

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED**  
**30 SEPTEMBER 2020**  
together with the  
**INDEPENDENT AUDITOR'S REVIEW REPORT**



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# Independent auditor's review report on the interim condensed financial statements

To the shareholders of Deutsche Gulf Finance

## Introduction

We have reviewed the accompanying 30 September 2020 interim condensed financial statements of **Deutsche Gulf Finance** ("the Company"), which comprises:

- the interim condensed statement of financial position as at 30 September 2020;
- the interim condensed statement of comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the interim condensed statement of changes in equity for the nine-month period ended 30 September 2020;
- the interim condensed statement of cash flows for the nine-month period ended 30 September 2020; and
- the notes to the interim condensed financial statements.

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 interim condensed financial statements of **Deutsche Gulf Finance** 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: 3/1

9 Rabi Al-Awwal 1442H  
Corresponding to: 26 October 2020



**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 30 September 2020  
(Saudi Arabian Riyals)

		<b>30 September 2020</b>	31 December 2019
	<i>Note</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	9,189,153	36,026,007
Other assets	8	46,820,654	47,463,935
Due from an affiliated company	12	4,057,476	4,049,702
Ijara receivables, net	9	2,071,558,920	1,560,142,364
Servicing rights under agency arrangements		2,738,145	2,957,932
Financial assets held at fair value through other comprehensive income – equity instruments		892,850	892,850
Deferred tax asset	6	2,753,635	3,347,230
Property and equipment		31,828,973	30,925,350
Intangible assets		699,966	334,331
<b>TOTAL ASSETS</b>		<b><u>2,170,539,772</u></b>	<b><u>1,686,139,701</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Borrowings	10	1,392,992,473	968,850,391
Due to an affiliated company	12	469,638	469,638
Provision for zakat and income tax	6	11,527,924	11,127,264
Accounts and other payables		1,109,687	1,428,233
Dividend payable	16	10,763,638	--
Accrued expenses and other liabilities	11	82,864,221	47,841,510
Employees' end of service benefits		4,537,033	3,610,914
<b>TOTAL LIABILITIES</b>		<b><u>1,504,264,614</u></b>	<b><u>1,033,327,950</u></b>
<b>EQUITY</b>			
Share capital	13	575,000,000	575,000,000
Statutory reserve		8,219,878	8,219,878
Retained earnings		83,055,280	69,591,873
<b>TOTAL EQUITY</b>		<b><u>666,275,158</u></b>	<b><u>652,811,751</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,170,539,772</u></b>	<b><u>1,686,139,701</u></b>

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
For the three-month and nine-month periods ended 30 September 2020  
(Saudi Arabian Riyals)

	<i>Note</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>INCOME</b>					
Income from Ijara receivables		40,412,190	39,427,439	114,589,554	111,727,490
Realised gain on sale, settlement or early termination of Ijara receivable		671,756	4,972,195	4,703,105	6,930,647
Servicing fee		1,426,898	1,099,141	4,177,838	3,406,407
Other income		16,001	183,981	43,364	195,457
<b>TOTAL INCOME</b>		<u>42,526,845</u>	<u>45,682,756</u>	<u>123,513,861</u>	<u>122,260,001</u>
<b>EXPENSES</b>					
Financial charges		10,023,228	11,846,118	14,440,435	36,621,974
Employees benefits and compensation	4	9,885,116	9,618,996	30,212,323	25,676,870
Expected credit losses on Ijara receivables		7,805,924	1,125,000	13,847,494	4,588,333
Depreciation		331,741	212,497	1,034,863	600,512
Amortisation		77,728	51,741	192,732	159,782
Other expenses	5	6,804,466	5,721,729	14,642,452	15,820,580
<b>TOTAL EXPENSES</b>		<u>34,928,203</u>	<u>28,576,081</u>	<u>74,370,299</u>	<u>83,468,051</u>
<b>NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</b>		<u>7,598,642</u>	<u>17,106,675</u>	<u>49,143,562</u>	<u>38,791,950</u>
Zakat and income tax	6	858,752	2,138,520	6,930,155	2,498,027
<b>NET INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX</b>		<u>6,739,890</u>	<u>14,968,155</u>	<u>42,213,407</u>	<u>36,293,923</u>
Other comprehensive income		--	--	--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>6,739,890</u>	<u>14,968,155</u>	<u>42,213,407</u>	<u>36,293,923</u>

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the nine-month period ended 30 September 2020  
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance as at 1 January 2020</b>	<b>575,000,000</b>	<b>8,219,878</b>	<b>69,591,873</b>	<b>652,811,751</b>
Net income for the period	--	--	42,213,407	42,213,407
Dividend declared during the period ( <i>Note 16</i> )	--	--	(28,750,000)	(28,750,000)
Other comprehensive income	--	--	--	--
<b>Balance as at 30 September 2020</b>	<b><u>575,000,000</u></b>	<b><u>8,219,878</u></b>	<b><u>83,055,280</u></b>	<b><u>666,275,158</u></b>
Balance as at 1 January 2019	575,000,000	3,629,879	28,281,883	606,911,762
Net income for the period	--	--	36,293,923	36,293,923
Other comprehensive income	--	--	--	--
<b>Balance as at 30 September 2019</b>	<b><u>575,000,000</u></b>	<b><u>3,629,879</u></b>	<b><u>64,575,806</u></b>	<b><u>643,205,685</u></b>

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the nine-month period ended 30 September 2020  
(Saudi Arabian Riyals)

		<b>For the nine-month period ended 30 September</b>	
	<i>Note</i>	<u>2020</u>	<u>2019</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the period before zakat and income tax		49,143,562	38,791,950
<i>Adjustments to reconcile net income before zakat and income tax to net cash used in operating activities:</i>			
Depreciation		1,034,863	600,512
Amortisation		192,732	159,782
Employees' end of service benefits charge		1,117,840	703,741
Expected credit losses on Ijara receivables	9	13,847,494	4,588,333
Gain on sale of portfolio		--	(4,416,795)
Gain on disposal of property and equipment		--	(11,476)
Special commission expense on lease liabilities		63,185	85,012
Modification loss on Ijara receivables, net of unwinding	15	3,107,543	--
Modification gain on borrowings, net of unwinding	15	(8,353,361)	--
		<u>60,153,858</u>	<u>40,501,059</u>
<i>Net (increase) / decrease in operating assets</i>			
Ijara receivables		(528,371,592)	(127,730,945)
Other assets		643,281	(5,459,475)
Servicing rights under agency agreement		219,787	162,366
Due from an affiliated company		(7,774)	202,112
<i>Net increase / (decrease) in operating liabilities</i>			
Accounts and other payables		(318,549)	(1,155,172)
Accrued expenses and other liabilities		35,466,708	31,457,309
		<u>(432,214,281)</u>	<u>(62,022,746)</u>
Employees' end of service benefits paid		(191,721)	(105,550)
Zakat and income tax paid	6(b)	(5,935,900)	(7,763,924)
<b>Net cash used in operating activities</b>		<u>(438,341,902)</u>	<u>(69,892,220)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		(1,938,486)	(3,805,771)
Proceed from sale of property and equipment		--	11,476
Acquisition of intangible assets		(558,367)	--
<b>Net cash used in investing activities</b>		<u>(2,496,853)</u>	<u>(3,794,295)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		3,816,263,010	6,495,462,053
Repayment of borrowings		(3,383,767,567)	(6,451,774,203)
Payment of lease liabilities		(507,180)	(387,914)
Dividend paid	16	(17,986,362)	--
<b>Net cash from financing activities</b>		<u>414,001,901</u>	<u>43,299,936</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(26,836,854)</u>	<u>(30,386,579)</u>
Cash and cash equivalents at beginning of the period		36,026,007	57,615,414
<b>Cash and cash equivalents at end of the period</b>	7	<u>9,189,153</u>	<u>27,228,835</u>
Special commission received during the period		95,012,795	83,609,850
Special commission paid during the period		11,252,221	36,867,987
<b>Non-cash supplemental information:</b>			
Right-of-use-asset		1,667,094	1,566,745
Lease liability		1,754,670	1,446,214

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month and nine-month periods ended 30 September 2020  
(Saudi Arabian Riyals)

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**1. CORPORATE INFORMATION**

Deutsche Gulf Finance (“the Company”) is a Saudi closed joint stock company established pursuant to a ministerial resolution numbered 3/Q dated 6 Muharram 1431H (corresponding to 23 December 2009) and registered in the Kingdom of Saudi Arabia under commercial registration number 1010280521 dated 9 Safar 1431H (corresponding to 25 January 2010). The Company has a branch in Jeddah registered under commercial registration number 4030245681 dated 19 Jumada Thani 1434H (corresponding to 29 April 2013) and a branch in Al Khobar registered under commercial registration number 2051052773 dated 19 Jumada Thani 1434H (corresponding to 29 April 2013). The registered office of the Company is located at Al Imam Saud Ibn Faysal Road – Al Sahafah District, P.O. Box 75370, Riyadh 13321, Kingdom of Saudi Arabia.

The Company is engaged in real estate financing that includes acquisition, purchase of lands and buildings for the purposes of financing facilities (except in Makkah and Madina) in accordance with license number 2030114773 dated 2 Dhul-Qadah 1430H (corresponding to 21 October 2009) as obtained from the Saudi Arabian General Investment Authority.

The Saudi Arabian Monetary Authority’s (“SAMA”) issued the Implementing Regulations of The Law on Supervision of Finance Companies which was published on 24 February 2013 following the Financial Lease Law and the Law on Supervision of Finance Companies (“the Laws”) published on 27 August 2012. The Company was issued a license (number 17/A SH/201405) from SAMA on 20 May 2014 (corresponding to 21 Rajab 1435H).

**2. BASIS OF PREPARATION**

***Statement of compliance***

The interim condensed financial statements of the Company as at and for the period ended 30 September 2020 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 Certified Public Accountants (“SOCPA”).

***Basis of measurement***

These interim condensed financial statements are prepared under the historical cost convention except for the investment, which is measured at fair value through other comprehensive income (“FVOCI”).

***Functional and presentational currency***

The interim condensed financial statements are presented in Saudi Arabian Riyals, which is the functional and presentational currency of the Company.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2019.

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month and nine-month periods ended 30 September 2020  
(Saudi Arabian Riyals)

**4. EMPLOYEES' BENEFITS AND COMPENSATION**

	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Employees' salaries and benefits	8,508,461	5,954,970	21,383,668	16,574,176
Employees' health insurance	349,357	431,420	1,783,560	1,315,900
Others	1,027,298	3,232,606	7,045,095	7,786,794
	<u>9,885,116</u>	<u>9,618,996</u>	<u>30,212,323</u>	<u>25,676,870</u>

**5. OTHER EXPENSES**

	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Processing and marketing expenses	2,066,658	794,136	3,615,741	3,179,699
Takaful expenses	1,345,487	1,171,127	2,661,201	2,667,714
Professional fee	714,467	917,949	1,871,228	2,562,017
Executive Board fee	594,999	489,921	1,616,664	1,359,921
Sharia Board fee	42,501	42,500	123,836	127,500
Rent	--	624,126	--	1,848,353
Others	2,040,354	1,681,970	4,753,782	4,075,376
	<u>6,804,466</u>	<u>5,721,729</u>	<u>14,642,452</u>	<u>15,820,580</u>

**6. ZAKAT AND INCOME TAX**

**6(a) Deferred tax asset**

	<u>30 September 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Opening balance	3,347,230	4,288,306
Reduction in temporary difference	<u>(593,595)</u>	<u>(941,076)</u>
Closing	<u>2,753,635</u>	<u>3,347,230</u>

The deferred tax arises on end of service benefits, allowance for expected credit losses on Ijara receivables, unused losses and depreciation of property and equipment.



**DEUTSCHE GULF FINANCE**  
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For the three month and nine-month periods ended 30 September 2020  
(Saudi Arabian Riyals)

**6. ZAKAT AND INCOME TAX (CONTINUED)**

**6(b) The movement in zakat and income tax is as follow:**

	<b>30 September 2020 (Unaudited)</b>		
	<b><u>Zakat</u></b>	<b><u>Income tax</u></b>	<b><u>Total</u></b>
Balance at the beginning of the period	7,788,713	3,338,551	11,127,264
Charge for the period	3,478,434	2,858,126	6,336,560
Payments made during the period	<u>(3,745,302)</u>	<u>(2,190,598)</u>	<u>(5,935,900)</u>
Balance as at end of the period	<u>7,521,845</u>	<u>4,006,079</u>	<u>11,527,924</u>
	<b>31 December 2019 (Audited)</b>		
	<b><u>Zakat</u></b>	<b><u>Income tax</u></b>	<b><u>Total</u></b>
Balance at the beginning of the year	12,078,151	3,088,980	15,167,131
Charge for the year:			
- current period	3,638,259	2,989,448	6,627,707
- prior years	<u>(2,220,476)</u>	<u>--</u>	<u>(2,220,476)</u>
	1,417,783	2,989,448	4,407,231
Payments made during the year	<u>(5,707,221)</u>	<u>(2,739,877)</u>	<u>(8,447,098)</u>
Balance as at end of the year	<u>7,788,713</u>	<u>3,338,551</u>	<u>11,127,264</u>

**6(c) Zakat and income tax expense**

Breakup of zakat and income tax expense in the statement of comprehensive income is as follows:

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2020 (Unaudited)</b>	<b>2019 (Unaudited)</b>	<b>2020 (Unaudited)</b>	<b>2019 (Unaudited)</b>
Charge for the period:				
- Current tax and zakat expense / (income) for the period	947,118	2,208,249	6,336,560	2,787,776
- Deferred tax expense / (income) for the period	<u>(88,366)</u>	<u>(69,729)</u>	<u>593,595</u>	<u>(289,749)</u>
Charge for the period	<u>858,752</u>	<u>2,138,520</u>	<u>6,930,155</u>	<u>2,498,027</u>

**6(d) Status of assessments:**

Zakat and income tax declaration for all the years up to 2019 have been filed with the GAZT and acknowledgement certificates have been obtained.

During the period ended 30 September 2020, there has been no change in the status of the Company's zakat and income tax assessments from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2019.

**DEUTSCHE GULF FINANCE**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month and nine-month periods ended 30 September 2020  
(Saudi Arabian Riyals)

**7. CASH AND CASH EQUIVALENTS**

	<b>30 September 2020</b>	<b>31 December 2019</b>
<i>Note</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
Bank balances – current accounts	7(a) <u>9,189,153</u>	<u>36,026,007</u>
	<u>9,189,153</u>	<u>36,026,007</u>

7(a) This represents cash with banks who have investment grade credit ratings, as rated by the international rating agencies.

**8. OTHER ASSETS**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Financing to customers	16,667,584	19,890,622
Amount recoverable from tax authorities	10,217,805	10,217,805
Value added tax recoverable	13,406,192	10,286,203
Prepaid expenses	2,549,505	2,081,274
Service fee receivable	1,540,601	1,448,164
Accelerated tax payment	1,095,300	2,054,907
Receivable from Real Estate Development Fund	1,225,000	1,225,000
Staff receivables	69,538	194,660
Receivable from Ministry of Housing (MOH)	20,150	36,321
Security deposits	28,979	28,979
	<u>46,820,654</u>	<u>47,463,935</u>

**9. IJARA RECEIVABLES, NET**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross Ijara receivables	3,486,722,986	2,715,827,555
Less: Unearned income	<u>(1,381,779,756)</u>	<u>(1,126,022,742)</u>
	2,104,943,230	1,589,804,813
Less: Allowance for expected credit losses	<u>(33,384,310)</u>	<u>(29,662,449)</u>
Ijara receivables, net	<u>2,071,558,920</u>	<u>1,560,142,364</u>

**DEUTSCHE GULF FINANCE**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month and nine-month periods ended 30 September 2020  
(Saudi Arabian Riyals)

**9. IJARA RECEIVABLES, NET (CONTINUED)**

9(a) The maturity of the Ijara receivables held is as follows:

	30 September 2020 (Unaudited)			
	Not later than <u>one year</u>	Later than one year but not later than five <u>years</u>	Later than <u>five years</u>	<u>Total</u>
Gross Ijara receivables	338,890,399	1,091,181,542	2,056,651,045	3,486,722,986
Less: Unearned income	(157,368,468)	(526,947,636)	(697,463,652)	(1,381,779,756)
	<u>181,521,931</u>	<u>564,233,906</u>	<u>1,359,187,393</u>	<u>2,104,943,230</u>
Less: Allowance for expected credit losses				(33,384,310)
<b>Ijara receivables, net</b>				<u><u>2,071,558,920</u></u>

	31 December 2019 (Audited)			
	Not later than <u>one year</u>	Later than one year but not later than <u>five years</u>	Later than <u>five years</u>	<u>Total</u>
Gross Ijara receivables	261,133,184	1,035,671,979	1,419,022,392	2,715,827,555
Less: Unearned income	(121,502,696)	(509,565,397)	(494,954,649)	(1,126,022,742)
	<u>139,630,488</u>	<u>526,106,582</u>	<u>924,067,743</u>	<u>1,589,804,813</u>
Less: Allowance for expected credit losses				(29,662,449)
<b>Ijara receivables, net</b>				<u><u>1,560,142,364</u></u>

The title deeds of the properties for which financing have been provided are held by Gulf Company for Acquisition (an affiliated company).

9(b) Expected credit loss allowance on Ijara receivables, net are as follows:

30 September 2020 – (Unaudited)	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Opening balance	4,075,284	7,335,815	18,251,350	29,662,449
Transfer from 12 Month ECL	(10,061,567)	6,479,248	3,582,319	--
Transfer from lifetime ECL (not credit impaired)	87,222	(1,836,985)	1,749,763	--
Transfer from lifetime ECL (credit impaired)	6,661	207,908	(214,569)	--
Net re-measurement of loss allowance	7,995,651	(5,493,565)	10,111,680	12,613,766
Ijara receivables that have been derecognized during the period	(387,348)	(489,123)	(413,210)	(1,289,681)
New Ijara receivables originated during the period	945,049	1,270,151	308,209	2,523,409
Write- Offs	--	--	(10,125,633)	(10,125,633)
<b>Closing balance</b>	<u><u>2,660,952</u></u>	<u><u>7,473,449</u></u>	<u><u>23,249,909</u></u>	<u><u>33,384,310</u></u>

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**9. IJARA RECEIVABLES, NET (CONTINUED)**

31 December 2019 – (Audited)	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Opening balance	6,243,581	13,335,509	11,314,741	30,893,831
Transfer from 12 Month ECL	(3,271,611)	2,412,797	858,814	--
Transfer from lifetime ECL (not credit impaired)	560,441	(2,068,378)	1,507,937	--
Transfer from lifetime ECL (credit impaired)	69,851	497,684	(567,535)	--
Net re-measurement of loss allowance	490,069	(6,862,820)	13,729,964	7,357,214
Ijara receivables that have been derecognized during the period	(671,082)	(310,044)	(1,120,975)	(2,102,101)
New Ijara receivables originated during the period	654,035	331,067	34,400	1,019,502)
Write-offs	--	--	(7,505,997)	(7,505,997)
Closing balance	<u>4,075,284</u>	<u>7,335,815</u>	<u>18,251,350</u>	<u>29,662,449</u>

**10. BORROWINGS**

These represent borrowings from banks, financial institutions and Saudi Real Estate Refinance Company (“SRC”), which are secured by assignment of proceeds from certain financial assets.

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	30 September 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
Accrued expenses and other liabilities	25,061,093	22,274,904
Payable to Ministry of Housing	20,481,126	915,000
Amount received from customers	14,187,001	13,332,991
Payable to developers	13,303,634	--
Instalments collected from sold Ijara receivables	8,164,299	9,207,550
Lease liabilities	1,667,068	2,111,065
	<u>82,864,221</u>	<u>47,841,510</u>

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**12. RELATED PARTIES TRANSACTIONS AND BALANCES**

The Company's shareholders, affiliates and key management personnel are considered as related parties 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 terms approved by the Company's management.

Following are the details of significant related party transactions during the period:

<u>Related party</u>	<u>Nature of transaction</u>	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Key management personnel	Employee benefits and compensation:				
	- <i>Remuneration</i>	1,351,296	1,081,972	4,046,803	2,540,530
	- <i>Bonus</i>	520,000	450,000	1,441,337	1,350,000
	- <i>Board fees</i>	637,500	532,421	1,740,500	1,487,421
	End of service benefits	56,767	131,868	138,239	143,978

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

<u>Related party</u>	<u>Nature of balance</u>	<u>Note</u>	<u>30 September 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Board member	Ijara receivable, net	12(a)	4,941,288	--
Key management personnel	Board fees payable		1,662,500	2,186,667
	Bonus payable		1,441,337	1,779,756
	Employees' end of service benefits		518,500	380,261
Gulf Company for Acquisition (affiliated company) – (GCA)	Due from an affiliated company:			
	- <i>Loan</i>	12(b)	3,953,220	3,953,220
	- <i>Other</i>	12(c)	104,256	96,482
			4,057,476	4,049,702
	Due to an affiliated company:			
- <i>Service fee payable</i>	12(d)	469,638	469,638	

**12(a)** This represents Ijara receivable given to one of the Board members.

**12(b)** This represents an interest-free loan to the Affiliated Company which is repayable on demand with no fixed repayment date. This loan is categorised in stage 1.

**12(c)** This represents expenses paid by the Company on behalf of its affiliated company and cheque received in the name of GCA on account of early settlement, as the title deed is in the name of GCA.

**12(d)** This represents service fee charged by the Affiliated Company in relation to holding customers title deeds on behalf of the Company.

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**13. SHARE CAPITAL**

As at 30 September 2020, the authorised, issued and fully paid-up share capital of the Company was divided into 57,500,000 shares (31 December 2019: 57,500,000 shares) of SR 10 each.

**14. 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 are accessible by the Company.

Financial instruments mainly comprise of cash at bank, Ijara receivables, other receivables. due to / from affiliated company, investment at fair value through other comprehensive income, dividend payable, account and other payables and borrowings.

***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.

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

	30 September 2020 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	2,071,558,920	--	--	2,323,471,799	2,323,471,799
Financial asset held at FVOCI - equity instrument	892,850	--	--	892,850	892,850
<b>Total</b>	<b>2,072,451,770</b>	<b>--</b>	<b>--</b>	<b>2,324,364,649</b>	<b>2,324,364,649</b>
	31 December 2019 – (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	1,560,142,364	--	--	1,837,995,115	1,837,995,115
Financial asset held at FVOCI - equity instrument	892,850	--	--	892,850	892,850
<b>Total</b>	<b>1,561,035,214</b>	<b>--</b>	<b>--</b>	<b>1,838,887,965</b>	<b>1,838,887,965</b>

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**14. 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 profit rate for recent transactions and contractual cash flows.

Management assessed that the carrying amount of other financial assets and financial liabilities largely approximate fair value due to either short-term maturities of those instruments or variable interest rate in case of borrowings.

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

**15. 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 a “second wave” 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 Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething 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, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The prevailing economic conditions do 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, ECL assessment analysis performed by the Company in cognisance of the impacted portfolios. The Company has therefore recognised overlays of SR 1.4 million as at 30 September 2020. The Company will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

***SAMA support programs and initiatives***

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in 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 30 September 2020 is the deferred payments program.

As part of the deferred payments program launched by SAMA, the Company was required to defer payments for six months on Ijara facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company effected the payment reliefs 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 tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of

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

arrangement. This resulted in modification losses which have been presented as part of special commission income. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

Further to the above, on 1 September 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until 14 December 2020. The Company has affected the payment reliefs by deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 for a period of additional three months without increasing the facility tenure. 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 the arrangement. This resulted in the Company recognizing an additional modification loss of SR 0.62 million during the period ended 30 September 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Company has recognised SR 3.17 million of related modification losses of which SR 0.07 million have been unwound.

Furthermore, in accordance with the PSFSP, the banks and SRC allowed the Company to defer its loan repayment, which were due in the period from 15 March to 14 December 2020. Hence, the Company recognised a total modification gain of SR 18.60 million till 30 September 2020 and this has been presented as part of financial charges of which SR 10.25 million has been unwound. From this modification gain, SR 2.05 million modification gain is recognized in Q3 2020 due to further extension of the program from 15 September to 14 December 2020.

As at 30 September 2020, the Company is yet to participate in SAMA’s funding for lending program.

**16. DIVIDEND APPROVAL**

The shareholders in the General Assembly Meeting held on 2 April 2020 approved the cash dividend of SR 0.5 per share. Dividend amounting to SR 28.75 million has been declared and approved, of which SR 17.98 million has been paid during the period.

**17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS OF THE COMPANY**

These interim condensed financial statements of the Company for the period ended 30 September 2020 were approved by the Board of Directors on 8 Rabi Al-Awwal 1442H (corresponding to 25 October 2020).