

**SAUDI HOME LOANS COMPANY**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)  
**For the three months period ended 31 March 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 three months period ended 31 March 2021**

<b>INDEX</b>	<b>PAGES</b>
Independent auditor's review report	1
Interim condensed statement of financial position	2
Interim condensed statement of comprehensive income	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 – 17



## KPMG Professional Services

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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 31 March 2021 interim condensed financial statements of **Saudi Home Loans Company** ("the Company"), which comprises:

- the interim condensed statement of financial position as at 31 March 2021;
- the interim condensed statement of comprehensive income for the three months period ended 31 March 2021;
- the interim condensed statement of changes in equity for the three months period ended 31 March 2021;
- the interim condensed statement of cash flows for the three months period ended 31 March 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 31 March 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

15 Ramadan 1442H  
Corresponding to 27 April 2021



**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 31 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		85,112,834	142,327,982
Other receivables, net	4	150,121,817	55,604,405
Prepaid expenses and other assets	5	10,679,881	12,166,886
Advances to property owners	6	19,486,000	6,773,991
Due from a related party	7	787,266	633,377
Investment	8	892,850	892,850
Investments in finance lease, net	9	4,193,847,667	4,199,138,508
Deferred origination fees	10	21,073,726	22,027,601
Other real estate		11,908,152	8,656,926
Right-of-use asset, net		3,203,245	3,805,573
Property and equipment, net		4,926,383	5,272,141
Intangible assets, net		2,865,334	2,499,923
Deferred tax assets	14	4,709,468	4,837,338
<b>Total assets</b>		<b>4,509,614,623</b>	<b>4,464,637,501</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Liabilities</b>			
Accounts payable	11	6,684,563	8,106,379
Accrued expenses and other liabilities	12	10,596,366	9,325,715
Advance lease rentals		9,918,752	4,396,874
Lease liability		1,353,393	3,841,748
Provision for zakat and income tax	13	28,183,616	24,644,795
Tawarruq financing facilities	15	2,828,583,257	2,819,883,777
End of service benefits liability	16	8,883,689	8,371,800
<b>Total liabilities</b>		<b>2,894,203,636</b>	<b>2,878,571,088</b>
<b>Equity</b>			
Share capital	17	1,000,000,000	1,000,000,000
Statutory reserve	18	109,107,070	106,160,070
Other reserve		1,032,032	1,157,460
Retained earnings		505,271,885	478,748,883
<b>Total equity</b>		<b>1,615,410,987</b>	<b>1,586,066,413</b>
<b>Total liabilities and equity</b>		<b>4,509,614,623</b>	<b>4,464,637,501</b>

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 2021**  
*(Amounts in Saudi Riyals)*

	<i>Notes</i>	<b>For the three months ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Lease finance income		69,798,777	73,861,201
Service fees, net		1,467,777	1,928,683
Application and evaluation fee income		1,878,250	1,687,000
Other income	4.1	2,847,227	--
<b>Total operating income</b>		<b>75,992,031</b>	<b>77,476,884</b>
Financing charges		(18,845,869)	(28,427,355)
General and administrative expenses	20	(24,131,618)	(23,784,588)
Reversal of / (charge for) expected credit losses	4, 9	4,906,277	(4,178,714)
Selling and marketing expenses	19	(3,869,633)	(3,390,917)
<b>Net income before zakat and income tax</b>		<b>34,051,188</b>	<b>17,695,310</b>
Zakat and income tax expense for the current period	13	(3,538,821)	(2,200,745)
Income tax for the prior periods	13	(914,495)	--
Deferred tax credit / (expense)	14	(127,870)	191,563
		<b>(4,581,186)</b>	<b>(2,009,182)</b>
<b>Net income for the period</b>		<b>29,470,002</b>	<b>15,686,128</b>
Other comprehensive (loss) / income			
Actuarial (losses) / gains on end of service benefits	16	(125,428)	129,233
<b>Total comprehensive income for the period</b>		<b>29,344,574</b>	<b>15,815,361</b>

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 three months period ended 31 March 2021**  
*(Amounts in Saudi Riyals)*

For the three months period ended 31 March 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	--	--	--	29,470,002	29,470,002
Actuarial losses on end of service benefits	--	--	(125,428)	--	(125,428)
Total comprehensive income for the period	--	--	(125,428)	29,470,002	29,344,574
Transfer to statutory reserve	--	2,947,000	--	(2,947,000)	--
Balance at end of the period	1,000,000,000	109,107,070	1,032,032	505,271,885	1,615,410,987
For the three months period ended 31 March 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	--	--	--	15,686,128	15,686,128
Actuarial gains on end of service benefits	--	--	129,233	--	129,233
Total comprehensive income for the period	--	--	129,233	15,686,128	15,815,361
Transfer to statutory reserve	--	1,568,613	--	(1,568,613)	--
Balance at end of the period	1,000,000,000	99,217,132	425,233	416,262,440	1,515,904,805

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 2021**  
*(Amounts in Saudi Riyals)*

	<i>Notes</i>	<b>For the three months ended March 31</b>	
		<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>			
Net income before zakat and income tax		34,051,188	17,695,310
<i>Adjustments to reconcile net income before zakat and income tax to net cash used in operating activities:</i>			
Depreciation and amortisation	20	1,006,205	1,416,183
Impairment loss on other real estate assets	20	60,165	2,562,999
Amortisation of deferred origination fees		979,085	1,001,999
(Reversal of) / provision for expected credit losses	4, 9	(4,906,276)	4,178,714
Provision for end of service benefits	16	400,501	471,763
Amortization of discount on lease liability		191,216	192,468
<i>Net (increase) / decrease in operating assets:</i>			
Other receivables, net		(94,144,704)	502,526
Prepaid expenses and other assets, net		1,487,005	(3,162,759)
Due from related parties		(153,889)	(1,409,224)
Advance to property owner		(12,712,009)	(3,698,932)
Investments in finance lease, net		6,513,018	(44,427,292)
<i>Net increase / (decrease) in operating liabilities:</i>			
Accounts payable		(1,421,817)	7,955,240
Accrued expenses and other liabilities		1,270,651	713,661
Advance lease rentals		5,521,878	(2,705,807)
<b>Net cash used in operations</b>		<b>(61,857,783)</b>	<b>(18,713,151)</b>
Zakat and income tax paid	13	(914,495)	--
End of service benefits paid	16	(14,040)	--
Deferred origination fees paid		(25,210)	(140,802)
<b>Net cash used in operating activities</b>		<b>(62,811,528)</b>	<b>(18,853,953)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(358,935)	(368,675)
Purchase of intangible assets		(127,375)	(22,500)
<b>Net cash used in investing activities</b>		<b>(486,310)</b>	<b>(391,175)</b>
<b>FINANCING ACTIVITIES</b>			
Additions in Tawarruq financing facilities		106,458,645	129,424,328
Repayment of Tawarruq financing facilities		(97,759,165)	(58,809,156)
Payment of principal portion of lease liability		(2,616,790)	(2,068,046)
<b>Net cash generated from financing activities</b>		<b>6,082,690</b>	<b>68,547,126</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(57,215,148)</b>	<b>49,301,998</b>
Cash and cash equivalents at beginning of the period		142,327,982	54,199,589
<b>Cash and cash equivalents at end of the period</b>		<b>85,112,834</b>	<b>103,501,587</b>
<b>Supplemental cash information</b>			
Lease finance income received		68,761,417	74,376,272
Financing charges paid		18,450,180	24,133,743

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 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 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.

**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 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 Organisation 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.



**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 2021**  
(Amounts in Saudi Riyals)

**4. OTHER RECEIVABLES, NET**

		<b>31 March 2021</b>	<b>31 December 2020</b>
	<i>Note</i>	<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
Due from Saudi Real Estate Refinance Company (SRC)	4.1	95,008,076	68,081
Insurance claims receivable on decess-case leases, net	4.2	35,838,328	34,459,222
VAT receivable		12,176,606	12,412,000
Legal claim		8,862,577	8,862,577
Due from REDF		1,294,195	2,882,103
Employees' advances and receivables		154,612	132,999
		<b>153,334,394</b>	<b>58,816,982</b>
Allowance for provision for legal claim		<b><u>(3,212,577)</u></b>	<b><u>(3,212,577)</u></b>
		<b><u>150,121,817</u></b>	<b><u>55,604,405</u></b>

4.1 This mainly includes the consideration for the sale of portfolio to SRC which was received subsequent to period-end (i.e. 7 April 2021). 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. Accordingly, these investments in finance lease were derecognised at the time of sale.

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

		<b>31 March 2021</b>	<b>31 December 2020</b>
		<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
Insurance claims receivable on decess-case leases		50,860,415	49,854,017
Allowance for provision for ECL		<b><u>(15,022,087)</u></b>	<b><u>(15,394,795)</u></b>
		<b>35,838,328</b>	<b>34,459,222</b>

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:

		<b>31 March 2021</b>	<b>31 December 2020</b>
		<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
Advance tax		3,849,870	3,849,870
Prepaid financing facility fees (GIB)		3,298,750	3,510,625
Prepaid financing facility fees (IFC)		1,018,180	1,096,504
Prepaid software maintenance		833,628	1,098,044
Prepaid Insurance		424,486	1,091,924
Sijil registration charges		288,000	419,400
Others		966,967	1,100,519
		<b>10,679,881</b>	<b>12,166,886</b>

**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 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 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. Risk and reward of such Ijarah 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:

	<b>31 March 2021 (Unaudited)</b>	31 March 2020 (Unaudited)
Tawaruq financing charges (ANB)	<b>12,400,385</b>	18,519,155
Residential unit purchased (Dar Alarkan)	<b>8,871,970</b>	--
Service fees, net	<b>1,467,777</b>	1,928,683
Tawaruq financing charges (IFC)	<b>924,824</b>	2,032,621
Rent charged by an affiliate	<b>544,985</b>	544,985
Deferred origination fees	<b>25,210</b>	140,802

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

	<b>31 March 2021 (Unaudited)</b>	31 December 2020 (Audited)
Loan obtained from a shareholder (ANB)	<b>1,825,184,023</b>	1,832,298,936
Loan obtained from a shareholder (IFC)	<b>141,631,394</b>	140,784,894
Deferred origination fees (Note 10)	<b>21,073,726</b>	22,027,601
Prepaid financing facility fees (IFC)	<b>1,018,180</b>	1,096,504
Due from related party related to service fees (ANB)	<b>787,266</b>	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 three months period ended 31 March 2021**  
*(Amounts in Saudi Riyals)*

**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Compensation of key management personnel (continued)**

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

	<b>31 March 2021 <u>(Unaudited)</u></b>	31 March 2020 <u>(Unaudited)</u>
Salaries	659,000	799,825
End of service benefits	54,917	51,288
Other allowances	210,542	89,328
	<u>924,459</u>	<u>940,441</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:

	<b>31 March 2021 <u>(Unaudited)</u></b>	31 December 2020 <u>(Audited)</u>
Minimum lease payments		
Performing leases	6,356,344,699	6,390,357,327
Non-performing leases	253,738,768	276,583,431
<b>Investments in finance lease, gross</b>	<b>6,610,083,467</b>	<b>6,666,940,758</b>
Less: Unearned finance income	<u>(2,338,339,100)</u>	<u>(2,385,371,981)</u>
<b>Investments in finance lease before impairment</b>	<b>4,271,744,367</b>	<b>4,281,568,777</b>
Less: Allowance for expected credit losses	<u>(77,896,700)</u>	<u>(82,430,269)</u>
<b>Investments in finance lease, net</b>	<b>4,193,847,667</b>	<b>4,199,138,508</b>
<b>Less: Current portion</b>	<b>(284,521,398)</b>	<b>(283,570,327)</b>
<b>Less: Accrued finance lease receivable</b>	<b>(43,322,461)</b>	<b>(42,285,101)</b>
Non-current portion	<u>3,866,003,808</u>	<u>3,873,283,080</u>

Total number of outstanding lease agreements as at 31 March 2021 is 7,081 (31 December 2020: 7041).

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

	<b>31 March 2021 <u>(Unaudited)</u></b>	31 December 2020 <u>(Audited)</u>
Opening balance, as reported	82,430,269	78,226,322
(Reversal) / charge for the period	<u>(4,533,569)</u>	<u>4,203,947</u>
<b>Closing balance</b>	<b><u>77,896,700</u></b>	<b><u>82,430,269</u></b>

**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 2021**  
*(Amounts in Saudi Riyals)*

**9. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)**

9.2 The credit quality of investments in finance lease as at 31 March 2021 (unaudited) is as follows:

	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Gross carrying amount	<b>3,687,801,088</b>	<b>339,367,521</b>	<b>244,575,758</b>	<b>4,271,744,367</b>
Allowance for expected credit losses	<b>(2,371,559)</b>	<b>(11,657,050)</b>	<b>(63,868,091)</b>	<b>(77,896,700)</b>
Net carrying amount	<b>3,685,429,529</b>	<b>327,710,471</b>	<b>180,707,667</b>	<b>4,193,847,667</b>

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

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

9.3 Maturity profile of the lease payments is as follows:

	<b>31 March 2021 (unaudited)</b>			<b>31 December 2020 (audited)</b>
<b>Year</b>	<b>Minimum lease payments</b>	<b>Unearned finance income</b>	<b>Investments in finance lease</b>	<b>Investments in finance lease</b>
Within one year	<b>592,679,758</b>	<b>264,835,899</b>	<b>327,843,859</b>	325,855,428
Year two	<b>538,213,152</b>	<b>245,579,397</b>	<b>292,633,754</b>	292,373,314
Year three	<b>521,296,969</b>	<b>226,103,744</b>	<b>295,193,225</b>	296,323,299
Year four	<b>497,839,716</b>	<b>206,637,802</b>	<b>291,201,914</b>	293,994,391
Year five and later	<b>4,460,053,872</b>	<b>1,395,182,258</b>	<b>3,064,871,614</b>	3,073,022,345
	<b>6,610,083,467</b>	<b>2,338,339,100</b>	<b>4,271,744,367</b>	4,281,568,777

**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 2021**  
(Amounts in Saudi Riyals)

**9. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)**

9.4 Expected credit loss allowance on investments in finance lease as at 31 March 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	86,530	(82,445)	(4,085)	--
Transfer to lifetime ECL (not credit impaired)	(68,470)	344,074	(275,604)	--
Transfer to lifetime ECL (credit impaired)	(631)	(360,399)	361,030	--
Net charge / (reversal) for the period	199,192	(1,252,398)	(3,480,363)	(4,533,569)
Closing balance as at 31 March 2021	2,371,559	11,657,049	63,868,092	77,896,700

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)	13,785,368	4,203,947
Closing balance as of 31 December 2020	2,154,938	13,008,217	67,267,113	82,430,269

**Collateral**

The Company in the ordinary course of lending activities holds collateral as security to mitigate credit risk. These collaterals are primarily title deeds in the name of the Company, for properties that have been leased out to the portfolio of investments in finance lease. As at 31 March 2021, the carrying amount of gross non-performing leases amounted to SR 147.10 million (31 December 2020: SR 159.12 million) and the fair value of identifiable real estate collateral held against them amounted to SR 198.97 million (31 December 2020: SR 211.58 million). The Company has a policy to perform valuation annually on all real estate properties leased out by involving approved appraisers.

**SAMA program - customer support on deferral of financing**

During April 2020, SAMA has issued a guidance to financing companies around providing the necessary support for individual customers that lost their jobs in the private sector due to COVID-19, whether directly or indirectly. Accordingly, the Company has received applications from various customers to avail this SAMA program and has effected the payment reliefs 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 these changes in terms of the investments in finance lease has been assessed and are 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 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 34,251 for the period ended 31 March 2021. The impact of these modification losses was presented as part of lease finance income.

**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 2021**  
*(Amounts in Saudi Riyals)*

**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. This fee is amortized using the effective rate method over the period of the respective lease contracts.

	<b>31 March 2021 <u>(Unaudited)</u></b>	31 December 2020 <u>(Audited)</u>
Deferred origination fees	21,073,726	22,027,601
Less: Current portion	<u>(2,579,190)</u>	<u>(2,654,437)</u>
Non-current portion	<u>18,494,536</u>	<u>19,373,164</u>

**11. ACCOUNTS PAYABLE**

Accounts payable includes amounts pertaining to VAT payable to GAZT payable to evaluation and other services provider companies.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>31 March 2021 <u>(Unaudited)</u></b>	31 December 2020 <u>(Audited)</u>
Employees' related expenses	8,777,969	7,192,528
Provision for maintenance on finance lease contracts	424,800	424,800
Accrued legal and consultation fees	361,000	548,500
Servicing right liability	349,958	774,923
Accrued brokerage fees	82,948	57,738
Others	599,691	327,227
Total	<u>10,596,366</u>	<u>9,325,716</u>

**13. PROVISION FOR ZAKAT AND INCOME TAX**

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

	<b>31 March 2021 <u>(Unaudited)</u></b>	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	3,538,821	12,734,691
Income tax for the prior periods	914,495	--
Payment during the period / year	<u>(914,495)</u>	<u>(16,067,913)</u>
Balance, end of the period / year	<u>28,183,616</u>	<u>24,644,795</u>

The estimate for the period provided at interim stage 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.

The Company has filed its zakat and income tax returns for the years up to 2019 and have received final assessment for zakat up to 2018 and final income tax assessment up to 2015.

**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 2021**  
(Amounts in Saudi Riyals)

**14. DEFERRED TAX**

	<b>31 March 2021 (Unaudited)</b>	31 December 2020 (Audited)
Balance at the beginning of the period / year	4,837,338	4,563,723
Movement for the period / year	(127,870)	273,615
Balance at end of the period / year	<u>4,709,468</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.

**15. TAWARRUQ FINANCING FACILITIES**

	<b>31 March 2021 (Unaudited)</b>	31 December 2020 (Audited)
Current portion of facilities	519,740,584	1,091,739,856
Non-current portion of facilities	2,302,384,029	1,714,657,021
Total excluding financial charges	2,822,124,613	2,806,396,877
Accrued Tawarruq financing charges	6,458,644	13,486,900
	<u>2,828,583,257</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:

	<b>31 March 2021 (Unaudited)</b>	31 December 2020 (Audited)
Arab National Bank	1,825,184,023	1,832,298,936
Gulf International Bank	411,392,082	392,920,322
International Finance Corporation	141,631,394	140,784,894
National Commercial Bank	374,796,932	377,881,841
Saudi Real Estate Refinance Company	75,578,826	75,997,784
	<u>2,828,583,257</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 to provide the necessary support to the SME sector, including financing companies, through empowering and facilitating the financing community. Among others, the PSFSP includes deferred payments program which the Company availed.

As part of the deferred payments program, the management based on its assessment of the Company's liquidity has notified the Company's bank lenders during the year where the Company opted 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. Since the inception of the deferred payments program by SAMA and by 31 December 2020, the Company has recognised SR 6.60 million of related 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 for the period ended 31 March 2021.

**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 2021**  
*(Amounts in Saudi Riyals)*

**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:

	<b>31 March 2021 <u>(Unaudited)</u></b>	31 December 2020 <u>(Audited)</u>
Defined benefit obligation at the beginning of the period / year	<b>8,371,800</b>	9,376,906
Current service cost	<b>363,807</b>	1,594,609
Interest cost on defined benefit obligation	<b>36,694</b>	292,441
Benefits paid to outgoing employees	<b>(14,040)</b>	(2,030,696)
Actuarial losses / (gains) on obligation	<b>125,428</b>	(861,460)
Defined benefit obligation at the end of the period / year	<b>8,883,689</b>	8,371,800

**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:

	<b><u>No. of shares</u></b>	<b><u>Share capital</u></b>
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
Hathloul Bin Saleh Al Hathloul	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
<b>Total</b>	<b><u>100,000,000</u></b>	<b><u>1,000,000,000</u></b>

**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.



**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 2021**  
*(Amounts in Saudi Riyals)*

**19. SELLING AND MARKETING EXPENSES**

	<b>For the three months ended</b>	
	<b>March 31 (unaudited)</b>	
	<u>2021</u>	<u>2020</u>
Sales and title commission	1,524,449	899,197
Evaluation fees	1,258,078	801,600
Origination expenses	979,085	1,001,999
Marketing expenses	39,020	607,600
Others	69,001	80,521
	<u>3,869,633</u>	<u>3,390,917</u>

**20. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the three months ended</b>	
	<b>March 31 (unaudited)</b>	
	<u>2021</u>	<u>2020</u>
Employees' salaries and other benefits	12,871,847	11,877,258
Insurance expenses	6,033,909	3,858,787
VAT expense	1,100,601	100,894
Depreciation and amortisation	1,006,205	1,416,183
Consultation fees	733,341	1,922,715
Collection commission	660,650	599,585
Software support charges	429,120	331,869
Telecommunication expenses	210,000	224,980
Travel expenses	124,756	176,230
Bank charges	105,160	133,019
Repairs and maintenance	87,367	125,722
Impairment loss on other real estate assets	60,165	2,562,999
Printing and stationery	48,983	80,169
Recruitment related expenses	37,923	72,297
Withholding tax	11,582	7,508
Others	610,009	294,373
	<u>24,131,618</u>	<u>23,784,588</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 of investments in finance leases, net.

**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 2021**  
*(Amounts in Saudi Riyals)*

**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>31 March 2021 (Unaudited)</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Net investments in finance leases	4,193,847,667	--	--	4,463,030,717	4,463,030,717
Investments	892,850			892,850	892,850
<b>Total</b>		<u>--</u>	<u>--</u>	<u>4,463,923,567</u>	<u>4,463,923,567</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>
Net investments in finance leases	4,199,138,508	--	--	4,458,298,049	4,458,298,049
Investments	892,850			892,850	892,850
<b>Total</b>		<u>--</u>	<u>--</u>	<u>4,459,190,899</u>	<u>4,459,190,899</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 2021**  
*(Amounts in Saudi Riyals)*

**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:

	<b>31 March 2021</b> <b><u>(Unaudited)</u></b>	31 December 2020 <b><u>(Audited)</u></b>
Total capital ratio %	<b>22.18%</b>	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 to help achieve the differential between cost of funds and financing income from net investment in finance lease

**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 13 Ramadan 1442H (corresponding to 25 April 2021).