

**HSBC Saudi Financial Institutions Equity Fund
(Managed by HSBC Saudi Arabia)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022



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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF HSBC SAUDI FINANCIAL INSTITUTIONS EQUITY FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC Saudi Financial Institutions Equity Fund (the "Fund") managed by HSBC Saudi Arabia (the "Fund Manager") as at 30 June 2022, and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period ended 30 June 2022, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed 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 interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements 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.

Basis for Qualified Conclusion

The financial information presented in the interim condensed financial statements are as at 29 June 2022. Management is unable to quantify the impact of not reporting the financial information as at 30 June 2022 and consequently the effects on the interim financial statements of the failure to report the financial information as at 30 June 2022 have not been determined.

Qualified Conclusion

Based on our review, because of the possible significance of the matter discussed in the Basis of Qualified Conclusion section of our review report, we are unable to conclude that the accompanying interim condensed financial statements are prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 19 Muharram 1444H
(17 August 2022)



HSBC Saudi Financial Institutions Equity Fund

Interim condensed statement of financial position

As at 30 June 2022

		<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
ASSETS			
Bank balance		215,406	1,278,121
Financial assets at fair value through profit or loss (FVTPL)	5	132,889,830	102,944,015
Receivable against sold securities		963,027	-
Dividend receivable		203,425	-
Other receivables		38,906	35,303
TOTAL ASSETS		134,310,594	104,257,439
LIABILITIES			
Management fee payable	6	14,370	22,187
Accrued expenses and other payables		167,818	231,063
TOTAL LIABILITIES		182,188	253,250
EQUITY			
Net assets attributable to unitholders of redeemable units		134,128,406	104,004,189
TOTAL LIABILITIES AND EQUITY		134,310,594	104,257,439
Redeemable units in issue		3,562,002	3,203,349
Net asset value attributable to each per unit		37.66	32.47

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Financial Institutions Equity Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Notes</i>	30 June 2022 SR	30 June 2021 SR
INCOME			
Net movement in unrealised gain on financial assets at FVTPL		604,138	20,764,588
Net realised gain on disposal of financial assets at FVTPL		14,313,259	6,358,909
Dividend income		1,299,385	1,270,991
Other income		-	269
TOTAL INCOME		16,216,782	28,394,757
EXPENSES			
Management fees	6	1,299,190	935,089
Other expenses		122,587	106,911
TOTAL EXPENSES		1,421,777	1,042,000
NET INCOME FOR THE PERIOD		14,795,005	27,352,757
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,795,005	27,352,757

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Financial Institutions Equity Fund

Interim condensed statement of changes in equity attributable to the unitholders (unaudited)

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
EQUITY AT THE BEGINNING OF THE PERIOD	104,004,189	89,533,887
Net income for the period	14,795,005	27,352,757
Other comprehensive income for the period	-	-
Total comprehensive income for the period	14,795,005	27,352,757
Issue of units during the period	27,662,281	7,671,708
Redemption of units during the period	(12,333,069)	(25,809,756)
Net changes from unit transactions	15,329,212	(18,138,048)
EQUITY AT THE END OF THE PERIOD	134,128,406	98,748,596
	<i>Units</i>	<i>Units</i>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	3,203,349	4,192,792
Issue of units during the period	673,744	319,289
Redemption of units during the period	(315,091)	(1,028,652)
Net changes in units	358,653	(709,363)
UNITS AT THE END OF THE PERIOD	3,562,002	3,483,429

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Financial Institutions Equity Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2022

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Net income for the period	14,795,005	27,352,757
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>		
Net movement in unrealised gain on financial assets at FVTPL	(604,138)	(20,764,588)
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	(29,341,677)	10,087,616
Receivable against sold securities	(963,027)	-
Dividend receivables	(203,425)	(700,312)
Other receivables	(3,603)	-
Management fee payable	(7,817)	22,502
Accrued expenses and other payables	(63,245)	19,690
Net cash flows (used in) from operating activities	<u>(16,391,927)</u>	<u>16,017,665</u>
FINANCING ACTIVITIES		
Proceeds from issuance of units	27,662,281	7,671,708
Payment on redemption of units	(12,333,069)	(25,809,756)
Net cash flows from (used in) financing activities	<u>15,329,212</u>	<u>(18,138,048)</u>
DECREASE IN BANK BALANCE	<u>(1,062,715)</u>	<u>(2,120,383)</u>
Bank balance at the beginning of the period	<u>1,278,121</u>	<u>4,167,860</u>
BANK BALANCE AT THE END OF THE PERIOD	<u><u>215,406</u></u>	<u><u>2,047,477</u></u>

The accompanying notes 1 to 11 form an integral part of these unaudited interim condensed financial statements.

HSBC Saudi Financial Institutions Equity Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC Saudi Financial Institutions Equity Fund (the “Fund”) is an open-ended investment fund created by an agreement between HSBC Saudi Arabia (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. The address of the Fund Manager is as follows:

HSBC Saudi Arabia, Head Office
HSBC Building 7267
Olaya Street (Al-Murooj District)
Riyadh 12283-2255
Kingdom of Saudi Arabia

HSBC Saudi Financial Institutions Equity Fund (“the Fund”) is an investment fund established through an agreement between HSBC Saudi Arabia (“the Fund Manager”) and investors (“the Unitholders”).

The objective of the Fund is to achieve capital appreciation over the medium to long-term by investing in a portfolio of equities of financial institutions listed on Tadawul (Saudi Stock Exchange Market), including banks and financial services companies, as well as investing in The Saudi British Bank (“SABB”).

The Fund is managed by the Fund Manager who also acts as the administrator of the Fund. Al Bilad Capital is the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main changes were relating to applying the new Investment Fund Regulation (IFR) requirements related to the fund documentation. The Fund updated its terms and conditions which were approved by the CMA on 30 Rajab 1443H (corresponding to 3 March 2022).

The Fund Manager has announced that it agreed to transfer its asset management, retail brokerage and retail margin lending businesses to Alawwal Invest, a wholly owned subsidiary of the Saudi British Bank. Accordingly, the Fund Manager is in the process to obtain necessary approvals from CMA for transferring the management of the Fund to the new Fund Manager.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the CMA on 16 Sha’aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12 Rajab1442H (corresponding to 24 February 2021G). The amended regulations are effective from 19 Ramadan 1442H (corresponding to 1 May 2021G).

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1. Basis of preparation

These unaudited interim condensed financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the kingdom of Saudi Arabia.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2021. In addition, result for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The unaudited interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL that are measured at fair value. These unaudited interim condensed financial statements are presented in Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.

HSBC Saudi Financial Institutions Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (Continued)

3.2. New standards and amendments to standards

New standards and amendments adopted by the Company

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a fund includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (deferred until accounting periods starting not earlier than 1 January 2024).
- Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 (annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (annual periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance Contracts', as amended in June 2020 (annual periods beginning on or after 1 January 2023).
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts (annual periods beginning on or after 1 January 2023).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant accounting judgements and estimates used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Fund's annual financial statements for the year ended 31 December 2021.

HSBC Saudi Financial Institutions Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the financial assets at fair value through profit or loss on the last valuation day of the period/ year end is summarised below:

	30 June 2022 (Unaudited)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain, net SR</i>
<i>Investments in equities (by sector)</i>				
Banks	98.97	99,366,624	131,519,950	32,153,326
Diversified financials	1.03	943,235	1,369,880	426,645
Total	100.00	100,309,859	132,889,830	32,579,971

The above equity investments are listed on the Saudi Stock Exchange (“Tadawul”). The Fund Manager seeks to limit risk for the Fund by monitoring exposures in each investment sector and individual securities.

	31 December 2021 (Audited)			
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain, net SR</i>
<i>Investments in equities (by sector)</i>				
Banks	98.17	69,393,182	101,057,015	31,663,833
Diversified financials	1.83	1,575,000	1,887,000	312,000
Total	100.00	70,968,182	102,944,015	31,975,833

6. TRANSACTIONS WITH RELATED PARTIES

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, the Fund Board and administrator of the Fund), mutual funds managed by the Fund Manager and The Saudi British Bank (“SABB”) (being significant shareholder of the Fund Manager).

In the ordinary course of its activities, the Fund transacts business with Fund Manager and related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved Terms and Conditions of the Fund.

During the period /year, the Fund entered into the following transactions with related parties in the ordinary course of business:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>2022 SR</i>	<i>2021 SR</i>	<i>2022 SR</i>	<i>2021 SR</i>
HSBC Saudi Arabia (Fund Manager)	Fund management fee (including VAT)	1,299,190	935,089	14,370	22,187
	Administration fee	38,211	27,503	6,548	5,154
	Board member fee	9,863	9,918	14,403	20,329
Saudi British Bank (Parent of Fund Manager)	Bank balance	-	-	-	22,471

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.70% per annum calculated on the total asset value at each valuation date.

HSBC Saudi Financial Institutions Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

6. TRANSACTIONS WITH RELATED PARTIES (continued)

The units in issue at 30 June 2022 include 30,526 units held by the employees of the Fund Manager (31 December 2021: 1,271 units).

The Fund invested 329,958 units in SABB shares for a total cost of SR 10,986,464 and with a market value of SR 13,511,780 as at 31 December 2021 (232,029 units in SABB shares for a total cost of SR 6,627,009 and with a market value of SR 7,656,957 as at 31 December 2020).

The Saudi British Bank (“SABB”) (parent of the Fund Manager) acts as the Fund’s banker.

The independent directors are entitled to remuneration for their services at rates determined by the Fund’s terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent director’s fees are currently up to SR 20,000 per annum.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 3 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

HSBC Saudi Financial Institutions Equity Fund

Notes to unaudited interim condensed financial statements (Continued)

At 30 June 2022

8. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 30 June 2022 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	215,406	-	215,406
Financial assets at fair value through profit or loss (FVTPL)	132,889,830	-	132,889,830
Receivable against sold securities	963,027	-	963,027
Dividend receivable	203,425	-	203,425
Other receivables	38,906	-	38,906
TOTAL ASSETS	134,310,594	-	134,310,594
LIABILITIES			
Management fee payable	14,370	-	14,370
Accrued expenses and other payables	167,818	-	167,818
TOTAL LIABILITIES	182,188	-	182,188
<i>As at 31 December 2021 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Bank balance	1,278,121	-	1,278,121
Financial assets at FVTPL	102,944,015	-	102,944,015
Other receivables	35,303	-	35,303
TOTAL ASSETS	104,257,439	-	104,257,439
LIABILITIES			
Management fee payable	22,187	-	22,187
Accrued expenses and other payables	231,063	-	231,063
TOTAL LIABILITIES	253,250	-	253,250

9. LAST VALUATION DAY

The last valuation day of the period was 29 June 2022 (year ended 31 December 2021: 31 December 2021).

10. SIGNIFICANT EVENT

As the COVID-19 pandemic continues, Government is constantly taking measures to address public health issues and the economic impact. Accordingly, the Fund's management continues to assess whether it will be affected by any developments and measures taken by Government and proactively assess its impact on its operations.

It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus and the size and effectiveness of the measures taken to contain it. In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of approval of these financial statements.

11. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements were approved by the Fund's management on 19 Muharram 1444H (corresponding to 17 August 2022).