

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
For the three months period ended 31 March 2022
Together with the
Independent auditor's review report

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the three months period ended 31 March 2022

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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 31 March 2022 interim condensed financial statements of Saudi Home Loans Company ("the Company"), which comprises:

- the interim condensed statement of financial position as at 31 March 2022;
- the interim condensed statement of comprehensive income for the three months period ended 31 March 2022;
- the interim condensed statement of changes in shareholders' equity for the three months period ended 31 March 2022;
- the interim condensed statement of cash flows for the three months period ended 31 March 2022; 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 31 March 2022 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



Riyadh, 28 April 2022
Corresponding to: 27 Ramadan 1443H

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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥.٠٠٠.٠٠٠) ريال سعودي منقوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". هي عضو غير شريك في الشبكة العالمية للشركات 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)

	<u>Note</u>	As at 31 March 2022 (Unaudited)	As at 31 December 2021 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents		133,834,773	214,467,647
Advances to property owners	4	32,443,829	11,716,500
Due from related parties	5	775,716	739,733
Prepaid expenses and other assets	6	11,647,630	9,953,914
Other receivables, net	7	39,719,942	36,879,639
Investment held at fair value through other comprehensive income ("FVOCI")		892,850	892,850
Positive fair value of derivative	16	10,633,325	--
Investments in finance lease, net	8	3,964,770,632	4,013,303,094
Murabaha financing, net	9	154,311,162	74,786,137
Deferred origination fees		17,143,402	18,204,844
Other real estate		10,930,990	8,636,219
Right-of-use asset, net		6,390,074	7,015,918
Property and equipment, net		3,665,575	4,137,340
Intangible assets, net		2,643,013	2,896,071
Deferred tax assets	13	4,276,215	4,402,330
Total assets		4,394,079,128	4,408,032,236
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Liabilities			
Tawarruq financing facilities	14	2,596,903,130	2,653,074,515
Accounts payable	10	7,397,730	7,417,401
Accrued expenses and other liabilities	11	16,130,549	11,666,926
Advance lease rentals		11,831,651	7,969,186
Lease liability		4,724,606	6,753,491
Provision for zakat and income tax	12	25,986,049	22,618,176
End of service benefits	15	8,880,064	8,598,413
Total liabilities		2,671,853,779	2,718,098,108
Shareholders' equity			
Share capital	17	1,000,000,000	1,000,000,000
Statutory reserve	18	119,715,334	116,479,630
Other reserve		1,763,757	1,829,576
Retained earnings		600,746,258	571,624,922
Total shareholders' equity		1,722,225,349	1,689,934,128
Total liabilities and shareholders' equity		4,394,079,128	4,408,032,236

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 periods ended 31 March 2022
(Amounts in Saudi Riyals)

	<i>Notes</i>	For the three months ended March 31	
		2022	2021
Lease finance income		63,011,816	69,798,777
Service fees, net		1,590,066	1,529,877
Application and evaluation fee income		614,977	1,878,250
Asset sale income		--	2,605,349
Total revenue		65,216,859	75,812,253
Gain on instrument held at fair value through income statement ("FVIS")	16	10,633,325	--
Other income		89,483	179,778
Total operating income		75,939,667	75,992,031
Finance charges		(19,051,465)	(18,845,869)
General and administrative expenses	20	(25,153,160)	(24,131,618)
Reversal of expected credit losses ("ECL")	8, 9, 10	7,307,707	4,906,277
Selling and marketing expenses	19	(3,191,721)	(3,869,633)
Total operating expenses		(40,088,639)	(41,940,843)
Net income before zakat and income tax		35,851,028	34,051,188
Zakat and income tax	12	(3,367,873)	(4,453,316)
Deferred tax	13	(126,115)	(127,870)
		(3,493,988)	(4,581,186)
Net income for the period		32,357,040	29,470,002
Other comprehensive loss			
<i>Item that cannot be reclassified to the statement of income in subsequent periods:</i>			
Actuarial losses on end of service benefits	15	(65,819)	(125,428)
Total comprehensive income for the period		32,291,221	29,344,574
Basic and diluted earnings per share (SAR)	21	0.32	0.29

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 SHAREHOLDERS' EQUITY (UNAUDITED)
For the three months period ended 31 March 2022
(Amounts in Saudi Riyals)

		For the three months period ended 31 March 2022				Total
Note	Share capital	Statutory reserve	Other reserve	Retained earnings	shareholders' equity	
	1,000,000,000	116,479,630	1,829,576	571,624,922	1,689,934,128	
	--	--	--	32,357,040	32,357,040	
15	--	--	(65,819)	--	(65,819)	
	--	--	(65,819)	32,357,040	32,291,221	
18	--	3,235,704	--	(3,235,704)	--	
	1,000,000,000	119,715,334	1,763,757	600,746,258	1,722,225,349	
For the three months period ended 31 March 2021						
Note	Share capital	Statutory reserve	Other reserve	Retained earnings	Total	
	1,000,000,000	106,160,070	1,157,460	478,743,883	1,586,066,413	
	--	--	--	29,470,002	29,470,002	
15	--	--	(125,428)	--	(125,428)	
	--	--	(125,428)	29,470,002	29,344,574	
18	--	2,947,000	--	(2,947,000)	--	
	1,000,000,000	109,107,070	1,032,032	505,271,885	1,615,410,987	

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 three months period ended 31 March 2022
(Amounts in Saudi Riyals)

	<i>Notes</i>	For the three months ended March 31	
		2022	2021
OPERATING ACTIVITIES			
Net income before zakat and income tax		35,851,028	34,051,188
<i>Adjustments to reconcile net income to net cash generated from / (used in) operating activities:</i>			
Depreciation and amortisation	20	1,145,894	1,006,205
Amortisation of deferred origination fees	19	1,061,442	979,085
Fair value adjustment to derivatives		(10,633,325)	--
Impairment loss on other real estate assets	20	101,028	60,165
Reversal of expected credit losses	8,9	(7,307,707)	(4,906,276)
Provision for end of service benefits	15	413,153	400,501
Amortization of discount on lease liability		320,105	191,216
<i>Net (increase) / decrease in operating assets:</i>			
Other receivables, net		(2,198,011)	(94,144,704)
Prepaid expenses and other assets, net		(1,693,716)	1,487,005
Due from related parties		(35,983)	(153,889)
Advances to property owners		(20,727,329)	(12,712,009)
Investments in finance lease		52,947,907	6,513,018
Murabaha financing		(79,670,854)	--
<i>Net increase / (decrease) in operating liabilities:</i>			
Accounts payable		(19,671)	(1,421,817)
Accrued expenses and other liabilities		4,463,623	1,270,651
Advance lease rentals		3,862,465	5,521,878
Net cash used in operations		(22,119,951)	(61,857,783)
Zakat and income tax paid	12	--	(914,495)
End of service benefits paid	15	(197,321)	(14,040)
Deferred origination fees paid		--	(25,210)
Net cash used in operating activities		(22,317,272)	(62,811,528)
INVESTING ACTIVITIES			
Purchase of property and equipment		--	(358,935)
Disposal of property and equipment		204,772	--
Purchase of intangible assets		--	(127,375)
Net cash generated from / (used in) investing activities		204,772	(486,310)
FINANCING ACTIVITIES			
Additions in Tawarruq financing facilities		55,083,011	106,458,645
Repayment of Tawarruq financing facilities		(111,254,395)	(97,759,165)
Payment of principal portion of lease liability		(2,348,990)	(2,616,790)
Net cash (used in) / generated from financing activities		(58,520,374)	6,082,690
Net decrease in cash and cash equivalents		(80,632,874)	(57,215,148)
Cash and cash equivalents at beginning of the period		214,467,647	142,327,982
Cash and cash equivalents at end of the period		133,834,773	85,112,834

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 three months period ended 31 March 2022
(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.

Subsequent to the period ended 31 March 2022, on 20 April 2022, the Company has listed on Saudi Stock Exchange (Tadawul). Accordingly, the status of Company has changed from Saudi Closed Joint Stock Company to Saudi Joint Stock Company.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 31 March 2022 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 2021.

The financial statements of the Company as at and for the year ended 31 December 2021, 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)
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For the three months period ended 31 March 2022
(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 2021, except as mentioned below:

Derivative financial instruments

The Company uses derivative financial instruments held at fair value through profit and loss (“FVTPL”) to hedge its exposure to commission rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of comprehensive income.

4. 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 is in process. These certified cheques are submitted by official Company representatives directly at the Registration office at the time of title deed transfer. Risks and rewards of such Ijarah and Murabaha contracts are not transferred as at the reporting date.

5. RELATED PARTY TRANSACTIONS

The related parties of the Company include the shareholders and an affiliate (i.e., a company with a common shareholder), and key management personnel. 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:

	31 March 2022 <u>(Unaudited)</u>	31 March 2021 <u>(Unaudited)</u>
Tawaruq financing charges (ANB)	12,202,456	12,400,385
Residential unit purchased (Dar Alarkan)	1,539,000	8,871,970
Service fees, net	1,176,734	1,467,777
Tawaruq financing charges (IFC)	844,637	924,824
Rent charged by an affiliate	544,985	544,985
Deferred origination fees	--	25,210

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three months period ended 31 March 2022
(Amounts in Saudi Riyals)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Loan obtained from a shareholder (ANB) (Note 14)	1,629,462,863	1,825,184,023
Loan obtained from a shareholder (IFC) (Note 14)	110,270,679	141,631,394
Deferred origination fees	17,143,402	21,073,726
Prepaid financing facility fees (IFC)	704,884	1,018,180
Due from a related party related to service fees	775,716	787,266

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 Board of Directors (including executive and non-executive directors) and selected key employees who meet the above criteria.

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

	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Salaries	1,076,460	892,038
End of service benefits	50,705	53,038
Other allowances	297,975	380,208
	<u>1,425,140</u>	<u>1,325,284</u>

6. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprise of the following:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Advance tax	3,348,312	3,348,312
Prepaid financing facility fees (GIB)	2,451,250	2,663,125
Prepaid insurance	1,478,956	1,047,527
Prepaid cyber-security fees	1,462,961	388,231
Prepaid software maintenance	1,386,213	968,923
Prepaid financing facility fees (IFC)	704,884	783,208
Others	815,054	754,588
	<u>11,647,630</u>	<u>9,953,914</u>

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
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For the three months period ended 31 March 2022
(Amounts in Saudi Riyals)

7. OTHER RECEIVABLES, NET

	31 March 2022	31 December 2021
<i>Note</i>	<u>(Unaudited)</u>	<u>(Audited)</u>
Insurance claims receivable on decess-case leases, net	7.1 21,391,537	22,715,740
Legal claim	8,462,577	8,321,026
Deferred expenses	6,589,459	2,594,633
VAT receivable	6,094,797	6,140,137
Due from Saudi Real Estate Refinance Company (“SRC”)	281,552	206,430
Employees’ advances and receivables	112,597	114,250
	42,932,519	40,092,216
Allowance for provision for legal claim	(3,212,577)	(3,212,577)
	39,719,942	36,879,639

7.1 The insurance claims receivable on decess-case lease, net is comprised of the following:

	31 March 2022	31 December 2021
	<u>(Unaudited)</u>	<u>(Audited)</u>
Insurance claims receivable on decess-case leases	45,660,126	47,626,621
Allowance for ECL	(24,268,589)	(24,910,881)
	21,391,537	22,715,740

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

8. INVESTMENTS IN FINANCE LEASE, NET

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

	31 March 2022	31 December 2021
	<u>(Unaudited)</u>	<u>(Audited)</u>
Minimum lease payments		
Performing leases	5,859,720,329	5,986,076,975
Non-performing leases	224,963,901	214,437,964
Investments in finance lease, gross	6,084,684,230	6,200,514,939
Less: Unearned finance income	(2,064,926,857)	(2,123,208,607)
Investments in finance lease before ECL	4,019,757,373	4,077,306,332
Less: Allowance for ECL	(54,986,741)	(64,003,238)
Investments in finance lease, net	3,964,770,632	4,013,303,094
Less: Current portion	(286,598,141)	(284,874,210)
Less: Accrued finance lease receivable	(47,251,252)	(49,966,786)
Non-current portion	3,630,921,239	3,678,462,098

Total number of outstanding lease agreements as at 31 March 2022 is 6,740 (31 December 2021: 6,827). Non-performing leases include those investment in finance leases under stage 3, except for those investments in finance lease that are subject to curing period.

The Company generates substantially all of its revenues from leasing real estate in the Kingdom of Saudi Arabia. Gross amounts due in relation to the finance leases are due from individual customers.

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For the three months period ended 31 March 2022
(Amounts in Saudi Riyals)

8. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

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

	31 March 2022	31 December 2021
	(Unaudited)	(Audited)
Balance at the beginning of the period	64,003,238	82,430,269
Reversal for the period	(9,016,497)	(18,427,031)
Balance at the end of the period	<u>54,986,741</u>	<u>64,003,238</u>

8.2 The credit quality of investments in finance lease is as follows:

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
31 March 2022				
Gross carrying amount	3,523,354,214	274,002,972	222,400,187	4,019,757,373
Allowance for ECL	<u>(1,480,908)</u>	<u>(6,583,695)</u>	<u>(46,922,138)</u>	<u>(54,986,741)</u>
Net carrying amount	<u>3,521,873,306</u>	<u>267,419,277</u>	<u>175,478,049</u>	<u>3,964,770,632</u>
31 December 2021				
Gross carrying amount	3,624,926,342	297,913,090	154,466,900	4,077,306,332
Allowance for ECL	<u>(1,433,525)</u>	<u>(6,905,996)</u>	<u>(55,663,717)</u>	<u>(64,003,238)</u>
Net carrying amount	<u>3,623,492,817</u>	<u>291,007,094</u>	<u>98,803,183</u>	<u>4,013,303,094</u>

8.3 Maturity profile of the lease payments is as follows:

	31 March 2022 (unaudited)			31 December 2021 (audited)
Year	Minimum lease payments	Unearned finance income	Investments in finance lease	Investments in finance lease
Within one year	444,239,077	110,389,684	333,849,393	334,840,996
Year two	517,415,541	224,439,900	292,975,641	291,319,632
Year three	496,268,306	205,173,703	291,094,603	291,056,331
Year four	472,962,415	187,090,589	285,871,826	283,734,145
Year five and later	<u>4,153,798,891</u>	<u>1,337,832,981</u>	<u>2,815,965,910</u>	<u>2,876,355,228</u>
	<u>6,084,684,230</u>	<u>2,064,926,857</u>	<u>4,019,757,373</u>	<u>4,077,306,332</u>

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three months period ended 31 March 2022
(Amounts in Saudi Riyals)

8. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

8.4 Expected credit loss allowance on investments in finance lease as at 31 March 2022 is as follows:

Loss Allowance	12-month ECL	Lifetime ECL		Total
		Not credit Impaired	Credit impaired	
Opening balance at 1 January 2022	1,433,525	6,905,996	55,663,717	64,003,238
Transfer to 12 Month ECL	26,292	(25,527)	(765)	--
Transfer to lifetime ECL - not credit impaired	(31,680)	273,478	(241,798)	--
Transfer to lifetime ECL - credit impaired	(64)	(475,800)	475,864	--
Net charge / (reversal) for the period	52,835	(94,452)	(8,974,880)	(9,016,497)
Closing balance as at 31 March 2022	1,480,908	6,583,695	46,922,138	54,986,741

Expected credit loss allowance on investments in finance lease as at 31 December 2021 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	82,508	(75,338)	(7,170)	--
Transfer to lifetime ECL - not credit impaired	(59,679)	329,919	(270,240)	--
Transfer to lifetime ECL - credit impaired	(20,446)	(895,495)	915,941	--
Ijara receivables derecognized	(427,095)	(198,627)	--	(625,722)
Net reversal for the year	(296,701)	(5,262,680)	(12,241,928)	(17,801,309)
Closing balance as of 31 December 2021	1,433,525	6,905,996	55,663,717	64,003,238

9. MURABAHA FINANCING, NET

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Performing loans	154,456,991	74,857,128
Non-performing loans	--	--
Murabaha financing	154,456,991	74,857,128
Less: Allowance for expected credit losses	(145,829)	(70,991)
Murabaha financing, net	154,311,162	74,786,137

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

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period	70,991	--
Charge for the period	74,838	70,991
Balance at the end of the period	145,829	70,991

10. ACCOUNTS PAYABLE

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

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11. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2022 <u>(Unaudited)</u>	31 December 2021 <u>(Audited)</u>
Employees' related expenses	5,110,904	6,875,322
Accrued insurance expenses	4,319,316	--
Accrued annual maintenance charges	2,771,090	3,013,577
Due to SRC	2,173,509	--
Provision for maintenance on finance lease contracts	460,007	469,071
Accrued legal and consultation fees	280,000	492,500
Servicing right liability	318,993	347,195
Accrued brokerage fees	57,488	57,488
Others	639,242	411,773
Total	<u>16,130,549</u>	<u>11,666,926</u>

12. PROVISION FOR ZAKAT AND INCOME TAX

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

	31 March 2022 <u>(Unaudited)</u>	31 December 2021 <u>(Audited)</u>
Balance at the beginning of the period	22,618,176	24,644,795
Provision for zakat for the current period	2,307,260	9,694,054
Provision for zakat for the previous periods	--	914,495
Provision for income tax for the current period	1,060,613	4,772,292
Payment during the period	--	(17,407,460)
Balance at the end of the period	<u>25,986,049</u>	<u>22,618,176</u>

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

13. DEFERRED TAX

	31 March 2022 <u>(Unaudited)</u>	31 December 2021 <u>(Audited)</u>
Balance at the beginning of the period	4,402,330	4,837,338
Movement during the period	(126,115)	(435,008)
Balance at end of the period	<u>4,276,215</u>	<u>4,402,330</u>

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

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14. TAWARRUQ FINANCING FACILITIES

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Current portion of facilities	659,640,852	702,791,374
Non-current portion of facilities	1,932,179,267	1,946,175,830
Total excluding financial charges	2,591,820,119	2,648,967,204
Accrued Tawarruq financing charges	5,083,011	4,107,311
	<u>2,596,903,130</u>	<u>2,653,074,515</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:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Arab National Bank	1,629,462,863	1,672,545,150
Gulf International Bank	403,468,296	411,908,999
International Finance Corporation	110,270,679	109,517,304
National Commercial Bank	352,874,517	357,742,546
Saudi Real Estate Refinance Company	100,826,775	101,360,516
	<u>2,596,903,130</u>	<u>2,653,074,515</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.

15. 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:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Defined benefit obligation at the beginning of the period	8,598,413	8,371,800
Current service cost	362,429	1,527,171
Interest cost on defined benefit obligation	50,724	180,353
Benefits paid to outgoing employees	(197,321)	(808,795)
Actuarial losses / (gains) on obligation	65,819	(672,116)
Defined benefit obligation at the end of the period	<u>8,880,064</u>	<u>8,598,413</u>

16. DERIVATIVES

The Company has entered into an Interest Rate Swap (“IRS”) facility to hedge its interest rate exposure. However, it does not currently apply hedge accounting treatment. The positive fair value of the IRS as at 31 March 2022 was SR 10,633,325, with a notional amount of SR 200 million. The notional amount provides an indication of the volumes of the transactions outstanding at the end of the period and does not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Company’s exposure to credit risk, which is generally limited to the positive fair value of the derivative, nor market risk.

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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>

Subsequent to the period ended 31 March 2022, on 20 April 2022, the Company has listed on Saudi Stock Exchange (Tadawul). The revised shareholding subsequent to listing is as follows:

	<u>No. of shares</u>	<u>Share capital</u>
Arab National Bank	28,000,000	280,000,000
Dar Al Arkan Real Estate Development Company	10,500,000	105,000,000
Kingdom Instalment Company	6,300,000	63,000,000
Youssef bin Abdullah Al Shalash	5,600,000	56,000,000
Tareq Mohammad Al Jarallah	4,200,000	42,000,000
Hathlool Bin Saleh Al Hathlool	4,200,000	42,000,000
International Finance Corporation	3,500,000	35,000,000
Abdulatif Bin Abdullah Al Shalash	3,500,000	35,000,000
Inma Almadaen Company	2,800,000	28,000,000
Daem Al Khaleej Company	1,400,000	14,000,000
Public (listed on Tadawul)	30,000,000	300,000,000
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.

19. SELLING AND MARKETING EXPENSES

	<u>For the three months ended</u> <u>March 31 (unaudited)</u>	
	<u>2022</u>	<u>2021</u>
Sales and title commission	1,086,798	1,524,449
Origination expenses	1,061,442	979,085
Evaluation fees	583,856	1,258,078
Marketing expenses	51,249	39,020
Others	408,376	69,001
	<u>3,191,721</u>	<u>3,869,633</u>

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20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended March 31 (unaudited)	
	2022	2021
Employees' salaries and other benefits	13,506,459	12,871,847
Insurance expenses	5,914,385	6,033,909
Consultation fees	1,082,940	733,341
Depreciation and amortisation	1,145,894	1,006,205
Software support charges	992,889	429,120
Collection commission	583,750	660,650
VAT expense	857,718	1,100,601
Telecommunication expenses	310,687	210,000
Bank charges	110,396	105,160
Printing and stationary	41,162	48,983
Travel expenses	68,071	124,756
Recruitment related expenses	26,131	37,923
Withholding tax	17,341	11,582
Repairs and maintenance	72,749	87,367
Impairment loss on other real estate	101,028	60,165
Others	321,560	610,009
	25,153,160	24,131,618

21. 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 number of shares outstanding during the period.

	For the three months ended March 31 (unaudited)	
	2022	2021
Profit for the period	32,357,040	29,470,002
Weighted average number of ordinary shares	100,000,000	100,000,000
Basic and diluted earnings per share	0.32	0.29

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 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. However, 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>Carrring value</u>	<u>31 March 2022 (Unaudited)</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Net investments in finance leases	3,964,770,632	--	--	4,037,284,804	4,037,284,804
Murabaha financing	154,311,162	--	--	145,794,588	145,794,588
Positive fair value of derivative	10,633,325	--	--	10,633,325	10,633,325
Investments	892,850	--	--	892,850	892,850
Total		<u>--</u>	<u>--</u>	<u>4,194,605,567</u>	<u>4,194,605,567</u>
		<u>31 December 2021 (Audited)</u>			
	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Net investments in finance leases	4,013,303,094	--	--	4,261,039,169	4,261,039,169
Murabaha financing	74,786,137	--	--	77,441,496	77,441,496
Investments	892,850	--	--	892,850	892,850
Total		<u>--</u>	<u>--</u>	<u>4,339,373,515</u>	<u>4,339,373,515</u>

23. COMMITMENT AND CONTINGENCIES

The Company during its normal activity face certain lawsuits and claims related to the nature of its business. However, significant claims are not expected to result from the outstanding lawsuits as at the reporting date.

24. SUBSEQUENT EVENTS

Other than the matters already disclosed above, there have been no events subsequent to the reporting date that would require adjustment or disclosure in the interim condensed financial statements.

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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 26 Ramadan 1443H corresponding to 27 April 2022.