

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
For the six months period ended 30 June 2021
Together with the
Independent auditor's review report

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months period ended 30 June 2021

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KPMG Professional Services

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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 review report on the interim condensed financial statements

To the shareholders of Saudi Home Loans Company

Introduction

We have reviewed the accompanying 30 June 2021 interim condensed financial statements of **Saudi Home Loans Company** ("the Company"), which comprises:

- the interim condensed statement of financial position as at 30 June 2021;
- the interim condensed statement of comprehensive income for the three months and six months periods ended 30 June 2021;
- the interim condensed statement of changes in equity for the six months period ended 30 June 2021;
- the interim condensed statement of cash flows for the six months period ended 30 June 2021; and
- the notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed 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 interim condensed 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 the 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 2021 interim condensed financial statements of **Saudi Home Loans Company** are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Ebrahim Oboud Baeshen
License no: 382

25 Dhul Hijjah 1442H
Corresponding to 4 August 2021



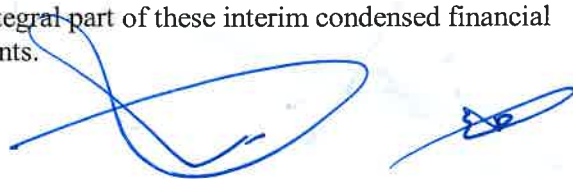
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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥٠٠٠٠٠) ريال سعودي مفروح بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة لجنوزية محدودة بضمان. جميع الحقوق محفوظة.

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
(Amounts in Saudi Riyals)

	<i>Note</i>	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents		107,608,945	142,327,982
Other receivables, net	4	49,848,109	55,604,405
Prepaid expenses and other assets	5	8,812,698	12,166,886
Advances to property owners	6	16,978,475	6,773,991
Due from a related party	7	1,179,935	633,377
Investment	8	892,850	892,850
Investments in finance lease, net	9	4,211,508,131	4,199,138,508
Murabaha financing, net		4,671,943	--
Deferred origination fees	10	20,245,950	22,027,601
Other real estate		13,123,175	8,656,926
Right-of-use asset, net		2,600,915	3,805,573
Property and equipment, net		4,658,224	5,272,141
Intangible assets, net		2,734,551	2,499,923
Deferred tax assets	14	4,468,419	4,837,338
Total assets		4,449,332,320	4,464,637,501
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Accounts payable	11	6,217,777	8,106,379
Accrued expenses and other liabilities	12	13,100,020	9,325,715
Advance lease rentals		9,367,326	4,396,874
Lease liability		1,353,393	3,841,748
Provision for zakat and income tax	13	18,696,480	24,644,795
Tawarruq financing facilities	15	2,746,880,981	2,819,883,777
End of service benefits liability	16	9,025,644	8,371,800
Total liabilities		2,804,641,621	2,878,571,088
Equity			
Share capital	17	1,000,000,000	1,000,000,000
Statutory reserve	18	112,035,990	106,160,070
Other reserve		1,022,550	1,157,460
Retained earnings		531,632,159	478,748,883
Total equity		1,644,690,699	1,586,066,413
Total liabilities and equity		4,449,332,320	4,464,637,501

The accompanying notes from (1) to (26) are an integral part of these interim condensed financial statements.

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three months and six months periods ended 30 June 2021
(Amounts in Saudi Riyals)

	<u>Notes</u>	For the three months ended June 30		For the six months ended June 30	
		2021	2020	2021	2020
Financing income		70,862,524	71,401,662	140,661,301	145,262,863
Service fees, net		1,389,692	1,848,828	2,857,469	3,777,511
Application and evaluation fee income		1,018,171	1,175,209	2,896,421	2,862,209
Other income	4.2	213,465	--	3,060,692	--
Total operating income		73,483,852	74,425,699	149,475,883	151,902,583
Financing charges		(18,602,626)	(22,375,947)	(37,448,495)	(50,803,302)
General and administrative expenses	20	(26,338,620)	(21,602,689)	(50,650,988)	(45,387,277)
Reversal of / (charge for) expected credit losses	4, 9	6,722,110	(10,858,165)	11,628,386	(15,036,879)
Selling and marketing expenses	19	(2,787,336)	(3,583,279)	(6,476,218)	(6,974,196)
Net income before zakat and income tax		32,477,380	16,005,619	66,528,568	33,700,929
Zakat and income tax expense for the current period	13	(2,947,137)	(2,029,320)	(6,485,958)	(4,230,065)
Zakat for the prior periods	13	--	--	(914,495)	--
Deferred tax (expense) / credit	14	(241,049)	504,335	(368,919)	695,898
		(3,188,186)	(1,524,985)	(7,769,372)	(3,534,167)
Net income for the period		29,289,194	14,480,634	58,759,196	30,166,762
Other comprehensive (loss) / gain					
<i>Item that cannot be subsequently reclassified to the statement of income:</i>					
Actuarial (loss) / gain on end of service benefits	16	(9,482)	(292,817)	(134,910)	(163,584)
Total comprehensive income for the period		29,279,712	14,187,817	58,624,286	30,003,178

The accompanying notes from (1) to (26) are an integral part of these interim condensed financial statements.

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six months period ended 30 June 2021
(Amounts in Saudi Riyals)

For the six months period ended 30 June 2021					
<i>Note</i>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at beginning of the period	1,000,000,000	106,160,070	1,157,460	478,748,883	1,586,066,413
Net income for the period	--	--	--	58,759,196	58,759,196
Actuarial loss on end of service benefits	--	--	(134,910)	--	(134,910)
Total comprehensive income for the period	--	--	(134,910)	58,759,196	58,624,286
Transfer to statutory reserve	--	5,875,920	--	(5,875,920)	--
Balance at end of the period	<u>1,000,000,000</u>	<u>112,035,990</u>	<u>1,022,550</u>	<u>531,632,159</u>	<u>1,644,690,699</u>

For the six months period ended 30 June 2020					
<i>Note</i>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at beginning of the period	1,000,000,000	97,648,519	296,000	402,144,925	1,500,089,444
Net income for the period	--	--	--	30,166,762	30,166,762
Actuarial loss on end of service benefits	--	--	(163,584)	--	(163,584)
Total comprehensive income for the period	--	--	(163,584)	30,166,762	30,003,178
Transfer to statutory reserve	--	3,016,676	--	(3,016,676)	--
Balance at end of the period	<u>1,000,000,000</u>	<u>100,665,195</u>	<u>132,416</u>	<u>429,295,011</u>	<u>1,530,092,622</u>

The accompanying notes from (1) to (26) are an integral part of these interim condensed financial statements.

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months period ended 30 June 2021
(Amounts in Saudi Riyals)

	<i>Notes</i>	For the six months ended June 30	
		2021	2020
OPERATING ACTIVITIES			
Net income before zakat and income tax		66,528,568	33,700,929
<i>Adjustments to reconcile net income before zakat and income tax to net cash generated from / (used in) operating activities:</i>			
Depreciation and amortisation	20	2,219,333	2,830,528
Amortisation of deferred origination fees	20	1,843,986	1,918,637
Impairment loss on other real estate assets		60,165	2,781,171
(Reversal of) / provision for expected credit losses	4, 9	(11,628,386)	15,036,879
Provision for end of service benefits	16	848,549	943,525
Amortization of discount on lease liability		191,216	161,728
<u>Net (increase) / decrease in operating assets:</u>			
Other receivables, net		6,017,096	2,391,547
Prepaid expenses and other assets, net		3,354,188	(4,167,757)
Due from related parties		(546,558)	62,292
Advances to property owners		(10,204,484)	(13,669,510)
Investments in finance lease		(5,528,450)	(89,214,944)
Murabaha financing		(4,671,943)	--
<u>Net increase / (decrease) in operating liabilities:</u>			
Accounts payable		(1,888,603)	4,141,264
Accrued expenses and other liabilities		3,774,305	1,021,305
Advance lease rentals		4,970,452	5,220,697
Net cash generated from / (used in) operations		55,339,434	(36,841,709)
Zakat and income tax paid	13	(13,348,768)	--
End of service benefits paid	16	(329,615)	(624,236)
Deferred origination fees paid		(62,335)	(163,804)
Net cash generated from / (used in) operating activities		41,598,716	(37,629,749)
INVESTING ACTIVITIES			
Purchase of property and equipment		(550,508)	(1,352,649)
Purchase of intangible assets		(147,659)	(22,500)
Net cash used in investing activities		(698,167)	(1,375,149)
FINANCING ACTIVITIES			
Additions in Tawarruq financing facilities		103,243,893	151,361,088
Repayment of Tawarruq financing facilities		(176,246,689)	(74,434,156)
Payment of principal portion of lease liability		(2,616,790)	(2,365,896)
Net cash (used in) / generated from financing activities		(75,619,586)	74,561,036
Net (decrease) / increase in cash and cash equivalents		(34,719,037)	35,556,138
Cash and cash equivalents at beginning of the period		142,327,982	54,199,589
Cash and cash equivalents at end of the period		107,608,945	89,755,727
Supplemental cash information			
Financing income received		136,970,390	145,309,227
Financing charges paid		37,175,297	49,572,930
Supplemental non-cash information			
Capital work in progress transferred to intangible assets and property and equipment		1,072,797	433,995

The accompanying notes from (1) to (26) are an integral part of these interim condensed financial statements.

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months period ended 30 June 2021
(Amounts in Saudi Riyals)

1. ACTIVITIES

Saudi Home Loans Company ("the Company") is a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under the commercial registration no. 1010241934 dated 22 Dhul Hijjah 1428H (corresponding to 1 January 2008). The Company operates under Saudi Arabian General Investment Authority ("SAGIA") license no: 102030072425-01 dated 23 Rajab 1430H (corresponding to 16 July 2009), also the Company is regulated and licensed by Saudi Arabian Monetary Authority ("SAMA") license no: 14/A SH/201403 dated 27 Rabi Al-Thani 1435H (corresponding to 27 Feb 2014). The address of the Company is as follows:

Saudi Home Loans Company
P.O. Box 27072
Riyadh 11417
Kingdom of Saudi Arabia

The principal activities of the Company are to finance the purchase of houses and residential land and apartments, financing of real estate properties that are developed by all companies operating in the real estate development and financing the establishment of commercial and industrial projects, except in Makkah and Madina.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 30 June 2021 have been prepared in accordance with the 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 Organization for Chartered and Professional Accountants ("SOCPA"). The interim condensed 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 2020.

The financial statements of the Company as at and for the year ended 31 December 2020, were prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

b) *Basis of measurement and presentation*

These financial statements have been prepared on a historical cost basis, except for the equity investment which is measured at fair value through other comprehensive income ("FVOCI") and end of service benefits liability which is measured at present value of future obligations using the projected unit credit method.

The interim condensed statement of financial position is presented in the order of liquidity.

c) *Functional and presentation currency*

These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. The figures in these financial statements are rounded to the nearest Saudi Riyal.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2020 except as explained below:

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months period ended 30 June 2021
(Amounts in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Murabaha financing

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future instalment payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the asset sold, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

4. OTHER RECEIVABLES, NET

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Insurance claims receivable on decess-case leases, net	4.1	35,670,569	34,459,222
VAT receivable		8,324,498	12,412,000
Legal claim		7,512,577	8,862,577
Due from REDF		1,294,195	2,882,103
Due from SRC	4.2	129,544	68,081
Employees' advances and receivables		129,303	132,999
		53,060,686	58,816,982
Allowance for provision for legal claim		(3,212,577)	(3,212,577)
		49,848,109	55,604,405

4.1 The insurance claims receivable on decess-case lease, net comprise of the following:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Insurance claims receivable on decess-case leases	50,804,565	49,854,017
Allowance for provision for ECL	(15,133,996)	(15,394,795)
	35,670,569	34,459,222

All insurance claims receivable on non-performing decess-case leases are classified as stage 3 in accordance with IFRS 9.

4.2 On 30 March 2021, SRC and the Company entered into Portfolio Purchase Agreement whereby the Company sold investments in finance lease with a carrying value of SR 92.78 million for SR 94.96 million and recognized a gain of SR 2.08 million presented as Other income in the interim condensed statement of income. The proceeds from sale were collected during Q2 2021.

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(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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5. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprise of the following:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Prepaid financing facility fees (GIB)	3,086,875	3,510,625
Prepaid insurance	1,595,463	1,091,924
Advance tax	1,116,104	3,849,870
Prepaid software maintenance	940,243	1,098,044
Prepaid financing facility fees (IFC)	939,856	1,096,504
Sijil registration charges	209,250	419,400
Others	924,907	1,100,519
	8,812,698	12,166,886

6. ADVANCES TO PROPERTY OWNERS

This balance represents the amounts of certified cheques issued under the property owners' name, for the purchase of properties of the Company's Ijara and Murabaha contracts (approved deals) and for which the transfer of title deeds, in the name of the Company and customers, respectively, is in process. These certified cheques are submitted by official Company representatives directly at the Registration office at the time of title deed transfer. Risk and reward of such Ijarah and Murabaha contracts are not transferred as at the date of statement of financial position.

7. RELATED PARTY TRANSACTIONS

The Company's shareholders and all their affiliates are considered as related party of the Company. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract term approved by the Company's management and on an agreed basis with these related parties:

<u>Name</u>	<u>Relationship</u>
Arab National Bank	Shareholder
International Financial Corporation	Shareholder
Kingdom Installment Company	Shareholder
Dar Al Arkan	Shareholder
Tharwat Alasool Real Estate Company	Affiliate

The significant transactions during the period are as follows:

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Tawaruq financing charges (ANB)	24,026,868	33,680,670
Residential unit purchased (Dar Alarkan)	12,847,464	13,232,854
Service fees, net	2,857,469	3,777,511
Tawaruq financing charges (IFC)	1,928,888	3,952,243
Rent charged by an affiliate	1,089,970	1,089,970
Deferred origination fees	62,335	163,804

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(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months period ended 30 June 2021
(Amounts in Saudi Riyals)

7. RELATED PARTY TRANSACTIONS (CONTINUED)

The following related party balances are included in the statement of financial position:

	30 June 2021 (Unaudited)	30 December 2020 (Audited)
Loan obtained from a shareholder (ANB) (Note 15)	1,799,877,053	1,832,298,936
Loan obtained from a shareholder (IFC) (Note 15)	125,145,139	140,784,894
Deferred origination fees (Note 10)	20,245,950	22,027,601
Prepaid financing facility fees (IFC)	939,856	1,096,504
Due from a related party related to service fees and advanced expenses to ANB	1,179,935	633,377

Compensation of key management personnel

KMP are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMP includes the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

The compensation details of Company's KMP is provided below:

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Salaries	960,000	1,230,906
End of service benefits	80,000	102,576
Other allowances	292,105	547,399
	<u>1,332,105</u>	<u>1,880,881</u>

8. INVESTMENT

On 17 December 2017, the Company purchased 89,285 shares of Saudi Financial Lease Contract Registry Company ("Sijil") at SR 10 each, amounting to SR 892,850. The Company has elected to classify this equity investment as FVOCI. As at the date of these interim condensed financial statements, the carrying value of this investment is not materially different to its fair value.

9. INVESTMENTS IN FINANCE LEASE, NET

This balance represents net investments in finance lease as summarized below:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Minimum lease payments		
Performing leases	6,358,410,695	6,390,357,327
Non-performing leases	232,695,653	276,583,431
Investments in finance lease, gross	<u>6,591,106,348</u>	<u>6,666,940,758</u>
Less: Unearned finance income	(2,308,542,195)	(2,385,371,981)
Investments in finance lease before impairment	<u>4,282,564,153</u>	<u>4,281,568,777</u>
Less: Allowance for expected credit losses	(71,056,022)	(82,430,269)
Investments in finance lease, net	<u>4,211,508,131</u>	<u>4,199,138,508</u>
Less: Current portion	<u>(286,933,053)</u>	<u>(283,570,327)</u>
Less: Accrued finance lease receivable	<u>(45,973,408)</u>	<u>(42,285,101)</u>
Non-current portion	<u>3,878,601,670</u>	<u>3,873,283,080</u>

Total number of outstanding lease agreements as at 30 June 2021 is 7,125 (31 December 2020: 7,041).

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months period ended 30 June 2021
(Amounts in Saudi Riyals)

9. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

9.1 The movement in the allowance for expected credit losses for investments is shown below:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Opening balance, as reported	82,430,269	78,226,322
(Reversal) / charge for the period	(11,374,247)	4,203,947
Closing balance	<u>71,056,022</u>	<u>82,430,269</u>

9.2 The credit quality of investments in finance lease as at 30 June 2021 (unaudited) is as follows:

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount	3,720,479,538	323,153,700	238,930,915	4,282,564,153
Allowance for expected credit losses	(2,562,075)	(10,952,540)	(57,541,407)	(71,056,022)
Net carrying amount	<u>3,717,917,463</u>	<u>312,201,160</u>	<u>181,389,508</u>	<u>4,211,508,131</u>

The credit quality of investments in finance lease as at 31 December 2020 (audited) is as follows:

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount	3,623,423,812	382,231,466	275,913,499	4,281,568,777
Allowance for expected credit losses	(2,154,938)	(13,008,217)	(67,267,114)	(82,430,269)
Net carrying amount	<u>3,621,268,874</u>	<u>369,223,249</u>	<u>208,646,385</u>	<u>4,199,138,508</u>

9.3 Maturity profile of the lease payments is as follows:

	30 June 2021 (unaudited)			31 December 2020 (audited)
<u>Year</u>	<u>Minimum lease payments</u>	<u>Unearned finance income</u>	<u>Investments in finance lease</u>	<u>Investments in finance lease</u>
Within one year	589,104,148	256,197,687	332,906,461	325,855,428
Year two	531,626,538	236,980,788	294,645,750	292,373,314
Year three	513,562,040	217,505,458	296,056,582	296,323,299
Year four	489,738,250	198,176,659	291,561,591	293,994,391
Year five and later	4,467,075,372	1,399,681,603	3,067,393,769	3,073,022,345
	<u>6,591,106,348</u>	<u>2,308,542,195</u>	<u>4,282,564,153</u>	<u>4,281,568,777</u>

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9. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

9.4 Expected credit loss allowance on investments in finance lease as at 30 June 2021 (unaudited) is as follows:

Loss Allowance	12-month ECL	Lifetime ECL		Total
		Not credit Impaired	Credit impaired	
Opening balance at 1 January 2021	2,154,938	13,008,217	67,267,114	82,430,269
Transfer to 12 Month ECL	104,088	(92,105)	(11,983)	--
Transfer to lifetime ECL (not credit impaired)	(69,171)	492,103	(422,932)	--
Transfer to lifetime ECL (credit impaired)	(2,268)	(425,825)	428,093	--
Net charge / (reversal) for the period	374,488	(2,029,850)	(9,718,885)	(11,374,247)
Closing balance as at 30 June 2021	2,562,075	10,952,540	57,541,407	71,056,022

Expected credit loss allowance on investments in finance lease as at 31 December 2020 (audited) is as follows:

Loss allowance	12 Month ECL	Lifetime ECL		Total
		Not credit Impaired	Credit impaired	
Opening balance at 1 January 2020	989,755	28,117,460	49,119,107	78,226,322
Transfer to 12 Month ECL	92,275	(87,781)	(4,494)	--
Transfer to lifetime ECL (not credit impaired)	(103,888)	437,837	(333,949)	--
Transfer to lifetime ECL (credit impaired)	(11,025)	(4,690,056)	4,701,081	--
Net charge / (reversal) for the period	1,187,821	(10,769,243)	13,785,369	4,203,947
Closing balance as of 31 December 2020	2,154,938	13,008,217	67,267,114	82,430,269

SAMA program - customer support on deferral of financing

During April 2020, the Company has effected payment reliefs, in line with the guidance issued by SAMA to financing companies, by extending the tenor of the applicable investments in finance lease for six months with no additional costs to be borne by the customer. The accounting impact of this has been assessed and is treated as per the requirements of IFRS 9 as modification in terms of arrangement. The Company has deferred the payments amounting to SR 4.44 million for customers in 2020 and accordingly has recognised modification loss of SR 2.68 million and unwound SR 80,159 for the year ended 31 December 2020 and SR 69,796 for the period ended 30 June 2021. There had been no deferrals for the period ended 30 June 2021. The impact of these modification losses was presented as part of financing income.

10. DEFERRED ORIGINATION FEES

Deferred origination fees comprise of the unamortised portion of commission paid to Arab National Bank, a shareholder for deals originated through the use of its infrastructure, resources and client base.

11. ACCOUNTS PAYABLE

Accounts payable includes amounts pertaining to VAT payable to Zakat, Tax and Customs Authority and payable for evaluation and other services provided to the Company.

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12. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Employees' related expenses	9,925,307	7,192,528
Accrued IT support charges	565,875	--
Provision for maintenance on finance lease contracts	494,528	424,800
Accrued legal and consultation fees	532,500	548,500
Servicing right liability	325,359	774,923
Accrued brokerage fees	94,613	57,738
Others	1,161,838	327,226
Total	<u>13,100,020</u>	<u>9,325,715</u>

13. PROVISION FOR ZAKAT AND INCOME TAX

The following is an analysis of movements in the provision for zakat and income tax:

	30 June 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Balance, beginning of the period / year	24,644,795	27,978,017
Zakat and income tax expense for the current period / year	6,485,958	12,734,691
Income tax for the prior periods	914,495	--
Payment during the period / year	<u>(13,348,768)</u>	<u>(16,067,913)</u>
Balance, end of the period / year	<u>18,696,480</u>	<u>24,644,795</u>

The estimate provided at interim period is the best estimate of management, therefore, actual figures may differ at year-end.

On 3 February 2021, the Company received income tax assessment from GAZT for the years 2014 and 2015 for SR 0.91 million. The Company has settled the assessment on 18 March 2021.

14. DEFERRED TAX

	30 June 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Balance at the beginning of the period / year	4,837,338	4,563,723
Movement for the period / year	<u>(368,919)</u>	<u>273,615</u>
Balance at end of the period / year	<u>4,468,419</u>	<u>4,837,338</u>

The Company's deferred tax assets arise primarily from employees' end of service benefits liability and expected credit losses.

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15. TAWARRUQ FINANCING FACILITIES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current portion of facilities	635,437,595	1,091,739,856
Non-current portion of facilities	2,108,199,493	1,714,657,021
Total excluding financial charges	2,743,637,088	2,806,396,877
Accrued Tawarruq financing charges	3,243,893	13,486,900
	2,746,880,981	2,819,883,777

The following summarises the outstanding Tawarruq financing facilities from different banks and Saudi Real Estate Refinance Company (“SRC”) to finance the investments in finance lease as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Arab National Bank	1,799,877,053	1,832,298,936
Gulf International Bank	403,644,309	392,920,322
International Finance Corporation	125,145,139	140,784,894
National Commercial Bank	367,810,336	377,881,841
Saudi Real Estate Refinance Company	50,404,144	75,997,784
	2,746,880,981	2,819,883,777

All facilities are secured by promissory notes and assignment of contracts and proceeds from investments in finance lease, these facilities bear finance charges at interest margin plus 6 months SAIBOR. Facility repayment schedule is based on equal semi-annual or quarter payment.

In response to COVID-19, SAMA launched the *Private Sector Financing Support Program* (“PSFSP”) in March 2020. As part of the deferred payments program, one of the programs under PSFSP, the management notified the Company’s bank lenders during 2020 to defer payments amounting to SR 352.19 million for six months on its lending facilities 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 tenor. 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. For the year ended 31 December 2020, the Company has recognised SR 6.60 million of modification gains. Out of which SR 5.58 million have been unwound for the year ended 31 December 2020 and SR 1.02 have been unwound during the period ended 30 June 2021.

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16. END OF SERVICES BENEFITS

The Company operates an end of service benefit plan for its staff based on prevailing Saudi Labor Laws.

The movements in the present value of defined benefit obligation are as follows:

	30 June 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Defined benefit obligation at the beginning of the period / year	8,371,800	9,376,906
Current service cost	759,080	1,594,609
Interest cost on defined benefit obligation	89,469	292,441
Benefits paid to outgoing employees	(329,615)	(2,030,696)
Actuarial losses / (gains) on obligation	134,910	(861,460)
Defined benefit obligation at the end of the period / year	<u>9,025,644</u>	<u>8,371,800</u>

17. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SAR 10 each.

The ownership of the Company's share capital is as follows:

	<u>No. of shares</u>	<u>Share capital</u>
Arab National Bank	40,000,000	400,000,000
Dar Al Arkan Real Estate Development Company	15,000,000	150,000,000
Kingdom Instalment Company	9,000,000	90,000,000
Youssef bin Abdullah Al Shalash	8,000,000	80,000,000
Tareq Mohammad Al Jarallah	6,000,000	60,000,000
Hathlool Bin Saleh Al Hathlool	6,000,000	60,000,000
International Finance Corporation	5,000,000	50,000,000
Abdulatif Bin Abdullah Al Shalash	5,000,000	50,000,000
Inma Almadaen Company	4,000,000	40,000,000
Daem Al Khaleej Company	2,000,000	20,000,000
Total	<u>100,000,000</u>	<u>1,000,000,000</u>

18. STATUTORY RESERVE

In accordance with the Company's By-laws, minimum 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital. This reserve is not available for dividend distribution.

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19. SELLING AND MARKETING EXPENSES

	For the three months ended		For the six months ended	
	June 30 (unaudited)		June 30 (unaudited)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Sales and title commission	895,380	881,776	2,239,079	1,780,973
Evaluation fees	837,950	556,800	2,096,028	1,358,400
Origination expenses	864,901	916,637	1,843,986	1,918,636
Marketing expenses	120,105	1,153,066	159,125	1,760,666
Others	69,000	75,000	138,000	155,521
	<u>2,787,336</u>	<u>3,583,279</u>	<u>6,476,218</u>	<u>6,974,196</u>

20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended		For the six months ended	
	June 30 (unaudited)		June 30 (unaudited)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Employees' salaries and other benefits	13,480,964	12,187,167	26,352,811	24,064,425
Insurance expenses	6,009,755	3,859,938	12,043,664	7,718,725
Consultation fees	2,372,119	1,174,619	3,286,210	3,097,334
Depreciation and amortisation	1,316,095	1,538,882	2,322,300	2,955,065
Software support charges	1,055,096	476,155	1,484,216	808,024
Collection commission	701,400	577,929	1,362,050	1,177,514
VAT expense	660,786	151,915	1,761,387	252,809
Telecommunication expenses	222,052	210,000	432,052	434,980
Bank charges	102,290	110,184	207,450	243,203
Printing and stationery	46,300	(12,548)	95,283	67,621
Travel expenses	41,036	20,680	165,792	196,910
Recruitment related expenses	40,398	58,500	78,321	130,797
Withholding tax	31,007	3,779	42,589	11,287
Repairs and maintenance	29,098	177,023	116,465	302,745
Impairment loss on other real estate assets	--	218,172	60,165	2,781,171
Others	230,224	850,294	840,233	1,144,667
	<u>26,338,620</u>	<u>21,602,689</u>	<u>50,650,988</u>	<u>45,387,277</u>

21. 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 asset or liability, the principal or the most advantageous market is accessible by the Company.

Financial instruments comprise mainly of investments in finance leases, net and murabaha financing.

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21. 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.

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost, except for equity investment which is classified as FVOCI. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases. The fair value of net investment in finance lease is determined using discounted cash flow technique using credit adjusted SIBOR. The expected rates are determined based on the risk profile of lease receivables and current commission rates.

Tawarruq financing facilities bear floating rate of interest based on SIBOR and hence, there is no material difference between the carrying value and fair value. Other financial liabilities such as accounts payable and accrued expenses and other liabilities approximate their fair values due to them being short-term in nature. There had been no inter-level transfers during the year / period.

The fair value of net investments in finance leases are as follows:

	<u>Carrying value</u>	<u>30 June 2021 (Unaudited)</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments in finance leases, net	4,211,508,131	--	--	4,275,592,019	4,275,592,019
Murabaha financing	4,671,943			5,219,903	5,219,903
Investments	892,850			892,850	892,850
Total		<u>--</u>	<u>--</u>	<u>4,281,704,772</u>	<u>4,281,704,772</u>
		<u>31 December 2020 (Audited)</u>			
	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in finance leases, net	4,199,138,508	--	--	4,458,298,049	4,458,298,049
Investments	892,850			892,850	892,850
Total		<u>--</u>	<u>--</u>	<u>4,459,190,899</u>	<u>4,459,190,899</u>

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22. CAPITAL MANAGEMENT

The Company manages and controls its capital structure and liquidity needs in order to safeguard the Company's ability to meet its future obligations and growing plans and continue as a going concern. The Company monitors the adequacy of its capital using below measures:

	30 June 21 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Total capital ratio %	22.27%	22.53%

The capital ratio above is calculated by dividing the Company's total share capital with the weighted average total assets of the Company as at period-end / year-end. The Company has a capital of SR 1 billion (100 million share).

The Company also raised Tawarruq financing to fund investments in finance lease and Murabaha financing and to help achieve the differential between cost of funds and financing income.

23. COMMITMENT AND CONTINGENCIES

The Company faces during its normal activity some lawsuits and other claims related to the nature of its activity. However, significant claims are not expected to result from the outstanding lawsuits as at the financial statements date.

24. SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would require adjustment nor disclosure to the interim condensed financial statements.

25. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform with the current period's presentation.

26. APPROVAL OF THE BOARD OF DIRECTORS

These financial statements were approved by the Board of Directors on 3 August 2021 (corresponding to 24 Dhul Hijjah 1442H).