

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED
MARCH 31, 2017 (UNAUDITED)
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017 (UNAUDITED)

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

May 21, 2017

To the shareholders of Dar Al-Etiman Al Saudi Company:
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dar Al-Etiman Al Saudi Company (a Saudi Closed Joint Stock Company) ("the Company") as of March 31, 2017 and the related condensed interim statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and Saudi Arabian Monetary Authority's ("SAMA") guidance on accounting for zakat and income taxes. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", 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.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 and SAMA's guidance on accounting for zakat and income taxes.

PricewaterhouseCoopers

By: 
Mufaddal A. Ali
License Number 447



DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of financial position
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	As at	
		March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets			
Cash and cash equivalents	5	12,970,314	16,884,635
Net investment in finance lease	6	235,797,071	202,777,580
Prepayments and other receivables	7	102,158,467	114,304,897
Property and equipment		1,179,674	1,283,396
Total assets		352,105,526	335,250,508
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	100,000,000	100,000,000
Statutory reserve	9	4,350,135	4,350,135
Retained earnings		9,870,489	13,999,221
Total shareholders' equity		114,220,624	118,349,356
Liabilities			
Accounts payable	12	198,860,600	173,169,733
Accrued and other liabilities	10	7,127,980	8,008,248
Provision for zakat	11	3,996,791	3,246,791
Net servicing liability under agency agreement	15	24,739,546	29,508,068
Post-employment benefits		3,159,985	2,968,312
Total liabilities		237,884,902	216,901,152
Total shareholders' equity and liabilities		352,105,526	335,250,508

These condensed interim financial information have been approved by the management on May 21, 2017 and signed on their behalf by:



 Chief Executive Officer



 Chief Financial Officer

The notes on pages 7 to 13 form an integral part of these condensed interim financial information.

DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of comprehensive income
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited) Restated
Income			
Lease income		5,371,774	5,623,777
Fee and other processing income		3,260,493	3,435,007
Other income		887,436	661,810
Total income		9,519,703	9,720,594
Expenses			
Finance cost		(1,565,792)	-
General and administrative expenses		(7,124,877)	(6,652,611)
Impairment of investment in finance lease	6	(1,200,000)	(1,200,000)
Other operating costs		(3,007,766)	(3,049,920)
Total expenses		(12,898,435)	(10,902,531)
Net loss for the period		(3,378,732)	(1,181,937)
Other comprehensive income		-	-
Total comprehensive loss for the period		(3,378,732)	(1,181,937)

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 Chief Executive Officer



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DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of changes in shareholders' equity
 (All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at December 31, 2015 (audited)	100,000,000	4,350,135	19,444,406	123,794,541
Total comprehensive loss for the period as restated	-	-	(1,181,937)	(1,181,937)
Zakat charge for the period as restated	-	-	(750,000)	(750,000)
Balance as at March 31, 2016 (restated and unaudited)	100,000,000	4,350,135	17,512,469	121,862,604
Balance as at December 31, 2016 (audited)	100,000,000	4,350,135	13,999,221	118,349,356
Total comprehensive loss for the period	-	-	(3,378,732)	(3,378,732)
Zakat charge for the period	-	-	(750,000)	(750,000)
Balance as at March 31, 2017 (unaudited)	100,000,000	4,350,135	9,870,489	114,220,624

These condensed interim financial information have been approved by the management on May 21, 2017 and signed on their behalf by:



 Chief Executive Officer



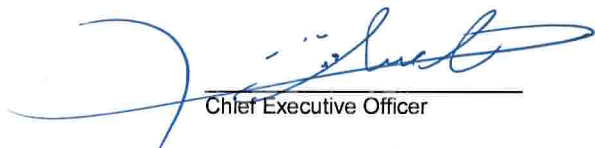
 Chief Financial Officer

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DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited)
CASH FLOW OPERATING ACTIVITIES			
Net loss for the period		(3,378,732)	(1,181,937)
Adjustments for:			
Depreciation on property and equipment		111,202	159,380
Allowance for impairment against finance lease receivable	6	1,200,000	1,200,000
Provision for post-employment benefits		195,814	133,766
Finance cost		1,565,792	-
Changes in working capital:			
Prepayments and other receivables		1,845,016	(5,629,894)
Accounts payable		24,125,075	32,968,644
Accrued and other liabilities		(880,268)	(469,469)
Net servicing liability under agency agreement		(4,768,522)	-
Cash generated from operations		20,015,377	27,180,490
Post-employment benefits paid		(4,141)	(42,205)
Net cash generated from operating activities		20,011,236	27,138,285
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in finance lease		(34,219,491)	(23,546,659)
Release of security deposit		10,301,414	-
Additions to property and equipment		(7,480)	(38,856)
Net cash used in investing activities		(23,925,557)	(23,585,515)
Net (decrease) / increase in cash and cash equivalents		(3,914,321)	3,552,770
Cash and cash equivalents at beginning of the period		16,884,635	20,898,659
Cash and cash equivalents at end of the period	5	12,970,314	24,451,429

These condensed interim financial information have been approved by the management on May 21, 2017 and signed on their behalf by:



Chief Executive Officer



Chief Financial Officer

The notes on pages 7 to 13 form an integral part of these condensed interim financial information.

DAR AL-ETIMAN AL SAUDI COMPANY
A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information for the three-month period ended March 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Dar Al-Etiman Al Saudi Company (the "Company") is principally engaged in providing lease financing for motor vehicles within the Kingdom of Saudi Arabia. The Company's head office is located at Prince Sultan Street, P.O. Box 55274, Jeddah 21534, Saudi Arabia.

The Company is incorporated as a Saudi Closed Joint Stock Company ("SCJSC") pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to March 31, 2015). Prior to its conversion to a Saudi closed joint stock company, the Company was operating as a Limited Liability Company ("LLC") registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

In accordance with requirements of Article 6 of the Implementing Regulation of the Law of Supervision of Finance Companies, Company has obtained a license No. 33/AM/201505 from Saudi Arabian Monetary Authority (SAMA) to conduct finance lease activities on Rajab 16, 1436 (corresponding to May 5, 2015).

The accompanying condensed interim financial information include the accounts of the Company's head office and all its branches.

2. Basis of preparation

During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) ("Circular") and subsequent amendments through certain clarifications relating to the accounting for zakat and income taxes. The impact of these amendments is that zakat and income taxes will be recognized in the condensed interim statement of shareholders' equity with a corresponding liability in the condensed interim statement of financial position.

Applying the above guidance, the condensed interim financial information of the Company as at and for the three month period ended March 31, 2017 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance on accounting for zakat and income taxes.

Until 2016, the condensed interim financial information of the Company were prepared in accordance with IAS 34. This change in framework resulted in a change in accounting policy for zakat and income taxes (as disclosed in Note 4) to the condensed interim financial information.

The interim condensed financial information are prepared under the historical cost convention using the accrual basis of accounting and going concern assumptions.

As at March 31, 2017 current liabilities of the Company have exceeded current assets by Saudi Riyals 97.7 million (December 31, 2016: Saudi Riyals: 71.2 million). The Company's financial liabilities primarily consist of accounts payable, accrued and other liabilities. Even though significant portion of these liabilities are expected to be settled within 12 months from the reporting date, the Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of due to both current assets and current liabilities.

The Company's management has prepared its business plan and cash flow forecasts for the twelve months from the reporting date taking into consideration the nature and condition of business, the degree to which it is effected by external factors and other financial data available at the time of preparation of such forecasts. Further, significant portion of the Company's accounts payable related to payable to UMA which maintains an open account with the Company and the Company expects to continue to obtain support from UMA for the next twelve months from the reporting data.

These interim condensed financial information are expressed in Saudi Riyals, which is the Company's functional and reporting currency.

These interim condensed financial information have been reviewed, not audited.

Use of estimate

The preparation of these interim condensed financial information 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.

In preparing these interim condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended December 31, 2016.

In addition, results for the three-month period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2017.

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2017
 (All amounts in Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies

The accounting policies used in the preparation of these condensed interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2016, except for the change in accounting policy relating to zakat as follows:

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. As explained in Note 2, provision for zakat is charged to the statement of changes in equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Until 2016, zakat was charged to the statement of comprehensive loss as per the requirements of International Financial Reporting Standards ("IFRS"). Therefore, the condensed interim financial information have been restated and the effects of the above change are disclosed in Note 4 to the condensed interim financial information.

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, if any, which were issued by the International Accounting Standards Board (IASB) effective for the financial reporting period commencing on or after January 1, 2017:

Standard	Description
IAS 7	IAS Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative: These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
Annual improvements 2014–2016	IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after January 1, 2017.

New standards, amendments to the published approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

The Company has not early adopted the following amendments and revisions to existing standards, if any, which were issued by the International Accounting Standards Board (IASB) effective for the financial reporting period commencing on or after January 1, 2017:

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 2	Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions.	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 4	Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	January 1, 2018
IAS 40	Amendment to IAS 40, 'Investment property' relating to transfers of investment property	January 1, 2018
Annual improvements 2014–2016	These amendments impact the following standards: <ul style="list-style-type: none"> • IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. • IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. 	January 1, 2018
IFRS 16	Leases	January 1, 2019

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

3.1 Reclassifications

Following reclassifications have been made in the comparative 2016 condensed interim financial information to conform to 2017 presentation:

Condensed Interim Statement of comprehensive income

For better presentation, 'other income' amounting to Saudi Riyals 213,713 has been reclassified and presented in 'lease income' on the face of the condensed interim statement of comprehensive income.

4. Change in accounting policy

The change in the accounting policy for zakat (as explained in Note 2) has the following impact on the condensed interim statements of comprehensive income and statement of changes in shareholders' equity:

For the three-month period ended March 31, 2016

	As previously reported (Unaudited)	Effect of restatement	As restated (Unaudited)
Statement of comprehensive income			
Zakat	(750,000)	750,000	-
Loss for the period	(1,931,937)	750,000	(1,181,937)
Total comprehensive loss for the period	(1,931,937)	750,000	(1,181,937)
Statement of changes in shareholders' equity			
Total comprehensive loss for the period	(1,931,937)	750,000	(1,181,937)
Zakat charge for the period	-	(750,000)	(750,000)

The above change in accounting policy did not have any effect on the condensed interim statement of financial position as of December 31, 2016 and the condensed interim statement of cash flows for the three-month period ended March 31, 2016.

5. Cash and cash equivalents

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash at banks	11,168,066	1,153,752
Cash in hand	1,802,248	15,730,883
	12,970,314	16,884,635

6. Net investment in finance lease

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Gross investment in finance lease	344,840,406	299,971,065
Less: Unearned finance income and other related credits	(88,067,918)	(77,416,076)
Net investment in finance lease	256,772,488	222,554,989
Less: Impairment against investment in finance lease	(20,975,417)	(19,777,409)
	235,797,071	202,777,580

DAR AL-ETIMAN AL SAUDI COMPANY
A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information for the three-month period ended March 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

6.1 Details of investment in finance lease

	March 31, 2017 (Unaudited)			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	116,947,148	(29,171,198)	(20,975,417)	66,800,533
One to five years	227,893,258	(58,896,720)	-	168,996,538
	344,840,406	(88,067,918)	(20,975,417)	235,797,071

	December 31, 2016 (Audited)			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	101,166,932	(25,099,412)	(19,777,409)	56,290,111
One to five years	198,804,133	(52,316,664)	-	146,487,469
	299,971,065	(77,416,076)	(19,777,409)	202,777,580

The Company's implicit rate of return on leases ranges between 9% and 11% per annum. These are secured by promissory notes from the customer and against leased assets.

Amounts due after one year represents minimum lease payments under finance lease contracts, which are due for payment by customers after one year from the statement of financial position date.

Following are the scheduled maturities of the net investment in finance lease from one to five years:

Twelve months period ending March 31:

2018	36,192,869
2019	40,105,211
2020	36,540,572
2021	48,831,434
2022	7,326,452
	168,996,538

6.2 The movement in impairment against net investment in finance lease is as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Opening balance	19,777,409	28,147,448
Charge	1,200,000	4,800,000
Write-offs	(1,992)	(13,170,039)
Closing balance	20,975,417	19,777,409

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

The ageing of investment in finance lease which are past due but not considered impaired by the management is as follows:

	March 31, 2017	December 31,
	(Unaudited)	2016
		(Audited)
Less than 90 days	4,167,952	3,475,315
91-180 days	1,259,638	1,645,579
181-365 days	2,236,672	1,443,400
More than 365 days	<u>23,170,255</u>	<u>22,475,057</u>
	30,834,517	29,039,351
Impairment against net investment in finance lease	<u>(20,975,417)</u>	<u>(19,477,409)</u>
Total	<u>9,859,100</u>	<u>9,261,942</u>

The not yet due portion of the above balances included in investment in finance lease is Saudi Riyals 107 million (December 31, 2016: Saudi Riyals 84.32 million).

In prior years, the Company has sold its receivable from finance lease contracts to various financial institutions and derecognized such receivables. Further, the Company has entered into an arrangement for servicing such sold finance lease receivables, See details in note 15.

7. Prepayments and other receivables

		March 31, 2017	December 31,
	Note	(Unaudited)	2016
			(Audited)
Restricted deposits	7.1	86,077,651	96,379,065
Prepaid insurance		6,284,078	11,684,965
Receivable from employees		2,126,495	1,943,503
Other prepayments and receivables		<u>7,670,243</u>	<u>4,297,364</u>
		102,158,467	114,304,897

7.1 The financial institutions require the Company to keep certain balance as restricted deposit against sold receivables. These deposits are released at the end of securitization contracts and are recorded at their fair value. The non-current portion of these restricted deposits is amounting to Saudi Riyals 53.65 million (2016: Saudi Riyals 57.8 million).

8. Share capital

The share capital of the Company as of March 31, 2017 and December 31, 2016 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

		Shareholding	
		March 31, 2017	December 31,
	Nationality	(Unaudited)	2016
			(Audited)
Modern Ajwad for Commercial Investment Company Limited	Saudi	60.0%	60.0%
Tawad Commercial Investment Company Limited	Saudi	37.5%	37.5%
Saudi Diesel Equipment Company Limited	Saudi	1.0%	1.0%
Trans Arabian Technical Services Company Limited	Saudi	1.0%	1.0%
Arabian Property Company Limited.	Saudi	0.5%	0.5%
		<u>100%</u>	<u>100%</u>

DAR AL-ETIMAN AL SAUDI COMPANY
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Notes to the condensed interim financial information for the three-month period ended March 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

9. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the accompanying condensed interim financial information is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

10. Accrued and other liabilities

	March 31, 2017	December 31,
	(Unaudited)	2016
		(Audited)
Employee related accruals	3,023,304	3,029,717
Accrued board of directors remuneration	855,000	1,080,000
Advances from customers	3,045,879	3,540,510
Other accruals	203,797	358,021
	7,127,980	8,008,248

11. Provision for zakat

The Company has filed its zakat declarations with General Authority of Zakat and Tax (the "GAZT") till 2015 and has received final zakat assessments till the year 2010. The Zakat declarations for the year 2011 to 2015 are still under review of GAZT.

12. Related party transactions

During the period, the Company has transactions with Universal Motors Agencies ("UMA"), an affiliate.

Significant transactions with related party in the ordinary course of business included in the condensed interim financial information are summarized below:

	March 31, 2017	March 31, 2016
	(Unaudited)	(Unaudited)
Purchase of motor vehicles	50,779,711	58,379,898
Finance cost charged by UMA	1,551,263	-

Compensation of key management personnel

	March 31, 2017	March 31, 2016
	(Unaudited)	(Unaudited)
Salaries and bonuses paid / accrued to key management personnel	575,764	610,928
End of service indemnities accrued during the period	35,284	33,374

Payable to a related party

Significant period end balance arising from transactions with a related party is as follows:

		March 31, 2017	December 31,
	Relationship	(Unaudited)	2016
			(Audited)
Universal Motors Agencies	Affiliate	172,389,047	150,541,729

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Notes to the condensed interim financial information for the three-month period ended March 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

13. Financial risk management

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; and therefore should be read in conjunction with the Company's annual financial statements as at December 31, 2016. There have been no changes in the risk management policies since the year end.

14. Seasonality of operations

The principal activity of the Company is to provide finance lease services to customers and its activities are evenly spread throughout the year.

15. Finance lease receivables – securitization and agency agreements

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to various financial institutions.

The outstanding position of such off statement of financial position finance lease receivables is as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Finance lease receivables sold under securitization agreements	283,681,205	339,333,382

Maturity profile of finance lease receivable sold under securitized deals are as follows:

	March 31, 2017 (unaudited)	
	Less than one year	One to five year
Securitization agreements	140,797,414	142,883,791
	December 31, 2016 (Audited)	
	Less than one year	One to five year
Securitization agreements	160,927,419	178,394,963

Net servicing liability for sold receivable

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the sold receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognises either a net servicing asset or a net servicing liability for that servicing contract at its fair value. Such fees are netted-off with related cost of servicing such sold finance lease receivables

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing including salaries and other direct costs. The change in the servicing cost represents the increment to the servicing cost as a result of inflation.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing liability. Evaluation of impairment is performed on a quarterly basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.