

**AMLAK INTERNATIONAL FOR REAL ESTATE  
FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**For the three-month period ended**  
**31 March 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

سجل 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 31 March 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 31 March 2021;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2021;
- the condensed interim statement of comprehensive income for the three-month period ended 31 March 2021;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed interim statement of cash flows for the three-month period ended 31 March 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 31 March 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, 16 Ramadan 1442H  
Corresponding to: 28 April 2021



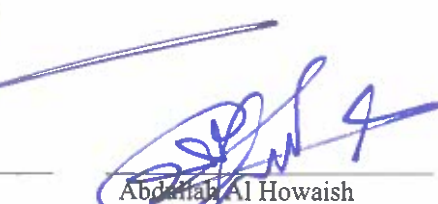


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كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "الشركة كي بي إم جي للفرزان وشركاه محاسبون ومراجعون كاتوليون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة تجاريزية 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 31 March 2021  
(SR '000)

	<u>Notes</u>	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents		29,652	25,051
Investments		10,889	10,496
Murabaha receivables, net	4	147,499	137,148
Ijara receivables, net	5	3,078,415	3,135,041
Ijara mawsofa fi athemmah receivables, net	6	88,607	80,078
Prepayments and other assets		238,787	131,354
Property, equipment and right of use assets, net		59,671	61,191
<b>TOTAL ASSETS</b>		<b>3,653,520</b>	<b>3,580,359</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
Account payables and other accruals	7	176,913	126,387
Negative fair value of derivatives		10,363	11,255
Zakat and income tax payable	8	36,218	31,847
Borrowings	9	1,989,680	2,094,670
SAMA deposit, net		249,759	152,181
Employees' end of service benefits		16,069	15,592
<b>TOTAL LIABILITIES</b>		<b>2,479,002</b>	<b>2,431,932</b>
Share capital	10	906,000	906,000
Statutory reserve		78,306	78,306
Cash flow hedge reserve		(10,363)	(11,255)
Retained earnings		200,575	175,376
<b>TOTAL EQUITY</b>		<b>1,174,518</b>	<b>1,148,427</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,653,520</b>	<b>3,580,359</b>

Tawfiq Moafa  
Chief Financial Officer


Abdullah Al Sudairy  
Chief Executive Officer

Abdullah Al Howaish  
Chairman


The attached notes 1 to 20 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 period ended 31 March 2021  
(SR '000)

	<b>For the three-month period ended 31 March</b>	
<i>Notes</i>	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>INCOME</b>		
Income from Murabaha contracts	2,806	4,064
Income from Ijara contracts	58,727	66,866
Income from Ijara mawsofa fi athemmah contracts	1,940	1,925
Gain / (loss) on sale of portfolio	4,052	(504)
Fees and commission income	4,441	2,910
<b>Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah</b>	<u><b>71,966</b></u>	<u><b>75,261</b></u>
<b>EXPENSES</b>		
Finance cost	(15,290)	(13,427)
Fee expense	(737)	(632)
<b>Net income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah</b>	<u><b>55,939</b></u>	<u><b>61,202</b></u>
<b>Other operating loss</b>		
Other income / (loss)	4	(316)
	<u><b>55,943</b></u>	<u><b>60,886</b></u>
<b>OPERATING EXPENSES</b>		
Depreciation	(2,052)	(1,415)
General and administrative expenses	12 (21,299)	(18,311)
Selling and marketing expenses	13 (3,468)	(3,148)
Impairment allowance reversal / (charge) for expected credit losses, net	274	(4,736)
<b>Net income for the period before zakat and income tax</b>	<u><b>29,398</b></u>	<u><b>33,276</b></u>
Zakat and income tax expense	8 (4,199)	(3,786)
<b>NET INCOME FOR THE PERIOD</b>	<u><u><b>25,199</b></u></u>	<u><u><b>29,490</b></u></u>
 Basic and diluted earnings per share (SR)	 <u><u><b>0.28</b></u></u>	 <u><u><b>0.33</b></u></u>

  
\_\_\_\_\_  
Tawfiq Moafa  
Chief Financial Officer

  
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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 period ended 31 March 2021  
(SR '000)

	<b>For the three-month period ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>NET INCOME FOR THE PERIOD</b>	25,199	29,490
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		
<i>Items that may be reclassified to statement of profit or loss in subsequent periods:</i>		
Net movement in cash flow hedges	892	(7,242)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>26,091</b>	<b>22,248</b>

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Tawfiq Moafa  
Chief Financial Officer


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Abdulfah Al Sudairy  
Chief Executive Officer


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Abdulfah Al Howaish  
Chairman

The attached notes 1 to 20 form part of these condensed interim financial statements

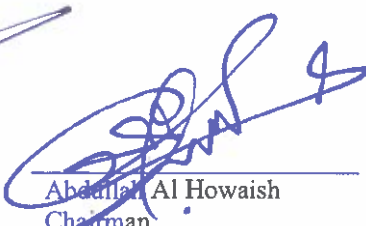
**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**For the three-month period ended 31 March 2021**  
(SR '000)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b><u>For the period ended 31 March 2021</u></b>					
Balance at 1 January 2021	906,000	78,306	(11,255)	175,376	1,148,427
Net income for the period	--	--	--	25,199	25,199
Other comprehensive income	--	--	892	--	892
<b>Balance at 31 March 2021</b>	<b><u>906,000</u></b>	<b><u>78,306</u></b>	<b><u>(10,363)</u></b>	<b><u>200,575</u></b>	<b><u>1,174,518</u></b>
<b><u>For the period ended 31 March 2020</u></b>					
Balance at 1 January 2020	906,000	68,416	(3,550)	154,411	1,125,277
Net income for the year	--	--	--	29,490	29,490
Other comprehensive income	--	--	(7,242)	--	(7,242)
Balance at 31 March 2020	<u>906,000</u>	<u>68,416</u>	<u>(10,792)</u>	<u>183,901</u>	<u>1,147,525</u>

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\_\_\_\_\_  
Tawfiq Moafa  
Chief Financial Officer

  
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Abdullah Al Sudairy  
Chief Executive Officer

  
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Abdullatif Al Howaish  
Chairman

The attached notes 1 to 20 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 three-month period ended 31 March 2021  
(SR '000)

	<i>Notes</i>	<b>For the three-month period ended 31 March</b>	
		<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>			
Net income for the period before zakat and income tax		29,398	33,276
<i>Non-cash adjustment to reconcile net income before zakat and income tax for the period to net cash from operating activities</i>			
Depreciation		2,052	1,415
Finance cost		16,875	21,209
Employees' end of service benefits		728	728
Impairment allowance (reversal) / charge for expected credit losses, net		(274)	4,736
Modification loss on Murabaha and Ijara receivables, net	19	3,271	2,023
Modification gain on borrowings, net		--	(8,716)
Gain on SAMA deposit, net		(1,585)	--
Gain on sale of portfolio		4,052	504
Other loss		(393)	316
		<b>46,020</b>	<b>55,491</b>
<i>Decrease / (increase) in operating assets</i>			
Murabaha receivables		(10,294)	(50,831)
Ijara receivables		56,653	(29,491)
Ijara mawsofa fi athemmah receivables		(7,458)	(8,680)
Prepayments and other assets		(107,535)	(4,651)
<i>(Decrease) / increase in operating liabilities</i>			
Account payables and other accruals		50,523	(8,395)
		<b>27,909</b>	<b>(46,557)</b>
Finance cost paid		(14,656)	(21,773)
Employees' end of service benefits paid		(251)	(50)
Zakat and income tax paid		--	(234)
		<b>13,002</b>	<b>(68,614)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(532)	(2,581)
		<b>(532)</b>	<b>(2,581)</b>
<b>Cash flows from financing activities</b>			
Repayment against borrowings		(410,660)	(303,068)
Proceeds from borrowings		304,000	385,000
SAMA deposit, net		99,163	--
Payment of lease liabilities		(372)	(231)
		<b>(7,869)</b>	<b>81,701</b>
<b>Net increase in cash and cash equivalents</b>			
		<b>4,601</b>	<b>10,506</b>
Cash and cash equivalents at beginning of the period		<b>25,051</b>	<b>7,876</b>
<b>Cash and cash equivalents at end of the period</b>		<b>29,652</b>	<b>18,382</b>
<b>Non-cash supplemental information:</b>			
Net changes in fair value of cash flow hedge		892	(7,242)

Tawfiq Moafa  
Chief Financial Officer

Abdulhak Al Sudairy  
Chief Executive Officer

Abdulhak Al Howaish  
Chairman

The attached notes 1 to 20 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 period ended 31 March 2021**  
**(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 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 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.

**2. BASIS OF PREPARATION**

**2.1 *Statement of compliance***

The condensed interim financial statements of the Company as at and for the period ended 31 March 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 (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 period ended 31 March 2021**  
**(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 2020.

**4. MURABAHA RECEIVABLES, NET**

	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Gross Murabaha receivables	151,678	141,357
Less: Impairment allowance for credit losses	<u>(4,179)</u>	<u>(4,209)</u>
Murabaha receivables, net	<u>147,499</u>	<u>137,148</u>

**5. IJARA RECEIVABLES, NET**

	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Gross Ijara receivables	4,174,171	4,304,077
Less: Unearned income	<u>(1,007,697)</u>	<u>(1,081,807)</u>
	<b>3,166,474</b>	<b>3,222,270</b>
Less: Impairment allowance for expected credit losses	<u>(88,059)</u>	<u>(87,229)</u>
Ijara receivables, net	<u>3,078,415</u>	<u>3,135,041</u>

5.1 The maturity profile of Ijara receivables as at 31 March 2021 and 31 December 2020 are as follows:

	<b>31 March 2021 (Unaudited)</b>			
	<b>Not later than one year</b>	<b>Later than one year but not later than five years</b>	<b>Later than five years</b>	<b>Total</b>
Ijara receivables	980,673	2,081,229	1,112,269	4,174,171
Less: Unearned income	<u>(224,613)</u>	<u>(526,594)</u>	<u>(256,490)</u>	<u>(1,007,697)</u>
	<u>756,060</u>	<u>1,554,635</u>	<u>855,779</u>	<u>3,166,474</u>
Less: Impairment allowance for credit losses				<u>(88,059)</u>
Ijara receivables, net				<u>3,078,415</u>
	<b>31 December 2020 (Audited)</b>			
	<b>Not later than one year</b>	<b>Later than one year but not later than five years</b>	<b>Later than five years</b>	<b>Total</b>
Ijara receivables	1,025,597	2,106,527	1,171,953	4,304,077
Less: Unearned income	<u>(268,588)</u>	<u>(543,447)</u>	<u>(269,772)</u>	<u>(1,081,807)</u>
	<u>757,009</u>	<u>1,563,080</u>	<u>902,181</u>	<u>3,222,270</u>
Less: Impairment allowance for credit losses				<u>(87,229)</u>
Ijara receivables, net				<u>3,135,041</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 period ended 31 March 2021**  
(SR '000)

**6. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET**

	<b>31 March 2021 (Unaudited)</b>	31 December 2020 (Audited)
Gross Ijara mawsofa fi athemmah receivables	<b>140,468</b>	130,411
Less: Unearned income	<b>(50,588)</b>	(47,988)
	<b>89,880</b>	82,423
Less: Impairment allowance for credit losses	<b>(1,273)</b>	(2,345)
Ijara mawsofa fi athemmah receivables, net	<b>88,607</b>	80,078

6.1 The maturity profile of Ijara mawsofa fi athemmah receivables as at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021 (Unaudited)			
	Not later than <u>one year</u>	Later than one year but not later than <u>five years</u>	Later than <u>five years</u>	<u>Total</u>
Ijara mawsofa fi athemmah receivables	10,099	38,505	91,864	140,468
Less: Unearned income	<u>(4,806)</u>	<u>(17,989)</u>	<u>(27,793)</u>	<u>(50,588)</u>
	<u>5,293</u>	<u>20,516</u>	<u>64,071</u>	<u>89,880</u>
Less: Impairment allowance for credit losses				<u>(1,273)</u>
<b>Ijara mawsofa fi athemmah receivables, net</b>				<b><u>88,607</u></b>
	31 December 2020 (Audited)			
	Not later than <u>one year</u>	Later than one year but not later than <u>five years</u>	Later than <u>five years</u>	<u>Total</u>
Ijara mawsofa fi athemmah receivables	8,901	36,078	85,432	130,411
Less: Unearned income	<u>(4,265)</u>	<u>(17,028)</u>	<u>(26,695)</u>	<u>(47,988)</u>
	<u>4,636</u>	<u>19,050</u>	<u>58,737</u>	<u>82,423</u>
Less: Impairment allowance for credit losses				<u>(2,345)</u>
<b>Ijara mawsofa fi athemmah receivables, net</b>				<b><u>80,078</u></b>

**7. ACCOUNT PAYABLES AND OTHER ACCRUALS**

	<b>31 March 2021 (Unaudited)</b>	31 December 2020 (Audited)
Financing to customers (note 7.1)	<b>86,950</b>	41,778
Lease liabilities	<b>24,284</b>	24,279
Salaries and employee related expenses	<b>5,047</b>	13,220
Accrued expenses	<b>5,883</b>	4,970
Amount received from customers (note 7.2)	<b>4,451</b>	4,293
Payable to the Ministry of Housing	<b>754</b>	754
Others (notes 7.3)	<b>49,544</b>	37,093
	<b>176,913</b>	126,387

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**For the three-month period ended 31 March 2021**  
**(SR '000)**

**7. ACCOUNT PAYABLES AND OTHER ACCRUALS (CONTINUED)**

- 7.1** Financing to customers arise when the financing arrangement has been agreed with the customer, but the amount is not disbursed due to administrative time required for the transfer of legal title of property.
- 7.2** This majorly represents down payment received from the customers, which is not paid to the seller of the property as at the reporting date.
- 7.3** This includes amount pertaining to late payment charges accrued from customers equal to SR 32.11 million (2020: SR 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 paid as charity.

**8. ZAKAT AND INCOME TAX**

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

	<b>For the three-month period ended 31 March 2021 (Unaudited)</b>		
	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
Balance at the beginning of the period	31,847	--	31,847
Charge for the period	4,199	--	4,199
Unwinding of discount	172	--	172
Balance as at end of the period	36,218	--	36,218
	<b>For the three-month period ended 31 March 2020 (Unaudited)</b>		
	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
Balance at the beginning of the period	34,180	200	34,380
Charge for the period	3,786	--	3,786
Unwinding of discount	228	--	228
Payments made during the period	(234)	--	(234)
Balance as at end of the period	37,960	200	38,160
	<b>For the year ended 31 December 2020 (Audited)</b>		
	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
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

**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 31 March 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 of the Company for the year ended 31 December 2020.

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
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**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 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.

**10. SHARE CAPITAL**

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

**11. 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.

	<b>For the three-month period ended 31 March</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>(Unaudited)</b>	
Profit for the period	<b>25,199</b>	29,490
Weighted average number of ordinary shares (in thousands)	<b>90,600</b>	90,600
Basic and diluted earnings per share (SR)	<b>0.28</b>	0.33

**12. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the three-month period ended 31 March</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>(Unaudited)</b>	
Salaries and employees related cost	<b>13,411</b>	13,713
Board fee and expenses	<b>1,175</b>	1,250
Information technology expenses	<b>1,926</b>	638
Professional fee	<b>753</b>	741
Communication	<b>284</b>	194
Rent and other expenses	<b>132</b>	76
Travelling expenses	<b>122</b>	211
Maintenance expenses	<b>143</b>	126
Others	<b>3,353</b>	1,362
	<b>21,299</b>	18,311

**13. SELLING AND MARKETING EXPENSES**

	<b>For the three-month period ended 31 March</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>(Unaudited)</b>	
Salaries and outsourcing costs	<b>1,761</b>	1,862
Insurance	<b>957</b>	436
Marketing expenses	<b>750</b>	850
	<b>3,468</b>	3,148

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**14. 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:

<u>Nature of transaction</u>	<u>Name of related party and relationship</u>	<u>For the three-month period ended 31 March</u>	
		<u>2021</u>	<u>2020</u>
		<b>(Unaudited)</b>	
Finance cost	The Saudi Investment Bank (shareholder)	2,842	5,920
Rent expense	Saudi Orix Leasing (affiliate)	--	132
Security and other expenses	Saudi Orix Leasing (affiliate)	--	10
Salaries and benefits	Key management personnel	5,528	5,315
Board meeting fees and other expenses	Board members	1,175	1,250
Payment on behalf of shareholders	Shareholders	--	1,754

<u>Nature of balances and names of related parties</u>	<u>Relationship</u>	<u>Balances</u>	
		<u>31 March 2021</u>	<u>31 December 2020</u>
		<b>(Unaudited)</b>	
<b>Bank balances:</b>			
The Saudi Investment Bank	Shareholder	8,864	6,627
<b>Prepayments and other assets:</b>			
Alistithmar Capital	Affiliate	1,774	1,774
<b>Bank borrowings:</b>			
The Saudi Investment Bank	Shareholder	431,213	455,667
<b>Financing and advances:</b>			
Key management personnel	Key management personnel	2,052	3,219
<b>Investment at FVTPL:</b>			
SAIB Saraya Tower Real Estate Development Fund	Affiliate	9,996	9,603
<b>Other receivables:</b>			
Amlak International For Real Estate Development	Subsidiary	305	305
<b>Board meeting and other expenses payable</b>			
Board bonus and meeting expenses	Board members	1,153	3,889
<b>Other payable:</b>			
Amlak International For Real Estate Development	Subsidiary	305	305

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**15. 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.

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.

31 March 2021 (Unaudited)	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>					
Investments	10,889	--	--	10,889	10,889
Murabaha receivables, net	147,499	--	--	146,610	146,610
Ijara receivables, net	3,078,415	--	--	3,135,851	3,135,851
Ijara mawsofa fi athemmah receivables, net	88,607	--	--	88,634	88,634
<i>Financial liabilities:</i>					
Negative fair value of derivatives	10,363	--	--	10,363	10,363

31 December 2020 (Audited)	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
<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

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**15. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

- 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.

**16. 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.

	31 March 2021 (Unaudited)		31 December 2020 (Audited)	
	Total capital ratio %	Tier I capital ratio %	Total capital ratio %	Tier I capital ratio %
Capital adequacy ratio	44.73	45.13	41.99	42.40

**17. 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 279 million (31 December 2020: SR 135 million).

**18. 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 31 March 2021 and 31 December 2020 and its total operating income, expenses and net profit for the three-month period ended 31 March 2021 and 31 March 2020 are as follows:

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**18. SEGMENT INFORMATION (CONTINUED)**

	<u>Retail</u>	<u>Corporate</u>	<u>Head office</u>	<u>Total</u>
<b>For the period ended 31 March 2021</b>				
<b>(Unaudited)</b>				
Income	21,993	49,240	--	71,233
Expenses	11,525	30,310	--	41,835
Segment profit	10,468	18,930	--	29,398
<b>For the period ended 31 March 2020</b>				
<b>(Unaudited)</b>				
Income	21,046	53,267	--	74,313
Expenses	15,339	25,698	--	41,037
Segment profit	5,707	27,569	--	33,276
<b>As at 31 March 2021 (Unaudited)</b>				
Total assets	920,909	2,643,288	89,323	3,653,520
Total liabilities	552,756	1,778,084	148,162	2,479,002
<b>As at 31 December 2020 (Audited)</b>				
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:

	<b>For the three-month period ended 31 March</b>	
	<u>2021</u> <b>(Unaudited)</b>	<u>2020</u> <b>(Unaudited)</b>
<b><u>Income</u></b>		
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah receivables	71,966	75,261
Fee expenses	(737)	(632)
Other income / (loss)	4	(316)
<b>Total income – as per operating segment note</b>	<b>71,233</b>	<b>74,313</b>
<b><u>Expenses</u></b>		
Finance costs	(15,290)	(13,427)
Depreciation	(2,052)	(1,415)
General and administrative expenses	(21,299)	(18,311)
Selling and marketing expenses	(3,468)	(3,148)
Impairment reversal / (charge) for expected credit losses, net	274	(4,736)
<b>Total expense – as per operating segment note</b>	<b>(41,835)</b>	<b>(41,037)</b>



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**19. 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 second / third waves 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. The Government has approved number of vaccines for mass immunizations. The drive is in full swing and it is expected that majority of the population will be vaccinated in near future.

The Company continues to evaluate the current situation through conducting stress-testing scenarios on expected movements of oil prices and other macroeconomic variables and their 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 had on its normal operations and financial performance. The steps taken by management includes ongoing 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 programmes.

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of ECL and revisions to the scenario probabilities currently being used by the Company in the ECL estimation. In 2020, the Company made certain adjustments to the macroeconomic factors and scenario weightings.

The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. 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.

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. The Company has therefore recognised overlays of SAR 2.94 million as at 31 March 2021. These have been based on a sector-based analysis performed by the Company depending on the impacted portfolios.

The Company continues to monitor the Micro Small and Medium Enterprises ("MSME") Deferred Payment Program ("DPP") lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves.

***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 encompassed the following programs, in which the Company was eligible to participate:

- Deferred payments program; and
- Facility guarantee program.

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

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer on lending facilities to those companies that qualify as MSME. 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 30 June 2021. 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.

The accounting impact of above 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 amounting to SR 10.3 million of which of SR 3.3 million has been recorded in current quarter which have been presented as part of income from respective receivables. During the three month period ended 31 March 2021, SAR 1.2 million (2020: SAR nil) has been charged to the statement of income relating to unwinding of modification losses.

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. Accordingly, the Company recognised a modification gain of SR 8.72 million during the year ended 31 December 2020 of which SR 7.83 million have been unwound. For the period ended 31 March 2021, SR 0.89 million has been recognised in the interim condensed statement of profit or loss relating to unwinding of the day 1 modification gain (period ended 31 March 2020: SR Nil).

In order to compensate for the related costs that the Company incurred under the SAMA's deferred payments program, during 2020 the Company has received profit free deposits from SAMA amounting to SAR 157.07 million with varying maturities, which qualify as government grants. Further, during the period, the Company has recorded SR 116.3 million as government grant receivable from SAMA. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 8.13 million, of which SR 3.24 million has been recognised during the period ended 31 March 2021. For the period ended 31 March 2021, SR 1.65 million has been recognised in the interim condensed statement of profit or loss relating to unwinding of the day 1 income (period ended 31 March 2020: SR nil).

As at 31 March 2021, the Company is yet to participate in SAMA's facility guarantee program.

**20. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements have been approved by the Board of Directors on 15 Ramadan 1442H (corresponding to 27 April 2021).