

**HSBC US Dollar Murabaha 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 2021



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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC US Dollar Murabaha Fund (the "Fund") managed by HSBC Saudi Arabia (the "Fund Manager") as at 30 June 2021, 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 2021, 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.

Conclusion

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

Other Matter

The financial statements of the Fund for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 April 2021. Further, the interim condensed financial statements of the Fund for the six months period ended 30 June 2020 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 24 August 2020.

For Ernst & Young


Saad M. Al-Khathlan
Certified Public Accountant
License No. 509



Riyadh: 8 Muharram 1443H
(16 August 2021)

HSBC US Dollar Murabaha Fund

Interim condensed statement of financial position

As at 30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) USD	31 December 2020 (Audited) USD
ASSETS			
Cash at bank	4	679,076	827,731
Financial assets measured at amortised cost	5	19,018,482	23,972,936
Financial assets at fair value through Profit or loss (FVTPL)	6	903,555	901,591
TOTAL ASSETS		20,601,113	25,702,258
LIABILITIES			
Management fee payable		486	849
Accrued expenses		1,845	-
TOTAL LIABILITIES		2,331	849
EQUITY			
Equity attributable to unitholders		20,598,782	25,701,409
TOTAL LIABILITIES AND EQUITY		20,601,113	25,702,258
Units in issue (numbers)		1,360,049	1,696,998
Equity value per unit - Dealing		15.15	15.15
Equity value per unit - IFRS		15.15	15.15

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

HSBC US Dollar Murabaha Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2021

	<i>Notes</i>	30 June 2021 USD	30 June 2020 USD
INCOME			
Net unrealized gain on financial assets measured at FVTPL	6	1,964	7,759
Special commission income from financial assets at amortised cost		58,298	181,073
TOTAL INCOME		60,262	188,832
EXPENSES			
Management fees		45,770	39,121
Impairment (reversal of) / charge for expected credit losses	5	10,064	(1,397)
Other expenses		1,974	-
TOTAL EXPENSES		57,808	37,724
NET INCOME FOR THE PERIOD		2,454	151,108
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,454	151,108

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

HSBC US Dollar Murabaha Fund

Interim condensed statement of changes in equity (unaudited)

For the six-month period ended 30 June 2021

	<i>30 June 2021 (Unaudited) USD</i>	<i>30 June 2020 (Audited) USD</i>
Equity attributable to the unitholders as at the beginning of the year	25,701,409	22,539,361
Net income for the period	2,454	151,108
Contributions and redemptions by the unitholders:		
Proceeds from issuance of units	1,060,700	6,766,032
Payments for redemption of units	(6,165,781)	(7,748,923)
Net change from unit transactions	(5,105,081)	(982,891)
Equity attributable to the unitholders as at the end of the year	20,598,782	21,707,578
	<u><i>Units</i></u>	<u><i>Units</i></u>
UNIT TRANSACTIONS		
Transactions in units for the period ended 30 June are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	1,696,998	1,501,777
Issue of units during the period	70,015	448,261
Redemption of units during the period	(406,964)	(513,885)
Net decrease in units	(336,949)	(65,624)
UNITS AT THE END OF THE PERIOD	1,360,049	1,436,153

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

HSBC US Dollar Murabaha Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2021

	<i>30 June 2021 (Unaudited) USD</i>	<i>30 June 2020 (Audited) USD</i>
Operating activities		
Net income for the period	2,454	151,108
<i>Adjustments for:</i>		
<i>Unrealized gain on financial assets at FVTPL</i>	(1,964)	(7,759)
Impairment charge/ (reversal) for expected credit losses	10,064	(1,397)
	10,554	141,952
<i>Net changes in operating assets and liability</i>		
Decrease / (increase) in financial assets measured at amortised cost	4,554,390	(1,539,382)
Decrease in Management fee payable	(363)	(47)
Decrease in receivables and advances	-	1,165
Increase in accrued expenses	1,845	-
Net cash flows from / (used in) operating activities	4,566,426	(1,396,312)
Cash flow from financing activities		
Proceeds from issuance of units	1,060,700	6,766,032
Payment on redemption of units	(6,165,781)	(7,748,923)
Net cash flows used in financing activities	(5,105,081)	(982,891)
Decrease in cash and cash equivalents	(538,655)	(2,379,203)
Cash and cash equivalents at the beginning of the period	15,667,731	16,658,910
Cash and cash equivalents at the end of the period	15,129,076	14,279,707
<u>Operational cash flows from special commission income:</u>		
Special commission income received	112,688	151,691

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements

At 30 June 2021

1. INCORPORATION AND ACTIVITIES

HSBC US Dollar Murabaha Fund (the “Fund”) is an investment fund established through the agreement between HSBC Saudi Arabia (the “Fund Manager”) and the investors (the “Unitholders”). 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

The objective of the Fund is to seek capital appreciation and potential for capital preservation through participation in a professionally managed portfolio of short-term US Dollar deposits, placements and monetary instruments. The funds are invested in accordance with Shariah Investment Guidelines as determined by Shariah Supervisory Committee.

The Fund is managed by the Fund Manager who also acts 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 in the Terms and Conditions relates to the enhancement of investment objectives. The Fund updated its terms and conditions which were approved by the CMA on 28 Ramadan 1441H (corresponding to 21 May 2020).

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 12/7/1442H. Corresponding to 24/2/2021G.

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1. Basis of preparation

These interim condensed financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2020.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for investments at fair value through FVOCI that are measured at fair value. These interim condensed financial statements are presented in US Dollars (“USD”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest USD.

3.2. New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2020. except for the adoption of new standards effective as of 1 January 2021. The fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the fund.

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

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

3.2 *New standards, interpretations and amendments (continued)*

Interest Rate Benchmark Reform–Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

4. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited) USD	31 December 2020 (Audited) USD
Cash at banks	679,076	827,731
Placement with banks (with original maturity of less than 90 days)	14,450,000	14,840,000
Total cash and cash equivalents	15,129,076	15,667,731

5. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 June 2021 (Unaudited) USD	31 December 2020 (Audited) USD
Murabaha placements with original maturity of less than 90 days	14,450,000	14,840,000
Murabaha placements – maturing between 90 and 360 days	4,550,000	9,050,000
	19,00,000	23,890,000
Accrued special commission income	30,195	84,585
Allowance for expected credit losses	(11,713)	(1,649)
	19,018,482	23,972,936

The movement in the allowance for expected credit losses for Murabaha placements is summarized as follows:

	30 June 2021 (Unaudited) USD	30 June 2020 (Unaudited) USD
Balance at beginning of the period	1,649	4,480
Charge (reversal of) for the period	10,064	(1,397)
Balance at the end of the period	11,713	3,083

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

5. FINANCIAL ASSETS MEASURED AT AMORTISED COST (continued)

The methodology and assumptions applied by the Fund in estimating the ECL on the Murabaha placements are based on using the Moody's rating scales which are then adjusted for country specific data based on where the Murabaha placements are, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting period.

Financial assets measured at amortised cost are composed of the following:

<u>30 June 2021 (Unaudited)</u>	<i>% of</i>	<i>Cost</i>
Remaining maturity	<i>Value</i>	<i>USD</i>
Up to 1 month	20%	3,800,000
1-3 months	56%	10,650,000
3-6 months	24%	4,550,000
	100%	19,000,000
	100%	19,000,000

<u>31 December 2020 (Audited)</u>	<i>% of</i>	<i>Cost</i>
Remaining maturity	<i>Value</i>	<i>USD</i>
Up to 1 month	19%	4,515,000
1-3 months	43%	10,325,000
3-6 months	38%	9,050,000
	100%.	23,890,000
	100%.	23,890,000

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

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	<i>Cost</i>	<i>Market</i>	<i>Unrealized</i>	<i>Cost</i>	<i>Market</i>	<i>Unrealized</i>
	<i>USD</i>	<i>Value</i>	<i>gain</i>	<i>USD</i>	<i>Value</i>	<i>gain</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
HSBC Saudi Riyal Murabaha Fund	849,819	903,555	53,736	849,819	901,591	51,772
	849,819	903,555	53,736	849,819	901,591	51,772
	849,819	903,555	53,736	849,819	901,591	51,772

7. TRANSACTIONS WITH RELATED PARTIES

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 0.25% (since June 2021) of Net assets value (2020: 0.35% of Net assets value).

During the period, 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 during the year</i>		<i>Closing Balance</i>	
		<i>June 2021</i>	<i>June 2020</i>	<i>June 2021</i>	<i>December 2020</i>
		<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
HSBC Saudi Arabia (Fund Manager)	Management fee	45,770	39,121	486	849
	Administration fee	680	-	680	-
	Board Member fee	242	-	242	-
Saudi British Bank (parent of fund manager)	Cash at bank			50,000	-

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has investments at fair value through profit or loss which is measured at fair values and are classified within level 2 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.

9. 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 2021 (Unaudited)</i>	<i>Less than 1 month USD</i>	<i>1 to 3 Months USD</i>	<i>3 months to 1 year USD</i>	<i>Total USD</i>
ASSETS				
Financial assets measured at amortised cost	3,800,000	10,650,000	4,550,000	19,000,000
Total commission -bearing assets	3,800,000	10,650,000	4,550,000	19,000,000
LIABILITIES				
Total commission – bearing liabilities	-	-	-	-
Total commission rate gap	3,800,000	10,650,000	4,550,000	19,000,000
<i>As at 31 December 2020 (Audited)</i>	<i>Less than 1 month USD</i>	<i>1 to 3 months USD</i>	<i>3 months to 1 year USD</i>	<i>Total USD</i>
ASSETS				
Financial assets measured at amortised cost	4,515,000	10,325,000	9,050,000	23,890,000
Total commission -bearing assets	4,515,000	10,325,000	9,050,000	23,890,000
LIABILITIES				
Total commission – bearing liabilities	-	-	-	-
Total commission rate gap	4,515,000	10,325,000	9,050,000	23,890,000

10. LAST VALUATION DAY

The last valuation day of the period was 30 June 2021 (year ended 31 December 2020: 31 December 2020).

11. IMPACT OF COVID-19 ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the 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.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

The impact of the pandemic on the Fund’s operations and financial results till the date of the interim financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2021

12. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund's management on 8 Muharram 1443H (corresponding to 16 August 2021).