

**AMLAK INTERNATIONAL FOR REAL ESTATE
FINANCE COMPANY**
(A Saudi Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended
30 September 2020
together with the
Independent Auditor's Review Report



KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

Independent auditor's report on review of the condensed interim financial statements

To the shareholders of Amlak International for Real Estate Finance Company

Introduction

We have reviewed the accompanying 30 September 2020 condensed interim financial statements of Amlak International for Real Estate Finance Company ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2020;
- the condensed interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2020;
- the condensed interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2020; and
- the notes to the condensed interim financial statements.

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


Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed interim financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants



Fahad Mubark Al Dossari
License No: 469



Al Riyadh, 9 Rabi'ul Awwal 1442H
Corresponding to: 26 October 2020

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2020
(SR '000)

		30 September 2020	31 December 2019
	<i>Notes</i>	(Unaudited)	(Audited)
<u>ASSETS</u>			
Cash and cash equivalents		79,783	7,876
Investments		11,622	11,922
Murabaha receivables, net	4	142,455	123,450
Ijara receivables, net	5	3,374,446	3,016,729
Ijara mawsofa fi athemmah receivables, net	6	70,550	57,449
Prepayments and other assets		114,359	127,647
Property and equipment, net		59,789	60,061
Positive fair value of derivatives		--	71
TOTAL ASSETS		3,853,004	3,405,205
<u>LIABILITIES AND EQUITY</u>			
Account payables and other accruals	7	197,983	147,829
Negative fair value of derivatives		12,105	3,621
Zakat and income tax payable	8	33,208	34,380
Borrowings	9	2,469,812	2,080,432
Employees' end of service benefits		14,637	13,666
TOTAL LIABILITIES		2,727,745	2,279,928
Share capital	10	906,000	906,000
Statutory reserve		68,416	68,416
Cash flow hedge reserve		(12,105)	(3,550)
Retained earnings		162,948	154,411
TOTAL EQUITY		1,125,259	1,125,277
TOTAL LIABILITIES AND EQUITY		3,853,004	3,405,205


 Ali Al Shashaa
 Chief Financial Officer


 Abdullah Al Sudairy
 Chief Executive Officer


 Abdullah Al Howaish
 Chairman

The attached notes 1 to 21 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020	2019	2020	2019
INCOME					
Income from Murabaha contracts		3,342	1,870	11,669	5,972
Income from Ijara contracts		60,204	66,298	190,875	192,363
Income from Ijara mawsofa fi athemmah contracts		1,823	1,316	5,600	3,667
Gain on sale of portfolio		3,006	9,396	1,561	9,777
Fees and commission income		3,144	5,642	10,230	10,304
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		71,519	84,522	219,935	222,083
EXPENSES					
Finance cost		(18,534)	(24,406)	(52,182)	(71,768)
Fee expense		(559)	(87)	(1,785)	(1,611)
Net income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		52,426	60,029	165,968	148,704
Other operating loss					
Other loss		(171)	(905)	(487)	(312)
		52,255	59,124	165,481	148,392
OPERATING EXPENSES					
Depreciation		(1,571)	(789)	(4,450)	(2,038)
General and administrative expenses	13	(18,522)	(17,532)	(54,466)	(53,419)
Selling and marketing expenses	14	(3,023)	(3,934)	(9,264)	(9,139)
Impairment charge for expected credit losses, net		(1,735)	(7,775)	(8,137)	(6,097)
Profit before zakat and income tax		27,404	29,094	89,164	77,699
Zakat and income tax expense:					
- Current period	8	(4,207)	(4,334)	(12,677)	(13,057)
- Prior period	8	--	--	--	(16,608)
NET PROFIT FOR THE PERIOD AFTER ZAKAT AND INCOME TAX		23,197	24,760	76,487	48,034
Basic and diluted earnings per share (SR)	12	0.26	0.27	0.84	0.53


Ali Al Shashaa
Chief Financial Officer



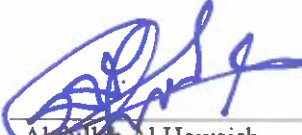

Abdullah Al Sudairy
Chief Executive Officer


Abdullah Al Howaish
Chairman

The attached notes 1 to 21 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
PROFIT FOR THE PERIOD	23,197	24,760	76,487	48,034
OTHER COMPREHENSIVE LOSS				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cash flow hedges	<u>2,099</u>	1,935	<u>(8,555)</u>	(1,897)
	2,099	1,935	(8,555)	(1,897)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gain on employee benefits	--	--	--	(360)
Total other comprehensive loss	<u>2,099</u>	<u>1,935</u>	<u>(8,555)</u>	<u>(2,257)</u>
TOTAL COMPREHENSIVE INCOME	<u>25,296</u>	<u>26,695</u>	<u>67,932</u>	<u>45,777</u>

 <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> Ali Al Shashaa Chief Financial Officer	 <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> Abdullah Al Sudairy Chief Executive Officer	 <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> Abdullah Al Howaish Chairman
---	---	---

The attached notes 1 to 21 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

<u>For the period ended 30 September 2020</u>	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve investment at FVOCI</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2020	906,000	68,416	--	(3,550)	154,411	1,125,277
Net profit for the period	--	--	--	--	76,487	76,487
Other comprehensive loss	--	--	--	(8,555)	--	(8,555)
Dividend (note 11)	--	--	--	--	(67,950)	(67,950)
Balance at 30 September 2020	906,000	68,416	--	(12,105)	162,948	1,125,259

<u>For the period ended 30 September 2019</u>	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve investment at FVOCI</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 31 December 2018 – as previously reported (audited)	906,000	61,415	(409)	1,087	158,301	1,126,394
Impact of change in accounting of zakat and income tax	--	--	--	--	516	516
Balance at 31 December 2018 – as restated	906,000	61,415	(409)	1,087	158,817	1,126,910
Impact of adoption of new standard and other adjustments at 1 January 2019	--	--	409	--	(409)	--
Net profit for the period	--	--	--	--	48,034	48,034
Other comprehensive loss	--	--	--	(1,897)	(360)	(2,257)
Dividend (note 11)	--	--	--	--	(67,950)	(67,950)
Balance at 30 September 2019	906,000	61,415	--	(810)	138,132	1,104,737


Ali Al Shashaa
Chief Financial Officer


Abdullah Al Sudairy
Chief Executive Officer


Abdullah Al Howaish
Chairman

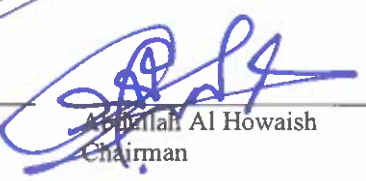
The attached notes 1 to 21 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2020
(SR '000)

	<i>Notes</i>	For the nine-month period ended 30 September	
		<u>2020</u>	<u>2019</u>
Cash flows from operating activities:			
Net profit for the period before zakat and income tax		89,164	77,699
<i>Non-cash adjustment to reconcile net profit before zakat and income tax for the period to net cash from operating activities</i>			
Depreciation		4,450	2,038
Borrowing facility cost and charges		54,821	71,768
Employees' end of service benefits		2,192	2,134
Impairment allowance for expected credit losses		8,137	6,097
Modification loss on Murabaha and Ijara receivables, net	20	2,270	--
Modification gain on borrowings, net	20	(2,639)	--
Gain on sale of portfolio		(1,561)	(9,777)
Other loss		487	312
		<u>157,321</u>	<u>150,271</u>
<i>Decrease / (increase) in operating assets</i>			
Murabaha receivables		(19,436)	30,958
Ijara receivables		(366,343)	46,866
Ijara mawsofa fi athemmah receivables		(13,149)	15,690
Prepayments and other assets		13,288	2,037
<i>(Decrease) / increase in operating liabilities</i>			
Account payables and other accruals		(17,510)	12,029
		<u>(245,829)</u>	<u>257,851</u>
Finance cost paid		(56,448)	(71,733)
Employees' end of service benefits paid		(1,221)	(1,043)
Zakat and income tax paid		(14,304)	(29,393)
		<u>(317,802)</u>	<u>155,682</u>
<i>Net cash (used in) / generated from operating activities</i>			
Cash flows from investing activities			
Purchase of property and equipment		(4,178)	(6,375)
Proceeds from investments in joint ventures		--	4,111
		<u>(4,178)</u>	<u>(2,264)</u>
<i>Net cash used in investing activities</i>			
Cash flows from financing activities			
Repayment against borrowings		(917,368)	(830,854)
Proceeds from borrowings		1,312,419	738,000
Payment of lease liabilities		(1,164)	--
Dividend paid		--	(67,891)
		<u>393,887</u>	<u>(160,745)</u>
<i>Net cash generated from / (used in) financing activities</i>			
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		71,907	(7,327)
Cash and cash equivalents at beginning of the period		7,876	15,965
		<u>79,783</u>	<u>8,638</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Non-cash supplemental information:			
Net changes in fair value of cash flow hedge		(8,555)	(1,897)


Ali Al Shashaa
Chief Financial Officer


Abdullah Al Sudairy
Chief Executive Officer


Abdullah Al Howaish
Chairman

The attached notes 1 to 21 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR ‘000)

1. THE COMPANY AND THE NATURE OF OPERATIONS

Amlak International for Real Estate Finance Company (“Amlak” or the “Company”) is a Saudi Joint Stock Company established and registered in the Kingdom of Saudi Arabia under commercial registration number 1010234356 in Riyadh dated 25 Jumada Awal 1428H (corresponding to 11 June 2007). As part of the mortgage regulations, the Company is in the process of exiting from the investment related business.

As per the revised commercial registration certificate of the Company dated 11 Ramadan 1435H (corresponding to 8 July 2014), the objectives of the Company is to provide real estate finance as per Saudi Arabian Monetary Authority (“SAMA”) license dated 21 Safar 1435H (corresponding to 24 December 2013).

The registered office of the Company is located at Thumamah Road, Kingdom of Saudi Arabia. A Corporate Office has been established in Jeddah by the Company in 2019. The Company has following branches:

<u>Branch</u>	<u>Commercial Registration Number</u>	<u>Date of issuance</u>	<u>Location</u>
	2050057816	30/12/1428	Khobar
	4030171680	24/07/1428	Jeddah

The Company has a wholly owned entity, Amlak International For Real Estate Development Company (the “Subsidiary”), which has a share capital of SR 500,000. The objective of the Subsidiary is to hold titles of real estate properties financed by the Company. The Company has not consolidated the Subsidiary as assets and liabilities of the Subsidiary are not considered material.

During the three-month period ended 30 September 2020, the Company has listed its 30% share capital on Tadawul (Saudi Stock Exchange). Accordingly, the status of the Company has changed from Saudi Closed Joint Stock Company to Saudi Joint Stock Company.

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

The condensed interim financial statements of the Company as at and for the period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”).

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 December 2019.

2.2 *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost convention except for the measurement of investments and derivatives, which are carried at fair value. Further, employees’ end of service benefits are measured at present value of future obligations using the Projected Unit Credit Method.

2.3 *Functional and presentation currency*

These condensed interim financial statements have been presented in Saudi Arabian Riyals (SR), as it is the functional currency of the Company. All financial information presented has been rounded-off to the SR in thousand unless otherwise stated.

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended 31 December 2019.

4. MURABAHA RECEIVABLES, NET

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross Murabaha receivables	144,695	125,419
Less: Impairment allowance for expected credit losses	<u>(2,240)</u>	<u>(1,969)</u>
Murabaha receivables, net	<u>142,455</u>	<u>123,450</u>

5. IJARA RECEIVABLES, NET

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara receivables	4,667,172	4,204,624
Less: Unearned income	<u>(1,200,810)</u>	<u>(1,102,495)</u>
	3,466,362	3,102,129
Less: Impairment allowance for expected credit losses	<u>(91,916)</u>	<u>(85,400)</u>
Ijara receivables, net	<u>3,374,446</u>	<u>3,016,729</u>

During the period ended 30 September 2020, the Company has settled one stage 3 account and has written-off receivables of SR 1.3 million (31 December 2019: SR Nil).

5.1 The maturity profile of Ijara receivables as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020 (Unaudited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Ijara receivables	1,104,221	2,167,644	1,395,307	4,667,172
Less: Unearned income	<u>(290,613)</u>	<u>(580,477)</u>	<u>(329,720)</u>	<u>(1,200,810)</u>
	813,608	1,587,167	1,065,587	3,466,362
Less: Impairment allowance for expected credit losses				<u>(91,916)</u>
Ijara receivables, net				<u>3,374,446</u>

	31 December 2019 (Audited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Ijara receivables	901,098	2,140,538	1,162,988	4,204,624
Less: Unearned income	<u>(245,512)</u>	<u>(568,681)</u>	<u>(288,302)</u>	<u>(1,102,495)</u>
	655,586	1,571,857	874,686	3,102,129
Less: Impairment allowance for expected credit losses				<u>(85,400)</u>
Ijara receivables, net				<u>3,016,729</u>

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

6. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara mawsofa fi atthemmah receivables	114,856	128,100
Less: Unearned income	(41,970)	(68,363)
	<u>72,886</u>	<u>59,737</u>
Less: Impairment allowance for expected credit losses	(2,336)	(2,288)
Ijara mawsofa fi atthemmah receivables, net	<u>70,550</u>	<u>57,449</u>

6.1 The maturity profile of Ijara mawsofa fi atthemmah receivables as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020 (Unaudited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Ijara mawsofa fi atthemmah receivables	7,963	32,221	74,672	114,856
Less: Unearned income	(3,640)	(15,040)	(23,290)	(41,970)
	<u>4,323</u>	<u>17,181</u>	<u>51,382</u>	<u>72,886</u>
Less: Impairment allowance for expected credit losses				(2,336)
Ijara mawsofa fi atthemmah receivables, net				<u><u>70,550</u></u>

	31 December 2019 (Audited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Ijara mawsofa fi atthemmah receivables	10,387	35,902	81,811	128,100
Less: Unearned income	(6,763)	(23,310)	(38,290)	(68,363)
	<u>3,624</u>	<u>12,592</u>	<u>43,521</u>	<u>59,737</u>
Less: Impairment allowance for expected credit losses				(2,288)
Ijara mawsofa fi atthemmah receivables, net				<u><u>57,449</u></u>

7. ACCOUNT PAYABLES AND OTHER ACCRUALS

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Dividend payable (note 11)	68,009	--
Payable to the Ministry of Housing (note 7.1)	34,479	33,357
Financing to customers (note 7.2)	23,852	37,697
Lease liabilities	22,225	21,984
Salaries and employee related expenses	12,394	15,823
Accrued expenses	9,158	9,701
Amount received from Murabaha and Ijara customers (note 7.3)	5,232	7,351
Others	22,634	21,916
	<u>197,983</u>	<u>147,829</u>

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

7. ACCOUNT PAYABLES AND OTHER ACCRUALS (CONTINUED)

- 7.1** This pertains to property purchase for customers in a scheme introduced by the Ministry of Housing.
- 7.2** Financing to customers arises when the financing arrangement is agreed with a customer, but the amount is not disbursed due to normal delay in the transfer of property.
- 7.3** This majorly represents down payment received from the customers, which is yet to paid to the seller of the property.

8. ZAKAT AND INCOME TAX

a) The movement in zakat and income tax is as follow:

	For the nine-month period ended 30 September 2020 (Unaudited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the period	34,180	200	34,380
Charge / (reversal) for the period	12,868	(191)	12,677
Unwinding of discount	455	--	455
Payments made during the period	(14,295)	(9)	(14,304)
Balance as at end of the period	<u>33,208</u>	<u>--</u>	<u>33,208</u>

	For the nine-month period ended 30 September 2019 (Unaudited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the period	36,147	643	36,790
Charge for the period:			
- current period	12,649	71	12,720
- prior years	16,367	241	16,608
	29,016	312	29,328
Unwinding of discount	571	--	571
Payments made during the period	(29,400)	--	(29,400)
Balance as at end of the period	<u>36,334</u>	<u>955</u>	<u>37,289</u>

	For the year ended 31 December 2019 (Audited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the year	36,147	643	36,790
Charge for the year:			
- current year	14,857	68	14,925
- prior years	16,367	241	16,608
	31,224	309	31,533
Unwinding of discount	839	--	839
Payments made during the year	(34,030)	(752)	(34,782)
Balance as at end of the year	<u>34,180</u>	<u>200</u>	<u>34,380</u>

b) Zakat and income tax assessment status

Zakat and income tax declarations for all the years up till 2019 have been filed with the GAZT and acknowledgement certificates have been obtained.

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

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

9. BORROWINGS

These represent amounts borrowed from local banks and Saudi Real Estate Re-finance Company ("SRC") under Islamic borrowings approved by the Company's Sharia Committee. These facilities carry borrowing costs at profit rates ranging from 3 months Saudi Inter Bank Offer rates ("SIBOR") plus spread to 3 years SIBOR plus spread, have maturity periods ranging from 1 month to 5 years and are secured by the assignment of proceeds from the Company's receivables.

10. SHARE CAPITAL

As at 30 September 2020, the Company's authorised, issued and paid-up share capital was SR 906 million (31 December 2019: SR 906 million) divided into 90.6 million shares (31 December 2019: 90.6 million shares) with a nominal value of SR 10 each.

11. DIVIDEND

During the nine-month period ended 30 September 2020, the shareholders have approved and declared a dividend of SR 67.95 million for the year 2019 (30 September 2019: SR 67.95 million). Dividend has been paid subsequent to the period ended 30 September 2020.

12. EARNINGS PER SHARE

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2020</u> (Unaudited)	<u>2019</u>	<u>2020</u> (Unaudited)	<u>2019</u>
Profit for the period	23,197	24,760	76,487	48,034
Weighted average number of ordinary shares (in thousands)	90,600	90,600	90,600	90,600
Basic and diluted earnings per share (SR)	0.26	0.27	0.84	0.53

13. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2020</u> (Unaudited)	<u>2019</u>	<u>2020</u> (Unaudited)	<u>2019</u>
Salaries and employees related cost	13,259	13,365	40,725	38,712
Board fee and expenses	1,249	1,179	3,502	3,536
Information technology expenses	1,317	1,122	2,860	2,322
Professional fee	750	642	2,199	3,010
Communication	293	239	780	618
Rent and other expenses	266	572	444	1,627
Travelling expenses	95	270	340	885
Others	1,293	143	3,616	2,709
	18,522	17,532	54,466	53,419

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

14. SELLING AND MARKETING EXPENSES

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	(Unaudited)		(Unaudited)	
Salaries and outsourcing costs	1,690	1,492	5,078	4,212
Insurance	783	1,584	2,554	2,377
Marketing expenses	550	858	1,632	2,550
	<u>3,023</u>	<u>3,934</u>	<u>9,264</u>	<u>9,139</u>

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include its shareholders and their affiliated entities, the Subsidiary and key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel represent the members of the Board and its committees, Chief Executive Officer and his direct reports.

Significant transactions and balances arising from transactions with related parties are as follows:

Nature of transaction	Name of related party and relationship	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		(Unaudited)		(Unaudited)	
Finance cost	The Saudi Investment Bank (shareholder)	3,630	7,040	13,272	19,895
Rent expense	Saudi Orix Leasing (affiliate)	--	398	132	1,194
Security and other expenses	Saudi Orix Leasing (affiliate)	--	40	10	130
Salaries and benefits	Key management personnel	2,013	2,011	9,380	8,762
Board meeting fees and other expenses	Board members	1,249	1,179	3,502	3,536
Payment on behalf of shareholders	Shareholders	4,075	1,036	5,802	1,036
Payment received from shareholders	Shareholders	(10,451)	--	(10,451)	--

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR ‘000)

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Nature of balances and names of related parties</u>	<u>Relationship</u>	<u>Balances</u>	
		<u>30 September 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Bank balances:			
The Saudi Investment Bank	Shareholder	2,348	7,340
Prepayments and other assets:			
Alistithmar Capital	Affiliate	1,775	1,775
Dar Wa Emar – Rahba	Joint venture	2,694	2,923
Tharaa Real Estate Investment	Joint venture	--	878
Bank borrowings:			
The Saudi Investment Bank	Shareholder	523,693	615,821
Notional amount of Profit Rate Swaps:			
The Saudi Investment Bank	Shareholder	--	50,000
Financing and advances:			
Key management personnel	Key management personnel	3,350	3,731
Investment at FVTPL:			
SAIB Saraya Tower Real Estate Development Fund	Affiliate	10,729	11,029
Other receivables:			
Amlak International For Real Estate Development	Subsidiary	305	305
Receivable against initial public offering	Shareholders	--	4,649
Board meeting and other expenses payable			
Board bonus and meeting expenses	Board members	3,737	3,739
Other Payable:			
Amlak International For Real Estate Development	Subsidiary	305	305

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- 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 the Company.

Financial instruments comprise financial assets, financial liabilities and derivatives.

Financial assets consist of cash and cash equivalents, investments, derivatives, Murabaha, Ijara and Ijara Mawsofa Fi Athemmah receivables and other receivables. Financial liabilities consist of borrowings, payables and derivatives.

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

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

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
30 September 2020 (Unaudited)					
<i>Financial assets:</i>					
Murabaha receivables, net	142,455	--	--	142,731	142,731
Ijara receivables, net	3,374,446	--	--	3,466,603	3,466,603
Ijara mawsofa fi athemmah receivables, net	70,550	--	--	70,574	70,574
Investments	11,622	--	--	11,622	11,622
<i>Financial liabilities:</i>					
Negative fair value of derivatives	12,105	--	--	12,105	12,105

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
31 December 2019 (Audited)					
<i>Financial assets:</i>					
Murabaha receivables, net	123,450	--	--	123,748	123,748
Ijara receivables, net	3,016,729	--	--	3,045,905	3,045,905
Ijara mawsofa fi athemmah receivables, net	57,449	--	--	63,692	63,692
Investments	11,922	--	--	11,922	11,922
Positive fair value of derivatives	71	--	--	71	71
<i>Financial liabilities:</i>					
Negative fair value of derivatives	3,621	--	--	3,621	3,621

The valuation of fixed rate Murabaha receivables, Ijara receivables and Ijara Mowsofa Fi Athemmah receivables are estimated using contractual cash flows discounted at latest yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow techniques includes recent yields and contractual cash flows.

Management assessed that the carrying amount of other financial instruments largely approximate fair value due to either short-term maturities or re-pricing of the special commission on those instruments and these financial instruments are classified as level 3.

There have been no transfers to and from any levels during the period.

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

17. CAPITAL ADEQUACY

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. Capital adequacy ratios as monitored and measured by the management below measure capital adequacy by comparing the Company's eligible capital with its statement of financial position, commitments and notional amount of derivatives, if any, at a weighted amount determined by management to reflect their relative risk.

	30 September 2020		31 December 2019	
	(Unaudited)		(Audited)	
	Total capital	Tier I capital	Total capital	Tier I capital
	ratio %	ratio %	ratio %	ratio %
Capital adequacy ratio	39.44	39.86	43.16	43.30

18. COMMITMENTS AND CONTINGENCIES

Financing facilities approved but not utilised:

The Company has issued irrevocable commitments i.e. facilities approved but not utilised, indicative offers issued which are under consideration of customers as of the reporting date which have the potential to convert into financing amounting to SR 126 million (31 December 2019: SR 218 million).

VAT assessments:

In 2019, the GAZT issued an assessment on VAT returns for the period from January 2018 to January 2019 and claimed an amount of SR 19.9 million. The Company paid SR 9.2 million in respect of VAT variances and recorded the amount as receivable from GAZT and issued a bank guarantee in respect of the remaining amount. The Company also filed an appeal clarifying its position on the assessment received from GAZT.

During the period, GAZT partially accepted the Company's appeal and revised its assessment by reducing their claim from SR 19.9 million to SR 14.69 million including penalties. The Company has filed an appeal with the General Secretary of Tax Committee (GSTC) against the revised claim and the Company believes it is unlikely that the above position of GAZT will be upheld; however, the Company recorded SR 3.49 million to cover the expected and potential claims as its best estimate of additional VAT liability.

During the period, the Company revised certain VAT returns from the remaining periods not covered under GAZT assessment to take advantage of GAZT initiative of amending previous periods VAT returns without penalty, which resulted in additional VAT liability of SR 2.47 million.

19. SEGMENT INFORMATION

The Company's objective is to provide financing for real estate leases in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position, statement of profit or loss and statement of comprehensive income belongs to the real estate financing segment.

For management purposes, the Company is organised into the following primary business segments:

Retail

These represents finance products granted to small and medium sized businesses and individuals.

Corporate

These represents financing products granted to corporate, high net worth individuals and institutional customers.

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

19. SEGMENT INFORMATION (CONTINUED)

Head office

Head office is responsible for managing the surplus liquidity of the Company. It also provides support services to the business functions.

The Company's total assets and liabilities as at 30 September 2020 and 31 December 2019 and its total operating income, expenses and net profit for the nine-month period ended 30 September 2020 and 30 September 2019 are as follows:

	<u>Retail</u>	<u>Corporate</u>	<u>Head office</u>	<u>Total</u>
For the period ended 30 September 2020 (Unaudited)				
Income	65,898	151,765	--	217,663
Expenses	43,611	84,888	--	128,499
Segment profit	22,287	66,877	--	89,164
For the period ended 30 September 2019 (Unaudited)				
Income	75,107	145,053	--	220,160
Expenses	46,209	96,252	--	142,461
Segment profit	28,898	48,801	--	77,699
As at 30 September 2020 (Unaudited)				
Total assets	1,146,248	2,567,183	139,572	3,853,004
Total liabilities	734,756	1,764,140	228,849	2,727,745
As at 31 December 2019 (Audited)				
Total assets	1,014,165	2,323,031	68,009	3,405,205
Total liabilities	652,968	1,505,869	121,091	2,279,928

Below is the reconciliation of revenue and expenses from condensed interim financial statements to operating segment note:

	For the nine-month period ended 30 September	
	<u>2020</u>	<u>2019</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>Income</u>		
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah receivables	219,935	222,083
Fee expenses	(1,785)	(1,611)
Other loss	(487)	(312)
Total income – as per operating segment note	217,663	220,160
<u>Expenses</u>		
Finance costs	(52,182)	(71,768)
Depreciation	(4,450)	(2,038)
General and administrative expenses	(54,466)	(53,419)
Selling and marketing expenses	(9,264)	(9,139)
Impairment charge for expected credit losses, net	(8,137)	(6,097)
Total expense – as per operating segment note	(128,499)	(142,461)

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

20. IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

The prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around revisions to the scenario probabilities currently being used by the Company in ECL estimation. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes sector-based analysis depending on the impacted portfolios and macroeconomic analysis. The Company has therefore recognised overlays of SR 3.17 million as at 30 September 2020. The Company will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment to the ECL is required in subsequent reporting periods.

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs, in which the Company is involved:

- Deferred payments program; and
- Funding for lending program.

As part of the deferred payments program, the Company was required to defer payments for six months on lending facilities to those companies that qualify as MSME. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of income from respective receivables. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

Further to the above, on 1 September 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until 14 December 2020. The Company has affected the payment reliefs by deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 for a period of additional three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020
(SR '000)

20. IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

modification in terms of the arrangement. This has resulted in the Company recognising an additional modification loss on Ijara receivables and Murabaha receivables amounting to SR 1.27 million and SR 0.11 million respectively during the period ended 30 September 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Company has recognised SR 3.97 million of related modification losses of which SR 1.7 million have been unwound.

In order to compensate for the related costs that the Company incurs under the SAMA support programs and initiatives, the Company has received SAR 55.83 million commission free deposit from SAMA for a period of 18 months, which qualifies as a government grant. Management has determined, based on the communication from SAMA, that the government grant primarily relates to the compensation of the modification loss incurred on the deferred payments. As the above funding has been received subsequent to the period end; therefore, the benefit of the subsidised funding rate will be accounted for on a systematic basis, in accordance with government grant accounting requirements in the subsequent period financial statements.

Furthermore, in accordance with the PSFSP, the Company was also eligible for the deferral of its loan instalment payment to banks and Saudi Real Estate Re-financing Company. Accordingly, the Company recognised a modification gain of SR 8.72 million during the period ended 30 September 2020, of which SR 6.08 million has been unwound till 30 September 2020 and this has been presented as part of financial cost.

As at 30 September 2020, the Company is yet to participate in SAMA's funding for lending program.

In April 2020, SAMA issued further guidance to financing companies around providing the necessary support for individual customers that lost their jobs in the private sector due to COVID-19, whether directly or indirectly. The Company has received certain customer who are eligible for this program until 30 September 2020. The Company will continue to consider the guidance issued and evaluate any accounting impact as and when the case arises.

21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 6 Rabi'I Awwal 1442H (corresponding to 23 October 2020).