

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

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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 review report on the interim condensed financial statements

To the shareholders of Saudi Home Loans Company

Introduction

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

- the interim condensed statement of financial position as at 30 September 2021;
- the interim condensed statement of comprehensive income for the three months and nine months period ended 30 September 2021;
- the interim condensed statement of changes in equity for the nine months period ended 30 September 2021;
- the interim condensed statement of cash flows for the nine months period ended 30 September 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 September 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



21 Rabi Al-Awwal 1443H
Corresponding to 27 October 2021

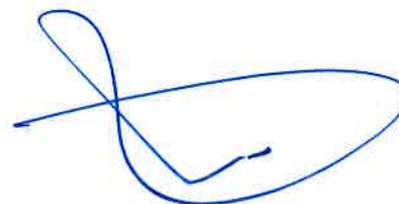
KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرز وشركاء محاسبين ومراجعين قانونيين". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية 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)

		As at 30 September 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
<u>ASSETS</u>			
Cash and cash equivalents		107,267,292	142,327,982
Other receivables, net	4	46,674,418	55,604,405
Prepaid expenses and other assets	5	8,266,655	12,166,886
Advances to property owners	6	13,550,857	6,773,991
Due from a related party	7	587,655	633,377
Investments held at fair value through other comprehensive income ("FVOCI")	8	892,850	892,850
Investments in finance lease, net	9	4,139,780,298	4,199,138,508
Murabaha financing, net	10	28,101,064	--
Deferred origination fees	11	19,275,724	22,027,601
Other real estate		10,206,994	8,656,926
Right-of-use asset, net		1,998,585	3,805,573
Property and equipment, net		4,303,430	5,272,141
Intangible assets, net		2,734,551	2,499,923
Deferred tax assets	15	4,484,317	4,837,338
Total assets		<u>4,388,124,690</u>	<u>4,464,637,501</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Accounts payable	12	6,604,384	8,106,379
Accrued expenses and other liabilities	13	13,556,002	9,325,715
Advance lease rentals		9,703,336	4,396,874
Lease liability		1,221,078	3,841,748
Provision for zakat and income tax	14	21,852,466	24,644,795
Tawarruq financing facilities	16	2,656,943,183	2,819,883,777
End of service benefits liability	17	8,609,018	8,371,800
Total liabilities		<u>2,718,489,467</u>	<u>2,878,571,088</u>
Equity			
Share capital	18	1,000,000,000	1,000,000,000
Statutory reserve	19	114,470,293	106,160,070
Other reserve		1,624,036	1,157,460
Retained earnings		553,540,894	478,748,883
Total equity		<u>1,669,635,223</u>	<u>1,586,066,413</u>
Total liabilities and equity		<u>4,388,124,690</u>	<u>4,464,637,501</u>

The accompanying notes from (1) to (27) 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 nine months periods ended 30 September 2021
(Amounts in Saudi Riyals)

	<i>Notes</i>	For the three months ended September 30		For the nine months ended September 30	
		2021	2020	2021	2020
Financing income		70,296,126	71,758,595	210,957,427	217,021,458
Service fees, net		1,319,814	1,763,410	4,177,283	5,540,921
Application and evaluation fee income		975,612	1,135,591	3,872,033	3,997,800
Other income		2,802,998	--	5,863,690	--
Total operating income		75,394,550	74,657,596	224,870,433	226,560,179
Financing charges		(18,301,430)	(23,388,190)	(55,749,925)	(74,191,492)
General and administrative expenses	21	(25,385,843)	(23,872,445)	(76,036,831)	(69,259,722)
Reversal of / (charge for) expected credit losses	4, 9, 10	(1,046,004)	5,542,972	10,582,382	(9,493,907)
Selling and marketing expenses	20	(3,178,147)	(2,587,899)	(9,654,365)	(9,562,095)
Net income before zakat and income tax		27,483,126	30,352,034	94,011,694	64,052,963
Zakat and income tax expense	14	(3,155,986)	(4,145,923)	(10,556,439)	(8,375,988)
Deferred tax (expense) / credit	15	15,898	(305,233)	(353,021)	390,665
		(3,140,088)	(4,451,156)	(10,909,460)	(7,985,323)
Net income for the period		24,343,038	25,900,878	83,102,234	56,067,640
Other comprehensive (loss) / gain					
<i>Item that cannot be subsequently reclassified to the statement of income:</i>					
Actuarial gain on end of service benefits	17	601,486	642,972	466,576	479,388
Total comprehensive income for the period		24,944,524	26,543,850	83,568,810	56,547,028

The accompanying notes from (1) to (27) are an integral part of these interim condensed financial statements.

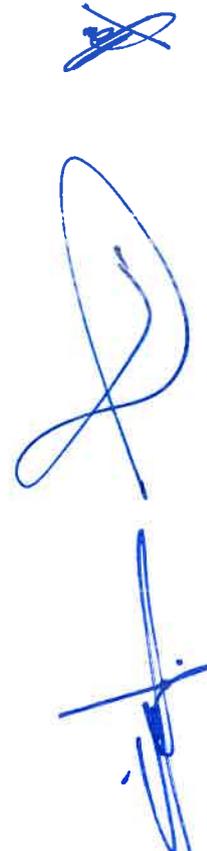
SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine months period ended 30 September 2021
(Amounts in Saudi Riyals)

	For the nine months period ended 30 September 2021				
<u>Note</u>	<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	--	--	--	83,102,234	83,102,234
Actuarial gains on end of service benefits	--	--	466,576	--	466,576
Total comprehensive income for the period	--	--	466,576	83,102,234	83,568,810
Transfer to statutory reserve	--	8,310,223	--	(8,310,223)	--
Balance at end of the period	1,000,000,000	114,470,293	1,624,036	553,540,894	1,669,635,223

For the nine months period ended 30 September 2020

	For the nine months period ended 30 September 2020				
<u>Note</u>	<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	--	--	--	56,067,640	56,067,640
Actuarial gains on end of service benefits	--	--	479,388	--	479,388
Total comprehensive income for the period	--	--	479,388	56,067,640	56,547,028
Transfer to statutory reserve	--	5,606,764	--	(5,606,764)	--
Balance at end of the period	1,000,000,000	103,255,283	775,388	452,605,801	1,556,636,472

The accompanying notes from (1) to (27) 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 nine months period ended 30 September 2021
(Amounts in Saudi Riyals)

	<i>Notes</i>	For the nine months ended September 30	
		2021	2020
OPERATING ACTIVITIES			
Net income before zakat and income tax		94,011,694	64,052,963
<i>Adjustments to reconcile net income before zakat and income tax to net cash generated from / (used in) operating activities:</i>			
Depreciation and amortisation	21	3,361,686	4,049,890
Amortisation of deferred origination fees	20	2,777,087	2,925,559
Impairment loss on other real estate assets	21	62,165	4,605,854
	4, 9,		
(Reversal of) / provision for expected credit losses	10	(10,582,382)	9,493,907
Provision for end of service benefits	17	1,286,283	1,415,288
Amortization of discount on lease liability		195,751	249,877
<i>Net (increase) / decrease in operating assets:</i>			
Other receivables, net		5,467,571	(16,087,064)
Prepaid expenses and other assets, net		3,900,231	(1,674,684)
Due from related parties		45,722	97,255
Advances to property owners		(6,776,866)	(14,896,119)
Investments in finance lease		71,790,775	(37,842,663)
Murabaha financing		(28,101,064)	--
<i>Net increase / (decrease) in operating liabilities:</i>			
Accounts payable		(1,501,995)	(10,383,994)
Accrued expenses and other liabilities		4,230,287	466,402
Advance lease rentals		5,306,462	784,385
Net cash generated from / operations		145,473,407	7,256,856
Zakat and income tax paid	14	(13,348,768)	(12,009,221)
End of service benefits paid	17	(582,489)	(1,858,982)
Deferred origination fees paid		(25,210)	(211,928)
Net cash generated from / (used in) operating activities		131,516,940	(6,823,275)
INVESTING ACTIVITIES			
Purchase of property and equipment		(661,500)	(785,241)
Purchase of intangible assets		(221,896)	(724,430)
Net cash used in investing activities		(883,396)	(1,509,671)
FINANCING ACTIVITIES			
Additions in Tawarruq financing facilities		154,487,749	160,801,378
Repayment of Tawarruq financing facilities		(317,428,343)	(81,208,288)
Payment of principal portion of lease liability		(2,753,640)	(2,551,849)
Net cash (used in) / generated from financing activities		(165,694,234)	77,041,241
Net (decrease) / increase in cash and cash equivalents		(35,060,690)	68,708,295
Cash and cash equivalents at beginning of the period		142,327,982	54,199,589
Cash and cash equivalents at end of the period		107,267,292	122,907,884
Supplemental cash information			
Financing income received		204,628,647	218,856,815
Financing charges paid		63,364,346	63,520,829
Supplemental non-cash information			
Capital work in progress transferred to intangible assets and property and equipment		1,566,662	1,309,880

The accompanying notes from (1) to (27) 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 nine months period ended 30 September 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), unified number (7001540165). The Company operates under Ministry of Investment (formerly known as the 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 Central Bank ("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 Madinah.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 30 September 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.

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

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:

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.

4. OTHER RECEIVABLES, NET

		30 September 2021 (Unaudited)	31 December 2020 (Audited)
	<i>Note</i>		
Insurance claims receivable on decess-case leases, net	4.1	34,137,590	34,459,222
VAT receivable		7,118,537	12,412,000
Legal claim		8,321,026	8,862,577
Due from REDF		-	2,882,103
Due from SRC		208,687	68,081
Employees' advances and receivables		101,155	132,999
		49,886,995	58,816,982
Allowance for provision for legal claim		(3,212,577)	(3,212,577)
		46,674,418	55,604,405

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

		30 September 2021 (Unaudited)	31 December 2020 (Audited)
Insurance claims receivable on decess-case leases		52,994,801	49,854,017
Allowance for provision for ECL		(18,857,211)	(15,394,795)
		34,137,590	34,459,222

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

5. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprise of the following:

		30 September 2021 (Unaudited)	31 December 2020 (Audited)
Prepaid financing facility fees (GIB)		2,875,000	3,510,625
Prepaid insurance		281,522	1,091,924
Advance tax		2,232,208	3,849,870
Prepaid software maintenance		751,727	1,098,044
Prepaid financing facility fees (IFC)		861,532	1,096,504
Sijil registration charges		132,300	419,400
Others		1,132,366	1,100,519
		8,266,655	12,166,886

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

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 September 2021 <u>(Unaudited)</u>	30 September 2020 <u>(Unaudited)</u>
Tawaruq financing charges (ANB)	36,023,726	49,551,283
Residential unit purchased (Dar Alarkan)	18,502,014	15,998,854
Service fees, net	4,177,283	5,540,921
Tawaruq financing charges (IFC)	2,894,090	5,129,003
Rent charged by an affiliate	3,269,910	3,269,910
Deferred origination fees	25,210	211,928

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

	30 September 2021 <u>(Unaudited)</u>	30 December 2020 <u>(Audited)</u>
Loan obtained from a shareholder (ANB) (Note 16)	1,697,806,510	1,832,298,936
Loan obtained from a shareholder (IFC) (Note 16)	125,979,688	140,784,894
Deferred origination fees	19,275,724	22,027,601
Prepaid financing facility fees (IFC)	861,532	1,096,504
Due from a related party related to service fees and advanced expenses to ANB	587,655	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.

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

7. RELATED PARTY TRANSACTIONS CONTINUED

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

	30 September 2021	30 September 2020
	(Unaudited)	(Unaudited)
Salaries	1,440,000	1,780,282
End of service benefits	120,000	148,357
Other allowances	438,157	718,614
	<u>1,998,157</u>	<u>2,647,253</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 September	31 December
	2021	2020
	(Unaudited)	(Audited)
Minimum lease payments		
Performing leases	6,215,517,274	6,390,357,327
Non-performing leases	221,816,130	276,583,431
Investments in finance lease, gross	6,437,333,404	6,666,940,758
Less: Unearned finance income	(2,229,212,019)	(2,385,371,981)
Investments in finance lease before impairment	4,208,121,385	4,281,568,777
Less: Allowance for expected credit losses	(68,341,087)	(82,430,269)
Investments in finance lease, net	4,139,780,298	4,199,138,508
Less: Current portion	(286,953,913)	(283,570,327)
Less: Accrued finance lease receivable	(48,538,629)	(42,285,101)
Non-current portion	<u>3,804,287,756</u>	<u>3,873,283,080</u>

Total number of outstanding lease agreements as at 30 September 2021 is 7,002 (31 December 2020: 7,041).

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

	30 September	31 December
	2021	2020
	(Unaudited)	(Audited)
Opening balance, as reported	82,430,269	78,226,322
(Reversal) / charge for the period	(14,089,182)	4,203,947
Closing balance	<u>68,341,087</u>	<u>82,430,269</u>

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

9. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

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

	<u>12-month ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
Gross carrying amount	3,716,015,110	271,491,903	220,614,372	4,208,121,385
Allowance for expected credit losses	(2,559,084)	(9,593,312)	(56,188,691)	(68,341,087)
Net carrying amount	<u>3,713,456,026</u>	<u>261,898,591</u>	<u>164,425,681</u>	<u>4,139,780,298</u>

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

	<u>12-month ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total</u>
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:

<u>Year</u>	<u>30 September 2021 (unaudited)</u>			31 December 2020 (audited)
	<u>Minimum lease payments</u>	<u>Unearned finance income</u>	<u>Investments in finance lease</u>	Investments in finance lease
Within one year	592,651,001	257,158,459	335,492,542	325,855,428
Year two	532,162,246	238,012,474	294,149,772	292,373,314
Year three	513,299,507	218,481,016	294,818,491	296,323,299
Year four	489,021,136	199,213,121	289,808,015	293,994,391
Year five and later	4,310,199,514	1,316,346,949	2,993,852,565	3,073,022,345
	<u>6,437,333,404</u>	<u>2,229,212,019</u>	<u>4,208,121,385</u>	4,281,568,777

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

<u>Loss Allowance</u>	<u>12-month ECL</u>	<u>Lifetime ECL</u>		<u>Total</u>
		<u>Not credit Impaired</u>	<u>Credit impaired</u>	
Opening balance at 1 January 2021	2,154,938	13,008,217	67,267,114	82,430,269
Transfer to 12 Month ECL	153,927	(140,063)	(13,864)	--
Transfer to lifetime ECL (not credit impaired)	(69,105)	550,103	(480,998)	--
Transfer to lifetime ECL (credit impaired)	(6,216)	(635,245)	641,461	--
Net charge / (reversal) for the period	325,540	(3,189,700)	(11,225,022)	(14,089,182)
Closing balance as at 30 September 2021	<u>2,559,084</u>	<u>9,593,312</u>	<u>56,188,691</u>	<u>68,341,087</u>

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9. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

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 106,035 for the period ended 30 September 2021. There had been no deferrals for the period ended 30 September 2021. The impact of these modification losses was presented as part of financing income.

10. MURABAHA FINANCING NET

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Performing loans	28,145,448	--
Non-performing loans	--	--
Murabaha financing	28,145,448	--
Less: Allowance for expected credit losses	(44,384)	--
Murabaha financing, net	28,101,064	--

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Opening balance, as reported	--	--
Charge for the period	44,384	--
Closing balance	44,384	--

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11. 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.

12. 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.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 September 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Employees' related expenses	11,117,991	7,192,528
Accrued IT support charges	865,875	--
Provision for maintenance on finance lease contracts	472,308	424,800
Accrued legal and consultation fees	490,000	548,500
Servicing right liability	331,983	774,923
Accrued brokerage fees	57,488	57,738
Others	220,357	327,226
Total	<u>13,556,002</u>	<u>9,325,715</u>

14. PROVISION FOR ZAKAT AND INCOME TAX

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

	30 September 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	9,641,944	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>21,852,466</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.

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15. DEFERRED TAX

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Balance at the beginning of the period / year	4,837,338	4,563,723
Movement for the period / year	(353,021)	273,615
Balance at end of the period / year	<u>4,484,317</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.

16. TAWARRUQ FINANCING FACILITIES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Current portion of facilities	677,552,351	1,091,739,856
Non-current portion of facilities	1,974,903,083	1,714,657,021
Total excluding financial charges	2,652,455,434	2,806,396,877
Accrued Tawarruq financing charges	4,487,749	13,486,900
	<u>2,656,943,183</u>	<u>2,819,883,777</u>

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 September 2021 (Unaudited)	31 December 2020 (Audited)
Arab National Bank	1,697,806,510	1,832,298,936
Gulf International Bank	369,586,449	392,920,322
International Finance Corporation	125,979,688	140,784,894
National Commercial Bank	362,777,673	377,881,841
Saudi Real Estate Refinance Company	100,792,863	75,997,784
	<u>2,656,943,183</u>	<u>2,819,883,777</u>

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 had 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 million have been unwound during the period ended 30 September 2021.

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17. END OF SERVICE 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 September 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	1,151,425	1,594,609
Interest cost on defined benefit obligation	134,858	292,441
Benefits paid to outgoing employees	(582,489)	(2,030,696)
Actuarial gains on obligation	(466,576)	(861,460)
Defined benefit obligation at the end of the period / year	<u>8,609,018</u>	<u>8,371,800</u>

18. 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>

19. 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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20. SELLING AND MARKETING EXPENSES

	<u>For the three months ended</u> <u>September 30 (unaudited)</u>		<u>For the nine months ended</u> <u>September 30 (unaudited)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Sales and title commission	1,096,146	582,675	3,335,225	2,363,648
Evaluation fees	622,300	618,000	2,718,328	1,976,400
Origination expenses	933,101	1,006,923	2,777,087	2,925,559
Marketing expenses	--	287,301	159,125	2,047,967
Others	526,600	93,000	664,600	248,521
	<u>3,178,147</u>	<u>2,587,899</u>	<u>9,654,365</u>	<u>9,562,095</u>

21. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the three months ended</u> <u>September 30 (unaudited)</u>		<u>For the nine months ended</u> <u>September 30 (unaudited)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Employees' salaries and other benefits	13,387,865	13,666,434	39,740,676	37,730,859
Insurance expenses	5,883,301	3,878,411	17,926,965	11,597,136
Consultation fees	2,337,340	787,652	5,623,550	3,884,986
Depreciation and amortisation	933,979	1,094,825	3,361,686	4,049,890
Software support charges	571,469	549,071	2,055,685	1,357,095
Collection commission	646,075	587,736	2,008,125	1,765,250
VAT expense	644,074	133,078	2,405,461	385,887
Telecommunication expenses	210,000	210,000	642,052	644,980
Bank charges	110,699	115,512	318,149	358,715
Printing and stationery	36,301	40,385	131,584	108,006
Travel expenses	62,311	79,975	228,103	276,885
Recruitment related expenses	96,728	68,740	175,049	199,537
Withholding tax	4,626	--	47,215	11,287
Repairs and maintenance	37,407	85,675	153,872	388,420
Impairment loss on other real estate assets	2,000	1,824,683	62,165	4,605,854
Others	421,668	750,268	1,156,494	1,894,935
	<u>25,385,843</u>	<u>23,872,445</u>	<u>76,036,831</u>	<u>69,259,722</u>

22. 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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22. 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 and Murabaha financing 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>	30 September 2021 (Unaudited)			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments in finance leases, net	4,139,780,298	--	--	4,204,538,829	4,204,538,829
Murabaha financing	28,101,064			29,249,603	29,249,603
Investments	892,850	--	--	892,850	892,850
Total		<u>--</u>	<u>--</u>	<u>4,234,681,282</u>	<u>4,234,681,282</u>

	<u>Carrying value</u>	31 December 2020 (Audited)			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</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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23. 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 September 21 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
Total capital ratio %	22.59%	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.

24. 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.

25. SUBSEQUENT EVENTS

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

26. COMPARATIVE FIGURES

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

27. APPROVAL OF THE BOARD OF DIRECTORS

These financial statements were approved by the Board of Directors on 19 Rabi Al-Awwal 1443H corresponding to 25 October 2021.