

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
**For the three-month period ended**  
**31 March 2020**  
**together with the**  
**INDEPENDENT AUDITOR'S REPORT**



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# Independent Auditor's Report On Review Of Condensed Interim Financial Statements

To the Shareholder of Saudi Real Estate Refinance Company

## Introduction

We have reviewed the accompanying condensed interim financial statements of **Saudi Real Estate Refinance Company** ("the Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2020;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2020;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2020; 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 Standard 34 'Interim Financial Reporting' ("IAS 34") as 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 31 March 2020 condensed interim financial statements of Saudi Real Estate Refinance Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

  
**Khalil Ibrahim Al Sedais**  
**License No: 371**



Riyadh on: 5 Shawwal 1441H  
Corresponding to: 28 May 2020

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2020  
(Saudi Arabian Riyals)

		<b>31 March</b>	31 December
	<u><i>Notes</i></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b><u>ASSETS</u></b>		<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents	4	<b>11,424,924</b>	71,702,190
Murabaha receivables, net	5	<b>821,725,751</b>	777,776,212
Ijara receivables, net	6	<b>1,714,695,738</b>	1,383,000,372
Deposit receivable from SAMA	10.1	<b>536,500,000</b>	--
Prepayments and other current assets	7	<b>1,783,110</b>	1,850,527
Property and equipment		<b>5,143,245</b>	5,452,855
Intangible assets		<b>5,263,571</b>	6,142,595
Right-of-use asset		<b>4,063,364</b>	4,317,323
<b>TOTAL ASSETS</b>		<b><u>3,100,599,703</u></b>	<b><u>2,250,242,074</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
Accrued expenses and other liabilities	8	<b>46,398,443</b>	20,355,960
Debt securities issued	9	<b>755,822,253</b>	758,303,559
Deposit and borrowings	10	<b>823,327,158</b>	-
Lease liability		<b>3,285,144</b>	3,922,203
<b>TOTAL LIABILITIES</b>		<b><u>1,628,832,998</u></b>	<b><u>782,581,722</u></b>
Share capital		<b>1,500,000,000</b>	1,500,000,000
Accumulated losses		<b>(28,233,295)</b>	(32,339,648)
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b><u>1,471,766,705</u></b>	<b><u>1,467,660,352</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>3,100,599,703</u></b>	<b><u>2,250,242,074</u></b>

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
For the three-month period ended 31 March 2020  
(Saudi Arabian Riyals)

		<b>For the three- month period ended 31 March 2020</b>	<b>For the three- month period ended 31 March 2019</b>
	<i>Notes</i>		
<b>REVENUE</b>			
Income from Murabaha receivables		<b>5,403,885</b>	3,063,895
Income from Ijara receivables		<b>24,345,532</b>	10,084,088
Special commission expense		<b>(8,296,164)</b>	(4,958,333)
<b>Total revenue</b>		<b>21,453,253</b>	8,189,650
<b>OPERATING EXPENSES</b>			
General and administrative expenses	11	<b>(12,129,179)</b>	(19,293,521)
Servicing fee		<b>(3,506,218)</b>	(1,186,294)
Advertising and marketing expenses		<b>(329,730)</b>	(972,536)
Impairment charge for credit losses on Ijara receivables	6	<b>(2,292,156)</b>	(856,878)
<b>Total operating expenses for the period</b>		<b>(18,257,283)</b>	(22,309,229)
<b>Operating profit / (loss) for the period</b>		<b>3,195,970</b>	(14,119,579)
<b>NON-OPERATING INCOME</b>			
Income from bank deposits		<b>910,383</b>	6,559,690
<b>Profit / (Loss) for the period</b>		<b>4,106,353</b>	(7,559,889)
Other comprehensive income		--	--
<b>Total comprehensive income / (loss)</b>		<b>4,106,353</b>	(7,559,889)

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the three-month period ended 31 March 2020  
(Saudi Arabian Riyals)

***For the three-month period ended  
31 March 2020***

	<b>Share capital</b>	<b>Accumulated losses</b>	<b>Total</b>
Balance at 1 January 2020	1,500,000,000	(32,339,648)	1,467,660,352
Total comprehensive income	--	4,106,353	4,106,353
<b>Balance at 31 March 2020</b>	<b>1,500,000,000</b>	<b>(28,233,295)</b>	<b>1,471,766,705</b>

***For the three-month period ended  
31 March 2019***

Balance at 1 January 2019	1,500,000,000	(12,871,305)	1,487,128,695
Total comprehensive loss	--	(7,559,889)	(7,559,889)
<b>Balance at 31 March 2019</b>	<b>1,500,000,000</b>	<b>(20,431,194)</b>	<b>1,479,568,806</b>

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the three-month period ended 31 March 2020  
(Saudi Arabian Riyals)

	<i>Notes</i>	<b>For the three- month period ended 31 March 2020</b>	<b>For the three- month period ended 31 March 2019</b>
<b>Cash flows from operating activities:</b>			
Net profit / (loss) for the period		<b>4,106,353</b>	(7,559,889)
<i>Non-cash adjustments to reconcile net (loss) / profit for the period to net cash used in operating activities:</i>			
Depreciation and amortization	11	<b>1,488,375</b>	1,262,965
Impairment charge for credit losses	6	<b>2,292,156</b>	856,878
Special commission expense		<b>8,296,164</b>	4,958,333
Amortisation of lease liability		<b>57,141</b>	--
		<b>16,240,189</b>	(481,713)
<i>Changes in operating assets:</i>			
Murabaha receivables		<b>(54,274,699)</b>	20,855,998
Ijara receivables		<b>(333,987,522)</b>	(302,551,502)
Prepayments and other current assets		<b>67,417</b>	(3,514,786)
Trade and other payables		<b>(6,986,302)</b>	(11,327,581)
<b>Net cash used in operating activities</b>		<b>(378,940,917)</b>	(297,019,584)
<b>Cash flows from investing activities:</b>			
Additions of property and equipment		<b>(45,782)</b>	(2,036,181)
<b>Cash used in investing activities</b>		<b>(45,782)</b>	(2,036,181)
<b>Cash flows from financing activities:</b>			
Proceed from borrowings		<b>330,000,000</b>	--
Proceeds from issuance of debt securities		--	500,000,000
Special commission paid		<b>(10,596,367)</b>	--
Lease liability paid		<b>(694,200)</b>	(1,157,000)
<b>Cash generated from financing activities</b>		<b>318,709,433</b>	498,843,000
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(60,277,266)</b>	199,787,235
Cash and cash equivalents at beginning of the period		<b>71,702,190</b>	880,632,477
<b>Cash and cash equivalents at end of the period</b>		<b>11,424,924</b>	1,080,419,712

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2020  
(Saudi Arabian Riyals)

**1. THE COMPANY AND THE NATURE OF OPERATIONS**

Saudi Real Estate Refinance Company (the "Company" or "SRC") 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 ("CR") No.1010469391 issued in Riyadh on 28 Jumada II 1438H (corresponding to 27 March 2017). The Company was granted a full license by Saudi Arabian Monetary Authority (SAMA) to operate as a mortgage finance company with license number 201709/ش/48 dated 1 Muharram 1439H (corresponding to 21 September 2017).

The objective of the Company is to develop the housing finance market in the Kingdom of Saudi Arabia by enabling the financial institutions to offer long-term and short-term financing solutions to home buyers.

The registered office of the Company is as follows:

Saudi Real Estate Refinance Company  
Ground Floor, Unit 09, Riyadh Front Compound  
8907- King Khaled International Airport  
Riyadh 13413 - 3727  
Kingdom of Saudi Arabia

**2. BASIS OF PREPARATION**

**a) *Statement of compliance***

The condensed interim financial statements of the Company as at and for the period ended 31 March 2020 has been prepared in accordance with 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 Certified Public Accountants ("SOCPA").

The condensed interim financial statements of the Company as at and for the period ended 31 March 2019 were prepared in compliance with IAS 34 as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" in so far as these relate to zakat and income tax).

On 18 July 2019, SAMA instructed the financing companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of profit or loss. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company had changed its accounting policy in line with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" as disclosed in annual financial statements for the year ended 31 December 2019. This change had no impact on the Company's financial statement because the Company is not subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT") as applicable in the Kingdom of Saudi Arabia, as it is wholly owned by the Public Investment Fund ("the Shareholder").

**b) *Basis of measurement***

These condensed interim financial statements have been prepared under the historical cost convention.

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
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**2. BASIS OF PREPARATION (CONTINUED)**

**c) *Functional and presentation currency***

These financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the Company's functional currency. The financial information presented in SAR is in full amounts, except as indicated.

**d) *Order of liquidity***

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

**3. SUMMARY OF 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 2019.

**3.1 *Government grant***

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the statement of income on a systematic basis over the period in which the Company recognises as expenses, the related costs, for which the grant is intended to compensate.

**4. CASH AND CASH EQUIVALENTS**

	<b>31 March 2019 (Unaudited)</b>	31 December 2019 (Audited)
Cash in hand	<b>21,500</b>	1,500
Cash at bank		
- Current accounts	<b>2,028,073</b>	2,144,739
- Call deposits (Note 4.1)	<b>9,375,351</b>	69,555,951
	<b><u>11,424,924</u></b>	<u>71,702,190</u>

- 4.1** This represent deposit with local bank and carry an average yield ranging from 0.5% - 1% per annum (31 December 2019: 1% - 2%).

**5. MURABAHA RECEIVABLES, NET**

	<b>31 March 2019 (Unaudited)</b>	31 December 2019 (Audited)
Gross Murabaha receivables (Note 14)	<b>828,113,799</b>	782,112,316
Less: Unearned income	<b>(6,388,048)</b>	(4,336,104)
<b>Murabaha receivables, net</b>	<b><u>821,725,751</u></b>	<u>777,776,212</u>



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**5. MURABAHA RECEIVABLES, NET (CONTINUED)**

- 5.1** The Company has entered into facility agreements with various financing companies for short-term Murabaha financing facilities. Under these agreements' the Company has disbursed various amounts, totaling to SAR 830 million (31 December 2019: SAR 775 million) with term periods up to 6 months, however as per the SAMA deferred payments program, the Company has deferred term period by additional six months. These drawdowns carry commission at agreed fixed rates. As at the period-end, the total Murabaha receivable is neither past due nor impaired.
- 5.2** The Company in the ordinary course of its Murabaha financing holds collaterals as security to mitigate credit risk which mainly includes promissory notes.

**6. IJARA RECEIVABLES, NET**

	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
Gross Ijara receivables	<b>2,693,241,806</b>	2,232,727,741
Less: Unearned income	<b>(968,072,408)</b>	(841,545,865)
	<b>1,725,169,398</b>	1,391,181,876
Less: Impairment allowance for credit losses	<b>(10,473,660)</b>	(8,181,504)
<b>Ijara receivables, net</b>	<b>1,714,695,738</b>	1,383,000,372

- 6.1** During the three-month period ended 31 March 2020, the Company purchased Ijara receivable portfolios from financial institutions amounting to SAR 366 million (31 March 2019: SAR 327 million).

Under the terms of the purchase, the Company acquired rights, titles, interest and benefits in the Ijara receivables portfolios. As a result, the associated risk and rewards together with the control has been passed onto the Company.

- 6.2** The following table shows reconciliations from the opening to the closing balance of the allowance for expected credit losses for Ijara receivables:

	<b>31 March 2020 (Unaudited)</b>			
	<b>12 month ECL</b>	<b>Lifetime ECL not Credit Impaired</b>	<b>Lifetime ECL Credit Impaired</b>	<b>Total</b>
Balance at 1 January	<b>5,180,240</b>	<b>2,427,249</b>	<b>574,015</b>	<b>8,181,504</b>
Net movement	<b>807,812</b>	<b>1,136,245</b>	<b>348,099</b>	<b>2,292,156</b>
Balance as at 31 March	<b>5,988,052</b>	<b>3,563,494</b>	<b>922,114</b>	<b>10,473,660</b>

  

	<b>31 December 2019 (Audited)</b>			
	<b>12 month ECL</b>	<b>Lifetime ECL not Credit Impaired</b>	<b>Lifetime ECL Credit Impaired</b>	<b>Total</b>
Balance at 1 January	2,698,619	686,508	661,581	4,046,708
Net movement	2,481,621	1,740,741	(87,566)	4,134,796
Balance as at 31 December	5,180,240	2,427,249	574,015	8,181,504

**SAUDI REAL ESTATE REFINANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**6. IJARA RECEIVABLES, NET (CONTINUED)**

**6.3** The credit quality of Ijara receivables as at 31 March 2020 is as follows:

	<b>31 March 2019 (Unaudited)</b>	31 December 2019 (Audited)
Neither past due nor impaired	<b>1,670,771,915</b>	1,354,972,315
Past due but not impaired		
- 31 - 60 days	<b>34,302,202</b>	21,435,098
- 61 - 90 days	<b>14,333,755</b>	12,319,275
Impaired	<b>5,761,526</b>	2,455,188
	<b><u>1,725,169,398</u></b>	<b><u>1,391,181,876</u></b>

**7. PREPAYMENTS AND OTHER ASSETS**

	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
Prepayments	<b>1,012,259</b>	1,316,538
Other assets	<b>770,851</b>	533,989
	<b><u>1,783,110</u></b>	<b><u>1,850,527</u></b>

**8. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
Due to the shareholder	--	8,455,136
Due to other suppliers	<b>4,889,899</b>	4,812,590
Deferred income (Note 14.1)	<b>33,028,785</b>	--
Accruals for:		
- Service fee	<b>2,791,122</b>	761,660
- Employees' end-of-service benefits	<b>1,863,541</b>	1,730,329
- Employee related accruals	<b>2,445,956</b>	2,099,312
- Legal and professional services	<b>1,014,687</b>	1,712,000
- Others	<b>364,453</b>	784,933
	<b><u>46,398,443</u></b>	<b><u>20,355,960</u></b>

**9. DEBT SECURITIES ISSUED**

The Company has issued sukuk totaling to SAR 750 million (31 December 2019: SAR 750 million) with terms ranging from 5 to 10 years. These securities carry profit at fixed rates ranging from 4.01% to 4.66% payable semi-annually.

The balance includes accrued special commission expense of SAR 5.82 million (31 December 2019: SAR 8.30 million).

**10. DEPOSIT AND BORROWINGS**

These represent deposit from SAMA under Private Sector Financing Support Program("PSFSP") and borrowing from local commercial bank.

	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
Deposit from SAMA (Note 10.1 & 14)	<b>493,146,055</b>	--
Local commercial bank (Note 10.2)	<b>330,181,103</b>	--
	<b><u>823,327,158</u></b>	<b><u>--</u></b>

**SAUDI REAL ESTATE REFINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2020  
(Saudi Arabian Riyals)

**10. DEPOSIT AND BORROWINGS (CONTINUED)**

- 10.1** This represents profit free deposit amounting to SAR 536.50 million (including deferred income of SR 33 million) from SAMA as part of deferred payment supports program with term period of 43 months. The agreement of this borrowing was signed on 29 March 2020 whereas the amount has been received subsequent to the period end on 5 April 2020.
- 10.2** This represent amounts borrowed from local commercial bank with term periods up to 6 months and carry borrowing costs at agreed fixed rates.

**11. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the three-month period ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
Salaries and other benefits	<b>9,118,476</b>	7,769,429
Depreciation and amortization	<b>1,488,375</b>	1,262,965
Legal and professional fees	<b>284,012</b>	8,347,552
Rent	<b>--</b>	739,672
Travelling expenses	<b>326,851</b>	10,647
IT consulting	<b>294,786</b>	489,247
Others	<b>616,679</b>	674,009
	<b><u>12,129,179</u></b>	<b><u>19,293,521</u></b>

**12. RELATED PARTY TRANSACTIONS**

The related parties of the Company include the shareholder, board of directors and its 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 are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

During the normal course of its operations, the Company had the following transactions with the related parties during the period:

<b><u>Related parties</u></b>	<b><u>Nature of transactions</u></b>	<b>For the three-month period ended 31 March</b>	
		<b>2020</b>	<b>2019</b>
		<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
Board of directors	Board meeting expenses	<b>1,091,335</b>	869,500
Key management	Salaries and benefits	<b>1,234,818</b>	1,016,011
Personnel	End of service benefits	<b>51,310</b>	50,746
Affiliate	Purchase of Ijara portfolio	<b>66,041,983</b>	207,027,083
	Service fee paid	<b>297,640</b>	79,827
	Murabaha receivables purchased	<b>180,000,000</b>	50,000,000
	Murabaha receivables repayment	<b>400,000,000</b>	70,000,000
	Income from Murabaha placements	<b>1,645,820</b>	190,190
	Debt security issued	<b>--</b>	100,000,000
	Special commission expense	<b>3,699,403</b>	3,658,750

**SAUDI REAL ESTATE REFINANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2020  
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**12. RELATED PARTY TRANSACTIONS (CONTINUED)**

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

<u>Related parties</u>	<u>Nature of balance</u>	<b>31 March 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Public Investment Fund	Trade and other payables	--	8,455,136
Key management personnel	End of service benefits	<b>458,162</b>	251,795
	Debt security held	<b>353,858,028</b>	352,218,027
Affiliate	Murabaha receivables	<b>180,798,546</b>	402,897,616
	Service fee payable	<b>293,527</b>	218,123

**13. 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

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, Murabaha receivable, Ijara receivables and other current assets. Financial liabilities consist of trade and other payables and debt securities issued.

***Fair value hierarchy***

The Company uses 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.

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

31 March 2020 (Unaudited)					
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	1,714,695,738	--	--	2,018,433,690	2,018,433,690
31 December 2019 – (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	1,383,000,372	--	--	1,438,336,889	1,438,336,889

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**13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

The valuation of Ijara receivables is estimated using contractual cash flows discounted at latest variable yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow techniques includes Saudi Inter Bank Offer rates (SIBOR), contractual cash flows and primary origination spreads.

There have been no transfers to and from any levels during the period.

Management assessed that the carrying amount of other financial instruments largely approximate fair value.

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

During March 2020, the World Health Organisation ("WHO") declared Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. These also take into consideration the impacts of government and SAMA support relief programmes.

The current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of ECL or revisions to the scenario probabilities currently being used by the Company. The impact of such uncertain economic environment is difficult to assess at this point in time for the purpose of ECL estimation. As an alternate, the Company has recognised overlays of SR 1.58 million. These have been based on an analysis performed by the Company in cognisance of the impacted portfolios. The Company will continue to individually assess exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**14.1 SAMA support programs and initiatives**

In response to COVID-19 situation, SAMA launched the Private Sector Financing Support Program ("PSFSP") during March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. Whilst the PSFSP encompasses several programs, the one most pertinent to the Company as at 31 March 2020 is the deferred payments program.

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

**14.1 SAMA support programs and initiatives (continued)**

As part of the deferred payments program, the Company is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has affected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as modification in terms of arrangement as per the requirements of IFRS 9. This has resulted in the Company recognising a modification loss of SR 10.32 million as at 31 March 2020 which, has been presented as part of income from Murabaha receivables. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

In order to compensate all the related cost that the Company is expected to incur under the PSFSP and other public authorities program, the Company has recognised SR 536.50 million of profit free deposit from SAMA. The benefit of the subsidised funding has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This has resulted in a total income of SR 43.35 million, of which SR 10.32 million has been recognised in the statement of profit or loss as at 31 March 2020, with the remaining amount deferred over the period of the deposit. Management has exercised certain judgements in the recognition and measurement of this grant income.

As at 31 March 2020, the Company is yet to participate in SAMA’s funding for lending programs.

During April 2020, SAMA has issued a guidance around Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Company will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

**15. APPROVAL OF FINANCIAL STATEMENTS**

These condensed interim financial statements of the Company for the period ended 31 March 2020 were approved by the Board of Directors on 4 Shawwal 1441H (corresponding to 27 May 2020).