

**AMLAK INTERNATIONAL FOR REAL ESTATE
FINANCE COMPANY**
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended
30 June 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 June 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 June 2020;
- the condensed interim statement of profit or loss for the three-month and six-month periods ended 30 June 2020;
- the condensed interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed interim statement of cash flows for the six-month period ended 30 June 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 June 2020 condensed interim financial statements of Amlak International for Real Estate Finance 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



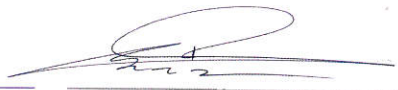
Al Riyadh, 5 Dhul Hijjah 1441H
Corresponding to: 26 July 2020

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

	30 June 2020	31 December 2019
	<i>Notes</i> (Unaudited)	(Audited)
<u>ASSETS</u>		
Cash and cash equivalents	50,208	7,876
Investments	11,622	11,922
Murabaha receivables, net	4 166,328	123,450
Ijara receivables, net	5 3,270,012	3,016,729
Ijara mawsofa fi athemmah receivables, net	6 66,899	57,449
Prepayments and other assets	124,744	127,647
Property and equipment, net	60,639	60,061
Positive fair value of derivatives	--	71
TOTAL ASSETS	<u>3,750,452</u>	<u>3,405,205</u>
<u>LIABILITIES AND EQUITY</u>		
Account payables and other accruals	7 144,555	147,829
Negative fair value of derivatives	14,204	3,621
Zakat and income tax payable	8 43,073	34,380
Borrowings	9 2,366,024	2,080,432
Employees' end of service benefits	14,683	13,666
TOTAL LIABILITIES	<u>2,582,539</u>	<u>2,279,928</u>
Share capital	10 906,000	906,000
Statutory reserve	68,416	68,416
Cash flow hedge reserve	(14,204)	(3,550)
Retained earnings	207,701	154,411
TOTAL EQUITY	<u>1,167,913</u>	<u>1,125,277</u>
TOTAL LIABILITIES AND EQUITY	<u>3,750,452</u>	<u>3,405,205</u>



Ali Al Shashaa
Chief Financial Officer



Abdullah Al Sudairy
Chief Executive Officer




Abdullah Al Howaish
Chairman

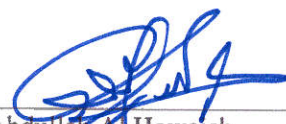
The attached notes 1 to 22 form part of these condensed interim financial statements

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

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2020	2019	2020	2019
INCOME					
Income from Murabaha contracts	11	4,263	1,985	8,327	4,102
Income from Ijara contracts	11	63,805	63,520	130,671	126,065
Income from Ijara mawsofa fi athemmah contracts		1,852	1,059	3,777	2,351
(Loss) / gain on sale of portfolio		(941)	(38)	(1,445)	381
Fees and commission income		4,176	2,365	7,086	4,662
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		73,155	68,891	148,416	137,561
EXPENSES					
Finance cost	12	(20,221)	(23,222)	(33,648)	(47,362)
Fee expense		(594)	(952)	(1,226)	(1,524)
Net income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		52,340	44,717	113,542	88,675
Other operating (loss) / income					
Other (loss) / income		--	250	(316)	593
		52,340	44,967	113,226	89,268
OPERATING EXPENSES					
Depreciation		(1,464)	(618)	(2,879)	(1,249)
General and administrative expenses	14	(17,633)	(19,047)	(35,944)	(35,887)
Selling and marketing expenses	15	(3,093)	(2,568)	(6,241)	(5,205)
Impairment charge for expected credit losses, net		(1,666)	1,799	(6,402)	1,678
Profit before zakat and income tax		28,484	24,533	61,760	48,605
Zakat and income tax expense:					
- Current period	8	(4,684)	(4,854)	(8,470)	(8,723)
- Prior period	8	--	--	--	(16,608)
NET PROFIT FOR THE PERIOD AFTER ZAKAT AND INCOME TAX		23,800	19,679	53,290	23,274
Basic and diluted earnings per share (SR)	13	0.26	0.22	0.59	0.26


Ali Al Shashaa
Chief Financial Officer


Abdullah Al Sudairy
Chief Executive Officer


Abdullah Al Howaish
Chairman

The attached notes 1 to 22 form part of these condensed interim financial statements


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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
PROFIT FOR THE PERIOD	23,800	19,679	53,290	23,274
OTHER COMPREHENSIVE LOSS				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cash flow hedges	<u>(3,412)</u>	(3,664)	<u>(10,654)</u>	(3,832)
	(3,412)	(3,664)	(10,654)	(3,832)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gain on employee benefits	--	(360)	--	(360)
Total other comprehensive loss	<u>(3,412)</u>	(4,024)	<u>(10,654)</u>	(4,192)
TOTAL COMPREHENSIVE INCOME	<u>20,388</u>	15,655	<u>42,636</u>	19,082

Handwritten mark



Ali Al Shashaa
Chief Financial Officer



Abdullah Al Sudairy
Chief Executive Officer




Abdullah Al Howaish
Chairman


The attached notes 1 to 22 form part of these condensed interim financial statements


AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 30 June 2020
(SR '000)

<u>For the period ended 30 June 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	--	--	--	--	53,290	53,290
Other comprehensive loss	--	--	--	(10,654)	--	(10,654)
Balance at 30 June 2020	906,000	68,416	--	(14,204)	207,701	1,167,913

<u>For the period ended 30 June 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 (note 2)	--	--	--	--	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	--	--	--	--	23,274	23,274
Other comprehensive loss	--	--	--	(3,832)	(360)	(4,192)
Balance at 30 June 2019	906,000	61,415	--	(2,745)	181,322	1,145,992


Ali Al Shashaa
Chief Financial Officer



Abdullah Al Sudairy
Chief Executive Officer

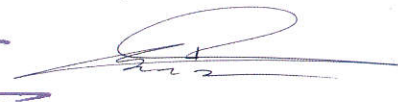

Abdullah Al Howaish
Chairman

The attached notes 1 to 22 form part of these condensed interim financial statements

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

	For the six-month period ended 30 June	
	2020	2019
Cash flows from operating activities:		
Net profit for the period before zakat and income tax	61,760	48,605
<i>Non-cash adjustment to reconcile net profit before zakat and income tax for the period to net cash from operating activities</i>		
Depreciation	2,879	1,249
Borrowing facility cost and charges	42,364	47,362
Employees' end of service benefits	1,456	1,456
Impairment allowance for expected credit losses	6,402	(1,678)
Modification loss on Murabaha and Ijara receivables	1,770	--
Modification gain on borrowings	(8,716)	--
Loss / (gain) on sale of portfolio	1,445	(381)
Other (loss) / income	316	(593)
	109,676	96,020
<i>Decrease / (increase) in operating assets</i>		
Murabaha receivables	(43,406)	23,181
Ijara receivables	(260,881)	(29,447)
Ijara mawsofa fi athemmah receivables	(9,496)	15,876
Prepayments and other assets	2,903	3,201
<i>Increase / (decrease) in operating liabilities</i>		
Account payables and other accruals	(4,054)	(10,688)
	(205,258)	98,143
Finance cost paid	(41,876)	(46,612)
Employees' end of service benefits paid	(439)	(381)
Zakat and income tax paid	--	(29,470)
Net cash (used in) / generated from operating activities	(247,573)	21,680
Cash flows from investing activities		
Purchase of property and equipment	(3,457)	(5,682)
Proceeds from investments in joint ventures	--	3,122
Net cash used in investing activities	(3,457)	(2,560)
Cash flows from financing activities		
Repayment against borrowings	(616,363)	(475,605)
Proceeds from borrowings	910,183	508,000
Payment of lease liabilities	(458)	--
Net cash generated from / (used in) financing activities	293,362	32,395
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
	42,332	51,515
Cash and cash equivalents at beginning of the period	7,876	15,965
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	50,208	67,480
Non-cash supplemental information:		
Net changes in fair value of cash flow hedge	(10,654)	(3,832)


Ali Al Shashaa
Chief Financial Officer


Abdullah Al Sudairy
Chief Executive Officer


Abdullah Al Howaish
Chairman

The attached notes 1 to 22 form part of these condensed interim financial statements

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

1. THE COMPANY AND THE NATURE OF OPERATIONS

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

Subsequent to the period ended 30 June 2020, the Company has listed on Tadawul (Kingdom of Saudi Arabia Stock Exchange). Accordingly, the status of 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 June 2020 has 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”).

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

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 financial statements for the year ended 31 December 2019.

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

4. MURABAHA RECEIVABLES, NET

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Gross Murabaha receivables	168,675	125,419
Less: Impairment allowance for expected credit losses	<u>(2,347)</u>	<u>(1,969)</u>
Murabaha receivables, net	<u>166,328</u>	<u>123,450</u>

5. IJARA RECEIVABLES, NET

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara receivables	4,552,784	4,204,624
Less: Unearned income	<u>(1,191,393)</u>	<u>(1,102,495)</u>
	3,361,391	3,102,129
Less: Impairment allowance for expected credit losses	<u>(91,379)</u>	<u>(85,400)</u>
Ijara receivables, net	<u>3,270,012</u>	<u>3,016,729</u>

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

	30 June 2020 (Unaudited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Ijara receivables	1,069,905	2,124,987	1,357,892	4,552,784
Less: Unearned income	<u>(281,163)</u>	<u>(588,022)</u>	<u>(322,208)</u>	<u>(1,191,393)</u>
	788,742	1,536,965	1,035,684	3,361,391
Less: Impairment allowance for expected credit losses				<u>(91,379)</u>
Ijara receivables, net				<u>3,270,012</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 Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2020
(SR'000)

6. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara mawsofa fi atthemmah receivables	111,012	128,100
Less: Unearned income	(41,779)	(68,363)
	69,233	59,737
Less: Impairment allowance for expected credit losses	(2,334)	(2,288)
Ijara mawsofa fi atthemmah receivables, net	66,899	57,449

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

	30 June 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	8,005	30,751	72,256	111,012
Less: Unearned income	(3,636)	(14,723)	(23,420)	(41,779)
	4,369	16,028	48,836	69,233
Less: Impairment allowance for expected credit losses				(2,334)
Ijara mawsofa fi atthemmah receivables, net				66,899
	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)
	3,624	12,592	43,521	59,737
Less: Impairment allowance for expected credit losses				(2,288)
Ijara mawsofa fi atthemmah receivables, net				57,449

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

7. ACCOUNT PAYABLES AND OTHER ACCRUALS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financing to customers (note 7.1)	47,625	37,697
Payable to the Ministry of Housing (note 7.2)	34,105	33,357
Lease liabilities	22,461	21,984
Salaries and employee related expenses	9,230	15,823
Amount received from Murabaha and Ijara customers (note 7.3)	6,553	7,351
Accrued expenses	8,116	9,701
Others	16,465	21,916
	<u>144,555</u>	<u>147,829</u>

7.1 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.

7.2 This pertains to property purchase for customers in a scheme introduced by the Ministry of Housing.

7.3 This majorly represents down payment received from the customers, which is not paid to the seller of the property.

8. ZAKAT AND INCOME TAX

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

	30 June 2020 (Unaudited)		
	Zakat	Income tax	Total
Balance at the beginning of the period	34,180	200	34,380
Charge for current period	8,470	--	8,470
Unwinding of discount	223	--	223
Payments made during the period	--	--	--
Balance as at end of the period	<u>42,873</u>	<u>200</u>	<u>43,073</u>

	30 June 2019 (Unaudited)		
	Zakat	Income tax	Total
Balance at the beginning of the period	36,147	643	36,790
Charge for the period:			
- current period	8,646	77	8,723
- prior years	16,608	-	16,608
Unwinding of discount	283	--	283
Payments made during the period	(29,400)	--	(29,400)
Balance as at end of the period	<u>32,284</u>	<u>720</u>	<u>33,004</u>

	31 December 2019 (Audited)		
	Zakat	Income tax	Total
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
	<u>31,224</u>	<u>309</u>	<u>31,533</u>
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>

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

8. ZAKAT AND INCOME TAX (CONTINUED)

b) Zakat and income tax assessment status

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

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

9. BORROWINGS

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

10. SHARE CAPITAL

As at 30 June 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. INCOME FROM IJARA CONTRACTS AND MURABAHA CONTRACTS (REFER NOTE 21)

Income from Ijara and Murabaha contracts is reported net of modification loss amounting to SR 2.44 million (30 June 2019: nil) and SR 0.15 million (30 June 2019: nil) respectively, due to the deferment of instalments related to receivables from Micro Small and Medium Enterprises (“MSMEs”) as per SAMA’s Private Sector Financing Support Program (‘PSFSP’). From this modification loss, SR 0.82 million has been unwound by 30 June 2020.

12. FINANCE COST (REFER NOTE 21)

This includes a modification gain amounting to SR 8.72 million (30 June 2019: nil) due to the deferment of instalments related to borrowings as per SAMA’s PSFSP. From this modification gain, SR 3.05 million has unwound by 30 June 2020.

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 June		For the six-month period ended 30 June	
	<u>2020</u> (Unaudited)	<u>2019</u>	<u>2020</u> (Unaudited)	<u>2019</u>
Profit for the period	23,800	19,679	53,290	23,274
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	0.22	0.59	0.26

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

14. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Salaries and employees related cost	13,753	12,613	27,466	25,347
Board fee and expenses	1,003	1,178	2,253	2,357
Information technology expenses	905	584	1,543	1,200
Professional fee	708	1,686	1,449	2,368
Communication	293	240	487	379
Maintenance expenses	156	146	282	258
Travelling expenses	34	364	245	615
Rent	102	986	178	1,055
Others	679	1,250	2,041	2,308
	17,633	19,047	35,944	35,887

15. SELLING AND MARKETING EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Salaries and outsourcing costs	1,526	1,366	3,388	2,720
Insurance	1,335	344	1,771	793
Marketing expenses	232	858	1,082	1,692
	3,093	2,568	6,241	5,205

16. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the 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 June		For the six-month period ended 30 June	
		(Unaudited)		(Unaudited)	
		2020	2019	2020	2019
Finance cost	The Saudi Investment Bank (shareholder)	3,722	6,768	9,642	12,855
Rent expense	Saudi Orix Leasing (affiliate)	--	398	132	796
Security and other expenses	Saudi Orix Leasing (affiliate)	--	68	10	90
Salaries and benefits	Key management personnel	2,052	2,011	7,367	6,751
Board meeting fees and other expenses	Board members	1,003	1,178	2,253	2,357
Payment / reversal on behalf of shareholders	Shareholders	(27)	377	1,727	749

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

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 June 2020</u>	31 December
		<u>(Unaudited)</u>	<u>2019</u>
			<u>(Audited)</u>
Bank balances:			
The Saudi Investment Bank	Shareholder	27,693	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	551,340	615,821
Notional amount of Profit Rate Swaps:			
The Saudi Investment Bank	Shareholder	--	50,000
Financing and advances:			
Key management personnel	Key management	3,480	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	6,376	4,649
Board meeting and other expenses payable			
Board members	Board members	2,500	3,739
Other Payable:			
Amlak International For Real Estate Development	Subsidiary	305	305

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.

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

17. 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 June 2020 (Unaudited)					
<i>Financial assets:</i>					
Murabaha receivables, net	166,328	--	--	169,833	169,833
Ijara receivables, net	3,270,012	--	--	3,432,996	3,432,996
Ijara mawsofa fi athemmah receivables, net	66,899	--	--	68,693	68,693
Investments	11,622	--	--	11,622	11,622
<i>Financial liabilities:</i>					
Negative fair value of derivatives	14,204	--	--	14,204	14,204
	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 Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2020
(SR '000)

18. 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 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Total capital ratio %	Tier I capital ratio %	Total capital ratio %	Tier I capital ratio %
Capital adequacy ratio	42.33	42.85	43.16	43.30

19. 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 SR 175 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 issued a bank guarantee in respect of the remaining amount. The Company has 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 to SR 14.69 million including penalties. The Company has filed 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 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.

20. 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 Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2020
(SR '000)

20 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 June 2020 and 31 December 2019 and its total operating income, expenses and net profit for the six-month period ended 30 June 2020 and 30 June 2019 are as follows:

	<u>Retail</u>	<u>Corporate</u>	<u>Head office</u>	<u>Total</u>
For the period ended 30 June 2020				
(Unaudited)				
Income	41,586	105,288	--	146,874
Expenses	30,561	54,553	--	85,114
Segment profit	11,025	50,735	--	61,760
For the period ended 30 June 2019				
(Unaudited)				
Income	43,233	93,397	--	136,630
Expenses	30,240	57,785	--	88,025
Segment profit	12,993	35,612	--	48,605
As at 30 June 2020 (Unaudited)				
Total assets	1,124,587	2,515,019	110,846	3,750,452
Total liabilities	709,461	1,710,741	162,337	2,582,539
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 six-month period ended 30 June	
	<u>2020</u>	<u>2019</u>
	(Unaudited)	(Unaudited)
<u>Income</u>		
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah receivables	148,416	137,561
Fee expenses	(1,226)	(1,524)
Other (loss) / income	(316)	593
Total income – as per operating segment note	146,874	136,630
<u>Expenses</u>		
Finance costs	(33,648)	(47,362)
Depreciation	(2,879)	(1,249)
General and administrative expenses	(35,944)	(35,887)
Selling and marketing expenses	(6,241)	(5,205)
Impairment charge for expected credit losses, net	(6,402)	1,678
Total expense – as per operating segment note.	(85,114)	(88,025)

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

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

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices witnessed significant volatility during the first half of 2020, owing not just to demand issues arising from COVID-19 as the world economies went into lockdown, but also supply issues driven by volume which had predated the pandemic. The oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production coupled with increasing of demand as countries emerged from lockdowns.

The Company continues to evaluate the current situation through conducting stress testing scenarios on expected movements of macro-economic factors and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak has on its normal operations and financial performance. The steps taken by management also include impacts of government and SAMA support relief programmes.

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. The adjustments to scenario weightings resulted in an additional ECL of SR 1.2 million for the Company. 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 judgemental and the Company will continue to reassess its position and the related impact on a regular basis.

The Company has also recognised additional ECL of SR 1.5 million for its corporate financing. These have been based on industry risk from low, medium and high with increase of PDs by 10%, 20% and 30% respectively. The Company will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the PSFSP in March 2020 to provide the necessary support to the MSME as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As part of the deferred payments program, the Company is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are 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 of the applicable financing facilities granted with no additional costs to be borne by the customer. 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 modification in terms of arrangement. This has resulted in the Company recognising a modification loss on Ijara

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

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

receivables and Murabaha receivables amounting to SR 2.44 million and SR 0.15 million respectively, as at 30 June 2020 and this has been presented as part of income from respective receivables, refer note 11 for further details. In the absence of other factors, participation in the PSFSP is not considered a significant increase in credit risk.

Furthermore, in accordance with the PSFSP, the Company is also eligible for the deferral of its loan instalment payment to the banks and Saudi Real Estate Re-financing Company. Similarly, the Company recognised a modification gain of SR 8.72 million as at 30 June 2020 and this has been presented as part of financial cost, refer note 12 for further details.

As at 30 June 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 June 2020. The Company will continue to consider the guidance issued and evaluate any accounting impact as and when the case arises.

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 2 Dhul Hijjah 1441H (corresponding to 23 July 2020).