation of Meeting Minutes

Meetings of the General Assembly of Shareholders shall be presided over by the Chairman or the Vice Chairman, in the Chairman's absence, or a Director appointed by the Board, in the event of the absence of the Chairman and the Vice Chairman.

Minutes shall be drawn up for the meeting which shall include the names of the Shareholders present in person or represented by proxy, the number of Shares held by each, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting with such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register and shall be signed by the Chairman, the Secretary and the canvasser.

12.16.39 Formation of the Committee

Pursuant to a resolution of the Ordinary General Assembly, an audit committee shall be formed consisting of four (4) members, of whom not less than three (3) shall be non-executive Directors, whether shareholders or others, provided that the majority of Committee members are independent members. The eligibility requirements set by SAMA must be met and a letter of no-objection obtained from SAMA. The Company's General Assembly, based on the Board's recommendation, shall issue a resolution setting out the Committee's duties and functions, the rules for selecting its members and their remuneration and tenure.

12.16.40 Quorum of Committee Meetings

Audit Committee meetings shall be valid with the attendance of a majority of its members. All Committee decisions shall be issued by a majority vote of the members present. In the event of a tie, the Committee chairman shall have the casting vote.

12.16.41 Committee Powers

The Audit Committee shall be competent to oversee the Company's activities. For this purpose, the Committee has the right to review all Company records and documents and request any explanations or statements from the Directors or the Executive Management. The Committee may ask the Board to call for a meeting of the General Assembly if the Board obstructs its work or if the Company suffers serious damage or losses.

12.16.42 Committee Reports

The Audit Committee shall review and provide its opinion, if any, on the Company's financial statements and the reports and notes provided by the Auditor. It shall also prepare a report on its opinion with respect to the sufficiency of the Company's internal control, along with other activities within its competence. The Board shall place sufficient copies of this report at the Company's head office at least 21 days prior to the date of the General Assembly meeting, to be provided to Shareholders who wish to have a copy thereof. The report shall be read out at the meeting.

12.16.43 Appointment of the Auditor

Without prejudice to Article 74 of the Implementing Regulations of the Finance Companies Control Law, the Company shall have one (or more) auditor(s) licensed to practice in the Kingdom. The Ordinary General Assembly shall appoint the Auditor annually and determine its remuneration and the duration of work, and may re-appoint it. The Ordinary General Assembly may change this auditor at any time, without prejudice to the auditor's right to seek compensation if such change is for an illegitimate reason or at an inappropriate time.

12.16.44 Powers of the Auditor

The Auditor shall, at all times, have access to the Company's books, records and any other documents. It may also request information and clarification, as it deems necessary, to verify the Company's assets, liabilities and other matters that may pertain to the scope of its activities. The Chairman of the Board shall enable the Auditor to perform its duties. If the Auditor encounters difficulties in that regard, it shall document such in a report to be submitted to the Board. If the Board does not facilitate the Auditor's work, the latter shall call a meeting of the Ordinary General Assembly to consider the matter and account for violations of the Companies Law, the Finance Companies Control Law and Implementing Regulations thereof, the relevant laws, and the Bylaws as well as rules and instructions issued by SAMA, and its opinion as to whether the Company's accounts conform to the facts.

12.16.45 Financial Year

The Company's financial year shall commence on 1 January and end on 31 December of each year. The Company's first financial year shall commence on the date of its registration in the Commercial Register and end on 31 December of the current/following year.

12.16.46 Financial Documents

Without prejudice to the Companies Law, the Finance Companies Control Law and the Implementing Regulations thereof, in particular Article 26 of the Implementing Regulations of the Finance Companies Control Law, at the end of each financial year the Board shall prepare the Company's financial statements and a report on its activities and financial position for such financial year, including the proposed manner of distributing the net profits. The Board of Directors shall put these documents at the disposal of the Auditor at least 45 days prior to the date set for the General Assembly.

a. The Chairman, CEO and CFO shall sign the documents set forth in paragraph (a), and copies thereof shall be placed at the Company's head office at the disposal of the Shareholders at least 21 days before the date set for the General Assembly.

b. The Chairman shall provide the Shareholders with the Company's financial statements, the Board Report and the Auditor's Report, unless they are published in a daily newspaper distributed at the Company's head office. Further, the Chairman shall also send a copy of these documents to the Ministry at least 15 days before the date set for the General Assembly.

12.16.47 Distribution of Profits

Without prejudice to Article 26 of the Implementing Regulations of the Finance Companies Control Law, the Company's annual net profits shall be allocated as follows:

1- 10% of the net profits shall be set aside to form a statutory reserve, and such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

2- the Ordinary General Assembly may, at the request of the Board, set aside 10% of the net profits to form an additional reserve to be allocated towards one or more specific purposes determined by the Assembly;

3- the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders;

4- out of the balance of the net profits, Shareholders shall receive a payment of no less than 5% of the Company's paid-up capital;.

5- subject to Article 21 of the Bylaws, no more than 10% of the balance will then be allocated as Director remuneration, and entitlement to such remuneration shall be prorated to the number of meetings attended by a Director;

6- the balance shall then be distributed to the Shareholders as a share in the profits or transferred to the retained earnings account; and

7- under a Board resolution, the Company may distribute interim dividends to its Shareholders on a semi-annual or quarterly basis if the Company's financial position so permits and liquidity is available according to the controls and procedures set by the competent authority.

12.16.48 Entitlement to Dividends

Shareholders shall be entitled to their share of dividends in accordance with the resolution of the General Assembly issued in this regard. Such resolution shall specify the maturity date and the distribution date. Dividends shall be paid to owners of shares who are recorded in the Shareholders' Register at the end of the day on the maturity date.

12.16.49 Distribution of Preferred Shares Dividends

1- If no dividends were distributed for any financial year, dividends may not be distributed for the following years unless the percentage set in accordance with Article 114 of the Companies Law has been paid to the owners of preferred shares for such year.
2- If the Company does not pay the percentage of profits set in accordance with Article 114 of the Companies Law for three (3) consecutive years, a Special Assembly of preferred share holders shall be held in accordance with Article 89 of the Companies Law to decide to either have the owners of preferred shares attend meetings of the General Assembly and participate in voting or appoint representatives thereof to the Board in proportion to the value of their shares in the Company's share capital, until the Company is able to pay all of dividends allocated to the owners of preferred shares for the previous years.

12.16.50 Company Losses

1- Without prejudice to Article 70 of the Implementing Regulations of the Finance Companies Control Law, if the Company's losses amount to one half of the paid-up capital at any time during the financial year, then any Company officer or the Auditor, upon becoming aware of such losses, must notify the Chairman, and the Chairman shall immediately inform the Directors. The Board shall, within 15 days of such notification, convene an Extraordinary General Assembly to meet within 45 days from the date on which the Board was notified of the losses, to resolve whether to increase or reduce the Company's capital pursuant to the Companies Law, such that the losses are reduced to less than half of the Company's paid-up capital, or to dissolve the Company before the end of its term as set out in Article 6 of the Bylaws.
2- The Company shall be deemed dissolved under the Companies Law if the General Assembly does not meet within the period specified in Paragraph (1) of this Article or if it does meet but fails to issue a resolution on the matter or if it resolves to increase the capital in accordance with the conditions set forth in this Article but the capital increase is not subscribed to in full within ninety days of the Assembly's resolution to increase the capital.

12.16.51 Liability Actions

Each Shareholder shall have the right to file a liability action, vested in the Company, against the Directors if an error made thereby caused said shareholder to sustain damages. Such liability action may only be filed by the shareholder if the Company's right to file such action remains valid. The shareholder shall notify the Company of its intention to file such action.

12.16.52 Shariah Board

The Company shall have a Shariah board consisting of three members with legal and economic expertise who shall be nominated by the Board. The General Assembly shall have the power to appoint and dismiss all or some of its members. Decisions of the Shariah Board shall be binding on the competent authorities of the Company. The Shariah Board's competencies include:

1- studying and reviewing the Company's investment objectives and policies to ensure they comply with the standards set by Islamic Shariah;
2- reviewing new products and contracts and agreements entered into by the Company'
3- issuing decisions and fatwas to the Company's Management with respect to work-related issues in accordance with the provisions of Islamic Shariah;
4- periodically monitoring all Company business through internal Shariah supervision; and
5- submitting an annual Shariah report on the Company's business and its compliance with Shariah controls.
6- The Company's management shall abide by the directives, controls and decisions issued by the Shariah Board and shall ensure that they are applied to all Company business.
7- The Company may only hire independent Shariah bodies or entities for this purpose..

12.16.53 Winding-up of the Company

Without prejudice to Article 20 of the Implementing Regulations of the Finance Companies Control Law, the Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify its powers, fees, any restrictions on such powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be further extended without a judicial order. The powers of the Board shall cease upon dissolution of the Company; however, the Board shall remain responsible for the Company's management and shall be deemed liquidators before third parties until a liquidator is appointed. Shareholders' Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies as far as they do not conflict with those of the liquidator.

12.16.54 Description of Shares

Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Shares shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

Share Trading

Trading in shares shall be subject to the laws and regulations applicable to the companies listed in the Exchange.

Repurchase of Shares

According to Article 112 of the Companies Law, a company may buy its shares in accordance with the rules set by the competent authority, provided that the shares purchased by the company do not have votes in the Shareholders' Assemblies.

Rights of Holders of Ordinary Shares

Pursuant to Article 110 of the Companies Law, all rights related to the share shall be conferred on the shareholder, in particular the right to receive a portion of the profits to be distributed, receive a portion of the Company's assets upon liquidation, attend General Assemblies, participate in Assembly deliberations, vote on Assembly resolutions, dispose of shares, request access to the Company's books and documents, monitor the Board's work, file a liability action against the Directors, and challenge the validity of General Assembly resolutions in accordance with the conditions and restrictions set out in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the Assembly agenda and direct questions thereon to the Directors and the Auditor. The Board of Directors or the Auditor shall answer Shareholders' questions to the extent that such does not put the Company's interest at risk. If a Shareholder is not satisfied with an answer, the Shareholder may make recourse to the Assembly, whose resolution shall be binding in this regard.

Amendment of Shareholder Rights

The rights of Shareholders to receive a share in the Company's profits declared for distribution, receive a share in the Company's asset surplus upon liquidation, attend General Assembly meetings, participate in Assembly deliberations and vote on Assembly resolutions, dispose of Shares, access the Company's books and documents, supervise the Board's activities, bring a liability action against a Director and contest the validity of General Assembly resolutions (in accordance with the conditions and restrictions set out in the Companies Law and the Bylaws) are granted pursuant to the Companies Law. Accordingly, they may not be changed.

13- Underwriting

The Company, the Selling Shareholders and the Underwriters entered into an underwriting agreement on 29/03/1443H (corresponding to 04/11/2021G) ("**Underwriting Agreement**") pursuant to which the Underwriters agree to fully underwrite the Offering of 35,000,000 Offer Shares, subject to certain terms and conditions set out in the Underwriting Agreement. The names and addresses of the Underwriters are as follows:

13.1 Underwriter

HSBC Saudi Arabia
HSBC Saudi Arabia HSBC Building 7267, Al Olaya Street, Al-Murooj District Riyadh 12283-2255 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 112992385 Website: www.hsbcsaudi.com Email: NayifatIPO@hsbcsa.com
GIB Capital
GIB Capital 4th floor, Low Rise Building 1, Granada Business & Residential Park, Eastern Ring Road P.O. Box 89589, Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 11 511 2200 Fax: +966 11 511 2201 Website: www.gibcapital.com Email: NayifatIPO@gibcapital.com
Saudi Fransi Capital
Saudi Fransi Capital King Fahad Road – 8092 Riyadh 3735-12313 P.O. Box: 23454, Riyadh 11426 Kingdom of Saudi Arabia Tel: +966 11 2826666 Fax: +96611 2826823 Website: www.sfc.sa Email: Nayifat.IPO@fransicapital.com.sa

The main terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Agreements

Under the terms and conditions of the Underwriting Agreement:

a. The Selling Shareholders undertake to the Underwriters that, on the first business day following allocation of the Offer Shares at the end of the Offering Period, they shall:

1- Sell and allocate the Offer Shares to any Individual Investor or Participating Party whose application for the Offer Shares has been accepted by the Receiving Entities.

2- Sell and allocate to the Underwriters the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.

b. The Underwriters undertakes to the Selling Shareholders that they will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, as set out below.

Table 174: Underwritten Shares

Underwriter	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
HSBC Saudi Arabia	21,000,000	60%
GIB Capital	7,000,000	20%
Saudi Fransi Capital	7,000,000	20%

The Company and the Selling Shareholders have committed to satisfy all provisions of the Underwriting Agreement.

13.3 Underwriting Costs

The Selling Shareholders will pay to the Underwriters an underwriting fee based on the total value of the Offering. In addition, the Selling Shareholders agreed to pay the Underwriters' costs and expenses in connection with the Offering. The Company will not bear any expenses related to the Offering.

14- Expenses

The Offering expenses amount to about SAR fifty one million (51,000,000), including the fees pertaining to the Financial Advisor, Bookrunners, Underwriters and Lead Manager, underwriting fees and the fees of the Receiving Entities, the Company's Legal Advisor, the Underwriter's Legal Advisor, the Financial Due Diligence Advisor, and the Market Consultant, in addition to marketing, arrangement, printing, distribution and translation expenses and other fees related to the Offering. The Selling Shareholders will bear these expenses in full, and they will be deducted from the Offering Proceeds. The Company will not bear any expenses related to the Offering.

15- Post-Listing Undertakings

Following listing, the Company undertakes to:

a. notify the CMA with the date of the General Assembly to be held following listing so a representative may attend;

b. submit transactions and contracts in which a Director has a direct or indirect interest for authorisation by the General Assembly (in accordance with the Companies Law and the Corporate Governance Regulations), on condition that the interested Director is prohibited from voting on the relevant resolution, whether in the Board or the General Assembly (For more information on current related party agreements, please see Section 12.11 ("Related Party Transactions"));

c. disclose material developments related to the Company;

d. comply with all mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules, and the Corporate Governance Regulations immediately upon listing;

e. fill out Form 8 related to compliance with the Corporate Governance Regulations, and in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, then it must explain the reasons behind such non-compliance; and

f. Accordingly, the members of the Board of Directors, after acceptance of the listing, undertake the following:

   - To record all decisions and deliberations in the form of written minutes of meetings signed by the Chairman and the Secretary; and
   - To disclose of the details of any transactions with related parties in accordance with the requirements of the Companies Law and the Corporate Governance Regulations.

16- Waivers

The Company has not applied to the CMA for any waivers from any of regulatory requirements.

17- Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of securities and an application for listing of securities on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules. All Investors must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Receiving Entity or the Lead Manager is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of thirty-five million (35,000,000) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, representing 35% of the Company's share capital, offered at a price of thirty four Saudi Riyals (SAR 34) per share with a total value of one billion one hundred and ninety million Saudi Riyals (SAR 1,190,000,000). Note that the Offering to Individual Investors and the listing of the Shares thereafter is subject to the successful subscription by Participating Parties for all Offer Shares. The Offering shall be canceled if the Offering is not fully subscribed for during this period. CMA also has the right to suspend the Offering if, after approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material change occurs that adversely impacts the Company's operations.

The Offering is restricted to the following tranches of Investors:

Tranche (A): Participating Parties

This tranche comprises the parties entitled to participate in the book- building process as specified under the Book-building Instructions in Initial Public Offerings (for more details, please see Section 1 ("Definitions and Abbreviations")). Participating Parties will initially be allocated thirty-five million (35,000,000) shares, representing one hundred percent (100%) of the total Offer Shares. Final allocation of the Offer Shares will be made after the end of the subscription period for Individual Investors (as defined in Tranche (B) below). If there is sufficient demand by Individual Investors for subscription to the Offer Shares allocated thereto, the Bookrunners may reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirty-one million, five hundred thousand (31,500,000) shares, representing ninety percent (90%) of the total Offer Shares. The number and percentage of the Offer Shares to be allocated to Participating Parties will be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders, using the discretionary allocation mechanism.

Tranche (B): Individual Investors

This tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and any GCC national, in each case who has a bank account with a Receiving Entity and is allowed to open an investment account. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, then the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of three million and five hundred thousand (3,500,000) Offer Shares, representing ten percent (10%) of the Offer Shares, shall be allocated to Individual Investors. If Individual Investors do not subscribe for all shares allocated to them, the Bookrunners may reduce the number of shares allotted to them in proportion to the number of shares subscribed for thereby.

17.2 Offering Period

The Offering Period shall consist of two (2) days starting from Sunday on 02/04/1443H (corresponding to 07/11/2021G), and ending on Monday on 03/04/1443H (corresponding to 08/11/2021G).

17.3 Book-Building for Participating Parties

a. The price range will be determined during Book-Building and made available to all Participating Parties by the Financial Advisor, in consultation with the Company and the Selling Shareholders using the discretionary allocation mechanism. It is possible not to allocate Shares to some of the Participating Parties as deemed by the Company and the Lead Manager.

b. Participating Parties registered in the Kingdom must submit a Bid Form to be part of the book-building process. Participating Parties not registered in the Kingdom must submit a Bid/Subscription Form to be part of the book-building process to the Bookrunners by phone or e-mail without the need to fill out and sign an application form. Participating Parties may amend or cancel their applications at any time during the Book-Building Period, provided said applications are amended by submitting a modified Bid Form or an appended Bid Form (where applicable) before determination of the Offer Price, which will take place before the end of the Book-Building period. The number of Offer Shares for each of the Participating Parties shall not be less than 100,000 shares, and not more than 4,999,999 shares, and in relation to public funds only, shall not exceed the maximum limit for each participating public fund determined in accordance with the Book-Building Instructions, and the number of requested shares must be allocatable. The Bookrunners will notify Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. Subscription by Participating Parties must begin with the Participating Parties (within and outside the Kingdom) filing out the Participating Parties Subscription Form during the Offering Period, which also includes Individual Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Application Forms.

c. Once the book-building process for Participating Parties is completed, the Lead Manager will announce the subscription percentage for Participating Parties.

d. The Lead Manager and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the underwriting agreement and provided that the Offer Price is in accordance with the tick size applied by The Exchange.

17.4 Subscription by Individual Investors

Each Individual Investor must subscribe for a minimum of ten (10) Offer Shares and a maximum of 300,000 Offer Shares. Changes to or withdrawal of the subscription application shall not be permitted once the subscription application has been submitted.

Subscription Application Forms will be available during the Offering Period at branches and/or websites of Receiving Entities offering this service. Retail Subscription Application Forms shall be completed in accordance with the instructions set out below. Individual Investors can also subscribe through the internet, telephone banking, smart device applications, or ATMs at any of the Receiving Entities' branches that offer any or all such services to its customers, provided that the following requirements are satisfied:

a. the Individual Investor has a bank account at a Receiving Entity which offers such services;

b. there has been no changes to the personal information or data of the Individual Investor since their subscription in the last IPO; and

c. Individual Investors who are neither Saudis or citizens of any of the Cooperation Council countries must have an account with one of the financial market institutions that provides such service.

A signed Subscription Application Form submitted to any Receiving Entity branch represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting such application.

Individual Investors may obtain a copy of this Prospectus and the Subscription Application Forms from the websites of the following Receiving Entities (the Prospectus is also available on the websites of the CMA, the Financial Advisor and the Company):

Receiving Entities
Saudi British Bank (SABB) Prince Abdulaziz bin Mosaed bin Galuy street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com Email:sabb@sabb.com
Saudi National Bank King Fahd Road – Al Okeik District– King Abdullah Financial Center P.O. Box 3208, Unit: 778 Riyadh 6676 - 13519 Kingdom of Saudi Arabia Tel: +966 92000 1000 Website: www.alahli.com Email: contactus@alahli.com
Al Rajhi Bank King Fahd Road – Al-Moroug District– Al-Rajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 828 2515 Fax: +966 (11) 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa
Riyadh Bank Eastern Ring Road P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com Email: customercare@riyadbank.com

The Receiving Entities will commence receiving Subscription Application Forms at the branches offering this service throughout the Kingdom beginning on Wednesday 02/04/1443H (corresponding to 07/11/2021G) until the end of Monday 03/04/1443H (corresponding to 08/11/2021G). Once an Individual Investor's Subscription Application Form is signed and submitted, the Receiving Entity will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate or is not stamped by the Receiving Entity, the Subscription Application Form will be considered void. Individual Investors do not have the right to claim any compensation for damages incurred due to such cancellation.

Individual Subscribers must specify the number of shares that they wish to subscribe for in the subscription application form, so that the total subscription amount is the product of multiplying the number of shares to be subscribed for by the Offer Price of thirty four Saudi Riyals (SAR 34) per share.

Subscriptions by Individual Investors for less than ten (10) Offer Shares or fractions of Shares will not be accepted. Any subscriptions above such number must be for multiples of ten (10), with a maximum of 300,000 Offer Shares.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in their Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of thirty four Saudi Riyals (SAR 34) per Offer Share.

Retail Subscription Forms should be submitted during the Individual Investor Offering Period and accompanied, where applicable, with the following documents (the Receiving Entities will verify all copies against the originals and will return the originals to the relevant Individual Investor):

a. the original and copy of the Individual Investor's national civil identification card or residency identification card (in case of individuals, including GCC nationals and non-Saudi residents);

b. the original and copy of the family civil identification card (when subscribing on behalf of family members);

c. the original and copy of the power of attorney (when subscribing on behalf of others);

d. the original and copy of the certificate of guardianship (when subscribing on behalf of orphans);

e. the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);

f. the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and

g. the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event that an application is submitted on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied with a valid original and copy of the power of attorney. The power of attorney must be notarised by a notary public for Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official at the Receiving Entity shall compare the copy with the original and return the original to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

a. all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;

b. the primary Individual Investor will receive any refund of amounts for unallocated shares paid for by himself or by dependent Individual Investors; and

c. the primary Individual Investor will receive all dividends distributed for the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

A separate Subscription Application Form must be used if:

a. the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;

b. dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; and

c. a wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Entity.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on her behalf in the name of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a primary Individual Investor subscribes for Shares for himself and other family members registered in his family book, and a family member submits a separate Subscription Application Form, such family member's portion of the original application, and only his or her portion, will be cancelled.

During the Offering Period, a valid Iqama will be the only acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in their Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of thirty four Saudi Riyals (SAR 34) per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated thereto upon:

a. delivery by the Individual Investor of the Subscription Application Form to any Receiving Entity; and

b. payment in full by the Individual Investor to the Receiving Entity of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a Receiving Entity branch by authorizing a debit of the Individual Investor's account held with the Receiving Entity to which the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such application. The Individual Investor shall accept any number of Offer Shares allocated thereto unless the allocated shares exceed the number of Offer Shares applied for.

17.5 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts for the purpose of depositing and keeping subscription amounts collected from Participating Parties and Receiving Entities (on behalf of Individual Investors). Subscription amounts shall be transferred to the Selling Shareholders only after listing, and following the deduction of certain fees and expenses. Details of the escrow account shall be specified in the subscription forms. In addition, Receiving Entities shall deposit all amounts received from Individual Investors into the escrow accounts, which shall be specified in the Retail Subscription Application Form.

The Lead Manager and Receiving Entities, as applicable, shall notify Subscribers of the final number of Offer Shares allocated, together with the amounts to be refunded.

Excess subscription amounts, if any, will be refunded to Individual Investors in whole without deducting any commissions or deductions and will be deposited in the Individual Investor's account as specified in the Subscription Application Form. Excess subscription amounts will not be refunded in cash or to third-party accounts.

The announcement of the final allocation shall be made no later than Saturday 08/04/1443H (corresponding to 13/11/2021G) and refund process shall be made no later than Monday 10/04/1443H (corresponding to 15/11/2021G). Subscribers should communicate with the Lead Manager or the branch of the Receiving Entity where they submitted their Subscription Application Form, as applicable, for further information.

17.5.1 Allocation of Offer Shares to Participating Parties

The Financial Advisor, in coordination with the Company and the Selling Shareholders, shall determine the number and percentage of Offer Shares for Participating Parties using the discretionary allocation mechanism, after the allocation of Offer Shares to Individual Investors is completed. The initial number of Offer Shares allocated to Participating Parties shall not be less than (35,000,000) Offer Shares representing 100% of the Offer Shares, and the final number of Offer Shares allocated to Participating Parties shall not be less than (31,500,000) Offer Shares representing 90% of the Offer Shares. The provisional allocation of the Offer Shares will be made according to what is deemed appropriate by the bookrunners in coordination with the Company, using the discretionary allocation mechanism. It is possible not to allocate shares to some of the Participating Parties as deemed by the Company and the bookrunners. The Offer Shares will be finally allocated to Participating Parties by the bookrunners following completion of the Individual Investors subscription process. The number of the Offer Shares that will be allocated to the Participting Parties provisionally is thirty-five million (35,000,000) Offer shares, representing 100% of the total number of the Offer Shares, noting that in the event that there is sufficient demand from Individual Investors on the Offer Shares, the bookrunners have the right to reduce the number of Offer Shares allocated to Participating Parties to thirty-one million five hundred thousand (31,500,000) Offer Shares - as a minimum - representing 90% of the total Offer shares after the Individual Investors subscription process is completed.

Transfer of ownership of the Offer Shares will be valid only after payment by Participating Parties of the value thereof, the date from which the Shares are recorded in the Company's shareholders' egister and commencement of trading of the Shares on the Exchange in accordance with the applicable laws and instructions regarding the trading of Saudi shares. If the Shares are not traded or the Listing is cancelled prior to trading for any reason, the subscription amounts paid by the Participating Parties shall be refunded thereto and the title to the Offer Shares shall be returned to the Selling Shareholders.

17.5.2 Allocation of Offer Shares to Individual Investors

The Financial Advisor and Lead Manager, in coordination with the Company and the Selling Shareholders, shall determine the number and percentage of Offer Shares to be allocated to Individual Investors. A maximum of 3,500,000 Ordinary Shares, representing 10% of the Offer Shares, will be allocated to Individual Investors, noting that the minimum allocation per Individual Investor is ten (10) Offer Shares and the maximum allocation per Individual Investor is 300,000 Offer Shares. The remaining Offer Shares (if any) will be allocated as determined by the Financial Advisor in consultation with the Company and the Selling Shareholders. In the event that the number of Individual Investors exceeds three hundred fifty thousand (350,000) subscriber, the minimum allocation cannot be guaranteed by the Company, and allocation will be determined as the Financial Advisor deems appropriate, in consultation with the Company and the Selling Shareholders. Excess subscription amounts, if any, will be refunded to Individual Investors without deducting any commissions or deductions on the part of the Receiving Entities.

Announcement of the final number of Offer Shares to be allocated to each Subscriber will be made no later than Saturday 08/04/1443H (corresponding to 13/11/2021G), and notification of the refund of excess subscription amounts will be made at the latest by Monday 10/04/1443H(corresponding to 15/11/2021G).

The Receiving Entities will notify the Subscribers of the final number of Offer Shares to be allocated to each one of them, together with the amounts to be refunded. Excess subscription amounts, if any, will be refunded to the Subscribers in whole without deducting any commissions or deductions and will be deposited in the Subscribers' accounts at the relevant Receiving Entity. Announcement of the final allotment will be made no later than Saturday 08/04/1443H (corresponding to 13/11/2021G), and notification of the refund of excess subscription amounts will be made at the latest by Monday 10/04/1443H (corresponding to 15/11/2021G). Subscribers should communicate with the branch of the Receiving Entities where they submitted their Subscription Application Form, as applicable, for further information.

17.6 Circumstances Where Listing May Be Suspended or Canceled

17.6.1 Power to Suspend or Cancel Listing

a. The CMA may suspend stock trading or cancel the listing at any time as it deems fit, in any of the following circumstances:

1- The CMA considers it necessary to protect investors or maintain an orderly market;

2- the Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law, the Implementing Regulations thereof or the Exchange Rules;

3- the Issuer fails to pay any fees due to the CMA or the Exchange or any fines due to the CMA on time;

4- the CMA deems that the Company or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;

5- a reverse takeover announcement does not contain sufficient information about the proposed transaction; if the Issuer announces sufficient information regarding the target entity and the CMA is satisfied, following the Issuer's announcement, that there will be sufficient information available for the public about the proposed reverse takeover, the CMA may decide not to suspend trading at this stage;

6- information about the proposed reverse takeover is leaked and the Issuer cannot accurately assess its financial position and is unable to inform the Exchange accordingly;

7- an application for the financial restructuring of the Issuer due to accumulated losses of 50% or more of its capital is registered with the court under the Bankruptcy Law;

8- a request for liquidation or administrative liquidation of the Issuer is registered with the court under the Bankruptcy Law;

9- issuance of a final court judgment terminating financial restructuring and initiating liquidation or administrative liquidation of the Issuer under the Bankruptcy Law; or

10- issuance of a final court judgment initiating liquidation or administrative liquidation of the Issuer under the Bankruptcy Law.

b. Lifting a trading suspension imposed under Paragraph (a) above is subject to the following:

1- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors.

2- Lifting the suspension being unlikely to affect the normal activity of the Exchange.

3- The Company's compliance with any other conditions that the CMA may require.

4- In the event that the suspension was due to the Company's accumulated losses amounting to 50% or more of its capital under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling on the commencement of financial restructuring of the Issuer under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.

5- In the event that the suspension was due to liquidation or administrative liquidation of the Issuer before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation or administrative liquidation under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.

c. The Exchange shall suspend the trading of the Issuer's securities in any of the following cases:

1- the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the Rules on the Offer of Securities and Continuous Obligations, until the disclosure thereof;

2- the Auditor's Report on the financial statements of the Issuer contains an adverse opinion or a disclaimer of opinion;

3- the liquidity requirements in Parts 2 and 8 of the Listing Rules are not satisfied by the deadline set by the Exchange for the Company to rectify its conditions, unless the CMA agrees otherwise; or

4- the issuance of a resolution by the Issuer's Extraordinary General Assembly to reduce its capital, for the two trading days following the issuance of such resolution.

d. the Exchange may at any time propose that the CMA suspend trading of any listed security or cancel its listing where, in its opinion, any of the circumstances of paragraph (a) above are likely to occur;

e. an Issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, the Implementing Regulations thereof and the Exchange Rules;

f. in the event that the listing suspension continues for six (6) months and the Issuer does not adopt an appropriate procedure to correct such suspension, the CMA may cancel the Issuer's listing;

g. upon the Company's completion of a reverse takeover, the Issuer's shares are de-listed; if the Issuer wishes to re-list its shares, it shall submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations; and

h. this Article shall not prejudice the suspension of trading and cancellation of listing resulting from Company losses pursuant to the relevant Implementing Regulations and Exchange Rules.

The financial market shall lift the suspension referred to in sub-paragraphs (1) and (2) above after the lapse of one trading session following the absence of the reason for the suspension. Further, in the event that the Company's shares are traded outside the platform, the financial market shall lift the suspension within a period not exceeding five (5) trading sessions following the absence of the reason for the suspension.

17.6.2 Voluntary Cancellation of Listing

a. An issuer whose securities have been listed may not cancel the listing of its securities on the Exchange without the prior approval of the CMA. To obtain CMA approval, the Issuer must submit the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:

    1- the specific reasons for the cancellation request;

    2- a copy of the disclosure described in paragraph (d) below;

    3- a copy of the relevant documentation and a copy of each related communication to Shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Issuer; and

    4- the names and contact information of the Financial and Legal Advisors appointed according to the Rules on the Offer of Securities and Continuing Obligations.

b. The CMA may, at its discretion, approve or reject the cancellation request.

c. The Issuer must obtain the Extraordinary General Assembly's approval for the cancellation of the Listing, after obtaining the CMA's approval.

d. When cancellation is made at the Issuer's request, the Issuer must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the Issuer's activities.

17.6.3 Temporary Trading Suspension

a. The Issuer may request a temporary suspension of trading of its securities from the Exchange if an event occurs during trading hours that requires immediate disclosure under the Capital Market Law, the Implementing Regulations thereof or the Exchange Rules, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend trading of the securities of that Issuer immediately upon receiving such request.

b. When trading is temporarily suspended at the Issuer's request, the Issuer must disclose to the public as soon as possible the reason for the suspension, the anticipated duration thereof, the nature of the event that caused it and the extent to which it affects the Issuer's activities.

c. The CMA may impose a temporary trading suspension without a request from the Issuer if the CMA becomes aware of information or circumstances affecting the Issuer's activities which the CMA deems likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to a temporary trading suspension, the Issuer must continue to comply with the Capital Market Law, the Implementing Regulations thereof and the Exchange Rules.

d. The Exchange may propose that CMA exercise its authorities under paragraph (c) above if it finds that there is information or circumstances that may affect the Issuer's activities and are likely to interrupt the operation of the Exchange or the protection of investors.

e. a temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in paragraph (b) above, unless the CMA or the Exchange decide otherwise.

17.6.4 Lifting of Suspension

Lifting of a trading suspension imposed under paragraph (a) of Section 17.6.1 ("Power to Suspend or Cancel Listing") is subject to the following:

a. Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors.

b. Lifting the suspension being unlikely to affect the normal activity of the Exchange.

c. The Issuer's compliance with any other conditions that the CMA may require.

d. In the event that the suspension was in accordance with subparagraph (13) of paragraph (a) of Article 36 of the Listing Rules, the suspension shall be lifted upon the issuance of the final court ruling on the commencement of financial restructuring of the Company under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.

e. In the event that the suspension was in accordance with subparagraph (14) of paragraph (a) of Article 36 of the Listing Rulesthe suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation or administrative liquidation under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.

In the event that the listing suspension continues for six (6) months and the Issuer does not adopt an appropriate procedure to correct such suspension, the CMA may cancel the Issuer's listing.

17.6.5 Re-listing of Cancelled Securities

If the Issuer wishes to re-list its shares after the cancellation thereof, it must submit a new application to list its shares in accordance with the Listing Rules, and fulfil the relevant requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

17.7 Approvals and Decisions Related to the Offer Shares

Following are the decisions and approvals pursuant to which the Offer Shares will be offered:

a. SAMA 's letter of no-objection to the Offering.

b. Resolution of the Company's Board of Directors approving the Offering dated 05/07/1442H (corresponding to 17/02/2021G).

c. The CMA's announcement of the approval of the application for registration and offer of securities dated 22/02/1443H (corresponding to 29/09/2021G).

d. The conditional approval of Saudi Tadawul Group (Saudi Tadawul) of the listing of Shares dated 23/08/1442H (corresponding to 05/04/2021G)..

17.8 Lock-up Period

The Substantial Shareholders set out in Table 2: (Substantial Shareholders and Their Ownership Percentages in the Company Pre-Offering and Post-Offering) on Page xvi will be subject to a lock-up period of six (6) months starting from the commencement of trading of the Shares on the Exchange, during which they may not dispose of their Shares. Following the Lock-up Period, the Substantial Shareholders may dispose of their shares without the need to obtain the prior Approval of the CMA.

17.9 Acknowledgments by Subscribers

By completing and submitting the Subscription Application Form, each Subscriber:

a. agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

b. warrants that they have read and carefully examined this Prospectus and understood its content;

c. accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes for the Offer Shares accordingly;

d. declares that neither they nor any of their family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

e. accepts the number of Offer Shares allocated thereto (to the maximum of the amount subscribed for) under the Subscription Application Form; and

f. undertakes not to cancel or amend the Subscription Application Form after submitting it to the Receiving Entity.

g. undertakes to reserve their right to raise any claims from the company for any damage resulting directly from the inclusion in this Prospectus of material information that is incorrect or insufficient, or as a result of the fact that this Prospectus did not include material information that could have affected the decision of the subscriber to subscribe in the event that it was added in the Prospectus.

17.10 Share Register and Trading Arrangements

The Exchange shall keep a Shareholder Register containing the Shareholders' names, nationalities, addresses, professions, the Shares held thereby and the amounts paid for such Shares.

17.11 Saudi Tadawul Group (Saudi Tadawul)

In 1990G, full electronic trading of equities in the Kingdom was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In its meeting held on Monday, 29/02/1428H (corresponding to 19/03/2007G), the Council of Ministers approved the formation of the Exchange. This was in accordance with Article 20 of the Capital Market Law establishing Tadawul as a joint stock company. Tadawul is headquartered in Riyadh, Kingdom of Saudi Arabia. Tadawul is the official source of all market information. Tadawul is the sole entity authorised in the Kingdom of Saudi Arabia to act as a securities exchange. It mainly carries out listing and trading in securities. Tadawul is an affiliate member of the International Organization of Securities Commissions and the World Federation of Exchanges.

Trading in shares occurs on the Tadawul system through a fully integrated trading system covering the entire trading process, from execution of the trade transaction through settlement thereof. Trading occurs on each business day between 10:00 am and 3:00 pm, Sunday to Thursday, during which time orders are executed. Outside those times, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. These hours may change during the month of Ramadan, and are announced on Tadawul's official website. Transactions take place through the automated matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit). If several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website, which provides instant market media and news-based data, and other stock exchange-centered websites. Exchange transactions are settled on a T+2 basis, meaning that transfer of share ownership takes place two working days after the trade transaction is executed.

The Securities Depository Center Company (Edaa), a Saudi closed joint stock company wholly owned by the Saudi Stock Exchange (Tadawul Group), was established in 2016G. Edaa's principal activities are to deposit, register, transfer, settle and clear securities, in addition to authenticating ownership restrictions on deposited securities. Edaa also deposits and manages securities issuers' records, and organises issuers' general assemblies including remote voting services (e-Voting), reporting, notifications, and other related services.

Listed companies are required to disclose all material decisions and information important to investors via Tadawul. As the operator of the Market, Tadawul is responsible for surveillance and monitoring to ensure fair trading and an orderly market.

17.12 Trading of the Company's Shares

Trading of the Shares is expected to commence after the final allocation process and the announcement of the start date of trading of the Company's shares. Dates and times included in this Prospectus are preliminary and may be changed or extended subject to CMA approval. Following Listing, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, commercial banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements (SWAP) with a Capital Market Institution licensed by the CMA to hold and trade in the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that the Capital Market Institutions shall be deemed the legal owners of the Shares under the swaps.

Shares can only be traded after the allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares listed on the Exchange. Pre-trading in the Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in connection with pre-trading activities.

17.13 General Provisions

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, terms and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus has been released in both the Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for foreign investor institutions, taking into account the applicable laws and instructions. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and observe all such restrictions.

18- Documents Available for Inspection

The following documents will be available for inspection at the Company's head office in the city of Riyadh, Kingdom of Saudi Arabia, between 8:00 am and 4:00 pm from 30/02/1443H (corresponding to 07/10/2021G) until 21/03/1443H (corresponding to 27/10/2021G) for a period of no less than 20 days prior to the end of the Offering Period:

- a copy of the CMA's announcement approving the Offering;
- the resolution of the Company's Board approving the Offering;
- The SAMA's letter of no-objection to the Offering;
- the Company's Bylaws and amendments thereto;
- the Company's commercial registration certificate issued by the Ministry of Commerce;
- Financial Statements;
- the market study report prepared by the Market Consultant;
- the Underwriting Agreement;
- other reports, letters, documents and valuations and data prepared by any expert wholly or partly included or referred to in the Prospectus; and
- letters of consent from each of:
  - HSBC Saudi Arabia for inclusion of its name in this Prospectus as the Financial Advisor, Lead Bookrunner for Institutional Subscription, Lead Underwriter and Lead Manager;
  - GIB Capital for inclusion of its name in this Prospectus as Joint Bookrunner and Co-Underwriter;
  - Saudi Fransi Capital for inclusion of its name in this Prospectus as Joint Bookrunner and Co- Underwriter;
  - The Law Office of Megren M. Al-Shaalan for inclusion of its name in this Prospectus as the Legal Advisor for the Offering;
  - Arabian Market Vision Co. Ltd. (4SIGHT) for inclusion of its name in this Prospectus as the Market Consultant;
  - KPMG Professional Services for inclusion of its name in this Prospectus as the Financial Due Diligence Advisor; and
  - PricewaterhouseCoopers - Certified Public Accountants, the Auditor, for inclusion of its name, address, logo in this Prospectus, in addition to its audit reports on the 2018G Financial Statements, 2019G Financial Statements and 2020G Financial Statements and review report on the 2021G Three Month Interim Period Financial Statements.
- A document summarizing the future prospects of the Company's financial figures.

19- Financial Statements and Auditor's Report

This section contains the 2018G Financial Statements, 2019G Financial Statements, 2020G Financial Statements and the 2021G Three Month Interim Period Financial Statements.

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTSFOR THE
YEAR ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Financial statements for the year ended December 31, 2018

pwc

Independent auditor's report to the shareholders of Nayifat Finance Company (A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nayifat Finance Company (the "Company") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSas modified by SAMA for zakat and income tax and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

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Independent auditor's report to the shareholders of Nayifat Finance Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing asendorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 5, 2019

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2018	2017
Assets			
Cash and cash equivalents	4	111,231	275,614
Short term deposits	4	86,729	11,371
Islamic financing receivables	5	1,455,387	1.517,562
Prepayments and other receivables	6	56,503	60,514
Intangible assets	7	6,405	3,696
Property and equipment	8	36,914	36,007
Total assets		1,753,169	1,904,764
Liabilities and shareholders' equity			
Liabilities			
Accounts payable and accruals	9	20,148	22,281
Islamic bank financing	10	683,391	914,221
Zakat payable	11.2	53,302	-
Provision for zakat	11	42,130	106,950
Provision of employees' end of service benefits	12	6,450	5,125
Total liabilities		805,421	1,048,577
Shareholders' equity			
Share capital	13	850,000	635,000
Proposed increase in share capital	13	-	215,000
		850,000	850,000
Statutory reserve	14	18,261	1,024
Retained earnings		79,487	5,163
Total shareholders' equity		947,748	856,187
Total liabilities and shareholders' equity		1,753,169	1,904,764

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

For Chairman
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2018	2017
Revenue	15	322,278	344,909
Expenses			
Finance costs	16	(51,991)	(80,116)
Reversal for impairment	5.4	14,127	1,478
Salaries and employees related expenses	17	(81,025)	(70,034)
Other general and administrative expenses	18	(29,507)	(24,209)
Depreciation and amortization	7, 8	(4,625)	(3,537)
Other income and expenses- net	19	3,111	1,087
		(149,910)	(175,331)
Net income for the year		172,368	169,578
Other comprehensive income		-	-
Total comprehensive income for the year		172,368	169,578
Basic and diluted earnings per share	20	2.03	2.08

The accompanying notes (1) through (30) form an integral part of these financial statements

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
For Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Share capital	Proposed increase in share capital	Statutory reserve	Retained earnings	Total
December 31, 2017		**635,000**	**215,000**	**1,024**	5,163	**856,187**
Additional share capital	13	**215,000**	**(215,000)**	-	-	-
Total comprehensive income		-	-	-	172,368	**172,368**
Zakat reversal during the year	11.2	-	-	-	4,193	**4,193**
Transfer to statutory reserve	14	-	-	**17,237**	(17,237)	-
Dividends paid during the year	21	-	-	-	(85,000)	**(85,000)**
December 31, 2018		**850,000**	-	**18,261**	**79,487**	**947,748**
December 31, 2016		600,000	-	19,630	105,433	725,063
Adjustment on adoption of IFRS 9	13	-	-	-	(49,554)	(49,554)
January 1, 2017		600,000	-	19,630	55,879	675,509
Additional share capital		35,000	-	-	-	35,000
Total comprehensive income		-	-	-	169,578	169,578
Zakat charge for the year	11.1	-	-	-	(23,900)	(23,900)
Transfer to statutory reserve	14	-	-	16,958	(16,958)	-
Proposed increase in share capital	13	-	215,000	(35,564)	(179,436)	-
December 31, 2017		635,000	215,000	1,024	5,163	856,187

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
For Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWSFOR THE YEAR ENDED DECEMBER 31, 2018
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2018	2017
Cash flows from operating activities			
Net income for the year		172,368	169,578
Adjustments for non-cash items:			
Depreciation and amortization	7.8	4,626	3,537
Intangible assets write off	7,19	-	2,650
Provision of employees' end of service benefits	12	1,996	1,470
Provision for impairment - net	5.4	(14,127)	(1,478)
Finance costs	16	51,991	80,116
		216,853	255,873
Changes in operating assets and liabilities:			
Islamic financing receivables		76,300	23,248
Prepayments and other receivables		4,011	(2,566)
Accounts payables and accruals		(2,133)	(366)
Employees' termination benefits paid	12	(671)	(341)
Zakat paid	11.2	(7,326)	(4,517)
Finance cost and other charges paid		(56,405)	(71,682)
Net cash generated from operating activities		230,630	199,649
Cash flows from investing activities			
Additions to property and equipment	8	(4,000)	(1,089)
Additions to intangible assets	7	(4,241)	(3,744)
Short-term deposits and investments	4.1	(75,358)	1,463
Net cash used in investing activities		(83,599)	(3,370)
Cash flows from financing activities			
Proceeds from Islamic bank financing	10.1	279,386	428,704
Repayment of Islamic bank financing	10.1	(505,800)	(506,139)
Dividend paid	21	(85,000)	-
Net cash used in financing activities		(311,414)	(77,435)
Net (decrease)/increase in cash and cash equivalents		(164,383)	118,844
Cash and cash equivalents at the beginning of the year	4	275,614	156,770
Cash and cash equivalents at the end of the year	4	111,231	275,614
Supplemental non-cash information:			
Islamic financing receivables write-offs	5.3	41,202	48,463

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
For Board of Directors

1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") was registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). As per the SAMA license No. 5/AS/201312 renewed on dated 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023).The Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance (as per renewed license) in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company
P.O. Box 27389
Riyadh 11417
Kingdom of Saudi Arabia

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1These financial statements have been prepared in accordance with 'International Financial Reporting Standards ("IFRS") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax.

The financial statements have been prepared on a historical cost basis, except as disclosed in the notes to these financial statements.

2.1.2Adoption of new standards and amendments

New standards and amendments to existing standards effective from January 1, 2018

IFRS 9 – Financial instruments, effective from January 1, 2018, was early adopted by the Company in January 1, 2017 and its effect have been incorporated in the prior year financial statements.

Other new accounting standards including IFRS 15 – Revenue from contracts with customers, and amendments to existing accounting standards, effective from January 1, 2018 do not have any significant effect on the Company's financial statements.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in prêparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 16, Leases IFRS 16, Leases was issued in January 2016

For lessees, it will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Company is currently assessing the impact of IFRS 16 on its current accounting practices.

Other IFRS standards or IFRIC interpretations, that are not yet effective,are not expected to have a material impact on the Company.

2.2 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional and presentation currency.

2.3 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term bank deposits with original maturities of three months or less, which are available to the Company without any restrictions.

2.4 Short-term deposits

Short-term deposits include placements with banks and other short-term liquid investments with original maturities of more than three months but not more than one year from the purchase date.

2.5 Islamic financing receivables (IFR)

IFR comprising of Tawarruq, Murabaha and Ijara originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from the gross receivables.

Tawarruq
A contract whereby the Company sells a commodity or an asset to its customer on a deferred payment basis. The selling price charged by Company comprises the cost plus an agreed profit margin. The customer sells the same commodity or an asset to a third party at market price to raise the needed cash.

Murabaha
A contract whereby the Company sells to customers a commodity or an asset, which the Company has purchased and acquired, based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Ijara
Ijara is an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijara could end by transferring the ownership of the leased asset to the lessee. Ijara, Islamic financing receivables represents net investment in assets leased for period, which either approximate or cover major part of the estimated useful lives of such assets. The documentation includes an undertaking from the Company to sell the leased assets to the lessee upon maturity or early settlement of the lease

2.6 Repossessed assets held for sale

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due. Such assets are considered as assets held for sale and are initially recorded at the lower of receivables value or the current fair value of the related assets, less any costs to sell, at the time of possession. No depreciation is charged on such assets.

Subsequent to initial recognition, any subsequent write down to fair value, less cost to sell, are charged to the statement of comprehensive income. Any subsequent gain in the fair value less cost to sell of these assets to the extent this does not exceed the cumulative write down is recognized as income together with any gain/loss on disposal.

2.7 Intangible assets

Recognition and measurement
Intangibles assets acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures on intangible assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization
Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets are amortized on a straight-line basis in the statement of comprehensive income over its estimated useful life, from the date on which it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.8 Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized within other income in statement of comprehensive income.

Subsequent costs
Subsequent expenditures are capitalized only when it is probable that the future economic benefits of the expenditures will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives were as follows:

Building and freehold improvements	3 to 10 years
Leasehold improvements	5 years or period of lease whichever is lesser
Furniture and office equipment	3 to 10 years

2.9 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.10 Impairment of non-financial assets

Non-financial assets, subsequent to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

2.11 End of Service Benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the statement of other comprehensive income. Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

2.12Revenue recognition

Income from Islamic financing receivables is recognized in the statement of comprehensive income using the effective yield method, using the applicable effective profit rate ("EPR"), on the outstanding balance over the term of the contract.

The calculation of the EPR includes transaction costs, fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial asset.

Other income is recognized on accrual basis as the services are rendered.

2.13 Financial Instruments

a) Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through statement of comprehensive income(SOCI)), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

c) Measurement

At initial recognition, the Company measures financial assets at its fair value, in the case of a financial asset not at fair value through SOCI, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at (FVTPL) are expensed in SOCI.

Subsequent measurement of debt instrument
It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its debt instruments into three measurement categories:

i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in SOCI when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method.

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to SOCI and recognized in other gains/(losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through SOCI. A gain or loss on a debt investment that is subsequently measured at fair value through SOCI and is not part of a hedging relationship is recognized in SOCI and presented net in the SOCI statement within other gains/(losses) in the year in which it arises. Profit from these financial assets is included in the finance income.

Subsequent measurement of equity instruments
The Company measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income (FVOCI) , there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments are recognized in profit or loss as other income when the Company's right to receive payments is established.

d) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost and FVOCI.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Companyunder the contract and
(b) The cash flows that the Company expects to receive.

The financial assets of the Company are categorized as follows:

1- Performing: these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows.

The Company's Islamic finance receivables primarily represent retail/consumer loans and therefore management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis, the balances which are less than 60 days past due do not result in significant increase in credit risk and are considered as performing.

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2- Underperforming: these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment/installment.

The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

3- Non-performing: these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Financial asset is written-off only when it is past due for at least from two years or due to regulatory requirements. Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net are recognized as other income in the statement of comprehensive income/loss.

(e) Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The relatedcost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(f) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its Islamic financing exposure to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in the statement of other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an un-recognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting years for which they were / are designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the SOCI for the year

2.14 Provision for Zakat

In accordance with the regulations of the Zakat and Income Tax in the Kingdom of Saudi Arabia, the Companies are subject to zakat attributable to the Saudi shareholder and to income taxes attributable to the foreign shareholder. Provisions for zakat and income taxes are charged to the statement of changes in equity as required by the SAMA guidance. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRSs' requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and 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 recognised in the year in which the estimates are revised and in any future years affected. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

1- Provision for impairment - note 2.13,note 5 and note 24
2- Provision for zakat and income tax- note 11

4. CASH AND BANK BALANCES

	As at December 31, 2018	2017
Cash in hand	200	274
Current accounts with banks	111,031	275,340
Cash and cash equivalents	111,231	275,614
Short-term deposits – note 4.1	86,729	11,371
	197,960	286,985

4.1This includes SR 70.89 million(2017: Nil) held with a local bank as a commission bearing deposit which is based on prevailing market rates and SR 13.5 million (2017:SR 8.5 million) is held with local banks as non-commission bearing deposits for bank financing facilities.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

5. ISLAMIC FINANCING RECEIVABLES

5.1 The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq Consumer Islamic financing, therefore considered as a single operating segment. This financing is generally provided for a period of one to five years, which is recoverable in equal monthly installments.

	As at December 31 2018	2017
Gross receivables	2,133,917	2,214,572
Unearned finance income	(644,435)	(638,004)
	1,489,482	1,576,568
Deferred initial direct costs (transaction cost)	14,163	17,225
	1,503,645	1,593,793
Provision for impairment	(48,258)	(76,231)
	1,455,387	1,517,562
Current	442,629	529,940
Non-current	1,012,758	987,622
	1,455,387	1,517,562

5.2 Stage wise analysis of Islamic financing receivables is as follow:

	Performing	Under-performing	Non-performing	Total
December 31,2018				
Receivables	1,344,126	33,595	111,761	1,489,482
Deferred initial direct costs	12,595	356	1,212	14,163
	1,356,721	33,951	112,973	1,503,645
Provision for impairment	(6,792)	(407)	(41,059)	(48,258)
Net receivables	1,349,929	33,544	71,914	1,455,387
December 31, 2017				
Receivables	1,358,040	45,256	173,272	1,576,568
Deferred initial direct costs	15,432	507	1,286	17,225
	1,373,472	45,763	174,558	1,593,793
Provision for impairment	(13,908)	(1,056)	(61,267)	(76,231)
Net receivables	1,359,564	44,707	113,291	1,517,562

5.2.1 Non-performing IFR include SR 25.12million (December 31, 2017: SR 28 million) and SR 23.43million (December 31, 2017: SR 30 million) past due between 12 to 18 months and more than 18 months, respectively. The management believes adequate provision has been recorded against such receivables.

5.3 The movement in provision for impairment for Islamic financing receivables is as follows:

	Performing	Under-performing	Non-performing	Total
January 1, 2018	13,908	1,056	61,267	76,231
Transfer from performing	(743)	285	458	-
Transfer from under-performing	511	(944)	433	-
Transfer from non-performing	3,062	151	(3,213)	-
Financial assets – settled	(2,767)	(342)	(10,703)	(13,812)
Financial assets originated	2,369	25	33	2,427
Net re-measurement of loss allowance	(9,548)	176	33,986	24,614
	(7,116)	(649)	20,994	13,229
Write-off during the year	-	-	(41,202)	(41,202)
December 31, 2018	6,792	407	41,059	48,258

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Performing	Under-performing	Non-performing	Total
Balance at December 31, 2016	154	205	53,898	54,257
Adjustment on adoption of IFRS 9	12,950	928	35,676	49,554
Balance at January 1, 2017	13,104	1,133	89,574	103,811
Transfer from performing	(1,573)	410	1,163	-
Transfer from under-performing	397	(767)	370	-
Transfer from non-performing	1,879	367	(2,246)	-
Financial assets – settled	(2,344)	(380)	(1,606)	(4,330)
New financial assets originated	3,638	84	2,092	5,814
Net re-measurement of loss allowance	(1,193)	209	20,383	19,399
	804	(77)	20,156	20,883
Write-offs during the year	-	-	(48,463)	(48,463)
Balance at December 31, 2017	13,908	1,056	61,267	76,231

5.4 Provision for impairment- net

	As at December 31, 2018	2017
Provision for impairment chargefor year	**13,229**	20,883
Recoveries after written-off	**(27,356)**	(22,361)
Net	**(14,127)**	(1,478)

5.5 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.87 billion (December 31, 2017: SR 1.09 billion) to local commercial banks for obtaining Islamic bank financing. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position.

6. PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31, 2018	2017
Receivable from key management personnel	6.1,21.3	**23,333**	35,000
Repossessed assets held for sale – real estate	6.2	**20,669**	20,669
Advances, prepayments and others		**11,608**	4,845
Equity investment at FVOCI		**893**	-
		56,503	60,514

6.1 This representsoutstanding balance of non-commission bearing loans given to executives, for three years repayable in monthly instalments, as approved in the General Assembly meeting in 2017after obtaining the necessary regulatory approval

6.2 This represents properties in the Kingdom of Saudi Arabia which were repossessed by the Company against settlement of Islamic finance receivables.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

7. INTANGIBLE ASSETS

	As at December 31, 2018	2017
Cost:		
January 1,	5,681	4,587
Additions during the year	4,241	3,744
Write-off during the year (note 19)	-	(2,650)
December 31,	9,922	5,681
Accumulated amortization:		
January 1,	(1,985)	(1,330)
Charge during the year	(1,532)	(655)
December 31,	(3,517)	(1,985)
Net book value as at December 31,	6,405	3,696

8. PROPERTY AND EQUIPMENT

2018	Freehold land	Building and freehold improvements	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1,	27,963	4,512	6,719	5,083	44,277
Additions during the period	-	314	1,314	2,372	4,000
December 31,	27,963	4,826	8,033	7,455	48,277
Accumulated depreciation					
January 1,	-	902	3,786	3,582	8,270
Adjustments	-	(74)	74	-	-
Charge for the period	-	803	1,257	1,033	3,093
December 31,	-	1,705	5,043	4,615	11,364
Net book value	27,963	3,121	2,990	2,840	36,914

2017	Freehold land	Building and freehold improvements	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1,	27,928	4,512	6,095	4,653	43,188
Additions during the year	35	-	624	430	1,089
December 31,	27,963	4,512	6,719	5,083	44,277
Accumulated depreciation					
January 1,	-	-	2,675	2,713	5,388
Charge for the year	-	902	1,111	869	2,882
December 31,	-	902	3,786	3,582	8,270
Net book value	27,963	3,610	2,933	1,501	36,007

9. ACCOUNTS PAYABLE AND ACCRUALS

	As at December 31, 2018	2017
Accrued key management fees and employee bonus	6,319	9,650
Accrued expenses	4,115	4,038
Accounts payable	446	769
Accrued employees' costs	3,539	1,937
Other – note 9.1	5,729	5,887
	20,148	22,281

9.1 This includes unidentified collections amounting to SR 5.4 million (2017: SR 5.4 million)

(All amounts in thousands of Saudi Riyals unless otherwise stated)

10. ISLAMIC BANK FINANCING

	Note	As at December 31, 2018	2017
Current		337,312	487,622
Non-current		347,385	423,489
	10.1	684,697	911,111
Accrued Finance Cost	10.1	1,704	1,753
		686,401	912,864
Unamortized deferred charges - transaction costs		(4,610)	(6,582)
		681,791	906,282
Unrealized loss on fair valuation of derivatives	16	1,600	7,939
		683,391	914,221

The Company has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 1.19billion of which SR 0.68billion was utilized as of December 31, 2018 (December 31, 2017: SR 0.91 billion). These financing facilities are repayable in 36 to 48 monthly instalments. The future finance costs charge on the existing utilized facilities amounts to SR 53 million on prevailing profit rates, some of which are subject to reprisingduring term of financing. The key covenants related to bank financing are to maintain a certain gearing ratio, financing to receivable ratio. The Company was in compliance with these covenants as at financial position date.

The financing bears commission charges at prevailing market rates. The Company has fixed the profit rates through derivatives i.e. Islamic profit rate swap agreement with the banks for notional amount of SR 323million. The settlement dates are in line with the respective financing repayments.

10.1 The movement schedule of Islamic bank financing isas follows:

	Principal	Accrued Finance cost	Total
Payable as at January 1, 2018	911,111	1,753	912,864
Proceeds / charge during the year	279,386	49,971	329,357
Payments during the year	(505,800)	(50,020)	(555,820)
Payable as at December 30, 2018	684,697	1,704	686,401

	Principal	Accrued Finance cost	Total
Payable as at January 1, 2017	988,546	2,963	991,509
Proceeds / charge during the year	428,704	64,262	492,966
Payments during the year	(506,139)	(65,472)	(571,611)
Payable as at December 31, 2017	911,111	1,753	912,864

(All amounts in thousands of Saudi Riyals unless otherwise stated)

11. PROVISION FOR ZAKAT

11.1 Movement in Provision for zakat for the period is as follows:

	As at December 31, 2018	2017
January 1,	106,950	87,567
Charge for the year	17,237	23,900
Reversal of prior year charge (note 11.2)	(21,430)	-
	(4,193)	23,900
Transfer to zakat payable (for the years 2014 to 2018)	(53,302)	-
Payments during the year	(7,325)	(4,517)
December 31,	42,130	106,950

11.2 Status of assessments

The Company has submitted its zakat declarations to the General Authority of Zakat and Tax (GAZT) uptothe year ended December 31, 2017.

Up to 2013
The Company has received final zakat assessments for the years from 2002 to 2008.

For the years 2009 to 2013, the Company has submitted the zakat returns and GAZT is yet to raise the final assessment/settlement. As per the assessment of Company, there are adequate provisions available to settle the GAZT assessment.

From 2014 to 2017
Before the year end, the GAZT officials suggested the possibility of settlement of zakat/tax in line with the settlement made by Banks whereby 10% of the accounting profit will be the settlement of Zakat. Subsequent to the year end, the Company received and signed-off the settlement offer with the GAZT for the years 2014-2017. As per the settlement offer, the Company is required to pay Zakat of SR 36.06 million with 20% down payment and the rest to be paid in equal installments for the next 5 years payable in December of each subsequent year with final payment in December2023.

Accordingly, the management has considered this as an adjusting event after the financial position date and updated the financial statements.

For 2018
The GAZT has also given the option to the Company to pay 10% of the accounting profit as full and final discharge of Zakat/Tax liability for the year ended December 31, 2018. Accordingly, the liability has been recognized in these financial statements.

12 PROVISION OF EMPLOYEES' END OF SERVICEBENEFITS

	As at December 31, 2018	2017
January 1,	5,125	3,996
Charge for the year	1,996	1,470
Payments made during the year	(671)	(341)
December 31,	6,450	5,125

The provision of this defined benefit plan is based on projected unit credit method. The key assumptions used in current and prior year include 5% salaries increment and 4% discount rate. The change in assumptions will not have significant effect on the provision as at December 31, 2018.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 SHARE CAPITAL

Shareholders	Holding	No. of shares	Amounts in SR
December 31,2018			
Falcom Holding Company	**71.68%**	**60,925,773**	**609,257,730**
Falcom Private Equity Fund	**2.95%**	**2,505,827**	**25,058,270**
Others	**25.37%**	**21,568,400**	**215,684,000**
	100%	**85,000,000**	**850,000,000**
December 31, 2017			
Falcom Holding Company	71.68%	45,515,136	455,151,360
Falcom Private Equity Fund	2.95%	1,872,000	18,720,000
Others	25.37%	16,112,864	161,128,640
	100%	63,500,000	635,000,000

Increase in share capital by SR 215million

During the year, SAMA gave its approval to increase the Company's share capital from SR 635 million to SR 850million, through issuance of bonus shares, which was proposed by the Board of Directors of the Company and approved by the General Assembly on February 28, 2018, and accordingly, reflected in the statement of changes in shareholders'equity the updated commercial registration was obtained during March 2018.Accordingly, the weighted average number of shares to calculate earnings per share has been retrospectively adjusted.

14 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of at least 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution. Such transfer is made to the statutory reserve account on annual basis at year-end.

15 REVENUE

	As At December 31, 2018	2017
Income from Islamic financing	**321,636**	345,557
Amortization of transaction costs	**(10,920)**	(13,006)
	310,716	332,551
Fee and commission income	**11,562**	12,358
	322,278	344,909

16 FINANCE COSTS

	As at December 31, 2018	2017
Finance costs on Islamic bank financing – note 10.1	**49,971**	64,262
Amortization of deferred charges	**3,823**	4,417
(Gain)/loss on fair valuation of derivatives – note 10	**(6,339)**	7,939
Bank charges	**4,536**	3,498
	51,991	80,116

17 SALARIES AND EMPLOYEES RELATED EXPENSES

	As at December 31, 2018	2017
Salaries and employee related costs	**49,390**	46,234
Management fees and bonus – note 17.1	**31,635**	23,800
	81,025	70,034

17.1 This includes employees long-term incentive charge of SR 11.6 million (2017: Nil).

18 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	As at December 31, 2018	2017
Insurance	**5,035**	5,209
Rentals	**3,417**	2,994
Legal and professional charges	**4,620**	3,894
Utilities, telephone and communication	**2,911**	2,684
Repairs, maintenance and office supplies	**2,274**	1,973
IT support charges	**2,076**	1,414
Exchange traded fund valuation impact	**3,795**	4,022
Other	**5,379**	2,019
	29,507	24,209

19 OTHER INCOME AND(EXPENSES) - NET

	As at December 31, 2018	2017
Intangible assets written-off – note 7	**-**	(2,650)
Rental income	**1,142**	1,362
Income on short-term deposit - murabaha	**1,969**	2,375
	3,111	1,087

20 EARNINGS PER SHARE

	As at December 31, 2018	2017
Net income	**172,368**	169,578
Weighted average number of shares in thousands –note 20.1	**85,000**	81,679
Basic and diluted EPS in Saudi Riyals	**2.03**	2.08

20.1 Reconciliation of weighted average number of shares (in thousands)

	As at December 31, 2018	2017
January 1	**60,179**	60,000
Effect of weighted average due to shares issues during the year	**-**	179
	60,179	60,179
Bonus shares issue during the year	**21,500**	21,500
Effect of shares issued in prior year - 2017	**3,321**	-
December 31	**85,000**	81,679

21 RELATED PARTY TRANSACTIONS AND BALANCES

21.1 Significant related party transactions during the period were as follows:

Related party	Nature of transaction	December 31, 2018	December 31, 2017
Shareholders	Cash dividend declared and paid	**85,000**	-
Key management personnel	Compensation for the period	**21,401**	24,242
	Long-term incentive	**11,667**	-
	Employees' termination benefits	**614**	490
Other related parties	Zakat/VAT consultancy fee	**427**	180
	IT software services rendered	**2,594**	1,298
Affiliates	Commodities/ securities dealings account - deposit made	**4,000**	3,000
	Rental charge	**273**	130
	Advisory charges and others	**1,122**	719

21.2 Key management personnel of the Company include all directors, executive and non-executive, and senior management.

21.3 Significant balances of related parties as at statement of financial position date were as follows:

	Note	As at December 31, 2018	2017
Receivables from / advances to related parties			
Affiliates – short term deposit	4	**2,340**	2,871
Receivable from key management personnel	6	**23,333**	35,000
Advances to other related party	6	**731**	-
Payables / Accruals			
Key management compensation payable		**7,063**	9,650

22 CONTINGENCY AND COMMITMENTS

Contingency
The contingency related to zakat and income tax is disclosed in note 11 to these financial statements. The Company has certain legal cases pending in courts against it.However, based on management's best estimate no significant contingencies exist as at December 31, 2018.

Capital commitments
There are no significant capital commitments at the statement of financial position date.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

Operating leases commitments

The Company's operating leases commitments are only for branches office premises and are not considered as significant. The related commitments as at statement of financial position date are as follows:

	As at December 31,	
	2018	**2017**
Less than one year	**3,162**	2,928
More than a year and less than five years	**6,503**	6,415
Over five years	**59**	388
Total	**9,724**	9,731

23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Valuation Models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities, except derivatives, which is carried at fair value and of insignificant amount, of the Company, are categorised as held at amortized cost, which approximate their fair value, and accordingly fair value hierarchy disclosure has not been provided.

24 FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment and supervision of the Company's risk management framework. The Board of Directors has established a Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board of Directors.

In addition, the Audit Committee of the Company also reviews the internal audit risk assessment, discusses the Company's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Management Committee oversees the Company risks and report to the Board.

i) Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Company's management analyses credit risk in the following categories:

Islamic financing receivables (IFR)

IFR are exposed to significant credit risk. The Company has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral such as personal guarantees. The overall underwriting decision is based on the following key parameters:

- Dual credit score i.e. SIMAH and Application scoring system
- Minimum income level and maximum debt burden of the borrower
- Loan repayment history with other financial institutions sourced from SIMAH
- Salary certificate from the employer and last three months bank statement where the customer's monthly salary is credited.

Customers are requested to provide standing instructions to credit Nayifat account towards monthly installments. In addition, the customers also provide direct debit mandate as a stand by repayment mode. The Company generally receives repayments through SADAD and bank transfers. The Company has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. The Company has strengthened its legal department to be actively involved in the collection process of delinquent customers.

The concentration of credit risk is the risk that the Company is exposed to if they invested all their assets in one sector or one industry. The Company manages its credit risk exposure through diversification of principal activity to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The Company strategy is to finance Saudi nationals under the following categories:

- Customers employed in a secured working environment.
- Steady income group with largely guaranteed employment or minimum loss of employment
- Employees of selected large-scale private sector companies.

The Company's operations are in the Kingdom of Saudi Arabia and the Company currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue.

The main consideration for the impairment assessment includes whether any monthly contractual payments are overdue by more than 90 days or there are any known difficulties in the cash flows of the counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company's provision methodology is based on the default probability calculated on forward flow rates of past twenty-four months and adjusted by the outlook of the economy. The Company's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance receivables are subject to additional personal guarantees for security to mitigate credit risk associated with IFR. For additional details, relating to IFR and related risk refer note 2.12 and note 5 to these financial statements.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

Cash and bank balances and other receivables

Funds are placed with Saudi banks having good credit ratings, and therefore are not subject to significant credit risk. Other receivables are not significantandnot exposed to significant credit risk

ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Company also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs. The company established a liquidity contingency policy and set aside SR 70 million (2017: SR 70 million) as liquidity contingency fund.

As at the statement of financial position date, based on the following contractual maturity profile of financial assets and liabilities as analyzed by the management, the Company is not exposed to liquidity risk.

December 31, 2018	Less than 3 months	3 to 12 months	1 to 5 years	Total 2018
Financial assets - commission bearing				
Islamic financing receivables– Gross	255,987	526,721	1,351,229	2,133,917
Short-term deposits	70,890	-	-	70,890
	326,857	526,721	1,351,229	2,204,807
Financial assets - non commission bearing				
Cash and cash equivalents	111,231	-	-	111,231
Other assets	2,917	8,750	11,666	23,333
Short-term deposits	-	15,839	-	15,839
	114,148	24,589	11,666	150,403
Total financial assets	441,005	551,310	1,362,895	2,355,210
Financial liabilities - commission bearing				
Islamic bank financing	(108,614)	(228,698)	(347,385)	(684,697)
Financial liabilities - non commission bearing				
Payable and accruals	(9,242)	(1,858)	(9,048)	(20,148)
Total financial liabilities	(117,856)	(230,556)	(356,433)	(704,845)
Net financial assets:				
Commission bearing	218,243	298,023	1,003,844	1,520,110
Non-commission bearing	104,906	22,731	2,618	130,255
	323,149	320,754	1,006,462	1,650,365

(All amounts in thousands of Saudi Riyals unless otherwise stated)

December 31, 2017	Less than 3 months	3 to 12 months	1 to 5 years	Total 2017
Financial assets - commission bearing				
Islamic financing receivables– Gross	192,143	552,710	1,469,719	2,214,572
Financial assets - non commission bearing				
Cash and cash equivalents	275,614	-	-	275,614
Other assets	2,917	8,750	23,333	35,000
Short-term deposits	-	11,371	-	11,371
	278,531	20,121	23,333	321,985
Total financial assets	470,674	572,831	1,493,052	2,536,557
Financial liabilities - commission bearing				
Islamic bank financing	(129,612)	(358,010)	(423,489)	(911,111)
Financial liabilities - non commission bearing				
Payable and accruals	(13,681)	(8,600)	-	(22,281)
Total financial liabilities	(143,293)	(366,610)	(423,488)	(933,391)
Net financial assets:				
Commission bearing	62,531	194,700	1,046,231	1,303,462
Non-commission bearing	264,850	11,521	23,333	299,704
	327,381	206,221	1,069,564	1,603,166

iii) Profit rate risk

Profit rate risk is the impact on future earnings of the Company resulting from change in the market profit rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to profit rate adjustment within a specified year. The most important source of such risk is the Company's financing receivables and Islamic bank financing. The profit rate is fixed for the financing receivables andfor the major portion of borrowing as explained in note 10 of these financial statements.

The financial liabilities of SR 323million are based on floating rates and not subject to profit rate swap and thus, a 100 basis points change in commission rates could have approximately a SR 5 million annual effect on the Company's profitability. The Company's management monitors the fluctuations in commission rates on regular basis and take appropriate measures to minimize the profit rate risk by adjusting lending rate for future contracts.

iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Company has no exposure to foreign currency risk as it mainly deals in Saudi Riyals that is also the functional currency of the Company.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

25 CAPITAL MANAGEMENT

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribe requirements.

At statement of financial position date, the management analysis of gearing ratio was as follows:

	2018	2017
Shareholders' equity	**947,748**	856,187
Islamic bank financing	**683,391**	914,221
Total capital structure	**1,631,139**	1,770,408
Gearing ratio	**41.90%**	51.64%

26 FINANCIAL INSTRUMENTS

	Note	2018	2017
Financial assets – at amortized cost			
Cash and cash equivalents	4	**111,231**	275,614
Short term deposits	4	**86,729**	11,371
Islamic financing receivables	5	**1,455,387**	1,517,562
Other receivables	6	**23,333**	35,000
Financial liabilities – at amortized cost			
Payables and accruals	9	**20,148**	22,281
Islamic bank financing	10	**681,791**	906,282
Financial liabilities – at fair value			
Unrealized loss on fair valuation of derivatives	10	**1,600**	7,939

(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 Branches including Head Office

The results of the following branches were included as part of these financial statements.

Serial No.	Commercial registration number of Branch	Location
1	1010176451	Riyadh - Exit 10 (Head Office)
2	1010361769	Riyadh - Exit 28 Badiyah
3	1010609169	Riyadh - Exit 13 Khurais
4	1010609170	Riyadh – Olaya
5	1011019025	Kharj
6	1131046727	Qassim
7	2050117283	Dammam
8	2055025208	Jubail
9	2250049662	Hafuf
10	2511018370	Hafr Al Baten
11	3350040719	Hail
12	3400017276	Sakaka
13	3550029238	Tabuk
14	4030189485	Jeddah
15	4030285686	Jeddah – Fayha
16	4031060772	Makkah
17	4032034699	Taif
18	4650052613	Medinah
19	5800020441	Baha
20	5850068147	Abha
21	5900020800	Jizan
22	5950032171	Najran
23	2053112169	Qatif
24	1116009153	Al Dawadmi Branch

28 COMPARATIVE FIGURES

Certain comparative amounts in these financial statements relating to 2017 have been reclassified for the purpose of better presentation.However, the effect of this and other reclassifications were not considered as significant.

29 SUBSEQUENT EVENT

There was no subsequent event after the year-end, except for Zakat as disclosed in note 11.2 of these financial statements, which require disclosure or adjustment in these financial statements.

30 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Board of Directors of the Company on March 4, 2019.

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITOR'S REPORT

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Financial statements for the year ended December 31, 2019

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Independent auditor's report to the shareholders of Nayifat Finance Company (A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nayifat Finance Company (the "Company") as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

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Independent auditor's report to the shareholders of Nayifat Finance Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

February 9, 2020

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2019	2018
Assets			
Cash and cash equivalents	5	52,596	111,231
Term and margin deposits	5	114,684	86,729
Islamic financing receivables	6	1,728,094	1,455,387
Equity Investments at fair value through OCI		893	893
Prepayments and other receivables	7	40,272	55,610
Intangible assets	8	8,008	6,405
Property and equipment	9	44,223	36,914
Total assets		1,988,770	1,753,169
Liabilities and shareholders' equity			
Liabilities			
Accruals and other liabilities	10	46,148	21,748
Provision for zakat	12.1	21,532	42,130
Islamic bank financings and lease liabilities	11	873,789	681,791
Zakat payable	12.2	23,082	53,302
Provision of employees' end of service benefits	13	7,802	6,450
Total liabilities		972,353	805,421
Shareholders' equity			
Share capital	14	1,000,000	850,000
Statutory reserve	15	40,143	18,261
Retained earnings		41,426	79,487
Treasury shares	16	(65,152)	-
Total shareholders' equity		1,016,417	947,748
Total liabilities and shareholders' equity		1,988,770	1,753,169

The accompanying notes (1) through (31) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the Year ended December 31, 2019	2018 (Restated)
Income			
Income from Islamic financing		**389,888**	322,278
Other income	20	**2,414**	3,111
Total operating income		**392,302**	325,389
Expenses			
Finance costs	17	**(55,570)**	(51,991)
Reversal of impairment	6.4	**25,482**	14,127
Salaries and employees related expenses	18	**(96,387)**	(81,025)
Other general and administrative expenses	19	**(42,344)**	(29,507)
Depreciation and amortization	8, 9	**(9,951)**	(4,625)
Total expenses		**178,770**	153,021
Net income for the year before zakat		**213,532**	172,368
Zakat			
(Charge) / reversals for the year		**(21,532)**	4,193
Reversal of prior year		**26,821**	-
		5,289	4,193
Net income for the year		**218,821**	176,561
Other comprehensive income		**-**	-
Total comprehensive income for the year		**218,821**	176,561
Basic and diluted earnings per share	21	**2.19**	1.77

The accompanying notes (1) through (31) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

النايفات
Nayifat
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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Share capital	Treasury shares	Proposed increase in share capital	Statutory reserve	Retained earnings (restated)	Total
December 31, 2018		**850,000**	-	-	**18,261**	**79,487**	**947,748**
Transfer to share capital		**150,000**	-	-	-	**(150,000)**	-
Net income for the year		-	-	-	-	218,821	**218,821**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	218,821	**218,821**
Transfer to statutory reserve	15	-	-	-	**21,882**	(21,882)	-
Treasury stock	16	-	**(65,152)**	-	-	-	**(65,152)**
Dividends during the year	22					(85,000)	**(85,000)**
December 31, 2019		**1,000,000**	**(65,152)**	-	**40,143**	**41,426**	**1,016,417**
December 31, 2017		635,000	-	215,000	1,024	5,163	856,187
Additional share capital	14	215,000	-	(215,000)	-	-	-
Net income for the year (restated)	3.2	-	-	-	-	176,561	176,561
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income (restated)		-	-	-	-	176,561	172,561
Transfer to statutory reserve	15	-	-	-	17,237	(17,237)	-
Dividends during the year	14	-	-	-	-	(85,000)	(85,000)
December 31, 2018		850,000	-	-	18,261	79,487	947,748

The accompanying notes (1) through (31) form an integral part of these financial statements.

Chief Financial Officer	Managing Director and Chief Executive Officer	Chairman Board of Directors

Nayifat

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Net income before zakat		213,532	172,368
Adjustments for non-cash items:			
Depreciation and amortization	8,9	9,951	4,625
Provision of employees' end of service benefits	13	1,800	1,996
Reversal of impairment – net	6.4	(25,482)	(14,127)
Finance costs	17	55,570	51,991
		255,371	216,853
Changes in operating assets and liabilities:			
Islamic financing receivables		(247,225)	76,300
Prepayments and other receivables		15,509	4,011
Accruals and other liabilities		26,000	(2,133)
Employees end of service benefits paid	13	(448)	(671)
Zakat paid	12.2	(45,529)	(7,325)
Rentals paid		(2,800)	-
Finance cost and other charges paid		(56,692)	(56,405)
Net cash generated from operating activities		(55,814)	230,630
Cash flows from investing activities			
Additions to property and equipment	9	(4,450)	(4,000)
Additions to intangible assets	8	(4,004)	(4,241)
Term and margin deposits	5.1	(27,955)	(75,358)
Net cash used in investing activities		(36,409)	(83,599)
Cash flows from financing activities			
Proceeds from financings	11.1	581,375	279,386
Repayment of financings	11.1	(397,635)	(505,800)
Dividend paid	21	(85,000)	(85,000)
Treasury stock		(65,152)	-
Net cash used in financing activities		33,588	(311,414)
Net change in cash and cash equivalents		(58,635)	(164,383)
Cash and cash equivalents at the beginning of the year	5	111,231	275,614
Cash and cash equivalents at the end of the year	5	52,596	111,231
Supplemental non-cash information:			
Islamic financing receivables write-offs	6.3	33,053	41,202
Recognition of Right-of-use asset upon adoption of IFRS 16	3.3	10,409	-
Recognition of lease liabilities asset upon adoption of IFRS 16	3.3	7,780	-

The accompanying notes (1) through (31) form an integral part of these financial statements.

Chief Financial Officer	Managing Director and Chief Executive Officer	Chairman Board of Directors

1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") was registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). As per the SAMA license No. 5/AS/201312 renewed on dated 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023). The Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance (as per renewed license) in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company
7633 Al Ulaya – Al Woroud Dist.
Unit No 1555
Riyadh 12253 - 2105
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

The financial statements of the Company as at and for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The financial statements of the Company as at and for the year ended December 31, 2018 were prepared in compliance with the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax).

On 18 July 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of 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 the and other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors as disclosed in note 3.2 and the effects of this change are disclosed in note 12.4 to the financial statements.

The financial statements have been prepared on a historical cost basis, except as disclosed in the notes to these financial statements.

The statement of financial position is stated broadly in order of liquidity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

3.1 Changes in accounting policies

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective. The accounting and risk management policies adopted in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018, except for:

IFRS 16 "Leases"

The Company has adopted IFRS 16 'Leases' ("IFRS 16") on its effective date January 1, 2019. The effect of adoption of new accounting policy is disclosed in note 3.3 of these financial statements and the accounting policies affected by the new standard are as follows:

(a) Company as a lessee: Policy applicable from January 1, 2019

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset reduced to zero.

Right-of-use assets
Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

(b) Company as a lessee: Policy applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

3.2 Change in the accounting treatment in relation to accounting for Zakat

As mentioned above, the basis of preparation has been changed for the year ended December 31, 2019 based on instructions from SAMA dated July 18, 2019. Previously, zakat and income tax was recognized in the statement of changes in shareholders' equity as per the SAMA circular no 381000074519 dated 11 April 2017. As per SAMA instructions dated July 18, 2019, zakat and income tax shall be recognized in the statement of comprehensive income. The Company has accounted for this change in the accounting for zakat retrospectively and the effects of the above change are disclosed in note 12.4 to the financial statements. The change has resulted in increase of reported income of the Company for the year ended December 31, 2018 by SR 4.19 million and had no impact on the statement of cash flows for the year ended December 31, 2018.

Zakat

The Company is subject to zakat in accordance with zakat regulations and it's by-laws and the rules issued by the Chairman of the Board of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of comprehensive income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

3.3 Adoption of IFRS 16

The Company leases properties and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company has adopted the new standard IFRS 16 from January 1, 2019, using the modified retrospective approach, and therefore, the comparative information has not been restated and continues to be reported under IAS 17 - Leases ("IAS 17") and IFRIC 4 - Determining whether an Arrangement contains a Lease ("IFRIC 4"). Accordingly, the information presented in these financial statements for 2018 is not comparable in relation to and due to adoption of IFRS 16.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases, which have previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5% which is determined based on the average cost of capital of the Company as of the adoption date. For new leases, the Company will assess the rates implicit in the leases.

Right-of use assets were measured at the amount equal to the lease liability. Therefore, there was no impact on the retained earnings.

Right-of-use assets are adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018. Due to adoption of IFRS 16, Property and equipment increased by SR 10.4 million on January 1, 2019 and prepayments were reduced by SR 2.6 million.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

(i) The statement of financial position includes the following amounts relating to leases:

	December 31, 2019	January 1, 2019
Right-of-use assets		
Buildings	6,890	10,409
	6,890	10,409
Lease liabilities		
Non-current	3,453	4,985
Current	1,720	2,795
	5,173	7,780

The table below shows the reconciliation of future lease payments discounted using the incremental borrowing rate with the lease liabilities related to right-of-use assets.

	December 31, 2019	January 1, 2019
Future lease payments	5,541	8,440
Discounting impact at incremental borrowing rate	(368)	(660)
	5,173	7,780

Right-of use assets is included in the line item "Property and equipment" and lease liabilities are included in "Islamic Bank financing and lease liabilities" in the statement of financial position.

Additions to the right-of-use assets during the year ended December 31, 2019 were SR nil million.

(ii) The statement of comprehensive income includes the following amounts related to leases:

	December 31, 2019	December 31, 2018
Depreciation charge of Right-of-use assets	3,519	-
Interest expense (included in finance cost)	292	-
Expense relating to short-term leases	1,284	-

(iii) The following table reconciles (i) the operating lease commitments at December 31, 2018 disclosed in the annual financial statements of 2018 under IAS 17, discounted using the incremental borrowing rate at January 1, 2019, and (ii) lease liabilities recognized in the statement of financial position at January 1, 2019:

	Saudi Riyals thousand
Operating lease commitment at December 31, 2018 as disclosed in the Company's annual financial statements	9,724
Extension and (termination) options reasonably certain to be exercised (not to be exercised)	-
Recognition exemption for short-term leases	(1,284)
Discounted using the incremental borrowing rate at January 1, 2019	(660)
Lease liabilities recognized at January 1, 2019	7,780

(iv) The total cash outflow for leases during the year was SR 2.8 million.

3.4 New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company.

3.5 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional and presentation currency.

3.6 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term bank deposits with original maturities of three months or less, which are available to the Company without any restrictions.

3.7 Term deposits

Term deposits include placements with banks and other short-term liquid investments with original maturities of more than three months but not more than one year from the purchase date.

3.8 Islamic financing receivables (IFR)

IFR comprising of Tawarruq, Murabaha and Ijara originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from the gross receivables.

Tawarruq
A contract whereby the Company sells a commodity or an asset to its customer on a deferred payment basis. The selling price charged by Company comprises the cost plus an agreed profit margin. The customer sells the same commodity or an asset to a third party at market price to raise the needed cash.

Murabaha
A contract whereby the Company sells to customers a commodity or an asset, which the Company has purchased and acquired, based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Ijara
Ijara is an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijara could end by transferring the ownership of the leased asset to the lessee, Ijara, Islamic financing receivables represents net investment in assets leased for period, which either approximate or cover major part of the estimated useful lives of such assets. The documentation includes an undertaking from the Company to sell the leased assets to the lessee upon maturity or early settlement of the lease

3.9 Repossessed assets held for sale

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due. These assets are initially recognised at fair value.

These assets are considered as held for sale as their carrying amount will be recovered principally through a sale transaction. Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell, the assets are not depreciated or amortised. Subsequent to initial recognition, any subsequent write down to fair value, less cost to sell, are charged to the statement of comprehensive income. Any rental income is charged to statement of income. Any subsequent gain in the fair value less cost to sell of these assets to the extent this does not exceed the cumulative write down is recognized as income together with any gain/loss on disposal.

3.10 Intangible assets

Recognition and measurement
Intangibles assets acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures on intangible assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization
Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets are amortized on a straight-line basis in the statement of comprehensive income over its estimated useful life, from the date on which it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.11 Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized within other income in statement of comprehensive income.

Subsequent costs
Subsequent expenditures are capitalized only when it is probable that the future economic benefits of the expenditures will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives were as follows:

Building and freehold improvements	3 to 10 years
Leasehold improvements	5 years or period of lease whichever is lesser
Furniture and office equipment	3 to 10 years

3.12 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

3.13 Impairment of non-financial assets

Non-financial assets, subsequent to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

3.14 End of Service Benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the statement of other comprehensive income. Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

Staging criteria:

The financial assets of the Company have the following staging criteria:

1- Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows.

   The Company's Islamic finance receivables primarily represent retail, consumer and SME loans and therefore management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis, the balances which are less than 60 days past due do not result in significant increase in credit risk and are considered as performing.

   The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2- Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment/installment.

   The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

3- Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Write-off

Financial assets are written-off, when the Company has concluded that there is no reasonable expectation of recovery i.e. when it is past due for at least from two years or due to regulatory requirements. Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net are recognized as other income in the statement of comprehensive income/loss.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Company under the contract; and
(b) The cash flows that the Company expects to receive.

e) De-recognition of financial assets

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

f) Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

g) Modifications of financial assets and financial liabilities

a- Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income.

b- Financial liabilities
The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of comprehensive income.

h) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its Islamic financing exposure to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are 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 derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in the statement of other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an un-recognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting years for which they were / are designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the SOCI for the year.

3.17 Segments

The Company's operations are in the Kingdom of Saudi Arabia and the Company currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

3.18 Treasury shares

Own equity instruments that are re-acquired (Treasury shares) are recognised at cost and presented as a deduction from equity and are adjusted for any transaction cost, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in Retained earnings.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRSs' requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and 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 recognised in the year in which the estimates are revised and in any future years affected. Significant area where management has used estimates, assumptions or exercised judgements is the only Provision for impairment (note 3.16, note 6 and note 26).

5. CASH AND BANK BALANCES

	As at December 31, 2019	2018
Cash and cash equivalents		
Cash in hand	**10**	200
Cash at banks	**52,586**	111,031
Cash and cash equivalents	**52,596**	111,231
Term and margin deposit		
Margin deposits held with banks	**54,987**	13,500
Term deposits – note 5.1	**59,697**	73,229
	114,684	86,729
	167,280	197,960

5.1 This includes SR 50 million (2018: 70.89) held with a local bank as commission bearing deposits which are based on prevailing market rates.

6. ISLAMIC FINANCING RECEIVABLES

6.1 The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq Consumer Islamic financing, therefore considered as a single operating segment. This financing is generally provided to Saudi nationals for a period of one to five years, which is recoverable in equal monthly installments.

	As at December 31 2019	2018
Gross receivables	**2,672,329**	2,148,080
Unearned finance income	**(914,830)**	(644,435)
	1,757,499	1,503,645
Provision for impairment	**(29,405)**	(48,258)
	1,728,094	1,455,387
Current	**488,412**	442,629
Non-current	**1,239,682**	1,012,758
	1,728,094	1,455,387

(All amounts in thousands of Saudi Riyals unless otherwise stated)

6.2 Stage wise analysis of Islamic financing receivables is as follows:

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
December 31,2019				
Receivables	**1,641,250**	**27,458**	**88,791**	**1,757,499**
Provision for impairment	**(3,795)**	**(292)**	**(25,318)**	**(29,405)**
Net receivables	**1,637,455**	**27,167**	**63,472**	**1,728,094**
December 31, 2018				
Receivables	1,356,721	33,951	112,973	1,503,645
Provision for impairment	(6,792)	(407)	(41,059)	(48,258)
Net receivables	1,349,929	33,544	71,914	1,455,387

6.2.1 Non-performing IFR include SR 19.08 million (December 31, 2018: SR 25.12 million) and SR 15.2 million (December 31, 2018: SR 23.43 million) past due between 12 to 18 months and more than 18 months, respectively. The management believes adequate provision has been recorded against such receivables.

6.3 The movement in provision for impairment for Islamic financing receivables is as follows:

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
January 1, 2019	**6,792**	**407**	**41,059**	**48,258**
Transfer from performing	**(1,218)**	**148**	**1,070**	**-**
Transfer from under-performing	**120**	**(213)**	**93**	**-**
Transfer from non-performing	**602**	**98**	**(700)**	**-**
Financial assets – settled	**(1,923)**	**(161)**	**(8,056)**	**(10,140)**
Financial assets originated	**2,492**	**-**	**-**	**2,492**
Net re-measurement of loss allowance (6.8)	**(3,070)**	**13**	**24,905**	**21,848**
	(2,997)	**(115)**	**17,312**	**14,200**
Write-off during the year	**-**	**-**	**(33,053)**	**(33,053)**
December 31, 2019	**3,795**	**292**	**25,318**	**29,405**

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
January 1, 2018	13,908	1,056	61,267	76,231
Transfer from performing	(801)	310	491	-
Transfer from under-performing	511	(944)	433	-
Transfer from non-performing	3,062	151	(3,213)	-
Financial assets – settled	(2,767)	(341)	(10,704)	(13,812)
New financial assets originated	2,427	-	-	2,427
Net re-measurement of loss allowance (6.8)	(9,548)	175	33,987	24,614
	(7,116)	(649)	20,994	13,229
Write-offs during the year	-	-	(41,202)	(41,202)
Balance at December 31, 2018	6,792	407	41,059	48,258

6.4 Reversal of impairment- net

	As at December 31, 2019	2018
Provision for impairment charge for year	**14,200**	**13,229**
Recoveries after written-off	**(39,682)**	**(27,356)**
Net	**(25,482)**	**(14,127)**

(All amounts in thousands of Saudi Riyals unless otherwise stated)

6.5 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 1.0 billion (December 31, 2018: SR 0.87 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.86 billion (December 31, 2018: SR 0.68 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The Company is liable to the repayments of their assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position.

6.6 Amounts written off still subject to enforcement activity

As of December 31, 2019, the receivables amount written off still subject to enforcement activity are amount to SR 32.8 million (2018: SR 41.2 million).

6.7 Reconciliation of gross receivables

During the year there was SR 659.82 million movement in the gross carrying amounts which contributed to changes in the loss allowance. The significant changes are as follows:

There have been net increase in the gross carrying amounts of islamic financing receivables amounting to SR 972 million in stages 1 or 2 or 3 during the year as a result of net new loans and transfer between the stages.

The written off islamic financing receivables during the year also resulted in net ECL movement of SR 33.05 million. The ECL for written-off islamic financing receivables was SR 27.06 million at the beginning of the year which was re-measured during the year to SR 5.99 million during the year before the islamic financing receivables were written-off.

6.8 Net re-measurement of loss allowance

Following factors contributed to the changes in net re-measurment of loss allowance;

1) Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
2) Additional allowances for new financial assets recognised during the period, as well as releases for financial assets derecognised in the period;
3) Impact on the measurement of ECL due to changes to model inputs, including changes in PDs, EADs LGDs in the period, arising from update of inputs to ECL models;
4) Unwinding of discount due to the passage of time because ECL is measured on a present value basis.

7 PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31, 2019	2018
Receivable from key management personnel	7.1,22.3	**11,667**	23,333
Repossessed assets held for sale – real estate	7.2	**20,669**	20,669
Advances, prepayments and others		**7,936**	11,608
		40,272	55,610

7.1 This represents outstanding balance of non-commission bearing loans given to executives, for three years repayable in monthly instalments, as approved in the General Assembly meeting in 2017after obtaining the necessary regulatory approval.

7.2 This represents properties in the Kingdom of Saudi Arabia which were repossessed by the Company against settlement of Islamic finance receivables. These properties will be sold when the Company will get the appropriate price. The Fair value of the same on December 31, 2019 is 24.5 million (December 31,2018 19.13 million SR).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

8 INTANGIBLE ASSETS

	As at December 31, 2019	2018
Cost:		
January 1,	**9,922**	5,681
Additions during the year	**4,004**	4,241
December 31,	**13,926**	9,922
Accumulated amortization:		
January 1,	**(3,517)**	(1,985)
Charge during the year	**(2,401)**	(1,532)
December 31,	**(5,918)**	(3,517)
Net book amount	**8,008**	6,405

9 PROPERTY AND EQUIPMENT

2019	Freehold land	Building and freehold improvements	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1,	27,963	4,826	8,033	7,455	48,277
IFRS 16 adoption (Note 3.3)	-	10,409	-	-	10,409
	27,963	15,235	8,033	7,455	58,686
Additions during the year	-	841	127	3,482	4,450
December 31,	27,963	16,076	8,160	10,937	63,136
Accumulated depreciation					
January 1,	-	1,705	5,043	4,615	11,363
Charge for the period	-	4,520	1,393	1,637	7,550
December 31,	-	6,225	6,436	6,252	18,913
Net book amount	27,963	9,851	1,724	4,685	44,223

2018	Freehold land	Building and freehold Improvements	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1,	27,963	4,512	6,719	5,083	44,277
Additions during the period	-	314	1,314	2,372	4,000
December 31,	27,963	4,826	8,033	7,455	48,277
Accumulated depreciation					
January 1,	-	902	3,786	3,582	8,270
Adjustments	-	(74)	74	-	-
Charge for the period	-	803	1,257	1,033	3,093
December 31,	-	1,631	5,117	4,615	11,363
Net book value	27,963	3,195	2,916	2,840	36,914

10 ACCRUALS AND OTHER LIABILITIES

	Note	As at December 31, 2019	2018
Accrued key management fees and employee bonus		**14,094**	6,319
Accrued expenses		**4,626**	4,115
Payable to suppliers		**2,532**	446
Accrued employees' costs		**4,329**	3,539
Unrealized loss on fair valuation of derivatives	11.1	**911**	1,600
Other	10.1	**19,656**	5,729
		46,148	21,748

10.1 This includes unidentified collections amounting to SR 18.2 million (2018: SR 5.4 million).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

11 ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES

	Note	As at December 31, 2019	2018
Islamic bank financings	11.1	**868,616**	681,791
Lease liabilities	11.3	**5,173**	-
		873,789	681,791

11.1 The breakup of Islamic bank financing is as follows;

	2019	2018
Current	**352,025**	334,406
Non-current	**516,591**	347,385
	868,616	681,791

The Company has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 1.3 billion of which SR 0.87 billion was utilized as of December 31, 2019 (December 31, 2018: SR 0.68 billion). These financing facilities are repayable in 36 to 48 monthly instalments. The future finance costs charge on the existing utilized facilities amounts to SR 73 million on prevailing profit rates, some of which are subject to reprising during term of financing. The key covenants related to bank financing are to maintain a certain gearing ratio, financing to receivable ratio. The Company was in compliance with these covenants as at financial position date.

The financing bears commission charges at prevailing market rates. The Company has fixed the profit rates through derivatives, i.e. Islamic profit rate swap agreement with the banks for notional amount of SR 109 million. The settlement dates are in line with the respective financing repayments.

11.2 The movement schedule of Islamic bank financing is as follows:

	As at December 31, 2019	2018
Payable as at January 1, 2018	**681,791**	906,012
Proceeds / charge during the year	**628,147**	329,357
Payments during the year	**(442,641)**	(555,820)
Amortisation of transaction cost	**1,319**	2,242
Payable as at December 31, 2018	**868,616**	681,791

11.3 The breakup of lease liabilities is as follows;

	Note	As at December 31, 2019	2018
Current	3.3		
Non-current		**3,453**	-
		1,720	-
		5,173	-

(All amounts in thousands of Saudi Riyals unless otherwise stated)

12 PROVISION FOR ZAKAT

12.1 Movement in provision for zakat for the year is as follows:

	Note	As at December 31, 2019	2018
January 1,		42,130	106,950
Charge for the year		21,532	17,237
Reversal of prior year charge		(26,821)	(21,430)
		(5,289)	(4,193)
Transfer to zakat payable - for the years 2009 to 2013 / 2014 to 2018 (note 12.2)		(15,309)	(53,302)
Payments during the year		-	(7,325)
Balance at end of year		21,532	42,130

12.2 Movement in zakat payable for the year is as follows:

	As at December 31, 2019	2018
January 1,	53,302	-
Transfer from provision for zakat	15,309	53,302
Payments during the period / year	(45,529)	-
Balance at end of period / year	23,082	53,302

12.3 Status of zakat assessments:

a) The final assessment and settlement for the zakat liability for the years 2009-2013 was received during the year. The amount SR 15.3 million was settled on July 7, 2019.

b) The final assessments of zakat liability for the years 2014-2017 was received and the settlement as per terms of settlement is being paid as per agreed schedule. The balance amount payable as per settlement terms is kept aside as zakat payable amounting to SR 23.08 million.

c) The zakat liability of 2018 has been fully settled.

d) The zakat return for 2019 will be filed in due course.

12.4 Change in accounting treatment for zakat:

The change in the accounting treatment for zakat as explained in note 3.2 has the following impact on the line items of the interim statement of comprehensive income and interim statement of changes in shareholders' equity:

For the year ended December 31, 2018:

Financial statement impacted	Account	Before the restatement for the year ended December 31, 2018	Effect of restatement	As restated as at and for the year ended December 31, 2018
Statement of changes in shareholders' Equity	Provision for zakat (retained earnings)	4,193	(4,193)	-
Statement of comprehensive income	Zakat reversal	-	4,193	4,193
Statement of comprehensive income	Earnings per share stated in Saudi Riyals	2.03	0.05	2.08

(All amounts in thousands of Saudi Riyals unless otherwise stated)

13 PROVISION OF EMPLOYEES' END OF SERVICE BENEFITS

	As at December 31, 2019	2018
January 1,	**6,450**	5,125
Charge for the year	**1,800**	1,996
Payments made during the year	**(448)**	(671)
December 31,	**7,802**	6,450

The provision of this defined benefit plan is based on projected unit credit method. The key assumptions used in current and prior year include 5% salaries increment and 4% discount rate. The change in assumptions will not have significant effect on the provision as at December 31, 2018.

14 SHARE CAPITAL

As at December 31, 2019, the authorised, issued and fully paid-up share capital of the Company was SAR 1,000 million divided into 100 million shares (December 31, 2018: 85 million shares) with a nominal value of SAR 10 each.

Shareholders	Holding	No. of shares	Amounts in SR
December 31,2019			
Falcom Holding Company (ultimate controlling party)	**71.68%**	**71,677,380**	**716,773,800**
Others	**28.32%**	**28,322,620**	**283,226,200**
	100.00%	**100,000,000**	**1,000,000,000**
December 31, 2018			
Falcom Holding Company (ultimate controlling party)	71.68%	60,925,773	609,257,730
Others	28.32%	24,074,227	240,742,270
	100%	85,000,000	850,000,000

Increase in share capital by SR 150 million

During the year 2019, SAMA gave its approval to increase the Company's share capital from SR 850 million to SR 1,000 million, through issuance of bonus shares, which was proposed by the Board of Directors of the Company and approved by the General Assembly on December 2, 2019, and accordingly, reflected in the statement of changes in shareholders' equity the updated commercial registration was obtained during the year 2019.

15 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of at least 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution. Such transfer is made to the statutory reserve account on annual basis at year-end.

16 TREASURY SHARES

During the year the Company bought 2,505,827 of its own shares having a par value of SR 10 at SR 26 per share from one of the shareholders amounting to SR 65,151,502 and has been reported as Treasury Shares under equity. As per the current management plan, these shares will subsequently be allocated to all the remaining shareholders in their existing proportion.

17 FINANCE COSTS

	For the year ended December 31, 2019	2018
Finance costs on Islamic bank financing – note 11.1	**49,614**	53,794
Gain on fair valuation of derivatives – note 10	**(688)**	(6,339)
Bank charges	**6,644**	4,536
	55,570	51,991

18 SALARIES AND EMPLOYEES RELATED EXPENSES

	For the year ended December 31,	
	2019	**2018**
Salaries and employee related costs	**60,045**	49,390
Management fees and bonus – note 18.1	**36,342**	31,635
	96,387	81,025

18.1 This includes employees' long-term incentive charge of SR 11.6 million (2018: 11.6).

19 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2019	**2018**
Marketing and advertisements - note 19.1	**8,375**	1,002
Insurance	**5,833**	5,035
Rentals	**1,281**	3,417
Legal and professional charges - note 19.1	**7,936**	4,620
Utilities, telephone and communication	**2,798**	2,911
Repairs, maintenance and office supplies	**3,476**	2,619
IT support charges	**3,814**	2,076
Exchange traded fund valuation impact	**4,374**	3,795
Vat expense	**2,548**	2,159
Other	**1,909**	1,873
	42,344	29,507

19.1 Marketing and advertisements includes IPO related expense amounting to 5.8 million SR (2018: nil). Similarly, legal and professional charges include IPO related expenses amounting to 3 million SR (2018: nil).

20 OTHER INCOME

	For the year ended December 31,	
	2019	**2018**
Rental income	**870**	1,142
Income on short-term deposit – murabaha	**1,544**	1,969
	2,414	3,111

21 EARNINGS PER SHARE

	As at December 31,	
	2019	**2018** (Restated)
Net income	**218,821**	176,561
Weighted average number of shares in thousands for basic and diluted EPS (Adjusted for bonus issue and treasury shares)	**99,975**	100,000
Basic and Diluted EPS in Saudi Riyals	**2.19**	1.77

(All amounts in thousands of Saudi Riyals unless otherwise stated)

22 RELATED PARTY TRANSACTIONS AND BALANCES

22.1 Significant related party transactions during the year were as follows:

Related party	Nature of transaction	December 31, 2019	December 31, 2018
Shareholders	Cash dividend declared and paid	**85,000**	85,000
Key management personnel	Compensation for the period	**29,623**	21,401
	Incentive for continuing service	**11,667**	11,667
	Employees' end of service benefits	**636**	614
Other related parties	Zakat/VAT consultancy fee	**308**	427
	IT software services rendered	**5,648**	2,594
Affiliates	Commodities/ securities dealings account - deposit made	**21,800**	4,000
	Rental charge	**1,206**	273
	Advisory charges and others	**1,660**	1,122

22.2 Key management personnel of the Company include all directors, executive and non-executive, and senior management.

22.3 Significant balances of related parties as at statement of financial position date were as follows:

	Note	As at December 31, 2019	2018
Receivables from / advances to related parties			
Affiliates – short-term deposit	5	**9,697**	2,340
Receivable from key management personnel	7	**11,667**	23,333
Payables / accruals	7		
Key management compensation payable		**15,940**	7,063

23 CONTINGENCY AND COMMITMENTS

Contingency
The Company has certain legal cases pending in courts against it. However, based on management's best estimate no significant contingencies exist as at December 31, 2019.

Capital commitments
There are no significant capital commitments at the statement of financial position date.

Operating leases commitments
The Company's operating leases commitments are only for branches office premises and are not considered as significant. Upon adoption of IFRS 16, operating lease commitments for more than one year has been recognised as lease liabilities as disclosed in note 3.3. Commitments for short term leases amounts to 1.3 million SR (2018: 3.1 million SR).

24 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities, except derivatives, which is carried at fair value and of insignificant amount, of the Company, are categorised as held at amortized cost, which approximate their fair value, and accordingly fair value hierarchy disclosure has not been provided.

25 FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment and supervision of the Company's risk management framework. The Board of Directors has established a Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board of Directors.

In addition, the Audit Committee of the Company also reviews the internal audit risk assessment, discusses the Company's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Management Committee oversees the Company risks and report to the Board.

i) Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Company's management analyses credit risk in the following categories:

Islamic financing receivables (IFR)

IFR are exposed to significant credit risk. The Company has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral such as personal guarantees. The overall underwriting decision is based on the following key parameters:

- Dual credit score i.e. SIMAH and Application scoring system
- Minimum income level and maximum debt burden of the borrower
- Loan repayment history with other financial institutions sourced from SIMAH
- Salary certificate from the employer and last three months bank statement where the customer's monthly salary is credited.

Customers are requested to provide standing instructions to credit Nayifat account towards monthly installments. In addition, the customers also provide direct debit mandate as a stand by repayment mode. The Company generally receives repayments through SADAD and bank transfers. The Company has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. The Company has strengthened its legal department to be actively involved in the collection process of delinquent customers.

The assessment of credit risk of IFR also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD.

Generating the term structure of PD
Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates of past thirty-six months, adjusted by the outlook of the economy.

Significant increase in credit risk
In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience. Based on instalment collection history, the management believes that the significant increase in credit risk arise only when the instalment is past due for more than 60 days.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information from published sources, the Company formulates a forward-looking adjustment to PD term structures to arrive at forward-looking PD estimates across the lifetime using macroeconomic models.

Externally available macroeconomic forecast from International Monetary Fund (IMF) and Saudi Arabian Monetary Authority (SAMA) are used for making base case forecast. The Company has used GDP growth rate and inflation as their key macroeconomic factors giving equal weightages to each. The Company has given 100% weightage to its base case forecast as it considers that the average credit losses of IFR with shared risk characteristics is a reasonable estimate of the probability weighted amount.

Measurement of ECL
The Company measures an ECL at an account level considering the EAD, PD, LGD and discount rate. PD estimates are estimates at a certain date, based on the term structures as provided above. For LGD estimates, the Company use present value of recoveries for loss accounts adjusted by the forward-looking information. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of an IFR is its gross carrying amount. For discounting the Company has used each account's effective interest rate.

The Company's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance receivables are subject to additional personal guarantees for security to mitigate credit risk associated with IFR. For credit quality disclosure relating to IFR, please refer note 6 to these financial statements.

Concentration of credit risk
The concentration of credit risk is the risk that the Company is exposed to if they invested all their assets in one sector or one industry. The Company provides IFR to consumers in public and private sector and ensure that there is no undue concentration of risks with individuals or groups of consumers in specific locations or businesses.

The Company strategy is to finance Saudi nationals under the following categories:

- Customers employed in a secured working environment.
- Steady income group with largely guaranteed employment or minimum loss of employment.
- Employees of selected large-scale private sector companies.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

The net IFR concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2019	Performing	Non-performing	Allowance for impairment	Net financing
Description				
Consumers in public sector	**1,603,930**	**85,121**	**(28,089)**	**1,660,962**
Consumers in private sector	**64,778**	**3,670**	**(1,316)**	**67,132**
Total	**1,668,708**	**88,791**	**(29,405)**	**1,728,094**
2018				
Description				
Consumers in public sector	1,332,630	108,114	(45,709)	1,395,035
Consumers in private sector	58,042	4,859	(2,549)	60,352
Total	1,390,672	112,973	(48,258)	1,455,387

Cash and bank balances and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank which has been assigned investment grade rating by "A-2" as per Standard and Poor's (S&P). Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Company also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs. The company established a liquidity contingency policy and set aside SR 70 million (2018: SR 70 million) as liquidity contingency fund.

The amounts disclosed in the table are the contractual undiscounted cash flows. Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

December 31, 2019	Less than 3 months	3 to 12 months	1 to 5 years	Total 2019
Financial assets - commission bearing				
Islamic financing receivables– Gross	281,181	592,121	1,799,027	2,672,329
Term and margin deposits	-	50,951	-	50,951
	281,181	643,072	1,799,027	2,723,280
Financial assets - non commission bearing				
Cash and cash equivalents	52,596	-	-	52,596
Other assets	2,917	8,750	-	11,667
Term and margin deposits	-	64,684	-	64,684
	55,513	73,434	-	128,947
Total financial assets	336,694	716,506	1,799,027	2,852,227
Financial liabilities - commission bearing				
Islamic bank financing	(96,737)	(281,439)	(563,262)	(941,438)
Lease Liabilities	(1,140)	(775)	(3,627)	(5,542)
	(97,877)	(282,214)	(566,889)	(946,980)
Financial liabilities - non commission bearing				
Accruals and other liabilities	(36,093)	(2,739)	(7,316)	(46,148)
Total financial liabilities	(133,970)	(284,953)	(574,205)	(993,128)
Net financial assets:				
Commission bearing	183,304	360,858	1,232,138	1,776,300
Non-commission bearing	19,420	70,695	(7,316)	82,799
	202,724	431,553	1,224,822	1,859,099

(All amounts in thousands of Saudi Riyals unless otherwise stated)

December 31, 2018	Less than 3 months	3 to 12 months	1 to 5 years	Total 2018
Financial assets - commission bearing				
Islamic financing receivables– Gross	263,959	532,768	1,351,353	2,148,080
Term and margin deposits	70,890	-	-	70,890
	334,849	532,768	1,351,353	2,218,970
Financial assets - non commission bearing				
Cash and cash equivalents	111,231	-	-	111,231
Other assets	2,917	8,750	11,666	23,333
Term and margin deposits	-	15,839	-	15,839
	114,148	24,589	11,666	150,403
Total financial assets	448,997	557,357	1,363,019	2,369,373
Financial liabilities - commission bearing				
Islamic bank financing	(130,265)	(377,613)	(456,233)	(964,111)
Lease liabilities	-	-	-	-
Financial liabilities - non commission bearing				
Accruals and other liabilities	(9,242)	(1,858)	(10,648)	(21,748)
Total financial liabilities	(139,507)	(379,471)	(466,881)	(985,859)
Net financial assets:				
Commission bearing	204,584	155,155	895,120	1,254,859
Non-commission bearing	104,906	22,731	1,018	128,655
	309,490	177,886	896,138	1,383,514

iii) Profit rate risk

Profit rate risk is the impact on future earnings of the Company resulting from change in the market profit rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to profit rate adjustment within a specified year. The most important source of such risk is the Company's financing receivables and Islamic bank financing. The profit rate is fixed for the financing receivables and for the major portion of borrowing as explained in note 11 of these financial statements.

The financial liabilities of SR 108 million are based on floating rates and not subject to profit rate swap and thus, a 100 basis points change in commission rates could have approximately a SR 5 million annual effect on the Company's profitability. The Company's management monitors the fluctuations in commission rates on regular basis and take appropriate measures to minimize the profit rate risk by adjusting lending rate for future contracts.

iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Company has no exposure to foreign currency risk as it mainly deals in Saudi Riyals that is also the functional currency of the Company.

v) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as it does not have any financial instrument whose prices are fluctuated based on internal or external factors as mentioned above.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

26 CAPITAL MANAGEMENT

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors thecompliance with regulations and Islamic bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribe requirements.

At statement of financial position date, the management analysis of gearing ratio was as follows:

	2019	2018
Shareholders' equity	**1,016,417**	947,748
Islamic bank financing	**868,616**	681,791
Total capital structure	**1,885,033**	1,631,139
Gearing ratio	**46.07%**	41.83%

27 FINANCIAL INSTRUMENTS

	Note	2019	2018
Financial assets – at amortized cost			
Cash and cash equivalents	5	**52,596**	111,231
Term and margin deposits	5	**114,684**	86,729
Islamic financing receivables	6	**1,728,094**	1,455,387
Other receivables	7	**11,667**	23,333
Financial liabilities – at amortized cost			
Accruals and other liabilities	10	**45,237**	20,148
Islamic bank financing	11	**868,616**	681,791
Lease liabilities	11	**5,173**	-
Financial liabilities – at fair value			
Unrealized loss on fair valuation of derivatives	10	**911**	1,600

(All amounts in thousands of Saudi Riyals unless otherwise stated)

28 Branches including Head Office

The results of the following branches were included as part of these financial statements.

Serial No.	Commercial registration number of Branch	Location
1	1010176451	Riyadh - Exit 10 (Head Office)
2	1010361769	Riyadh - Exit 28 Badiyah
3	1010609169	Riyadh - Exit 13 Khurais
4	1010609170	Riyadh – Olaya
5	1011019025	Kharj
6	1131046727	Qassim
7	2050117283	Dammam
8	2055025208	Jubail
9	2250049662	Hafuf
10	2511018370	Hafr Al Baten
11	3350040719	Hail
12	3400017276	Sakaka
13	3550029238	Tabuk
14	4030189485	Jeddah
15	1010176451	Jeddah – Fayha
16	4031060772	Makkah
17	4032034699	Taif
18	4650052613	Madinah
19	1010176451	Baha
20	5850068147	Abha
21	5900020800	Jizan
22	1010176451	Najran
23	2053112169	Qatif
24	1116009153	Al Dawadmi Branch

29 COMPARATIVE FIGURES

Certain comparative amounts in these financial statements relating to 2018 have been reclassified for the purpose of better presentation. However, the effect of this and other reclassifications were not considered as significant.

30 SUBSEQUENT EVENT

There was no subsequent event after the year-end which require disclosure or adjustment in these financial statements.

31 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Board of Directors of the Company on February 3, 2020.

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Financial statements for the year ended December 31, 2020

Independent auditor's report to the shareholders of Nayifat Finance Company (A Saudi Closed Joint Stock Company)

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nayifat Finance Company (the "Company") as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit committee is responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

Independent auditor's report to the shareholders of Nayifat Finance Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

January 21, 2021

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2020	2019
Assets			
Cash and cash equivalents	5	70,092	52,596
Term and margin deposits	5	190,150	114,684
Islamic financing receivables	6	1,520,583	1,728,094
Equity Investments at fair value through OCI		893	893
Prepayments and other receivables	7	12,940	19,603
Investment property	7.2	18,211	20,669
Intangible asset	8	12,852	8,008
Property and equipment	9	43,680	44,223
Total assets		1,869,401	1,988,770
Liabilities and shareholders' equity			
Liabilities			
Accruals and other liabilities	10	34,707	46,148
Provision for zakat	12.1	23,811	21,532
Islamic bank financings and lease liabilities	11	664,806	873,789
Zakat payable	12.2	17,311	23,082
Provision of employees' end of service benefits	13	9,391	7,802
Total liabilities		750,026	972,353
Shareholders' equity			
Share capital	14	1,000,000	1,000,000
Treasury shares	16	-	(65,152)
Statutory reserve	15	60,290	40,143
Retained earnings		59,085	41,426
Total shareholders' equity		1,119,375	1,016,417
Total liabilities and shareholders' equity		1,869,401	1,988,770

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the Year ended December 31, 2020	2019
Income			
Income from Islamic financing		414,470	389,888
Other income	20	2,439	2,414
Total operating income		416,909	392,302
Expenses			
Finance costs	17	(43,225)	(55,570)
Reversal of impairment - net	6.4	1,470	25,482
Salaries and employees related expenses	18	(98,451)	(96,387)
Other general and administrative expenses	19	(38,980)	(42,344)
Depreciation and amortization	8, 9	(11,962)	(9,951)
Total expenses		(191,148)	(178,770)
Net income for the year before zakat		225,761	213,532
Zakat			
Charge for the year	12	(24,296)	(21,532)
Reversal of prior year	12	-	26,821
		(24,296)	5,289
Net income for the year		201,465	218,821
Other comprehensive income		-	-
Total comprehensive income for the year		201,465	218,821
Basic and diluted earnings per share	21	2.04	2.19

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Share capital	Treasury shares	Statutory reserve	Retained earnings	Total
December 31, 2019		1,000,000	(65,152)	40,143	41,426	1,016,417
Net income for the year		-	-	-	201,465	201,465
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	201,465	201,465
Transfer to statutory reserve	15	-	-	20,147	(20,147)	-
Shares transferred to existing shareholders	16	-	65,152	-	(65,152)	-
Dividends	16 & 22	-	-	-	(98,507)	(98,507)
December 31, 2020		1,000,000	-	60,290	59,085	1,119,375
December 31, 2018		850,000	-	18,261	79,487	947,748
Transfer to share capital	14	150,000	-	-	(150,000)	-
Net income for the year		-	-	-	218,821	218,821
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	218,821	218,821
Transfer to statutory reserve	15	-	-	21,882	(21,882)	-
Treasury stock	16	-	(65,152)	-	-	(65,152)
Dividends	22	-	-	-	(85,000)	(85,000)
December 31, 2019		1,000,000	(65,152)	40,143	41,426	1,016,417

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2020	2019
Cash flows from operating activities			
Net income for the year before zakat		225,761	213,532
Adjustments for non-cash items:			
Depreciation and amortization	8,9	11,962	9,951
Provision of employees' end of service benefits	13	3,076	1,800
Loss on valuation of repossessed assets	19	2,458	-
Reversal of impairment – net	6.4	(1,470)	(25,482)
Finance costs	17	43,225	55,570
		285,012	255,371
Changes in operating assets and liabilities:			
Islamic financing receivables		208,981	(247,225)
Prepayments and other receivables		6,663	15,509
Accruals and other liabilities		(11,441)	26,000
Employees end of service benefits paid	13	(1,487)	(448)
Zakat paid	12.2	(27,788)	(45,529)
Finance cost and other charges paid		(34,811)	(56,984)
Net cash generated from / (used in) operating activities		425,129	(53,306)
Cash flows from investing activities			
Additions to property and equipment	9	(7,171)	(4,450)
Additions to intangible asset	8	(9,092)	(4,004)
Term and margin deposits	5.1	(75,466)	(27,955)
Net cash used in investing activities		(91,729)	(36,409)
Cash flows from financing activities			
Proceeds from financings	11.1	236,783	581,375
Repayment of financings	11.1	(452,653)	(397,635)
Dividends paid	16 & 22	(98,507)	(85,000)
Principal elements of lease payments		(1,527)	(2,508)
Treasury stock	16	-	(65,152)
Net cash (used in) / generated from financing activities		(315,904)	31,080
Net change in cash and cash equivalents		17,496	(58,635)
Cash and cash equivalents at the beginning of the year	5	52,596	111,231
Cash and cash equivalents at the end of the year	5	70,092	52,596
Supplemental non-cash information:			
Islamic financing receivables write-offs	6.3	20,160	33,053
Treasury shares allocated to existing shareholders	16	65,152	-
Issuance of bonus shares	14	-	150,000
Recognition of Right-of-use asset upon adoption of IFRS 16		-	10,409
Recognition of lease liabilities asset upon adoption of IFRS 16		-	7,780

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") was registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). As per the SAMA ("Saudi Central Bank") license No. 5/AS/201312 renewed on dated 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023). The Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company
7633 Al Ulaya – Al Woroud Dist.
Unit No 1555
Riyadh 12253 - 2105
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except as disclosed in the notes to these financial statements.

The statement of financial position is stated broadly in order of liquidity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

3.1 Consistent application of accounting policies

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective. The accounting and risk management policies adopted in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019.

3.2 New standards and interpretations not yet adopted

The new standards and amendments to existing standards and interpretations, which are effective for annual periods beginning on or after January 1, 2021 have not been applied in preparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company.

3.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional and presentation currency.

3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term bank deposits with original maturities of three months or less, which are available to the Company without any restrictions.

3.5 Margin and term deposits

Margin deposits are held with banks against borrowing facilities obtained and the tenor of such deposits is as per the maturity of the facility ranging up

Term deposits include placements with banks and other short-term liquid investments with original maturities of more than three months and upto three years from the purchase date.

3.6 Islamic financing receivables (IFR)

IFR comprising of Tawarruq and Islamic credit cards originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from the gross receivables.

Tawarruq
A contract whereby the Company sells a commodity or an asset to its customer on a deferred payment basis. The selling price charged by Company comprises the cost plus an agreed profit margin. The customer sells the same commodity or an asset to a third party at market price to raise the needed cash.

3.7 Repossessed assets – real estate

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due. These properties are held for capital appreciation, long-term rental yields or both.

These assets are initially recognised at fair value. Subsequent to initial recognition, these are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Any rental income is charged to statement of comprehensive income.

3.8 Intangible assets

Recognition and measurement
Intangibles assets acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures on intangible assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization
Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets are amortized on a straight-line basis in the statement of comprehensive income over its estimated useful life which ranges from 3 to 7 years, from the date on which it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized within other income in statement of comprehensive income.

Subsequent costs
Subsequent expenditures are capitalized only when it is probable that the future economic benefits of the expenditures will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation
Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives were as follows:

Building and freehold improvements	3 to 10 years
Leasehold improvements	5 years or period of lease whichever is lesser
Furniture and office equipment	3 to 10 years

3.10 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

3.11 Impairment of non-financial assets

Non-financial assets, subsequent to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

3.12 End of service benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the statement of other comprehensive income. Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

3.13 Revenue recognition

Income from Islamic financing receivables is recognized in the statement of comprehensive income using the effective yield method, using the applicable effective profit rate ("EPR"), on the outstanding balance over the term of the contract.

The calculation of the EPR includes transaction costs, fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial asset.

Other income is recognized on accrual basis as the services are rendered.

3.14 Financial Instruments

a) Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through statement of comprehensive income (SOCI)), and
- those to be measured at amortized cost.

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability form the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the two measurement categories as described in (c) below.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification and subsequent measurement of Company's equity instruments is described in (c) below.

c) Measurement

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through SOCI, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at (FVSI) are expensed in SOCI.

Subsequent measurement of debt instrument
It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its debt instruments into three measurement categories:

i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in SOCI when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and Islamic financing receivables has been classified as financial assets under amortized cost.

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to SOCI and recognized in other gains/(losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through statement of income (FVSI): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through SOCI. A gain or loss on a debt investment that is subsequently measured at fair value through SOCI and is not part of a hedging relationship is recognized in SOCI and presented net in the SOCI statement within other gains/(losses) in the year in which it arises. Profit from these financial assets is included in the finance income.

Subsequent measurement of equity instruments
The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Company's right to receive payments is established.

d) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Definition of default:
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.
Staging criteria:
The financial assets of the Company have the following staging criteria:

1- Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows.

   The Company's Islamic finance receivables primarily represent retail and consumer loans and therefore management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis, the balances which are less than 60 days past due do not result in significant increase in credit risk and are considered as performing.

   The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2- Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment/installment.

   The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

3- Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Write-off

Financial assets are written-off, when the Company has concluded that there is no reasonable expectation of recovery. Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net are recognized in the statement of comprehensive income/loss.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Company under the contract; and
(b) The cash flows that the Company expects to receive.

For credit cards, which includes both a loan and an undrawn commitment component, the Company measures expected credit losses over the period that the Company is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

e) De-recognition of financial assets

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

f) Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

g) Modifications of financial assets and financial liabilities

a- Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income.

b- Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of comprehensive income.

h) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its Islamic financing exposure to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are 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 derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in the statement of comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an un-recognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting years for which they were / are designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the SOCI for the year.

3.15 Segments

The Company's operations are in the Kingdom of Saudi Arabia and currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue. The entire revenue of SR 414.4 million is from external customers and SR 413.5 is attributed to Tawarruq and SR 0.9 million credit card. All non-current assets are located in KSA.

3.16 Treasury shares

Own equity instruments that are re-acquired (Treasury shares) are recognised at cost and presented as a deduction from equity and are adjusted for any transaction cost, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in Retained earnings.

3.17 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.
Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset reduced to zero.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

3.18 Zakat

The Company is subject to zakat in accordance with zakat regulations and it's bye-laws and the rules issued by the Chairman of the Board of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of comprehensive income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRSs' requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and 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 recognised in the year in which the estimates are revised and in any future years affected. The only significant area where management has used estimates, assumptions or exercised judgements is Provision for financial assets (note 3.14, note 6 and note 25).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

5. CASH AND BANK BALANCES

	As at December 31,	
Cash and cash equivalents	**2020**	**2019**
Cash in hand	**10**	10
Cash at banks	**70,082**	52,586
Cash and cash equivalents	**70,092**	52,596
Term and margin deposits		
Margin deposits held with banks	**35,587**	54,987
Term deposits – note 5.1	**154,563**	59,697
	190,150	114,684
	260,242	167,280

5.1 This includes SR 120 million (2019: SR 50 million) held with a local bank as commission bearing deposits at prevailing market rates. The remaining balance is held with the related party (refer note 22.3).

6. ISLAMIC FINANCING RECEIVABLES

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq Consumer Islamic financing and Islamic credit cards. Tawarruq financing is generally provided to Saudi nationals for a period of one to five years, which is recoverable in equal monthly installments.

The product wise breakup of Islamic financing receivables, is as follows:

	As at December 31	
	2020	**2019**
Tawarruq financing - note 6.1	**1,512,000**	1,728,094
Islamic credit cards	**8,583**	-
	1,520,583	1,728,094
Current	**447,018**	488,412
Non-current	**1,073,565**	1,239,682
	1,520,583	1,728,094

6.1 Reconciliation between gross to net receivables of Tawarruq:

	As at December 31	
	2020	**2019**
Gross receivables	**2,328,647**	2,672,329
Unearned finance income	**(773,593)**	(914,830)
	1,555,054	1,757,499
Provision for impairment	**(43,054)**	(29,405)
	1,512,000	1,728,094

6.2 Stage wise analysis of Islamic financing receivables is as follows:

Tawarruq	**Performing** (Stage 1)	**Under-performing** (Stage 2)	**Non-performing** (Stage 3)	**Total**
December 31,2020				
Receivables	**1,399,839**	**25,170**	**130,045**	**1,555,054**
Provision for impairment	**(4,098)**	**(206)**	**(38,750)**	**(43,054)**
Net receivables	**1,395,741**	**24,964**	**91,295**	**1,512,000**
December 31, 2019				
Receivables	1,641,250	27,458	88,791	1,757,499
Provision for impairment	(3,795)	(292)	(25,318)	(29,405)
Net receivables	1,637,455	27,166	63,473	1,728,094

(All amounts in thousands of Saudi Riyals unless otherwise stated)

Islamic credit cards	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
December 31,2020				
Receivables	7,686	403	777	8,866
Provision for impairment	(137)	(18)	(128)	(283)
Net receivables	7,549	385	649	8,583

6.3 The movement in provision for impairment for Islamic financing receivables is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Loss allowance as at January 1, 2020	3,795	291	25,319	29,405
Transfer from performing	(816)	816	-	-
Transfer from under-performing	33	(837)	804	-
Transfer from non-performing	198	39	(237)	-
Financial assets – settled	(1,336)	(182)	(5,641)	(7,159)
Financial assets originated	1,779	-	-	1,779
Changes to model assumptions (note 6.8)	373	18	3524	3,915
Changes to methodologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	581	97	34,879	35,557
	812	(49)	33,329	34,092
Write-off during the year	-	-	(20,160)	(20,160)
Loss allowance as at December 31, 2020	4,607	242	38,488	43,337

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Loss allowance as at January 1, 2019	6,792	407	41,059	48,258
Transfer from performing	(1,218)	1,218	-	-
Transfer from under-performing	120	(1,283)	1,163	-
Transfer from non-performing	602	98	(700)	-
Financial assets – settled	(1,923)	(161)	(8,056)	(10,140)
Financial assets originated	2,492	-	-	2,492
Changes to model assumptions (note 6.8)	-	-	-	-
Changes to metholdologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	(3,070)	13	24,905	21,848
	(2,997)	(115)	17,312	14,200
Write-off during the year	-	-	(33,053)	(33,053)
Loss allowance as at December 31, 2019	3,795	292	25,318	29,405

6.4 Reversal of impairment- net

	As at December 31, 2020	2019
Provision for impairment charge for year	34,092	14,200
Recoveries after written-off – note 6.4.1	(35,562)	(39,682)
Net	(1,470)	(25,482)

6.4.1 This includes recoveries from written-off balances in the last six years. Further, the effect of "recoveries after written-off ", on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

6.5 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.6 billion (December 31, 2019: SR 1.0 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.6 billion (December 31, 2019: SR 0.8 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The Company is liable to the repayments of their assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement the Company is not allowed to repledge those receivable and the financial institution has recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and the liability is approximate to their fair value

6.6 Amounts written off still subject to enforcement activity

As of December 31, 2020, the receivables amount written off still subject to enforcement activity are amount to SR 87.3 million (2019: SR 102.7 million).

6.7 Reconciliation of gross receivables:

The movement in Gross receivables for Islamic financing receivables is as follows

	As at December 31,	
	2020	**2019**
Gross carrying amount as at January 1,	**1,757,499**	1,503,645
Financial assets originated during the year (all stage 1)	**549,900**	972,134
Financial assets derecognised during the year other than write-offs / collections (significantly pertain to stage 1 customers)	**(744,132)**	(698,683)
New financial assets originated or purchased	-	-
Modification of contractual cashflows of financial assets	-	-
Changes in profit accruals (significantly pertain to stage 1 customers)	**11,947**	13,456
Write-offs (From stage 3)	**(20,160)**	(33,053)
	(202,445)	253,854
Gross carrying amount as at December 31,	**1,555,054**	1,757,499

During 2020 the gross receivable of SR 6.8 million were transferred from stage 1 to stage 2 and SR 0.3 million transferred from stage 2 to stage 3. An amount of SR 17.9 million transferred from stage 2 to stage1 an amount of SR 71 million transferred from 3 to stage 1. (Also see note 28)

6.8 Changes in assumptions including incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has used GDP growth rate and inflation as their key macroeconomic factors giving equal weightages to each.The macro-economic factors has been updated based on the latest available information (as issued by ministry of finance budget statement fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively). Further, the Company has incorporated additional risk factor to address the risk arise from COVID-19 and that resulted in additional provision SR 3.9 million during the year 2020.

The average credit losses of IFR with more than 40,000 customers with shared risk characteristics is a reasonable estimate of the probability weighted amount. Further, the Company has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

Sensitivity analysis:

The increase or decrease of 10% change in macro-economic factors will result SR 0.3 million increase or SR 2 million decrease in the ECL provision.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macro-economic factor remains the same will result SR 5.4 million increase or SR 5.6 million decrease in the ECL provision.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31, 2020	2019
Receivable from key management personnel	7.1,22.3	-	11,667
Advances, prepayments and others		12,940	7,936
		12,940	19,603

7.1 This represents outstanding balance of non-commission bearing loans given to executives, for three years repayable in monthly instalments, as approved in the General Assembly meeting in 2017after obtaining the necessary regulatory approval.

7.2 INVESTMENT PROPERTY (Repossessed assets – real estate):

	Note	As at December 31, 2020	2019
Repossessed assets – real estate	19	18,211	20,669

This represents 7 properties (December 31, 2019: 7 properties) in the Kingdom of Saudi Arabia which were repossessed by the Company against settlement of Islamic finance receivables. These properties will be sold when the Company will get the appropriate price possibly during the next two to three years. The cumulative fair value (level 3 hierarchy) of the same on December 31, 2020 is SR 25.4 million (December 31, 2019 SR 24.5 million). As the residual value is expected to be higher than the carrying amount of these assets no depreciation is being charged.

Further, five of the property's fair value was less than the carrying amount and accordingly the impairment provision of SR 2.4 million was recognised in the statement of comprehensive income (also see Note 19), (For the relevant accounting policy see note 3.7). On one of the property the Company is earning rental income as mentioned in note 20.

8 INTANGIBLE ASSET - SOFTWARES

	As at December 31, 2020	2019
Cost:		
January 1,	13,926	9,922
Additions during the year	9,092	4,004
December 31,	23,018	13,926
Accumulated amortization:		
January 1,	(5,918)	(3,517)
Charge during the year	(4,248)	(2,401)
December 31,	(10,166)	(5,918)
Net book amount	12,852	8,008

9 PROPERTY AND EQUIPMENT

2020	Freehold land	Building and freehold improvements ** Note 9.1*	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1	27,963	16,076	8,160	10,937	63,136
Additions during the year	-	3	1,288	5,880	7,171
December 31	27,963	16,079	9,448	16,817	70,307
Accumulated depreciation					
January 1	-	6,225	6,436	6,252	18,913
Charge for the period	-	3,661	975	3,078	7,714
December 31	-	9,886	7,411	9,330	26,627
Net book amount	27,963	6,193	2,037	7,487	43,680

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2019	Freehold land	Building and freehold improvements	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1	27,963	4,826	8,033	7,455	48,277
IFRS 16 adoption	-	10,409	-	-	10,409
	27,963	15,235	8,033	7,455	58,686
Additions during the year	-	841	127	3,482	4,450
December 31	27,963	16,076	8,160	10,937	63,136
Accumulated depreciation					
January 1	-	1,705	5,043	4,615	11,363
Charge for the period	-	4,520	1,393	1,637	7,550
December 31	-	6,225	6,436	6,252	18,913
Net book amount	27,963	9,851	1,724	4,685	44,223

9.1 The movement in right of use assets (Buildings) is as follows:

	Note	As at December 31, 2020	2019
Opening / adoption of IFRS 16		**6,890**	10,409
Additions during the year		**-**	-
Depreciation charge for the year		**(2,524)**	(3,519)
Closing		**4,366**	6,890

9.2 The statement of comprehensive income includes the following amounts related to leases:

	Note	As at December 31, 2020	2019
Depreciation charge of right of use assets	9.1	**2,524**	3,519
Interest expense	17	**194**	292
Expense relating to short term leases	19	**1,348**	1,281

10 ACCRUALS AND OTHER LIABILITIES

	Note	As at December 31, 2020	2019
Accrued key management bonus and board remuneration		**13,303**	12,894
Accrued employees' costs		**4,918**	5,529
Accrued expenses		**4,391**	4,626
Payable to suppliers		**126**	2,532
Unrealized loss on fair valuation of derivatives	11.1	**54**	911
Other	10.1	**11,915**	19,656
		34,707	46,148

10.1 This includes collections which are not adjusted against customer accounts amounting to SR 11.4 million (2019: SR 18.2 million).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

11 ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES

	Note	As at December 31, 2020	2019
Islamic bank financings	11.1	**661,354**	868,616
Lease liabilities	11.3	**3,452**	5,173
		664,806	873,789

11.1 The breakup of Islamic bank financing is as follows:

	2020	2019
Current	**295,526**	352,025
Non-current	**365,828**	516,591
	661,354	868,616

The Company has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 2.2 billion (2019: SR 1.3 billion) of which SR 0.6 billion was utilized as of December 31, 2020 (December 31, 2019: SR 0.8 billion). These financing facilities are repayable in three to four years in monthly, quarterly or six monthly instalments. The future finance costs charge on the existing utilized facilities amounts to SR 61 million (2019: SR 73 million) on prevailing profit rates, some of which are subject to reprising during term of financing. The key covenants related to bank financing are to maintain a certain gearing ratio, financing to receivable ratio. The Company was in compliance with these covenants as at financial position date.

The financing bears commission charges at prevailing market rates. The Company does not apply hedge accounting, as such through economic hedges the Company fixed the profit rates through derivatives, i.e. profit rate swap agreement with the banks for notional amount of SR 9 million (2019: SR 109 million). The settlement dates are in line with the respective financing repayments.

The Company is required to maintain margin deposits (as disclosed in note 5). The cash cannot be withdrawn or used by the company for liquidity purposes whilst the borrowing is outstanding, the same amount can be off-set against the borrowings in the event of default, though there is no intention of net-settlement on part of the Company.

11.2 The movement schedule of Islamic bank financing is as follows:

	As at December 31, 2020	2019
Payable as at January 1,	**868,616**	681,791
Proceeds / charge during the year	**275,461**	629,466
Payments during the year	**(482,723)**	(442,641)
Payable as at December 31,	**661,354**	868,616

11.3 The breakup of lease liabilities is as follows:

	Note	As at December 31, 2020	2019
Current		**1,828**	3,453
Non-current		**1,624**	1,720
		3,452	5,173

11.4 The table below shows the reconciliation of future lease payments discounted using the incremental borrowing rate with the lease liabilities related to right-of-use assets.

	As at December 31, 2020	2019
Future lease payments	**3,621**	5,541
Discounting impact at incremental borrowing rate	**(169)**	(368)
	3,452	5,173

11.5 The total cash outflow for leases during the year was SR 1.7 million (2019: SR 2.8 million).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

12 PROVISION FOR ZAKAT AND ZAKAT PAYABLE

12.1 Movement in provision for zakat for the year is as follows:

	Note	As at December 31, 2020	2019
January 1,		**21,532**	42,130
Charge for the year		**24,296**	21,532
Reversal of prior year charge		**-**	(26,821)
		24,296	(5,289)
Transfer to zakat payable - for the years 2009 to 2013 / 2014 to 2018 (note 12.2)		**-**	(15,309)
Payments during the year		**(22,017)**	-
Balance at end of year		**23,811**	21,532

12.2 Movement in zakat payable for the year is as follows (note 12.3 b):

	As at December 31, 2020	2019
January 1,	**23,082**	53,302
Transfer from provision for zakat	**-**	15,309
Payments during the year	**(5,771)**	(45,529)
Balance at end of year	**17,311**	23,082

12.3 Status of zakat assessments:

a) The final assessment and settlement for the zakat liability for the years 2009-2013 was received during the year 2019. The amount SR 15.3 million was settled on July 7, 2019.

b) The final assessments of zakat liability for the years 2014-2017 was received and the settlement as per terms of settlement is being paid as per agreed schedule. The balance amount payable as per settlement terms is kept aside as zakat payable amounting to SR 17.3 million. The Maturity of zakat payable has been disclosed in note 25 (ii) Liquidity risk note.

c) The zakat liability of 2018 and 2019 has been fully settled.

d) The zakat return for 2020 will be filed in due course.

13 PROVISION OF EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

	As at December 31, 2020	2019
January 1,	**7,802**	6,450
Charge for the year:		
Current service cost	**2,185**	1,278
Interest expense	**331**	262
Re-measurements due to actuarial loss	**560**	260
	3,076	1,800
Payments made during the year	**(1,487)**	(448)
December 31,	**9,391**	7,802

13.1 The principal actuarial assumptions used in the actuarial valuation at the reporting date are as follows:

	2020	2019
Discount rate	**2.35%**	4.00%
Salary increment	**2.00%**	5.00%

13.2 Sensitivity of the actuarial assumptions

A change of 1% in discount rate and salary increment would have increased or decreased the provision for employee termination benefits by SR 1 million (2019: SR 0.6 million) and SR 1.1 million (2019: SR 0.7 million) respectively.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

14 SHARE CAPITAL

As at December 31, 2020, the authorised, issued and fully paid-up share capital of the Company was SR 1,000 million divided into 100 million shares (December 31, 2019: 1,000 million shares) with a nominal value of SR 10 each.

Shareholders	Holding	No. of shares	Amounts in SR
December 31,2020			
Falcom Holding Company (ultimate controlling party)	**73.85%**	**73,854,638**	**738,546,380**
Others	**26.15%**	**26,145,362**	**261,453,620**
	100%	**100,000,000**	**1,000,000,000**
December 31, 2019			
Falcom Holding Company (ultimate controlling party)	71.68%	71,677,380	716,773,800
Others	28.32%	28,322,620	283,226,200
	100%	100,000,000	1,000,000,000

Increase in share capital by SR 150 million

During the year 2019, SAMA gave its approval to increase the Company's share capital from SR 850 million to SR 1,000 million, through issuance of bonus shares, which was proposed by the Board of Directors of the Company and approved by the General Assembly on December 2, 2019, and accordingly, reflected in the statement of changes in shareholders' equity the updated commercial registration was obtained during the year 2019.

15 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of at least 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution. Such transfer is made to the statutory reserve account on annual basis at year-end.

16 TREASURY SHARES AND DIVIDEND

During the year 2019 the Company bought 2,505,827 of its own shares having a par value of SR 10 at SR 26 per share from one of the shareholders amounting to SR 65,151,502 and has been reported as Treasury Shares under equity. During 2020 the treasury shares were allocated to all the existing shareholders in their existing proportion.

During the year, the Company has paid dividends net of treasury shares amounting to SR 1 per share after obtaining Board (in line with By-Laws of the Company) and SAMA approval.

17 FINANCE COSTS

	For the year ended December 31,	
	2020	**2019**
Finance costs on Islamic bank financing – note 11.1	**40,023**	49,614
Finance cost on lease liabilities	**194**	292
Gain on fair valuation of derivatives – note 10	**(857)**	(688)
Bank charges	**3,865**	6,352
	43,225	55,570

18 SALARIES AND EMPLOYEES RELATED EXPENSES

	For the year ended December 31,	
	2020	**2019**
Salaries and employee related costs	**63,101**	58,845
Management fees and bonus – note 18.1	**28,292**	30,454
Chairman, Directors and Board committee fees	**7,058**	7,088
	98,451	96,387

18.1 This includes employees' long-term incentive charge of SR 11.6 million (2019: SR 11.6 million).

19 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2020	**2019**
IT support charges – note 19.1	**8,776**	4,323
Insurance	**6,571**	6,342
Legal and professional charges – note 19.1	**6,385**	8,445
Utilities, telephone and communication	**4,883**	3,307
Repairs, maintenance and office supplies	**4,787**	3,985
Loss on valuation of repossessed assets – note 7	**2,458**	-
Rentals relating to short term leases	**1,348**	1,281
Marketing and advertisements	**237**	8,375
Exchange traded fund valuation impact	**-**	4,374
Other	**3,535**	1,912
	38,980	42,344

19.1 Legal and professional charges includes credit cards related expenses amounting to SR 1.1 million (2019: nil), Similarly IT support charges includes credit cards related expenses amounting to SR 3.5 million (2019: nil).

20 OTHER INCOME

	For the year ended December 31,	
	2020	**2019**
Rental income	**867**	870
Income on short-term deposit – murabaha	**1,572**	1,544
	2,439	2,414

21 EARNINGS PER SHARE

	As at December 31,	
	2020	**2019**
Net income	**201,465**	218,821
Weighted average number of shares in thousands for basic and diluted EPS (Adjusted for bonus issue and treasury shares)	**98,723**	99,975
Basic and Diluted EPS in Saudi Riyals	**2.04**	2.19

(All amounts in thousands of Saudi Riyals unless otherwise stated)

22 RELATED PARTY TRANSACTIONS AND BALANCES

22.1 Significant related party transactions during the year were as follows:

Related party	Nature of transaction	December 31, 2020	December 31, 2019
Shareholders	Cash dividend declared and paid	**98,507**	85,000
Key management personnel (KMP)	Compensation for the period	**22,007**	19,670
(Number of KMP: 19 (2019: 17)	Incentive for continuing service	**11,667**	11,667
	Employees' end of service benefits	**1,032**	636
Chairman, Directors and Board Committee members	Remuneration for the period of Chairman, Directors and Board Committee members	**7,058**	7,088
Other related parties	Zakat/VAT consultancy fee	**269**	308
	IT software services rendered	**8,053**	5,648
Affiliates	Commodities/ securities dealings account - deposit made	**26,500**	21,800
	Rental charge	**1,179**	1,206
	Advisory charges and others	**1,764**	1,660

22.2 Key management personnel of the Company include Chief executive officer and senior management.

22.3 Significant balances of related parties as at statement of financial position date were as follows:

	Note	As at December 31, 2020	2019
Receivables from / advances to related parties			
Affiliates –Term deposit	5	**34,562**	9,697
Receivable from key management personnel	7	-	11,667
Payables / accruals			
Key management compensation and Board remuneration	10	**13,303**	12,894
Provision of EOSB of Key Management Personnel		**3,263**	3,046

23 CONTINGENCY AND COMMITMENTS

Contingency
The Company has certain legal cases pending in courts against it. However, based on management's best estimate no significant contingencies exist as at December 31, 2020.

Capital commitments
There are no significant capital commitments at the statement of financial position date.

Operating leases commitments
The Company's operating leases commitments are only for branches office premises and are not considered as significant. During 2019 upon adoption of IFRS 16, operating lease commitments for more than one year has been recognised as lease liabilities. Commitments for short term leases amounts to SR 1.3 million (2019: SR 1.3 million).

Credit cards related committments
Credit related commitments comprise irrevocable commitments to extend credit. The unused portion of commitments outstanding as on December 31, 2020 amounts to SR 2.1 million (2019: SR nil million).

24 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities, except derivatives, which is carried at fair value and of insignificant amount, of the Company, are categorised as held at amortized cost, which approximate their fair value, and accordingly fair value hierarchy disclosure has not been provided.

25 FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment and supervision of the Company's risk management framework. The Board of Directors has established a Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board of Directors.

In addition, the Audit Committee of the Company also reviews the internal audit risk assessment, discusses the Company's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Management Committee oversees the Company risks and report to the Board.

i) Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Company's management analyses credit risk in the following categories:

Islamic financing receivables (IFR) – Also see 3.14 (d) and note 6

IFR are exposed to significant credit risk. The Company has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral such as personal guarantees. The overall underwriting decision is based on the following key parameters:

- Dual credit score i.e. SIMAH and Application scoring system
- Minimum income level and maximum debt burden of the borrower
- Loan repayment history with other financial institutions sourced from SIMAH
- Salary certificate from the employer and last three months bank statement where the customer's monthly salary is credited.

Approximately, above 90% of the customers are Government sector employees. Customers are requested to provide standing instructions to credit Nayifat account towards monthly installments. In addition, the customers also provide direct debit mandate as a stand by repayment mode. The Company generally receives repayments through SADAD and bank transfers. The Company has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. In order to monitor exposure to credit risk, on monthly basis reports are produced by the Management information system (MIS) and are reviewed by credit committee on quarterly basis, these reports shows the collection and delinquent status of the customers. The Company has strengthened its legal department to be actively involved in the collection process of delinquent customers.

The assessment of credit risk of IFR also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD.

Generating the term structure of PD
Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates of past thirty-six months, adjusted by the outlook of the economy.

Significant increase in credit risk
In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Considering the huge portfolio of individual customers, the management believes that past-due information is the most appropriate method to assess the SICR without the undue cost and efforts.

Accordingly, based on instalment collection history, the management believes that the significant increase in credit risk arise only when the instalment is past due for more than 60 days and considered as underperforming and after 90 days due become non-performing. The management activates the recovery team for the purposes of collection of outstanding balance as the receivable is non-performing.

Measurement of ECL
The Company measures an ECL at an account level considering the EAD, PD, LGD and discount rate. PD estimates are estimates at a certain date, based on the term structures as provided above. For LGD estimates, the Company use present value of recoveries for loss accounts adjusted by the forward-looking information. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of an IFR is its gross carrying amount. For discounting the Company has used each contract's effective interest rate.

The Company's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance receivables are subject to additional personal guarantees for security to mitigate credit risk associated with IFR. For additional credit quality disclosure relating to IFR, please refer note 6 to these financial statements. The credit quality of Non-performing loans is further explained below:

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2020	Non-Performing	Provision for impairment	Net of Provisioning
Aging of Islamic financing receivables based on past due days			
90 to 180	**32,465**	**(1,285)**	**31,180**
180 to 270	**21,882**	**(3,000)**	**18,882**
270 to 360	**23,910**	**(6,443)**	**17,467**
360 to 450	**21,256**	**(7,808)**	**13,448**
450 to 540	**14,002**	**(7,501)**	**6,501**
540 to 630	**10,076**	**(7,024)**	**3,052**
630 to 720	**7,231**	**(5,817)**	**1,414**
Total	**130,822**	**(38,878)**	**91,944**

2019	Non-Performing	Provision for impairment	Net of Provisioning
Aging of Islamic financing receivables based on past due days			
90 to 180	28,268	(1,141)	27,127
180 to 270	14,163	(1,902)	12,261
270 to 360	11,721	(3,207)	8,514
360 to 450	9,758	(3,905)	5,853
450 to 540	9,532	(4,584)	4,948
540 to 630	7,276	(4,530)	2,746
630 to 720	8,073	(6,049)	2,024
Total	88,791	(25,318)	63,473

Concentration of credit risk

The concentration of credit risk is the risk that the Company is exposed to if they invested all their assets in one sector or one industry. The Company provides IFR to consumers in public and private sector and ensure that there is no undue concentration of risks with individuals or groups of consumers in specific locations or businesses. Approximately, above 90% of the customers are Government sector employees.

The Company strategy is to finance Saudi nationals under the following categories:

- Customers employed in a secured working environment.
- Steady income group with largely guaranteed employment or minimum loss of employment.
- Employees of selected large-scale private sector companies.

The net IFR concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2020	Performing	Non-Performing	Provision for impairment	Net financing
Description				
Consumers in public sector	1,305,547	125,738	(39,610)	**1,391,675**
Consumers in private sector	119,462	4,307	(3,444)	**120,325**
Credit cards	8,089	777	(283)	**8,583**
Total	**1,433,098**	**130,822**	**(43,337)**	**1,520,583**
2019				
Description				
Consumers in public sector	1,603,930	85,121	(28,089)	1,660,962
Consumers in private sector	64,778	3,670	(1,316)	67,132
Total	1,668,708	88,791	(29,405)	1,728,094

Cash and bank balances and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank which has been assigned investment grade rating by "A-2" as per Standard and Poor's (S&P). Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Company also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs. The company established a liquidity contingency policy and set aside SR 70 million (2019: SR 70 million) as liquidity contingency fund.

The amounts disclosed in the table are the contractual undiscounted cash flows. Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

December 31, 2020	Less than 3 months	3 to 12 months	1 to 5 years	Total 2020
Financial assets - commission bearing				
Islamic financing receivables - Gross	257,249	539,594	1,540,671	2,337,514
Term and margin deposits	50,000	-	70,000	120,000
	307,249	539,594	1,610,671	2,457,514
Financial assets - non commission bearing				
Cash and cash equivalents	70,092	-	-	70,092
Term and margin deposits	-	70,150	-	70,150
	70,092	70,150	-	140,242
Total financial assets	377,341	609,744	1,610,671	2,597,756
Financial liabilities - commission bearing				
Islamic bank financing	(120,583)	(167,487)	(425,345)	(713,415)
Lease Liabilities	(1,050)	(688)	(1,889)	(3,627)
	(121,633)	(168,175)	(427,234)	(717,042)
Financial liabilities - non commission bearing				
Accruals and other liabilities	(26,428)	(1,994)	(6,285)	(34,707)
Zakat Payable	-	(5,771)	(11,540)	(17,311)
	(26,428)	(7,765)	(17,825)	(52,018)
Total financial liabilities	(148,061)	(175,940)	(445,059)	(769,060)
Net financial assets:				
Commission bearing	185,616	371,419	1,183,437	1,740,472
Non-commission bearing	(77,969)	(105,790)	(445,059)	(628,818)
	107,647	265,629	738,378	1,111,654

December 31, 2019	Less than 3 months	3 to 12 months	1 to 5 years	Total 2019
Financial assets - commission bearing				
Islamic financing receivables– Gross	281,181	592,121	1,799,027	2,672,329
Term and margin deposits	-	50,951	-	50,951
	281,181	643,072	1,799,027	2,723,280
Financial assets - non commission bearing				
Cash and cash equivalents	52,596	-	-	52,596
Other assets	2,917	8,750	-	11,667
Term and margin deposits	-	64,684	-	64,684
	55,513	73,434	-	128,947
Total financial assets	336,694	716,506	1,799,027	2,852,227
Financial liabilities - commission bearing				
Islamic bank financing	(96,737)	(281,439)	(563,262)	(941,438)
Lease Liabilities	(1,140)	(775)	(3,627)	(5,542)
	(97,877)	(282,214)	(566,889)	(946,980)
Financial liabilities - non commission bearing				
Accruals and other liabilities	(36,093)	(2,739)	(7,316)	(46,148)
Zakat Payable	-	(5,771)	(17,311)	(23,082)
Total financial liabilities	(133,970)	(279,182)	(556,894)	(970,046)
Commission bearing	183,304	360,858	1,232,138	1,776,300
Non-commission bearing	19,420	64,924	(24,627)	59,717
	202,724	425,782	1,207,511	1,836,017

(All amounts in thousands of Saudi Riyals unless otherwise stated)

iii) Profit rate risk

Profit rate risk is the impact on future earnings of the Company resulting from change in the market profit rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to profit rate adjustment within a specified year. The most important source of such risk is the Company's financing receivables and Islamic bank financing. The profit rate is fixed for the financing receivables and for some portion of borrowing as explained in note 11 of these financial statements.

The financial liabilities of SR 635.9 million (2019: SR 762 million) are based on floating rates and not subject to profit rate swap and thus, a 100 basis points change in commission rates could have approximately a SR 6.2 million (2019: SR 7.6 million) annual effect on the Company’s profitability. The Company’s management through the risk management committee monitors the fluctuations in commission rates on regular basis and take appropriate measures to minimize the profit rate risk by adjusting lending rate for future contracts.

iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Company has no exposure to foreign currency risk as it mainly deals in Saudi Riyals that is also the functional currency of the Company.

v) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as it does not have any financial instrument whose prices are fluctuated based on internal or external factors as mentioned above.

26 CAPITAL MANAGEMENT

The Company’s objective when managing capital are:

- To safeguard Company’s ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.
- to comply with the gearing ratio set by the SAMA

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribe requirements.

At statement of financial position date, the management analysis of gearing ratio was as follows:

	2020	**2019**
Shareholders’ equity	**1,119,375**	1,016,417
Islamic bank financing – note 11	**661,354**	868,616
Total capital structure	**1,780,729**	1,885,033
Gearing ratio	**37.14%**	46.07%

The Company has complied with the required gearing ratio of 3.5 times of equity as required by the SAMA.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 FINANCIAL INSTRUMENTS

	Note	2020	2019
Financial assets – at amortized cost			
Cash and cash equivalents	5	**70,092**	52,596
Term and margin deposits	5	**190,150**	114,684
Islamic financing receivables	6	**1,520,583**	1,728,094
Other receivables	7	**-**	11,667
Financial liabilities – at amortized cost			
Accruals and other liabilities	10	**34,707**	46,148
Islamic bank financing	11	**661,354**	868,616
Lease liabilities	11	**3,452**	5,173
Financial liabilities – at fair value			
Unrealized loss on fair valuation of derivatives (level 2)	10	**54**	911

28 SIGNIFICANT EVENTS DURING THE YEAR

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.

Because of COVID-19, the disbursements and collections process effected during the year and therefore past due balances increased as compared to last year, which resulted in increase non-performing loans and related ECL charge. Further, based on the current economic environment the economic factor used in determining the provision for impairment for expected credit losses was updated (for details refer note 6.8 to these financial statements).

From a liquidity perspective the Company has access to substantial unutilized long-term facilities from banks to finance its current and long-term funding needs of which approximately only 31% stands utilized as at December 31, 2020. Further because of regular collections the Company has sufficient liquidity available in addition to the un-utilized bank limits, and therefore the Company is not significantly exposed to liquidity risk. The management of the Company has taken a pro-active step by placing the surplus funds available with banks to generate revenue and minimize the impact on the Company’s net income.

Based on these factors, the Company’s management believes that the COVID-19 pandemic has had it’s impact on the profitability of the Company, only due to ECL and reduced disbursals, however, this is expected to be temporary. Therefore, if the COVID-19 pandemic situation prolongs for a longer period of time or lockdown restrictions are re-imposed due to second wave this may impact the profitability of the Company in view of the reduction in loan bookings compared to past period and may also have an impact on the collections from higher buckets dues. The Company’s management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

29 BRANCHES INCLUDING HEAD OFFICE

The results of the following branches were included as part of these financial statements.

Serial No.	Commercial registration number of Branch	Location
1	5850068147	Abha
2	5800105744	Baha
3	2050117283	Dammam
4	2511018370	Hafer albatin
5	3350040719	Hail
6	2250049662	Hufoof
7	5900020800	Jizan
8	4030189485	Jeddah 1
9	4030390351	Jeddah 2
10	2055025208	Jubail
11	1011019025	AlKharj
12	4650052613	Madina
13	4031080772	Makkah
14	5950119625	Najran
15	1010609170	Olaya
16	1131046727	Qassim
17	1010569384	Riyadh-Exit 10
18	1010609169	Riyadh-Khurais
19	1010361769	Riyadh-Badiah
20	3400017276	Sikkaka
21	4032240801	Taif
22	3550029238	Tabuk
23	2053112169	Qatif
24	1116009153	Dawadmi
25	1010176451	Head office Olaya
26	5851875824	Bishah branch

30 SUBSEQUENT EVENT

There was no subsequent event after the year-end which require disclosure or adjustment in these financial statements.

31 COMPARATIVES

Following comparative amounts in these financial statements relating to 2019 have been reclassified (and shown separately on the face of the statement of financial position) for the purpose of better presentation.

Financial statement impacted	Account	Before the reclassification for year ended December 31, 2019:	Effect of reclassification	Reclassified for the year ended December 31, 2019:
Statement of financial position	Prepayments and other receivables	40,272	(20,669)	19,603
Statement of financial position	Investment property (repossessed assets- real estate)	-	20,669	20,669

This investment property has the same balance of SR 20.6 million in 2018. Further, there is no effect of this re-classification on the financial performance and the statement of cashflows.

32 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Board of Directors of the Company on January 20, 2021.

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three month period ended March 31, 2021
And Independent Auditors' Review Report

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three month period ended March 31, 2021

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INDPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders of Nayifat Finance Company
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of financial position of Nayifat Finance Company (A Saudi Closed Joint Stock Company) (the "Company") as of March 31, 2021 and the related interim statements of comprehensive income for the three month period then ended, and the interim statements of changes in shareholders' equity and cash flows for the three month period then ended, and other explanatory notes (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" ("IAS 34") as 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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 as 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

April 22, 2021

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
LICENSE NO 25

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Cash and cash equivalents	5	51,383	70,092
Term and margin deposits	5	140,202	190,150
Islamic financing receivables	6	1,550,043	1,520,583
Equity investments at fair value through OCI		893	893
Prepayments and other receivables		17,712	12,940
Investment property		18,211	18,211
Intangible assets		13,979	12,852
Property and equipment		43,230	43,680
Total assets		1,835,653	1,869,401
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accruals and other liabilities		36,637	34,707
Provision for zakat		30,512	23,811
Islamic bank financings and lease liabilities	7	563,815	664,806
Zakat payable		17,311	17,311
Provision of employees' end of service benefits		10,079	9,391
Total liabilities		658,354	750,026
SHAREHOLDERS' EQUITY			
Share capital		1,000,000	1,000,000
Statutory reserve		60,290	60,290
Retained earnings		117,009	59,085
Total shareholders' equity		1,177,299	1,119,375
Total liabilities and shareholders' equity		1,835,653	1,869,401

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman of
Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	2021	2020
Revenue			
Income from Islamic financing		99,059	108,431
Other income		325	111
		99,384	108,542
Expenses			
Finance costs		(5,999)	(13,894)
Reversal of impairment, net	6.7	5,409	544
Salaries and employee related expenses	9	(20,787)	(24,934)
Other general and administrative expenses		(10,301)	(7,572)
Depreciation and amortization		(3,082)	(2,928)
Total expenses		(34,760)	(48,784)
Net income for the period before zakat		64,624	59,758
Zakat			
Charge for the period		(6,700)	(6,010)
Net income for the period		57,924	53,748
Other comprehensive income		-	-
Total comprehensive income		57,924	53,748
Basic and diluted earnings per share	8	0.58	0.54

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman of
Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	Share capital	Treasury shares	Proposed Dividend	Statutory reserve	Retained earnings	Total
2021							
Balance as at December 31, 2020 (Audited)		1,000,000	-	-	60,290	59,085	1,119,375
Net income for the period		-	-	-	-	57,924	57,924
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	57,924	57,924
Balance as at March 31 (Unaudited)		1,000,000	-	-	60,290	117,009	1,177,299
2020							
Balance as at December 31, 2019 (Audited)		1,000,000	(65,152)	-	40,143	41,426	1,016,417
Net income for the period		-	-	-	-	53,748	53,748
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-		-	-	53,748	53,748
Proposed dividends for 2020		-	-	48,507		(48,507)	-
Balance as at March 31 (Unaudited)		1,000,000	(65,152)	48,507	40,143	46,667	1,070,165

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman of
Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Net income for the period before zakat		64,624	59,758
Adjustments for non-cash items:			
Depreciation and amortization		3,082	2,928
Provision of employees' end of service benefits - net		688	764
Reversal of impairment, net	6.6	(5,409)	(544)
Finance costs		5,999	13,894
		68,984	76,800
Changes in operating assets and liabilities			
Islamic financing receivables		(24,051)	28,603
Prepayments and other receivables		(4,772)	(7,925)
Accruals and other liabilities		1,930	(94)
Rentals paid		(1,016)	(1,157)
Finance cost and charges paid		(10,705)	(13,894)
Net cash generated from operating activities		30,370	82,333
Cash flows from investing activities			
Additions to property and equipment		(1,356)	(1,806)
Additions to intangible assets		(2,403)	(2,257)
Term and margin deposits		49,948	(10,589)
Net cash generated from / (used in) investing activities		46,189	(14,652)
Cash flows from financing activities			
Proceeds from financings		30,000	203,388
Repayment of financings		(125,268)	(98,118)
Net cash (used in) / generated from financing activities		(95,268)	105,270
Net change in cash and cash equivalents		(18,709)	172,951
Cash and cash equivalents at the beginning of the period		70,092	52,596
Cash and cash equivalents at the end of the period	5	51,383	225,547

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

Chief Financial Officer	Managing Director and Chief Executive Officer	Chairman of Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals in thousand unless otherwise stated)

1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") is registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). In accordance with the Law of Supervision of Finance Companies, the Saudi Central Bank (SAMA) granted a license to the Company to operate as a financing company under the name of Nayifat Finance Company.

As per the SAMA license No. 5/AS/201312 renewed on 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023), the Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company
7633 Al Ulaya – Al Woroud Dist
Unit No 1555, Riyadh 12253 - 2105
Kingdom of Saudi Arabia

These condensed interim financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

2.1 The condensed interim financial statements of the Company as at and for the period ended March 31, 2021 have been prepared in accordance with International Accounting Standard "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").

The condensed interim statement of financial position is stated in order of liquidity.

2.2 The condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

3. CONSISTENT APPLICATION OF ACCOUNTING POLICIES

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective. The accounting and risk management policies adopted in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020.

New accounting standards and amendments to existing accounting standards effective from January 1, 2021 and onwards do not have any significant effect on the Company's condensed interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

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 and liabilities, income and expense. Actual results may differ from these estimates. The interim results may not represent a fully accurate indication of the annual results of operations. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the statutory financial statements as at and for the year ended December 31, 2020.

However, management has proactively assessed the potential impact of the coronavirus (COVID-19) pandemic for any further regulatory and government restrictions which could impact the Company's business or that could cause negative impact on its financial performance. Management has concluded that the critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances and there are no changes to the significant judgements and estimates disclosed in the financial statements for the year ended December 31, 2020. The only significant area where management has used estimates, assumptions or exercised judgement is provision for financial assets (Note 6).

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(All amounts in Saudi Riyals in thousand unless otherwise stated)

5. CASH AND BANK BALANCES

	March 31, 2021	December 31, 2020 (Audited)
Cash in hand	10	10
Cash at banks	51,373	70,082
Cash and cash equivalents	51,383	70,092
Term and margin deposits		
Margin deposits held with banks	35,587	35,587
Term deposits – note 5.1	104,615	154,563
	140,202	190,150
	191,585	260,242

5.1 This includes SR 70 million (2020: 120 million) held with local banks as Islamic Murabaha deposits which are based on prevailing market rates.

6. ISLAMIC FINANCING RECEIVABLES

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq Consumer Islamic financing and Islamic credit cards. Tawarruq financing is generally provided to Saudi nationals for a period of one to five years, which is recoverable in equal monthly installments.

The product wise breakup of Islamic financing receivables, is as follows:

	March 31, 2021	December 31, 2020 (Audited)
Tawarruq	1,539,040	1,512,000
Credit cards	11,003	8,583
	1,550,043	1,520,583
Current	463,490	447,018
Non-current	1,086,553	1,073,565
	1,550,043	1,520,583

6.1 Reconciliation between gross to net receivables of Tawarruq:	March 31, 2021	December 31, 2020 (Audited)
Gross receivables	2,385,717	2,328,647
Unearned finance income	(798,547)	(773,593)
	1,587,170	1,555,054
Provision for impairment	(48,130)	(43,054)
	1,539,040	1,512,000

Reconciliation between gross to net receivables of Islamic credit cards:	March 31, 2021	December 31, 2020 (Audited)
Gross receivables	11,636	8,866
Provision for impairment	(633)	(283)
	11,003	8,583

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(All amounts in Saudi Riyals in thousand unless otherwise stated)

6.2 Stage wise analysis of Tawarruq receivables is as follows:

Tawarruq	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
March 31, 2021				
Receivables	1,414,547	33,021	139,602	1,587,170
Provision for impairment	(2,643)	(200)	(45,287)	(48,130)
Net receivables	1,411,904	32,821	94,315	1,539,040

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
December 31,2020				
Receivables	1,399,839	25,170	130,045	1,555,054
Provision for impairment	(4,098)	(206)	(38,750)	(43,054)
Net receivables	1,395,741	24,964	91,295	1,512,000

Islamic credit cards	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
March 31,2021				
Receivables	9,423	656	1,557	11,636
Provision for impairment	(145)	(29)	(459)	(633)
Net receivables	9,278	627	1,098	11,003

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
December 31,2020				
Receivables	7,686	403	777	8,866
Provision for impairment	(137)	(18)	(128)	(283)
Net receivables	7,549	385	649	8,583

6.3 The aging analysis of stage 3 (Non-performing) Islamic Financing receivables is as follows:

March 31 2021	Non-Performing	Provision for impairment	Net of Provisioning
Aging of Islamic financing receivables based on past due days			
90 to 180	32,539	(2,098)	30,441
180 to 270	20,902	(3,804)	17,098
270 to 360	18,802	(4,971)	13,831
360 to 450	21,183	(7,681)	13,502
450 to 540	19,161	(8,376)	10,785
540 to 630	12,792	(7,193)	5,599
630 and above	15,780	(11,623)	4,157
Total	141,159	(45,746)	95,413

December 31 2020	Non-Performing	Provision for impairment	Net of Provisioning
Aging of Islamic financing receivables based on past due days			
90 to 180	32,465	(1,285)	31,180
180 to 270	21,882	(3,000)	18,882
270 to 360	23,910	(6,443)	17,467
360 to 450	21,256	(7,808)	13,448
450 to 540	14,002	(7,501)	6,501
540 to 630	10,076	(7,024)	3,052
630 and above	7,231	(5,817)	1,414
Total	130,822	(38,878)	91,944

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals in thousand unless otherwise stated)

6.4 The movement in provision for impairment for Islamic financing receivables is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
January 1, 2021	4,607	242	38,488	43,337
Transfer from performing	(93)	52	41	-
Transfer from under-performing	53	(118)	65	-
Transfer from non-performing	686	43	(729)	-
Financial assets – settled	(417)	(15)	(6,746)	(7,178)
Financial assets originated	283	2	-	285
Changes to model assumptions (Note 6.10)	-	-	-	-
Changes to methodologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs (Note 6.4.1)	(2,331)	23	14,627	12,319
	(1,819)	(13)	7,258	5,426
Write-off during the year	-	-	-	-
March 31, 2021	2,788	229	45,746	48,763

6.4.1 During the period ended March 31,2021, there is an increase in later buckets of stage 3 customers (Note 6.3) which has resulted into increase in the provision for stage 3 customers.

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
January 1, 2020	3,795	291	25,319	29,405
Transfer from performing	(816)	816	-	-
Transfer from under-performing	33	(837)	804	-
Transfer from non-performing	198	39	(237)	-
Financial assets – settled	(1,336)	(182)	(5,641)	(7,159)
Financial assets originated	1,779	-	-	1,779
Changes to model assumptions (note 6.10)	373	18	3,524	3,915
Changes to methodologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	581	97	34,879	35,557
	812	(49)	33,329	34,092
Write-off during the year	-	-	(20,160)	(20,160)
December 31, 2020	4,607	242	38,488	43,337

6.5 During the three-month period ended March 31, 2021, Islamic financing receivables of SR nil (2020: SR 14.9 million) were written-off.

6.6 Provision for impairment

	March 31, 2021	December 31,2020 (Audited)
January 1,	43,337	29,405
Charge for the period / year	5,426	34,092
Written off loans during the period / year	-	(20,160)
Balance at end of period / year	48,763	43,337

6.7 Reversal of impairment – net

	For the three month period ended March 31 2021	2020
Impairment provision charge	5,426	7,259
Recoveries of receivables after write-off- note 6.7.1	(10,835)	(7,803)
Reversal of impairment – net	(5,409)	(544)

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(All amounts in Saudi Riyals in thousand unless otherwise stated)

6.7.1 This includes recoveries from written-off balances in the previous years. Further, the effect of "recoveries after written-off ", on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model.

6.8 Amounts written off still subject to enforcement activity

As of March 31, 2021, the receivables amount written off still subject to enforcement activity are amount to SR 76.5 million (December 31, 2020: SR 87.3 million).

6.9 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.6 billion (December 31, 2020: SR 0.6 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.5 billion (December 31, 2020: SR 0.6 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The Company is liable to the repayments of their assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement the Company is not allowed to repledge those receivable and the financial institution has recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and the liability is approximate to their fair value.

6.10 Changes in assumptions including incorporation of forward looking information. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has used GDP growth rate and inflation as their key macroeconomic factors giving equal weightages to each. The macro-economic factors has been updated based on the latest available information (as issued by ministry of finance budget statement fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively).

The average credit losses of IFR with more than 40,000 customers with shared risk characteristics is a reasonable estimate of the probability weighted amount. Further, the Company has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

Sensitivity analysis:

The increase or decrease of 10% change in macro-economic factors will result SR 0.09 million increase or SR 2.2 million decrease in the ECL provision.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macro-economic factor remains the same will result SR 3.4 million increase or SR 3.5 million decrease in the ECL provision.

6.11 Reconciliation of gross receivables:

The movement in Gross receivables for Islamic financing receivables (tawarruq) is as follows

	March 31, 2021	December 31, 2020
Gross carrying amount as at January 1,	1,555,054	1,757,499
Financial assets originated during the year (all stage 1)	243,388	549,900
Financial assets derecognised during the year other than write-offs / collections (significantly pertain to stage 1 customers)	(213,764)	(744,132)
New financial assets originated or purchased	-	-
Modification of contractual cashflows of financial assets	-	-
Changes in profit accruals (significantly pertain to stage 1 customers)	2,493	11,947
Write-offs (From stage 3)	-	(20,160)
	32,117	(202,445)
Gross carrying amount	1,587,171	1,555,054

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(All amounts in Saudi Riyals in thousand unless otherwise stated)

7. ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES

	March 31, 2021	December 31, 2020 (Audited)
Islamic bank financings	561,378	661,354
Lease liabilities	2,437	3,452
	563,815	664,806

8. EARNINGS PER SHARE

	For the three month period ended March 31	
	2021	2020
Net income for the period	57,924	53,748
Weighted average number of shares for basic and diluted EPS	100,000	100,000
Basic and diluted EPS in Saudi Riyals	0.58	0.54

9. SALARIES AND EMPLOYEES RELATED EXPENSES

	For the three months period ended March 31,	
	2021	2020
Salaries and employee related costs	17,841	19,181
Management fees and bonus – Note 9.1	2,083	4,792
Directors and Board committee fees	863	961
	20,787	24,934

9.1 This includes employees' long-term incentive charge of SR nil (March 31, 2020: SR 2.9 million).

10. CONTINGENCY AND COMMITMENTS

There is no significant change in the status of contingencies since the year ended December 31, 2020. Further, there is no significant capital commitment as at the interim statement of financial position date.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Significant related party transactions during the year were as follows:

Related party	Nature of transaction	March 31, 2021	March 31, 2020
Key management personnel (KMP) (Number of KMP: 15 (2020: 16))	Compensation for the period	3,309	2,907
	Incentive for continuing service	-	2,917
	Employees' end of service benefits	285	436
Directors and Board Committee members	Remuneration for the period of Directors and Board Committee members	850	840
Other related parties	Zakat/VAT consultancy fee	146	95
	IT software services rendered	2,011	1,971
Affiliates	Commodities/ securities dealings account - deposit made	500	11,000
	Rental charge	492	453
	Advisory charges and others	-	10

11.2 Key management personnel of the Company include Chief executive officer and senior management.

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(All amounts in Saudi Riyals in thousand unless otherwise stated)

11.3 Significant balances of related parties as at statement of financial position date were as follows:

	Note	As at March 31, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Receivables from / advances to related parties			
Affiliates –Term deposit		34,616	34,562
Payables / accruals			
Key management compensation and Board remuneration		2,154	13,303
Provision of EOSB of Key Management Personnel		2,764	3,263

12. CAPITAL MANAGEMENT

The Company's objective when managing capital are:

- To safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.
- to comply with the gearing ratio set by the SAMA

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribed requirements.

At statement of financial position date, the management analysis of gearing ratio was as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Shareholders' equity	1,177,299	1,119,375
Islamic bank financing	563,815	664,806
Total capital structure	1,741,114	1,784,181
Gearing ratio	32.38%	37.26%

13. IMPACT OF COVID 19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience "second wave" and "third 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.

Nayifat's business operations has shown improvement in disbursements since June 2020 after showing decline during the months of April and May, on the collection side on the other hand the Company has achieved the same levels as was the case pre COVID-19 after facing marginal decline in April and May 2020. This is mainly due to the reason that majority of the customer base (above 90%) is Government sector employees.

From a liquidity perspective the Company has access to substantial unutilized long-term facilities from banks to finance its current and long-term funding needs of which approximately only 28% stands utilized as at March 31, 2020. Further because of regular collections the Company has sufficient liquidity available in addition to the un-utilized bank limits, and therefore the Company is not significantly exposed to liquidity risk. The management of the Company has taken a pro-active step by placing the surplus funds available with banks to generate revenue and minimize the impact on the Company's net income.

Based on these factors, the Company's management believes that the COVID-19 pandemic has had it's impact on the profitability of the Company, only due to ECL and reduced disbursals, however, this is expected to be temporary. Therefore, if the COVID-19 pandemic situation prolongs for a longer period of time or lockdown restrictions are re-imposed this may impact the profitability of the Company in view of the reduction in loan bookings compared to past period and may also have an impact on the collections from higher buckets dues. The Company's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required.

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals in thousand unless otherwise stated)

14. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of financial assets and liabilities

Except for derivatives which are carried at fair value and of insignificant amount, all financial assets and liabilities of the Company are categorized as held at amortized cost and the carrying value approximate their fair value, accordingly fair value hierarchy disclosure has not been provided.

15. SEGMENTS

The Company's operations are in the Kingdom of Saudi Arabia and currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue. The entire revenue of SR 99 million is from external customers and SR 99.5 million is attributed to Tawarruq and SR 0.8 million credit card. All non-current assets are in KSA.

16. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on April 20, 2021.

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three months and six months period ended June 30, 2021
And Independent Auditors' Review Report

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three months and six months period ended June 30, 2021

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INDPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders of Nayifat Finance Company
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of financial position of Nayifat Finance Company (A Saudi Closed Joint Stock Company) (the "Company") as of June 30, 2021 and the related interim statements of comprehensive income for the three months and six months period then ended, and the interim statements of changes in shareholders' equity and cash flows for the six months period then ended, and other explanatory notes (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" ("IAS 34") as 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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 as 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

July 15, 2021

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PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Cash and cash equivalents	5	91,556	70,092
Term and margin deposits	5	141,252	190,150
Islamic financing receivables	6	1,556,692	1,520,583
Equity investments at fair value through OCI		893	893
Prepayments and other receivables		21,259	12,940
Investment property		18,661	18,211
Intangible assets		15,311	12,852
Property and equipment		42,074	43,680
Total assets		1,887,698	1,869,401
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accruals and other liabilities		44,406	34,707
Provision for zakat		13,670	23,811
Islamic bank financings and lease liabilities	7	643,563	664,806
Zakat payable		17,311	17,311
Provision of employees' end of service benefits		10,573	9,391
Total liabilities		729,523	750,026
SHAREHOLDERS' EQUITY			
Share capital		1,000,000	1,000,000
Statutory reserve		60,290	60,290
Retained earnings		97,885	59,085
Total shareholders' equity		1,158,175	1,119,375
Total liabilities and shareholders' equity		1,887,698	1,869,401

The accompanying notes from (1) through (17) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman of
Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	For the three months period ended June 30		For the six months period ended June 30	
		2021	2020	2021	2020
Revenue					
Income from Islamic financing		97,389	100,797	196,448	209,227
Other income / (expense)		532	(3,581)	857	(3,471)
		97,921	97,216	197,305	205,756
Expenses					
Finance costs		(3,951)	(12,832)	(9,950)	(26,726)
Reversal of impairment / (Charge), net	6.7	2,907	(6,272)	8,316	(5,728)
Salaries and employees related expenses	10	(20,856)	(20,594)	(41,643)	(45,528)
Other general and administrative expenses		(8,380)	(9,658)	(18,681)	(17,230)
Depreciation and amortization		(3,045)	(2,805)	(6,127)	(5,733)
Total expenses		(33,325)	(52,161)	(68,085)	(100,945)
Net income for the period before zakat		64,596	45,055	129,220	104,811
Zakat					
Charge for the period		(6,500)	(7,687)	(13,200)	(13,697)
Net income for the period		58,096	37,368	116,020	91,114
Other comprehensive income		-	-	-	-
Total comprehensive income		58,096	37,368	116,020	91,114
Basic and diluted earnings per share	9	0.58	0.37	1.16	0.91

The accompanying notes from (1) through (17) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman of
Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30,
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	Share capital	Treasury shares	Statutory reserve	Retained earnings	Total
2021						
Balance as at December 31, 2020 (Audited)		1,000,000	-	60,290	59,085	1,119,375
Net income for the period		-	-	-	116,020	116,020
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	116,020	116,020
Dividend paid	8	-	-	-	(77,220)	(77,220)
Balance as at June 30 (Unaudited)		1,000,000	-	60,290	97,885	1,158,175
2020						
Balance as at December 31, 2019 (Audited)		1,000,000	(65,152)	40,143	41,426	1,016,417
Net income for the period		-	-	-	91,114	91,114
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	91,114	91,114
Treasury stock		-	65,152	-	(65,152)	-
Proposed dividends for 2020		-	-	-	(48,507)	(48,507)
Balance as at June 30 (Unaudited)		1,000,000	-	40,143	18,881	1,059,024

The accompanying notes from (1) through (17) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director and Chief Executive Officer

Chairman of Board of Directors

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NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Net income for the period before zakat		129,220	104,811
Adjustments for non-cash items:			
Depreciation and amortization		6,127	5,733
Provision of employees' end of service benefits - net		1,182	1,233
Reversal of previously recognized loss on repossessed assets		(450)	-
Reversal of impairment, net	6.7	(8,316)	5,728
Finance costs		9,950	26,726
		137,713	144,231
Changes in operating assets and liabilities			
Islamic financing receivables		(27,793)	113,248
Prepayments and other receivables		(8,319)	625
Accruals and other liabilities		9,699	(10,285)
Rentals paid		(1,288)	(1,361)
Zakat paid		(23,341)	(22,009)
Finance cost and charges paid		(15,621)	(15,883)
Net cash generated from operating activities		71,050	208,566
Cash flows from investing activities			
Additions to property and equipment		(2,021)	(5,003)
Additions to intangible assets		(4,959)	(3,105)
Term and margin deposits		48,898	(160,390)
Net cash generated from / (used in) investing activities		41,918	(168,498)
Cash flows from financing activities			
Proceeds from financings		162,998	218,639
Repayment of financings		(177,282)	(109,337)
Dividend paid	8	(77,220)	(48,507)
Net cash (used in) / generated from financing activities		(91,504)	60,795
Net change in cash and cash equivalents		21,464	100,863
Cash and cash equivalents at the beginning of the period		70,092	52,596
Cash and cash equivalents at the end of the period	5	91,556	153,459

The accompanying notes from (1) through (17) form an integral part of these condensed interim financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman of
Board of Directors

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1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") is registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). In accordance with the Law of Supervision of Finance Companies, the Saudi Central Bank (SAMA) granted a license to the Company to operate as a financing company under the name of Nayifat Finance Company.

As per the SAMA license No. 5/AS/201312 renewed on 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023), the Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company
7633 Al Ulaya – Al Woroud Dist
Unit No 1555, Riyadh 12253 - 2105
Kingdom of Saudi Arabia

These condensed interim financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

2.1 The condensed interim financial statements of the Company as at and for the period ended June 30, 2021 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting"- ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Chartered and Professional Accountants ("SOCPA").

The condensed interim statement of financial position is stated in order of liquidity.

2.2 The condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

3. CONSISTENT APPLICATION OF ACCOUNTING POLICIES

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective. The accounting and risk management policies adopted in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020.

New accounting standards and amendments to existing accounting standards effective from January 1, 2021 and onwards do not have any significant effect on the Company's condensed interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

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 and liabilities, income and expense. Actual results may differ from these estimates. The interim results may not represent a fully accurate indication of the annual results of operations. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the statutory financial statements as at and for the year ended December 31, 2020.

However, management has proactively assessed the potential impact of the coronavirus (COVID-19) pandemic for any further regulatory and government restrictions which could impact the Company's business or that could cause negative impact on its financial performance. Management has concluded that the critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances and there are no changes to the significant judgements and estimates disclosed in the financial statements for the year ended December 31, 2020. The only significant area where management has used estimates, assumptions or exercised judgement is provision for financial assets (Note 6).

(All amounts in Saudi Riyals in thousand unless otherwise stated)

5. CASH AND BANK BALANCES

	June 30, 2021	December 31, 2020 (Audited)
Cash in hand	10	10
Cash at banks	91,546	70,082
Cash and cash equivalents	91,556	70,092
Term and margin deposits		
Margin deposits held with banks	36,337	35,587
Term deposits – note 5.1	104,915	154,563
	141,252	190,150
	232,808	260,242

5.1 This includes SR 70 million (2020: 120 million) held with local banks as Islamic Murabaha deposits which are based on prevailing market rates.

6. ISLAMIC FINANCING RECEIVABLES

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq Consumer Islamic financing and Islamic credit cards. Tawarruq financing is generally provided to Saudi nationals for a period of one to five years, which is recoverable in equal monthly installments.

The product wise breakup of Islamic financing receivables, is as follows:

	June 30, 2021	December 31, 2020 (Audited)
Tawarruq	1,541,163	1,512,000
Credit cards	15,529	8,583
	1,556,692	1,520,583
Current	472,352	447,018
Non-current	1,084,340	1,073,565
	1,556,692	1,520,583

6.1 Reconciliation between gross to net receivables of Tawarruq:	June 30, 2021	December 31, 2020 (Audited)
Gross receivables	2,392,873	2,328,647
Unearned finance income	(797,716)	(773,593)
	1,595,157	1,555,054
Provision for impairment	(53,994)	(43,054)
	1,541,163	1,512,000

Reconciliation between gross to net receivables of Islamic credit cards:	June 30, 2021	December 31, 2020 (Audited)
Gross receivables	16,860	8,866
Provision for impairment	(1,331)	(283)
	15,529	8,583

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(All amounts in Saudi Riyals in thousand unless otherwise stated)

6. ISLAMIC FINANCING RECEIVABLES (continued)

6.2 Stage wise analysis of Tawarruq receivables is as follows:

Tawarruq	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
June 30, 2021				
Receivables	1,410,330	35,504	149,323	1,595,157
Provision for impairment	(4,376)	(665)	(48,953)	(53,994)
Net receivables	1,405,954	34,839	100,370	1,541,163

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
December 31,2020				
Receivables	1,399,839	25,170	130,045	1,555,054
Provision for impairment	(4,098)	(206)	(38,750)	(43,054)
Net receivables	1,395,741	24,964	91,295	1,512,000

Islamic credit cards	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
June 30,2021				
Receivables	12,820	1,206	2,834	16,860
Provision for impairment	(227)	(56)	(1,048)	(1,331)
Net receivables	12,593	1,150	1,786	15,529

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
December 31,2020				
Receivables	7,686	403	777	8,866
Provision for impairment	(137)	(18)	(128)	(283)
Net receivables	7,549	385	649	8,583

6.3 The aging analysis of stage 3 (Non-performing) Islamic Financing receivables Tawarruq is as follows:

June 30 2021	Non-Performing	Provision for impairment	Net of Provisioning
Aging of Islamic financing receivables based on past due days			
90 to 180	43,362	(7,013)	36,349
180 to 270	20,939	(3,500)	17,439
270 to 360	17,419	(4,579)	12,840
360 to 450	14,715	(5,434)	9,281
450 to 540	16,866	(7,952)	8,914
540 to 630	14,808	(8,129)	6,679
630 and above	21,214	(12,346)	8,868
Total	149,323	(48,953)	100,370

December 31 2020	Non-Performing	Provision for impairment	Net of Provisioning
Aging of Islamic financing receivables based on past due days			
90 to 180	32,465	(1,285)	31,180
180 to 270	21,882	(3,000)	18,882
270 to 360	23,910	(6,443)	17,467
360 to 450	21,256	(7,808)	13,448
450 to 540	14,002	(7,501)	6,501
540 to 630	10,076	(7,024)	3,052
630 and above	7,231	(5,817)	1,414
Total	130,822	(38,878)	91,944

(All amounts in Saudi Riyals in thousand unless otherwise stated)

6. **ISLAMIC FINANCING RECEIVABLES** (continued)

6.4 The movement in provision for impairment for Islamic financing receivables is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
January 1, 2021	4,607	242	38,488	43,337
Transfer from performing	(165)	165		-
Transfer from under-performing	48	(213)	165	-
Transfer from non-performing	711	74	(785)	-
Financial assets – settled	(766)	(28)	(5,968)	(6,762)
Financial assets originated	(507)	(21)	(107)	(635)
Changes to model assumptions (Note 6.10)	-	-	-	-
Changes to methodologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	675	503	18,207	19,385
	(4)	480	11,512	11,988
Write-off during the year	-	-	-	-
June 30, 2021	4,603	722	50,000	55,325

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
January 1, 2020	3,795	291	25,319	29,405
Transfer from performing	(816)	816	-	-
Transfer from under-performing	33	(837)	804	-
Transfer from non-performing	198	39	(237)	-
Financial assets – settled	(1,336)	(182)	(5,641)	(7,159)
Financial assets originated	1,779	-	-	1,779
Changes to model assumptions (note 6.10)	373	18	3,524	3,915
Changes to methodologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	581	97	34,879	35,557
	812	(49)	33,329	34,092
Write-off during the year	-	-	(20,160)	(20,160)
December 31, 2020	4,607	242	38,488	43,337

6.5 During the six-month period ended June 30, 2021, Islamic financing receivables of nil (2020: SR 10 million) were written-off.

6.6 Provision for impairment

	June 30, 2021	December 31,2020 (Audited)
January 1,	43,337	29,405
Charge for the period / year	11,988	34,092
Written off loans during the period / year	-	(20,160)
Balance at end of period / year	55,325	43,337

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6. ISLAMIC FINANCING RECEIVABLES (continued)

6.7 Reversal of impairment – net

	For the six month period ended June 30	
	2021	2020
Impairment provision charge	11,988	17,982
Recoveries of receivables after write-off- note 6.7.1	(20,304)	(12,254)
(Reversal) / charge of impairment – net	(8,316)	5,728

6.7.1 This includes recoveries from written-off balances in the previous years. Further, the effect of "recoveries after written-off " on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model. Considering the recoveries from previously written off balances, no write-off was recorded during the six-months period ended June 30, 2021.

6.8 Amounts written off still subject to enforcement activity

As of June 30, 2021, the receivables amount written off still subject to enforcement activity are amount to SR 67 million (December 31, 2020: SR 87.3 million).

6.9 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.6 billion (December 31, 2020: SR 0.6 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.6 billion (December 31, 2020: SR 0.6 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The Company is liable to the repayments of their assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement the Company is not allowed to repledge those receivable and the financial institution has recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and the liability is approximate to their fair value.

6.10 Changes in assumptions including incorporation of forward looking information. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has used GDP growth rate and inflation as their key macroeconomic factors giving equal weightages to each. The macro-economic factors has been updated based on the latest available information (as issued by ministry of finance budget statement fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively).

The average credit losses of IFR with more than 40,000 customers with shared risk characteristics is a reasonable estimate of the probability weighted amount. Further, the Company has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

Sensitivity analysis:

The increase or decrease of 10% change in macro-economic factors will result SR 1.3 million increase or SR 2.4 million decrease in the ECL provision.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macro-economic factor remains the same will result SR 3.6 million increase or SR 3.7 million decrease in the ECL provision.

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6. ISLAMIC FINANCING RECEIVABLES (continued)

6.11 Reconciliation of gross receivables:

The movement in Gross receivables for Islamic financing receivables (tawarruq) is as follows

	As at June 30, 2021	As at December 31, 2020 (Audited)
Gross carrying amount as at January 1,	1,555,054	1,757,499
Financial assets originated during the year (all stage 1)	424,868	549,900
Financial assets derecognised during the year other than write-offs / collections (significantly pertain to stage 1 customers)	(389,751)	(744,132)
New financial assets originated or purchased	-	-
Modification of contractual cashflows of financial assets	-	-
Changes in profit accruals (significantly pertain to stage 1 customers)	4,986	11,947
Write-offs (From stage 3)	-	(20,160)
	40,103	(202,445)
Gross carrying amount as at December 31,	1,595,157	1,555,054

7. ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES

	June 30, 2021	December 31, 2020 (Audited)
Islamic bank financings (Note 7.1)	641,336	661,354
Lease liabilities	2,227	3,452
	643,563	664,806

7.1 These includes SR 8.2 million payable to SAMA against the repayments deferment program, the loans received has the maturity of one year.

8. DIVIDEND

During the period, the Company has paid dividends amounting to SR 0.77 per share after obtaining Board (in line with By-Laws of the Company) and SAMA approval.

9. EARNINGS PER SHARE

	For the six months period ended June 30	
	2021	2020
Net income for the period	116,020	91,114
Weighted average number of shares for basic and diluted EPS	100,000	100,000
Basic and diluted EPS in Saudi Riyals	1.16	0.91

10. SALARIES AND EMPLOYEES RELATED EXPENSES

	For the six months period ended June 30,	
	2021	2020
Salaries and employee related costs	35,751	34,023
Management fees and bonus – Note 10.1	4,167	9,583
Directors and Board committee fees	1,725	1,922
	41,643	45,528

10.1 This includes employees' long-term incentive charge of nil (June 30, 2020: SR 5.8 million).

(All amounts in Saudi Riyals in thousand unless otherwise stated)

11. CONTINGENCY AND COMMITMENTS

There is no significant change in the status of contingencies since the year ended December 31, 2020. Further, there is no significant capital commitment as at the interim statement of financial position date.

12. RELATED PARTY TRANSACTIONS AND BALANCES

12.1 Significant related party transactions during the year were as follows:

Related party	Nature of transaction	June 30, 2021	June 30, 2020
Shareholders	Cash dividend declared and paid	77,220	48,507
Key management personnel (KMP)	Compensation for the period	5,894	5,719
	Incentive for continuing service	-	5,833
	Employees' end of service benefits	480	564
Directors and Board Committee members	Remuneration for the period of Directors and Board Committee members	1,700	1,922
Other related parties	Zakat/VAT consultancy fee	269	95
	IT software services rendered	3,589	3,516
Affiliates	Commodities/ securities dealings account - deposit made	1,500	11,000
	Rental charge	641	557
	Advisory charges and others	-	10

12.2 Key management personnel of the Company include Chief executive officer and senior management.

12.3 Significant balances of related parties as at statement of financial position date were as follows:

	As at June 30, 2021	As at December 31, 2020 (Audited)
Receivables from / advances to related parties		
Affiliates –Term deposit	34,915	34,562
Payables / accruals		
Key management compensation and Board remuneration	4,112	13,303
Provision of EOSB of Key Management Personnel	2,941	3,263

13. CAPITAL MANAGEMENT

The Company's objective when managing capital are:

- To safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.
- to comply with the gearing ratio set by the SAMA

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribed requirements.

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At statement of financial position date, the management analysis of gearing ratio was as follows:

	June 30, 2021	December 31, 2020 (Audited)
Shareholders' equity	1,158,175	1,119,375
Islamic bank financing	641,336	661,354
Total capital structure	1,799,511	1,780,729
Gearing ratio	36.63%	37.14%

14. IMPACT OF COVID 19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience "second wave" and "third 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.

Nayifat's business operations has shown improvement in disbursements since June 2020 after showing decline during the months of April and May, on the collection side on the other hand the Company has achieved the same levels as was the case pre COVID-19 after facing marginal decline in April and May 2020. This is mainly due to the reason that majority of the customer base (above 90%) is Government sector employees.

From a liquidity perspective the Company has access to substantial unutilized long-term facilities from banks to finance its current and long-term funding needs of which approximately only 30% stands utilized as at June 30, 2021. Further because of regular collections the Company has sufficient liquidity available in addition to the un-utilized bank limits, and therefore the Company is not significantly exposed to liquidity risk. The management of the Company has taken a pro-active step by placing the surplus funds available with banks to generate revenue and minimize the impact on the Company's net income.

Based on these factors, the Company's management believes that the COVID-19 pandemic has had it's impact on the profitability of the Company, only due to ECL and reduced disbursals, however, this is expected to be temporary. Therefore, if the COVID-19 pandemic situation prolongs for a longer period of time or lockdown restrictions are re-imposed this may impact the profitability of the Company in view of the reduction in loan bookings compared to past period and may also have an impact on the collections from higher buckets dues. The Company's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required.

15. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

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

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities, except derivatives, which is carried at fair value and of insignificant amount, of the Company, are categorised as held at amortized cost, which approximate their fair value, and accordingly fair value hierarchy disclosure has not been provided.

16. SEGMENTS

The Company's operations are in the Kingdom of Saudi Arabia and currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue. The entire revenue of SR 196.4 million is from external customers and SR 195.5 million is attributed to Tawarruq and SR 0.9 million credit card. All non-current assets are in KSA.

17. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on July 15, 2021.

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