



KPMG Professional Services

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Headquarters

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية

وأجفة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Bidaya Home Finance Company

Introduction

We have reviewed the accompanying condensed interim financial statements of Bidaya Home Finance Company (the "Company"), which comprises:

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

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed interim financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Kholoud A. Mousa Altambakti

License No: 421

Al Riyadh: 25 Dhul Hijjah 1442H
Corresponding to: 04 August 2021



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي 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.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month and six-month periods ended
30 June 2021

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Saudi Arabian Riyals in '000)
As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	(Unaudited)	(Audited)
<u>ASSETS</u>			
Cash and cash equivalents		85,598	25,667
Investments held at fair value through other comprehensive income ("FVOCI")		893	893
Ijara receivables, net	4	2,172,234	2,361,380
Deposits, prepayments and other receivables	5	239,535	135,818
Right-of-use asset		7,123	7,889
Intangible assets, net		6,537	7,218
Property and equipment, net		6,057	5,671
Total assets		<u>2,517,977</u>	<u>2,544,536</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Financing facilities – secured	7	1,016,000	1,031,000
Sukuk	8	450,000	300,000
Lease liability		6,670	7,436
Accrued expenses and other current liabilities	6	153,000	331,034
Accrued Zakat	9	1,352	916
Provision for employees' end of service benefits		3,609	2,918
Total liabilities		<u>1,630,631</u>	<u>1,673,304</u>
Share capital	10	900,000	900,000
Statutory reserves		5,199	3,588
Accumulated losses		(17,853)	(32,356)
Total Shareholders' equity		<u>887,346</u>	<u>871,232</u>
Total liabilities and shareholders' equity		<u>2,517,977</u>	<u>2,544,536</u>

The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**
(Saudi Arabian Riyals in '000)
For the three-month and six-month periods ended 30 June 2021

	<i>Notes</i>	For the three-month period ended 30 June 2021	For the three- month period ended 30 June 2020	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
REVENUE					
Ijara income		36,087	31,110	71,204	60,776
Fee income		1,952	1,553	3,966	4,932
Servicing income		2,868	2,105	5,539	3,974
Gain on sale of portfolio		3,247	--	11,173	--
Total revenue		44,154	34,768	91,882	69,682
OPERATING EXPENSES					
General and administrative expenses	<i>11</i>	(16,831)	(13,593)	(33,596)	(28,724)
Selling and marketing expenses	<i>12</i>	(3,445)	(3,178)	(7,194)	(7,027)
Depreciation		(810)	(966)	(1,626)	(1,954)
Amortization		(585)	(995)	(1,173)	(1,733)
Impairment charge for credit losses		(3,689)	(1,500)	(5,676)	(2,500)
Finance charges		(11,302)	(10,219)	(23,447)	(20,810)
Total operating expenses for the period		(36,662)	(30,451)	(72,712)	(62,748)
Operating profit for the period		7,492	4,317	19,170	6,934
Profit on murabaha deposits		1	--	7	42
Gain arising on modification of terms of financing facilities	<i>18</i>	--	(2,150)	1,052	2,382
Net profit for the period before Zakat		7,493	2,167	20,229	9,358
Zakat charge for the period	<i>9</i>	(1,538)	(688)	(4,115)	(1,619)
Net profit for the period after Zakat		5,955	1,479	16,114	7,739
Other comprehensive income		--	--	--	--
Total comprehensive income for the period		5,955	1,479	16,114	7,739
Earnings per share	<i>14</i>	0.07	0.02	0.18	0.09

The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

	Share capital	Statutory reserve	Accumulated losses	Total
Balance as at 1 January 2021	900,000	3,588	(32,356)	871,232
Net profit for the period after Zakat	--	--	16,114	16,114
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	--	--	16,114	16,114
Transfer to statutory reserve	--	1,611	(1,611)	--
Balance at 30 June 2021	900,000	5,199	(17,853)	887,346
Balance at 1 January 2020	900,000	1,085	(54,881)	846,204
Net profit for the year after zakat	--	--	7,739	7,739
Other comprehensive income	--	--	--	--
Total comprehensive income for the year	--	--	7,739	7,739
Transfer to statutory reserve	--	774	(774)	--
Balance at 30 June 2020	900,000	1,859	(47,916)	853,943

The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
Cash flows from operating activities:		
Net profit for the period before Zakat	20,229	9,358
<i>Non-cash adjustments to reconcile net profit for the period before Zakat to net cash used in operating activities:</i>		
Depreciation	1,626	1,954
Amortization	1,173	1,733
Finance charges	23,447	20,810
Provision for employees' end of service benefits	690	349
Impairment charge for credit losses	5,676	2,500
Profit on murabaha deposits	(7)	(42)
Gain on sale of portfolio	(11,173)	--
Gain arising on modification of terms of financing facilities	(1,052)	(2,382)
	40,609	34,280
<i>Decrease in operating assets</i>		
Ijara receivables	(188,552)	(418,941)
Deposits, prepayments and other receivables	(107,850)	(33,787)
<i>(Decrease) / increase in operating liabilities</i>		
Accrued expenses and other current liabilities	(178,514)	39,166
	(434,307)	(379,282)
Employees' end of service benefits paid	-	(371)
Finance charges paid	(22,254)	(18,711)
Profit on murabaha deposits received	7	42
Zakat paid	(3,678)	--
Net cash used in operating activities	(460,232)	(398,322)
Cash flows from investing activities		
Purchase of property and equipment	(1,246)	(197)
Purchase of intangible assets	(492)	(978)
Placement in murabaha deposits	(376,000)	--
Proceeds from maturity of murabaha deposits	376,000	--
Net cash used in from investing activities	(1,738)	(1,175)
Cash flows from financing activities		
Proceeds from sale of Ijara receivables portfolio	387,808	109,214
Payment of lease liabilities	(907)	(824)
Proceeds from financing facilities – secured	638,000	500,000
Repayment of financing facilities – secured	(653,000)	(400,000)
Proceeds from issuance of sukuk	150,000	(100,000)
Net cash generated from financing activities	521,901	108,390
Net increase / (decrease) in cash and cash equivalents	59,931	(291,107)
Cash and cash equivalents at beginning of the period	25,667	377,860
Cash and cash equivalents at end of the period	85,598	86,753

The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

1. THE COMPANY AND THE NATURE OF OPERATIONS

Bidaya Home Finance Company (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 7009175717 issued in Riyadh on 25 Jumada II 1436H (corresponding to 14 April 2015). The Company was granted a full license by the Saudi Central Bank ("SAMA") to operate as a mortgage finance company wide license number 41/ع ش/201512 dated 3 Rabi I 1437H (corresponding to 14 December 2015).

The objectives of the Company are to provide home financing to consumers for the purchase of homes (new homes, ready homes and off plan construction homes) and providing finance to home owners against security of their homes.

The registered office of the Company with its postal address is as follows:

Bidaya Home Finance Company
20th Floor of Ibdeh Tower
King Fahad Road
P.O. Box 93898
Riyadh 11683
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

The condensed interim financial statements of the Company as at and for the period ended 30 June 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2020.

2.2 *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost convention, modified to include the measurement at fair value of investments held at FVOCI.

2.3 *Functional and presentation currency*

These condensed interim financial statements have been presented in Saudi Arabian Riyals (SAR), as it is the functional currency of the Company. Except as indicated, the financial information presented in SAR has been rounded-off to the nearest thousand.

2.4 *Order of liquidity*

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Benchmark reform of interbank offered rates ("IBOR")

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including its replacement with alternative benchmark rates. The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and do not have a material impact on the Company.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

4. IJARA RECEIVABLES, NET

	<u>Notes</u>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Gross Ijara receivables		3,693,955	4,131,783
Less: Unearned income		(1,510,684)	(1,758,137)
		2,183,271	2,373,646
Less: Impairment allowance for credit losses	4.1	(11,037)	(12,266)
Ijara receivables, net		2,172,234	2,361,380

4.1 The movement in the impairment allowance for credit losses for the period is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Beginning balance	12,266	9,185
Charge for the period / year	1,063	3,081
Write-off during the period / year	(2,292)	--
Closing balance	11,037	12,266

The following table shows reconciliations from the opening to the closing balance of gross carrying amount and loss allowance of Ijara receivables:

Gross carrying amount

	30 June 2021 (Unaudited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Balance at 1 January 2021	2,178,794	37,603	157,249	2,373,646
Transfer to 12-month ECL	27,601	(12,916)	(14,685)	-
Transfer to lifetime ECL not credit impaired	(44,413)	46,463	(2,050)	-
Transfer to lifetime ECL-credit impaired	(17,626)	(10,179)	27,805	-
Financial assets derecognized during the period other than write-offs	(376,308)	--	(4,074)	(380,382)
New financial assets originated during the period	189,877	2,422	-	192,299
Write off during the period	--	--	(2,292)	(2,292)
Balance as at 30 June 2021	1,957,925	63,393	161,953	2,183,271

	31 December 2020 (Audited)			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Balance at 1 January 2020	1,625,609	44,538	125,109	1,795,256
Transfer to 12-month ECL	44,436	(26,222)	(18,214)	--
Transfer to lifetime ECL not credit impaired	(25,087)	28,249	(3,162)	--
Transfer to lifetime ECL-credit impaired	(40,160)	(13,851)	54,011	--
Financial assets derecognized during the year other than write-offs	(250,861)	(714)	(6,192)	(257,767)
New financial assets originated during the year	824,857	5,603	5,697	836,157
Balance as at 31 December 2020	2,178,794	37,603	157,249	2,373,646

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

4. IJARA RECEIVABLES, NET (CONTINUED)

Loss allowance

	30 June 2021 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2021	849	687	10,730	12,266
Transfer to 12-month ECL	35	(20)	(15)	--
Transfer to lifetime ECL not credit impaired	(873)	921	(48)	--
Transfer to lifetime ECL credit impaired	(578)	(101)	679	--
Net charge for the period	1,314	(286)	35	1,063
Writeoff	-	-	(2,292)	(2,292)
Balance as at 30 June 2021	747	1,201	9,089	11,037

	31 December 2020 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2020	937	1,125	7,123	9,185
Transfer to 12-month ECL	68	(37)	(31)	--
Transfer to lifetime ECL not credit impaired	(427)	466	(39)	--
Transfer to lifetime ECL credit impaired	(1,591)	(582)	2,173	--
Net charge for the year	1,862	(285)	1,504	3,081
Balance as at 31 December 2020	849	687	10,730	12,266

5. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Accrued Ijara income, net	5.1	25,416	23,733
Prepayments		6,746	7,898
Deferred sales commission		8,330	9,406
Security deposit		345	320
Receivable from Ministry of Housing	5.2	64,396	68,381
Receivable against sale of Ijara portfolio		119,234	--
Other receivables	5.3	15,068	26,080
		239,535	135,818

5.1 The balance of accrued Ijara income is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Accrued Ijara income	29,937	32,426
Less: Impairment allowance for credit losses	(4,521)	(8,693)
Closing balance	25,416	23,733

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

5. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The movement in the gross carrying amount of mark up receivable for the period is as follows:

	30 June 2021	31 December
	(Unaudited)	2020
		(Audited)
Balance at 1 January 2021	32,426	22,324
New financial assets originated during the period	2,302	10,102
Write off during the period (stage 3)	(4,791)	--
Balance as at 30 June 2021	29,937	32,426

The movement in impairment allowance for credit losses for the period is as follows:

	30 June 2021	31 December
	(Unaudited)	2020
		(Audited)
Beginning balance	8,693	4,233
Charge for the period / year	619	4,460
Write-off during the period / year	(4,791)	--
Closing balance	4,521	8,693

5.2 This includes the receivable from Ministry of Housing (MOH) against the VAT payable by the Company on the portion of Ijarah financing originated subject to VAT relief for first home buyers.

5.3 Other receivables include provision for expected credit losses amounting to SR 3.99 million.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

		30 June	31 December
		2021	2020
	<i>Notes</i>	(Unaudited)	(Audited)
Accounts payable		34,696	26,348
Down payment against Ijara financing	6.1	3,637	357
Accrued expenses		20,652	15,811
Directors' remuneration and meeting expenses		2,921	1,947
Deferred commission income		10,889	11,801
Payable to Ministry of Housing (MOH)	6.2	79,384	273,873
VAT payable to Zakat, Tax, and Customs Authority ("ZTCA")		821	897
		153,000	331,034

6.1 This pertains to down payment received by the Company against Ijara financing not executed as at the period end.

6.2 This represents balance payable to MOH in relation to purchase of properties which are financed to Ijara receivable customers.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

7. FINANCING FACILITIES – SECURED

This represents financing obtained from banks based in the Kingdom of Saudi Arabia amounting to SAR 616 million (2020: SAR 631 million) and Saudi Real Estate Refinance Company (“SRC”) amounting to SAR 400 million (2020: SAR 400 million). These financings are secured by the assignment of proceeds from certain Ijara receivables and pledge of title deeds of underlying real estate assets. These financing are revolving in nature and carry markup at commercial market rates.

In response to the COVID-19, SAMA launched the deferral payment program to support the finance companies and the Company was eligible for the deferral of its financing instalment payments in accordance with such program during the period as disclosed in note 18.

8. SUKUK

During the period, the Company issued unsecured non-convertible unlisted sukuk amounting to SAR 150 million carrying a profit at agreed fixed rates payable quarterly. Out of the total amount of sukuk, SAR 300 million will mature in 2021 and the remaining SAR 150 million will mature in 2023.

9. ZAKAT

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority (“ZTCA”). Zakat expense is charged to the condensed interim statement of profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat. During the six-month period ended 30 June 2021, the Company has made a Zakat provision of SAR 4.11 million (30 June 2020: SAR 1.62 million).

10. SHARE CAPITAL

As at 30 June 2021, the authorised, issued and fully paid-up share capital of the Company was SAR 900 million (31 December 2020: SAR 900 million) divided into 90 million shares (31 December 2020: 90 million) with a nominal value of SAR 10 each, as follows:

<u>Name of shareholders</u>	Number of shares '000	Holding Percentage (%)	Amount SAR'000
Public Investment Fund	20,000	22.2	200,000
Islamic Corporation for the Development of the Private Sector	18,000	20.0	180,000
Rashed Development Company	15,300	17.0	153,000
Manafea International	10,000	11.1	100,000
The Arab Investment Company	10,000	11.1	100,000
Al Othaim Holding	10,000	11.1	100,000
El Khereji Investments Company	3,200	3.6	32,000
Mohammad Bin AbdulAziz Al Rahji & Sons	2,000	2.2	20,000
Jawahir Investment Company	1,500	1.7	15,000
	90,000	100	900,000

11. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six- month period ended 30 June 2021 (Unaudited)	For the six- month period ended 30 June 2020 (Unaudited)
Salaries and employee related expenses	18,557	16,814
Professional fees	2,770	2,753
Rent and premises related expenses	460	577
Directors' remuneration and meeting expenses	978	1,008
IT expenses	3,233	2,645
Repairs and maintenance and other expenses	7,598	4,927
	33,596	28,724

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

12. SELLING AND MARKETING EXPENSES

	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
	(Unaudited)	(Unaudited)
Advertising and marketing expenses	988	652
Salaries and employee related expenses	3,819	4,016
Financed property evaluation and Takaful	2,387	2,359
	7,194	7,027

13. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders and their affiliated entities and certain key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel includes the Chief Executive Officer (“CEO”) and the personnel directly reporting to the CEO. Entity under common management has the Chairman of the Board who is the CEO of the Company.

The significant transactions with related parties during the period and the related balances are as follows:

<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	Amount of transactions for the six-month period ended 30 June 2021 (Unaudited)	Amount of transactions for the six-month period ended 30 June 2020 (Unaudited)
Naif Saleh Ali Al Hamdan	Chairman	Installment payment for Ijara financing	40	82
Saudi Finance Lease Registry Company (SIJIL)	Common Management	(Refund) / Payment of contract services	(749)	1,789
			Balance at 30 June 2021 (Unaudited)	Balance at 31 December 2020 (Audited)
Saudi Finance Lease Registry Company (SIJIL)	Common Management	Investment held at FVOCI	893	893
		Prepayment for contract services	951	1,711
Naif Saleh Ali Al Hamdan	Chairman	Ijara financing	1,556	1,578

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month and six-month periods ended 30 June 2021

13. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The amount of compensation recorded in favor of or paid to the Board of Directors and the executive management personnel during the period are as follows:

<u>Name of related parties</u>	<u>Nature of transactions</u>	Amount of transactions for the six-month period ended 30 June 2021 (Unaudited)	Amount of transactions for the six-month period ended 30 June 2020 (Unaudited)
Key Management Personnel	Salaries and benefits	3,533	3,616
	Provision for end of service benefits	99	43
	Directors' remuneration and meeting expenses	978	1,008
		Balance at 30 June 2021 (Unaudited)	Balance at 31 December 2020 (Audited)
Key Management Personnel	Provision for end of service benefits	1,450	1,351
	Directors' remuneration and meeting expenses	2,921	1,947

14. EARNINGS PER SHARE

Earnings per share for the period is calculated by dividing net profit for the period by the weighted average number of shares (90 million shares) in issue during the period.

15. COMMITMENTS

The Company has facilities approved but not utilized, indicative offers issued which are under consideration of the customers and due diligence in progress as of the reporting date which have the potential to convert into financing, amounting to SAR 9.70 million (31 December 2020: SAR 8.87 million).

At the end of the period, the Company has commitments of SAR 239.45 million against forward Ijara tranches payable to the developers of the properties (31 December 2020: SAR 325.76 million). The commitments fall due in tranches as the developers of each of the properties complete pre-agreed phases of the construction. The period over which the properties are constructed, and hence the period over which the committed tranches fall due, is approximately two years.

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments held at FVOCI, Ijara receivables, and deposits and other receivables. Financial liabilities consist of financing facilities, sukuk, and accrued expenses and other current liabilities.

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: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The fair values of the financial assets and liabilities are as follows:

	30 June 2021 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>					
Investments held at FVOCI	893	--	--	893	893
31 December 2020 (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>					
Investments held at FVOCI	893	--	--	893	893
30 June 2021 (Unaudited)					
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets not measured at fair value</u>					
Cash and cash equivalents	85,598	85,598	--	--	85,598
Ijara receivables	2,185,563	--	--	1,922,942	1,922,942
Deposits and other receivables	226,706	--	--	226,706	226,706
	2,497,867	85,598	--	2,149,648	2,235,246

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>Financial assets not measured at fair value</u>	Carrying value	31 December 2020 (Audited)			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and bank balance	25,667	25,667	--	--	25,667
Ijara receivables, net	2,373,646	--	--	2,398,413	2,398,413
Deposits and other receivables	118,514	--	--	118,514	118,514
	<u>2,517,827</u>	<u>25,667</u>	<u>--</u>	<u>2,516,927</u>	<u>2,542,594</u>

<u>Financial liabilities not measured at fair value</u>	Carrying value	30 June 2021 (Unaudited)			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financing facilities – secured	1,016,000	--	--	1,016,000	1,016,000
Sukuk	450,000	--	--	465,509	465,509
Finance lease liability	6,671	--	--	6,671	6,671
Accrued expenses and other current liabilities	143,283	--	--	143,283	143,283
	<u>1,615,954</u>	<u>--</u>	<u>--</u>	<u>1,631,463</u>	<u>1,631,463</u>

<u>Financial liabilities not measured at fair value</u>	Carrying value	31 December 2020 (Audited)			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financing facilities - secured	1,031,000	--	--	1,031,000	1,031,000
Sukuk	300,000	--	--	300,000	300,000
Finance lease liability	7,436	--	--	7,436	7,436
Accrued expenses and other current liabilities	<u>318,336</u>	<u>--</u>	<u>--</u>	<u>318,336</u>	<u>318,336</u>
	<u>1,656,772</u>	<u>--</u>	<u>--</u>	<u>1,656,772</u>	<u>1,656,772</u>

The fair value of Ijara receivables is based on actual cash flows discounted by the average period end internal rate of return, and is not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, hence the fair value of Ijara receivables is classified under level 3.

During the six-month period ended 30 June 2021, there were no transfers into or out of Level 3.

17. SEGMENT INFORMATION

The Company's objective is to provide financing for real estate leases in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the condensed interim statement of financial position and condensed interim statement of profit or loss and other comprehensive income belongs to the real estate financing segment.

18. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience second / third waves of infections, despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The government of the Kingdom of Saudi Arabia has, however, managed to successfully control the outbreak to date, owing primarily to the effective measures undertaken.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, counterparties and collateral protection.

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18. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (CONTINUED)

The prevailing economic conditions require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management’s ECL estimation includes an emphasis on the macroeconomic model underpinning the PD and LGD determinations. The Company has also recognised overlays of SAR 3.50 million as at 30 June 2021 (31 December 2020: SAR 3.60 million). As with any estimates, the projections and likelihoods of occurrence are underpinned by significant judgement, and the Company will continue to individually reassess significant counterparty exposures as more reliable data becomes available, and accordingly determine adjustments to the ECL as appropriate in subsequent reporting periods.

SAMA programs and initiatives launched

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 through empowering and facilitating the financing community. The PSFSP encompasses the ‘*Deferred payments program*’ which is applicable to the Company. The original deferment of six months was followed on by further extensions, with the full deferral now being for a period of 15 months up until June 2021.

As part of this program, the Company is eligible for the deferral of its financing instalment payments to SRC. The payment relief is considered as short-term liquidity support to assist the Company’s cash flow position. The payment relief was provided by SRC by deferring the instalments falling due within the period from 14 March 2020 to 14 June 2021, and increasing the facility tenor accordingly. The accounting impact of these amended terms to the Company’s financing facilities has been treated as per the requirements of IFRS 9 as modifications in the terms of arrangement. This resulted in the Company recognising a modification gain of SAR 1.05 million in the current period (period ending 30 June 2020: SAR 2.38 million relating to the financing facility from SRC and other bank financing), and this has been presented separately in the condensed interim statement of profit or loss. In addition, during the six months period ended 30 June 2021, SAR 2.25 million has been charged to the interim condensed statement of income relating to unwinding of modification gains booked in prior periods.

19. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved for issue by the Board of Directors’ on 18 Dhul Hijjah 1442H (corresponding to 28 July 2021) through resolution by circulation.