

**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 2021
together with the
Independent Auditor's Review Report



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No. 1010425494

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار

صندوق بريد ٩٢٨٧٦

الرياض ١١٦٦٣

المملكة العربية السعودية

المركز الرئيسي

مجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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 2021 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 2021;
- the condensed interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2021;
- the condensed interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2021; 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 2021 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.

KPMG Professional Services

Fahad Mubark Al Dossari
License No: 469

Al Riyadh, 21 Rabi Al Awwal 1443H
Corresponding to: 27 October 2021



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كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥.٠٠٠.٠٠٠) ريال سعودي متفوع بالكامل؛ المسماة سابقاً "شركة كي بي إم جي للفرزاق وشركاه محاسبين ومراجعين قانونيين" وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والكاملة لخدمة كي بي إم جي العالمية المحدودة، شركة الإنجليزية محدودة بضمان. جميع الحقوق محفوظة.

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2021
(SAR '000)

	30 September 2021	31 December 2020
<u>ASSETS</u>	<u>Notes</u> <u>(Unaudited)</u>	<u>(Audited)</u>
Cash and cash equivalents	117,676	25,051
Investments	10,857	10,496
Murabaha receivables, net	5 150,863	137,148
Ijara receivables, net	6 3,204,002	3,135,041
Ijara mawsofa fi athemmah receivables, net	7 85,825	80,078
Prepayments and other assets	104,480	131,354
Property, equipment and right of use assets, net	57,167	61,191
Total assets	3,730,870	3,580,359
 <u>LIABILITIES AND EQUITY</u>		
Account payables and other accruals	8 103,010	126,387
Negative fair value of derivatives	6,925	11,255
Zakat and income tax payable	9 28,536	31,847
Borrowings	10 2,142,281	2,094,670
SAMA deposit, net	270,888	152,181
Employees' end of service benefits	16,039	15,592
Total liabilities	2,567,679	2,431,932
Share capital	11 906,000	906,000
Statutory reserve	78,306	78,306
Cash flow hedge reserve	(6,925)	(11,255)
Retained earnings	185,810	175,376
Total equity	1,163,191	1,148,427
Total liabilities and equity	3,730,870	3,580,359


Murad Alsaadiq
Chief Finance 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 2021
(SAR '000)

	<i>Notes</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
INCOME					
Income from Murabaha contracts		3,817	3,342	9,707	11,669
Income from Ijara contracts		60,832	60,204	179,462	190,875
Income from Ijara mawsofa fi athemmah contracts		2,007	1,823	5,937	5,600
Gain on sale of portfolio		329	3,006	3,904	1,561
Fees and commission income		5,522	3,144	16,072	10,230
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		72,507	71,519	215,082	219,935
EXPENSES					
Finance cost		(7,924)	(18,534)	(38,740)	(52,182)
Fee expense		(726)	(559)	(2,172)	(1,785)
Net income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		63,857	52,426	174,170	165,968
Other operating income / (loss)					
Other operating income / (loss)		666	(171)	1,637	(487)
		<u>64,523</u>	<u>52,255</u>	<u>175,807</u>	<u>165,481</u>
OPERATING EXPENSES					
Depreciation		(2,202)	(1,571)	(6,335)	(4,450)
General and administrative expenses	14	(22,378)	(18,522)	(64,037)	(54,466)
Selling and marketing expenses	15	(3,234)	(3,023)	(10,372)	(9,264)
Impairment allowance reversal / (charge) for expected credit losses, net		(1,085)	(1,735)	952	(8,137)
Net income for the period before zakat and income tax		35,624	27,404	96,015	89,164
Zakat and income tax expense	9	(6,125)	(4,207)	(13,100)	(12,677)
Net income for the period		29,499	23,197	82,915	76,487
Basic and diluted earnings per share (SAR)	13	<u>0.33</u>	<u>0.26</u>	<u>0.92</u>	<u>0.84</u>


Murad Alsadiq
Chief Finance Officer


Abdullah Al Sudairy
Chief Executive Officer


Abdullah Al Howaish
Chairman

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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 2021
 (SAR '000)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income for the period	29,499	23,197	82,915	76,487
Other comprehensive income / (loss)				
<i>Items that may be reclassified to statement of profit or loss in subsequent periods:</i>				
Net movement in cash flow hedges	1,505	2,099	4,330	(8,555)
Total comprehensive income	<u>31,004</u>	<u>25,296</u>	<u>87,245</u>	<u>67,932</u>



 Murad Alsadiq
 Chief Finance Officer



 Abdullah Al Sudairy
 Chief Executive Officer



 Abdullah Al Howaish
 Chairman

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AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2021
(SAR '000)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>For the period ended 30 September 2021</u>					
Balance at 1 January 2021	906,000	78,306	(11,255)	175,376	1,148,427
Net income for the period	--	--	--	82,915	82,915
Other comprehensive income	--	--	4,330	--	4,330
Dividend paid (note 12)	--	--	--	(72,481)	(72,481)
Balance at 30 September 2021	906,000	78,306	(6,925)	185,810	1,163,191
<u>For the period ended 30 September 2020</u>					
Balance at 1 January 2020	906,000	68,416	(3,550)	154,411	1,125,277
Net income for the period	--	--	--	76,487	76,487
Other comprehensive income	--	--	(8,555)	--	(8,555)
Dividend paid (note 12)	--	--	--	(67,950)	(67,950)
Balance at 30 September 2020	906,000	68,416	(12,105)	162,948	1,125,259



Murad Alsadiq
Chief Finance Officer



Abdullah Al Sudairy
Chief Executive Officer



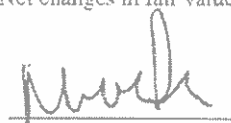
Abdullah Al Howaish
Chairman

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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 2021
(SAR '000)


	For the nine-month period ended 30	
<i>Notes</i>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income for the period before zakat and income tax	96,015	89,164
<i>Non-cash adjustment to reconcile net income before zakat and income tax for the period to net cash from operating activities</i>		
Depreciation	6,335	4,450
Finance cost	46,738	54,821
Employees' end of service benefits	2,187	2,192
Impairment allowance (reversal) / charge for expected credit losses, net	(3,999)	8,137
Write off expense	3,047	-
Modification loss on Murabaha and Ijara receivables, net	20 (2,426)	2,270
Modification gain on borrowings, net	20 888	(2,639)
Gain on SAMA deposit, net	(2,391)	-
Gain on sale of portfolio	(372)	(1,561)
Other (income) / loss	(361)	487
	145,661	157,321
<i>Decrease / (increase) in operating assets</i>		
Murabaha receivables	(13,595)	(19,436)
Ijara receivables	(67,554)	(366,343)
Ijara mawsofa fi athemmah receivables	(3,527)	(13,149)
Prepayments and other assets	26,874	13,288
<i>(Decrease) / increase in operating liabilities</i>		
Account payables and other accruals	(20,726)	(17,510)
	67,133	(245,829)
Finance cost paid	(43,001)	(56,448)
Employees' end of service benefits paid	(1,740)	(1,221)
Zakat and income tax paid	(16,926)	(14,304)
	5,466	(317,802)
<i>Net cash generated from / (used in) operating activities</i>		
Cash flows from investing activities		
Purchase of property and equipment	(2,311)	(4,178)
	(2,311)	(4,178)
<i>Net cash used in investing activities</i>		
Cash flows from financing activities		
Repayment against borrowings	(977,882)	(917,368)
Proceeds from borrowings	1,022,000	1,312,419
Dividend paid	12 (72,481)	-
SAMA deposit received	204,973	-
SAMA deposit paid	(83,875)	-
Payment of lease liabilities	(3,265)	(1,164)
	89,470	393,887
<i>Net cash generated from financing activities</i>		
Net increase in cash and cash equivalents	92,625	71,907
Cash and cash equivalents at beginning of the period	25,051	7,876
Cash and cash equivalents at end of the period	117,676	79,783
Non-cash supplemental information:		
Net changes in fair value of cash flow hedge	4,330	(8,555)



Murad Alsadiq
Chief Finance 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 2021
(SAR '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 Awwal 1428H (corresponding to 11 June 2007).

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 Central Bank (“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 was established in Jeddah by the Company during the year 2019. The Company has following branches in the Kingdom of Saudi Arabia:

<u>Branch 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 SAR 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 to the 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 2021 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 Chartered and Professional Accountants (“SOCPA”).

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 December 2020.

2.2 Basis of measurement

These condensed interim financial statements have been prepared on a going concern basis 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 are presented in Saudi Arabian Riyals (SAR), as it is the functional currency of the Company. All financial information presented has been rounded-off to the SAR in thousand unless otherwise stated.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

Accounting standards issued but not yet effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have a material impact on the condensed interim financial statements of the Company.

New standards, interpretations and amendments adopted by the Company

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2021. The management has assessed that the amendments have no significant impact on the Company’s 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 2021
(SAR '000)

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (Continued)

New standards, interpretations and amendments adopted by the Company (Continued)

- Amendments to IAS 1 Presentation of financial statements', on classification of liabilities;
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; and
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.

4. 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 2020.

5. MURABAHA RECEIVABLES, NET

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Gross Murabaha receivables	151,905	141,357
Less: Impairment allowance for credit losses	<u>(1,042)</u>	<u>(4,209)</u>
Murabaha receivables, net	<u>150,863</u>	<u>137,148</u>

During the period ended 30 September 2021, one stage 3 customer has settled his account and the Company has written-off receivable amounting to SAR 3.04 million (31 December 2020: SAR Nil).

6. IJARA RECEIVABLES, NET

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Gross Ijara receivables	4,331,334	4,304,077
Less: Unearned income	<u>(1,038,712)</u>	<u>(1,081,807)</u>
	3,292,622	3,222,270
Less: Impairment allowance for expected credit losses	<u>(88,620)</u>	<u>(87,229)</u>
Ijara receivables, net	<u>3,204,002</u>	<u>3,135,041</u>

6.1 The maturity profile of Ijara receivables as at 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara receivables	987,881	2,136,683	1,206,770	4,331,334
Less: Unearned income	<u>(225,197)</u>	<u>(532,134)</u>	<u>(281,381)</u>	<u>(1,038,712)</u>
	762,684	1,604,549	925,389	3,292,622
Less: Impairment allowance for credit losses				<u>(88,620)</u>
Ijara receivables, net				<u>3,204,002</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 2021
(SAR '000)

6. IJARA RECEIVABLES, NET (CONTINUED)

	31 December 2020 (Audited)			
	Not later than	Later than	Later than	<u>Total</u>
	than	one year but	five years	
	<u>one year</u>	not later than	<u>five years</u>	
	<u>five years</u>	<u>five years</u>		
Ijara receivables	1,025,597	2,106,527	1,171,953	4,304,077
Less: Unearned income	(268,588)	(543,447)	(269,772)	(1,081,807)
	<u>757,009</u>	<u>1,563,080</u>	<u>902,181</u>	<u>3,222,270</u>
Less: Impairment allowance for credit losses				(87,229)
Ijara receivables, net				<u>3,135,041</u>

7. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	30 September 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Gross Ijara mawsofa fi athemmah receivables	134,639	130,411
Less: Unearned income	(48,689)	(47,988)
	<u>85,950</u>	<u>82,423</u>
Less: Impairment allowance for credit losses	(125)	(2,345)
Ijara mawsofa fi athemmah receivables, net	<u>85,825</u>	<u>80,078</u>

7.1 The maturity profile of Ijara mawsofa fi athemmah receivables as at 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021 (Unaudited)			
	Not later than	Later than	Later than	<u>Total</u>
	than	one year but	five years	
	<u>one year</u>	not later than	<u>five years</u>	
	<u>five years</u>	<u>five years</u>		
Ijara mawsofa fi athemmah receivables	9,759	35,935	88,945	134,639
Less: Unearned income	(5,014)	(17,063)	(26,612)	(48,689)
	<u>4,745</u>	<u>18,872</u>	<u>62,333</u>	<u>85,950</u>
Less: Impairment allowance for credit losses				(125)
Ijara mawsofa fi athemmah receivables, net				<u>85,825</u>

	31 December 2020 (Audited)			
	Not later than	Later than one	Later than	<u>Total</u>
	than	year but not	five years	
	<u>one year</u>	later than	<u>five years</u>	
	<u>five years</u>	<u>five years</u>		
Ijara mawsofa fi athemmah receivables	8,901	36,078	85,432	130,411
Less: Unearned income	(4,265)	(17,028)	(26,695)	(47,988)
	<u>4,636</u>	<u>19,050</u>	<u>58,737</u>	<u>82,423</u>
Less: Impairment allowance for credit losses				(2,345)
Ijara mawsofa fi athemmah receivables, net				<u>80,078</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 2021
(SAR '000)

8. ACCOUNT PAYABLES AND OTHER ACCRUALS

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Financing to customers (note 8.1)	22,844	41,778
Lease liabilities	21,631	24,279
Salaries and employee related expenses	12,579	13,220
Accrued expenses	6,081	4,970
Amount received from customers (note 8.2)	2,463	4,293
Payable to the Ministry of Housing	754	754
Others (notes 8.3)	36,658	37,093
	103,010	126,387

8.1 Financing to customers arise when the financing arrangement has been agreed with the customer and accordingly financing has been recorded, but the amount is not disbursed due to administrative time required for the transfer of legal title of property. It also includes advance installments received from customers. The corresponding debit is held under receivables.

8.2 This majorly represents down payment received from the customers, which is not paid to the seller of the property as at the reporting date.

8.3 This includes amount pertaining to late payment charges accrued from customers equal to SAR 32.26 million (2020: SAR 26.02 million). In accordance with the Shari'a advisor, late payment charges collected are recognized as other liabilities in the statement of financial position and are to be paid out as charity.

9. ZAKAT AND INCOME TAX

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

	For the nine-month period ended 30 September 2021 (Unaudited)		
	Zakat	Income tax	Total
Balance at the beginning of the period	31,847	--	31,847
Charge for the period	13,100	--	13,100
Unwinding of discount	515	--	515
Payments made during the period	(16,926)	--	(16,926)
Balance at end of the period (note 9.1)	28,536	--	28,536
	For the nine-month period ended 30 September 2020 (Unaudited)		
	Zakat	Income tax	Total
Balance at the beginning of the period	34,180	200	34,380
Charge 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	33,208	--	33,208
	For the year ended 31 December 2020 (Audited)		
	Zakat	Income tax	Total
Balance at the beginning of the year	34,180	200	34,380
Charge / reversal for the year	16,685	(191)	16,494
Unwinding of discount	899	--	899
Payments made during the year	(19,917)	(9)	(19,926)
Balance as at end of the year	31,847	--	31,847

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 2021
(SAR '000)

9. ZAKAT AND INCOME TAX (CONTINUED)

9.1 This includes SAR 15.256 million (31 Dec 2020: 14.742 million) payable against the settlement agreement with Zakat, Tax and Customs Authority ("ZATCA") in respect of zakat assessment years from 2013 to 2017.

b) Zakat and income tax assessment status

Zakat and income tax declarations for all the years up till 2020 have been filed with the ZATCA and acknowledgement certificates have been obtained.

During the period ended 30 September 2021, 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 for the year ended 31 December 2020.

10. 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 month 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.

11. SHARE CAPITAL

As at 30 September 2021, the Company's authorised, issued and paid-up share capital was SAR 906 million (31 December 2020: SAR 906 million) divided into 90.6 million shares (31 December 2020: 90.6 million shares) with a nominal value of SAR 10 each.

12. DIVIDEND

During the nine-month period ended 30 September 2021, the shareholders have approved, declared and paid a dividend of SAR 72.48 million for the year 2020 (30 September 2020: SAR 67.95 million).

13. 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	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Profit for the period	29,499	23,197	82,915	76,487
Weighted average number of ordinary shares (in thousands)	90,600	90,600	90,600	90,600
Basic and diluted earnings per share (SAR)	0.33	0.26	0.92	0.84

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14. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
Salaries and employees related cost	14,818	13,259	42,989	40,725
Board fee and expenses	1,175	1,249	3,525	3,502
Information technology expenses	1,157	1,317	4,075	2,860
Professional fee	719	750	1,990	2,199
Communication	340	293	920	780
Rent and other expenses	140	266	640	444
Travelling expenses	91	95	401	340
Maintenance expenses	239	79	563	361
Others	3,699	1,214	8,934	3,255
	<u>22,378</u>	<u>18,522</u>	<u>64,037</u>	<u>54,466</u>

15. SELLING AND MARKETING EXPENSES

	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
Salaries and outsourcing costs	1,324	1,690	4,543	5,078
Insurance	1,174	783	3,579	2,554
Marketing expenses	736	550	2,250	1,632
	<u>3,234</u>	<u>3,023</u>	<u>10,372</u>	<u>9,264</u>

16. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include its shareholders and their affiliated entities, the Subsidiary, members of the Board and its committees 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 Chief Executive Officer and his direct reports.

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

<u>Nature of transaction</u>	<u>Name of related party and relationship</u>	<u>For the three-month period ended 30 September (Unaudited)</u>		<u>For the nine-month period ended 30 September (Unaudited)</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		Finance cost	The Saudi Investment Bank (shareholder) (Note 16.1)	(3,648)	3,630
Rent expense	Yanal Finance Company (affiliate)	--	--	--	132
Security and other expenses	Yanal Finance Company (affiliate)	--	--	--	10
Salaries and benefits	Key management personnel	2,430	2,013	12,246	9,380
Board meeting fees and other expenses	Board members	1,175	1,249	3,525	3,502
Payment on behalf of shareholders	Shareholders	--	4,075	--	5,802

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16. 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 2021</u> <u>(Unaudited)</u>	<u>31 December 2020</u> <u>(Audited)</u>
Bank balances:			
The Saudi Investment Bank	Shareholder	110,365	6,627
Prepayments and other assets:			
Alistithmar Capital	Affiliate	1,774	1,774
Bank borrowings:			
The Saudi Investment Bank	Shareholder	438,304	455,667
Financing and advances:			
Key management personnel	Key management personnel	514	3,219
Investment at FVTPL:			
SAIB Saraya Tower Real Estate Development Fund	Affiliate	9,964	9,603
Other receivables:			
Amlak International For Real Estate Development	Subsidiary	305	305
Board meeting and other expenses payable			
Board bonus and meeting expenses	Board members	3,460	3,889
Other payable:			
Amlak International For Real Estate Development	Subsidiary	305	305

16.1 This includes write back of SAR 6.4 million relating to finance cost on borrowing.

17. 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.

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.

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

30 September 2021 (Unaudited)	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<i>Financial assets:</i>					
Investments	10,857	--	--	10,857	10,857
Murabaha receivables, net	150,863	--	--	151,894	151,894
Ijara receivables, net	3,204,002	--	--	3,313,235	3,313,235
Ijara mawsofa fi athemmah receivables, net	85,825	--	--	86,216	86,216
<i>Financial liabilities:</i>					
Negative fair value of derivatives	6,925	--	--	6,925	6,925

31 December 2020 (Audited)	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<i>Financial assets:</i>					
Investments	10,496	--	--	10,496	10,496
Murabaha receivables, net	137,148	--	--	136,171	136,171
Ijara receivables, net	3,135,041	--	--	3,078,670	3,078,670
Ijara mawsofa fi athemmah receivables, net	80,078	--	--	80,065	80,065
<i>Financial liabilities:</i>					
Negative fair value of derivatives	11,255	--	--	11,255	11,255

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.

18. COMMITMENTS AND CONTINGENCIES

Financing facilities approved but not utilised:

The Company has facilities approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SAR 97 million (31 December 2020: SAR 135 million).

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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.

Head office

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

The Company's total assets and liabilities as at 30 September 2021 and 31 December 2020 and its total operating income, expenses and net profit for the nine-month period ended 30 September 2021 and 30 September 2020 are as follows:

	<u>Retail</u>	<u>Corporate</u>	<u>Head office</u>	<u>Total</u>
For the period ended 30 September 2021 (Unaudited)				
Total income	63,073	151,474	--	214,547
Total expenses	36,629	81,903	--	118,532
Segment profit	26,444	69,571	--	96,015
For the period ended 30 September 2020 (Unaudited)				
Total income	65,898	151,765	--	217,663
Total expenses	43,611	84,888	--	128,499
Segment profit	22,287	66,877	--	89,164
As at 30 September 2021 (Unaudited)				
Total assets	1,022,575	2,533,452	174,843	3,730,870
Total liabilities	661,413	1,724,098	182,168	2,567,679
As at 31 December 2020 (Audited)				
Total assets	969,537	2,524,581	86,241	3,580,359
Total liabilities	612,518	1,684,490	134,924	2,431,932

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

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19. SEGMENT INFORMATION (CONTINUED)

	For the nine-month period ended 30 September	
	2021	2020
	(Unaudited)	
Income		
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah receivables	215,082	219,935
Fee expenses	(2,172)	(1,785)
Other income / (loss)	1,637	(487)
Total income – as per operating segment note	214,547	217,663
Expenses		
Finance costs	(38,740)	(52,182)
Depreciation	(6,335)	(4,450)
General and administrative expenses	(64,037)	(54,466)
Selling and marketing expenses	(10,372)	(9,264)
Impairment reversal / (charge) for expected credit losses, net	952	(8,137)
Total expense – as per operating segment note	(118,532)	(128,499)

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 experiencing multiple waves of infections, despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

During 2020 management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio. The Company continues to make updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models:

- Customers whose credit quality appear to have deteriorated on a permanent basis and thus the Company is required to recognise lifetime ECL losses on such exposures;
- Customers whose credit quality have either stayed stable (due to the offsetting nature of availing government programs) or have declined but the decline is deemed to be temporary as the customer may have sound fundamentals to emerge strongly post lockdown.

The Company continues to evaluate the current macroeconomic situation and conducts review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the government and SAMA support relief programs.

The Company has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) used for the determination of ECL. The adjustments to scenario weightings resulted in an additional ECL of SAR 0.75 million (30 September 2020: SAR 0.9 million)

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

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. This resulted in the additional ECL (overlay) of SAR 2.4 million (30 September 2020: SAR 2.2 million). These have been based on a sector-based analysis performed by the Company depending on the impacted portfolios.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

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 eligible (stage 1 and stage 2) Micro Small and Medium Enterprises ("MSME") as defined issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompassed the following programs, in which the Company was eligible to participate:

- Deferred payments program; and
- Facility guarantee program.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program subsequently announced, the Company deferred payments on lending facilities to all eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The Company implemented the payment reliefs by deferring instalments falling due from 14 March 2020 to 30 June 2021 amounting to SAR 302 million and extended the tenure of the applicable loans at no additional costs to the customer.

Further to the above, SAMA on 22 June 2021 announced the extension of the DPP for three additional months from 1 July 2021 to 30 September 2021, only for those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. The Company performed an assessment to determine the pool of customers eligible for continued deferment and accordingly deferred the instalment falling due from 1 July 2021 to 30 September 2021 amounting to SAR 109 million and extended the tenure of the applicable loans at no additional costs to the customer. This resulted in the Company recognizing an additional modification loss of SAR 2.5 million during the quarter ended 30 June 2021. On 29 September 2021, for these effected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the instalment falling due from 1 October 2021 to 31 December 2021. As at 30 September 2021, the Company is in the process to determine the customers eligible for continued deferment of the instalments falling due from 1 October 2021 to 31 December 2021.

The accounting impact of above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses amounting to SAR 13.39 million, out of which SAR 5.78 million has been recorded during the nine-month period ended 30 September 2021 (30 September 2020: SAR 3.97 million).

During the nine-months period ended 30 September 2021, SAR 8.9 million (30 September 2020: SAR 1.7 million) has been recognized in the statement of income relating to unwinding of modification losses.

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

SAMA support programs and initiatives (Continued)

In order to compensate for the related costs that the Company has incurred under the SAMA's deferred payments program, during the year 2020 and the nine-month period ended 30 September 2021, the Company has received profit free deposits from SAMA amounting to SAR 381 million with varying maturities, which qualify as government grants.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2020, total income of SAR 4.89 million had been recognised in the statement of income with the remaining amount deferred. Grant income amounting to SAR 8.2 million arose on the profit free deposit amounting to SAR 205 million received during the nine-month period ended 30 September 2021.

Further, in accordance with the PSFSP, the Company was also eligible for the deferral of its loan instalments payment to banks and Saudi Real Estate Re-financing Company for the period from 14 March 2020 to 14 September 2020. For the period ended 30 September 2021, SAR 0.9 million has been recognised in the interim condensed statement of profit or loss relating to unwinding of the day 1 modification gain (period ended 30 September 2020: SAR 3.05 million).

As at 30 September 2021, the Company is yet to participate in SAMA's facility guarantee program.

21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 19 Rabi Al Awwal 1443H (corresponding to 25 October 2021).