



**Independent Auditors' Review Report on  
Interim Condensed Consolidated Financial Statements**

To: The Shareholders of Arab National Bank  
(A Saudi Joint Stock Company)

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2021, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard No. 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 consolidated 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", as 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 as 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.

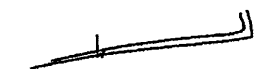
**Conclusion**

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

**Other Regulatory Matters**

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (19) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (19) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**Amounts in SAR '000**

	Notes	March 31 2021 (Unaudited)	December 31 2020 (Audited)	March 31 2020 (Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA	6	8,511,912	12,633,339	9,211,724
Due from banks and other financial institutions, net	7	1,841,767	1,081,984	1,520,449
Positive fair value of derivatives	12	1,211,833	994,828	1,066,273
Investments, net	8	43,308,753	43,774,875	43,396,881
Loans and advances, net	9	115,559,145	113,362,613	119,937,868
Investments in associates		1,292,882	1,289,732	850,789
Other real estate		219,977	219,977	222,197
Property and equipment, net		2,285,466	2,300,770	2,134,541
Other assets		3,203,598	4,737,724	6,530,394
<b>Total assets</b>		<b>177,435,333</b>	<b>180,395,842</b>	<b>184,871,116</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks, SAMA and other financial institutions	10	11,360,186	9,797,744	8,589,682
Negative fair value of derivatives	12	2,395,310	3,446,905	4,281,706
Customers' deposits	11	125,160,759	129,352,176	135,983,498
Other liabilities		5,661,295	5,203,219	6,261,209
Sukuk		2,852,783	2,829,654	2,036,847
<b>Total liabilities</b>		<b>147,430,333</b>	<b>150,629,698</b>	<b>157,152,942</b>
<b>Equity</b>				
<b>Equity attributable to equity holders of the Bank</b>				
Share capital	17	15,000,000	15,000,000	15,000,000
Statutory reserve		8,317,000	8,317,000	7,756,000
Other reserves		504,486	279,460	(343,675)
Retained earnings		6,152,276	6,137,867	5,271,019
<b>Total equity attributable to equity holders of the Bank</b>		<b>29,973,762</b>	<b>29,734,327</b>	<b>27,683,344</b>
<b>Non-controlling interests</b>		<b>31,238</b>	<b>31,817</b>	<b>34,830</b>
<b>Total equity</b>		<b>30,005,000</b>	<b>29,766,144</b>	<b>27,718,174</b>
<b>Total liabilities and equity</b>		<b>177,435,333</b>	<b>180,395,842</b>	<b>184,871,116</b>

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

  
 Latifa Al-Sabhan  
 Chief Financial Officer

  
 Obaid Al-Rasheed  
 Managing Director

  
 Hesham Al-Jabr  
 Authorized Board Member


**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**Amounts in SAR '000 (Unaudited)**

		<b>For the three month period ended</b>	
		<b>March 31</b>	<b>March 31</b>
<b>Notes</b>		<b>2021</b>	<b>2020</b>
Special commission income		<b>1,262,600</b>	1,758,666
Special commission expense		<b>83,046</b>	467,909
<b>Net special commission income</b>		<b>1,179,554</b>	1,290,757
Fees and commission income, net		<b>128,762</b>	153,379
Exchange income, net		<b>51,224</b>	93,773
Unrealized gain / (loss) on FVTPL financial instruments, net		<b>21,551</b>	(126,358)
Trading income, net		<b>9,080</b>	3,246
Dividend income		<b>16,162</b>	13,223
Gain on sale of debt financial assets, net		<b>133,204</b>	10,488
Other operating income, net		<b>16,821</b>	51,106
<b>Total operating income</b>		<b>1,556,358</b>	1,489,614
Salaries and employee related expenses		<b>300,393</b>	318,342
Rent and premises related expenses		<b>10,923</b>	13,012
Depreciation and amortization		<b>53,034</b>	58,149
Other general and administrative expenses		<b>171,261</b>	156,122
<b>Total operating expenses before impairment charges</b>		<b>535,611</b>	545,625
Allowance charges for expected credit losses and other provisions, net	9	<b>335,014</b>	198,350
Reversal of impairment charges for other financial assets, net		<b>(2,274)</b>	(5,819)
<b>Total operating expenses</b>		<b>868,351</b>	738,156
<b>Net operating income</b>		<b>688,007</b>	751,458
Share in earnings of associates, net		<b>20,353</b>	3,814
Gain on disposal of investment in an associate		<b>-</b>	15,217
<b>Net income before zakat and income tax</b>		<b>708,360</b>	770,489
Zakat for the period	15	<b>72,015</b>	68,266
Income tax for the period	15	<b>55,626</b>	58,019
Deferred tax (reversal) / charge for the period		<b>(933)</b>	650
<b>Net income for the period</b>		<b>581,652</b>	643,554
<b>Attributable to:</b>			
Equity holders of the Bank		<b>582,231</b>	643,787
Non-controlling interests		<b>(579)</b>	(233)
<b>Net income for the period</b>		<b>581,652</b>	643,554
<b>Basic and diluted earnings per share (expressed in SAR per share)</b>	17	<b>0.39</b>	0.43

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

  
 Latifa Al-Sabhan  
 Chief Financial Officer


  
 Obaid Al-Rasheed  
 Managing Director

  
 Hesham Al-Jabr  
 Authorized Board Member


**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Amounts in SAR '000 (Unaudited)**

	<b>March 31, 2021</b>	March 31, 2020
<b>Net Income for the period</b>	<b>581,652</b>	643,554
<b>Other comprehensive income</b>		
<b>Items that cannot be reclassified to interim consolidated statement of income in subsequent periods</b>		
<b><i>Equity instruments at fair value through other comprehensive income:</i></b>		
• Net changes in fair value	<b>206,321</b>	(386,946)
<b><i>Items that can be reclassified to interim consolidated statement of income in subsequent periods</i></b>		
<b><i>Debt instruments at fair value through other comprehensive income:</i></b>		
• Net changes in fair value	<b>18,705</b>	(185,854)
• Net amounts transferred to interim consolidated statement of income	-	(1,661)
<b>Total other comprehensive income / (loss) for the period</b>	<b>225,026</b>	(574,461)
<b>Total comprehensive income for the period</b>	<b>806,678</b>	69,093
<b>Attributable to:</b>		
Equity holders of the Bank	<b>807,257</b>	69,326
Non-controlling interests	<b>(579)</b>	(233)
<b>Total comprehensive income for the period</b>	<b>806,678</b>	69,093

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

  
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**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the three month period ended March 31, 2021 and 2020**  
**Amounts in SAR '000 (Unaudited)**

**2021**

Balance at December 31, 2020

**Changes in equity for the period:**

Net changes in fair values of FVOCI equity investments

Net changes in fair values of FVOCI debt instruments

Net income for the period

**Total comprehensive income for the period**

2020 final dividends, net

**Balance at the end of the period**

Attributable to equity holders of the Bank								
Share capital	Statutory reserve	FVOCI	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
15,000,000	8,317,000	336,126	(56,666)	6,137,867	-	29,734,327	31,817	29,766,144
-	-	206,321	-	-	-	206,321	-	206,321
-	-	18,705	-	-	-	18,705	-	18,705
-	-	-	-	582,231	-	582,231	(579)	581,652
-	-	225,026	-	582,231	-	807,257	(579)	806,678
-	-	-	-	(567,822)	-	(567,822)	-	(567,822)
15,000,000	8,317,000	561,152	(56,666)	6,152,276	-	29,973,762	31,238	30,005,000

**2020**

Balance at December 31, 2019

**Changes in equity for the period:**

Net changes in fair values of FVOCI equity investments

Net changes in fair values of FVOCI debt instruments

Net transfers to interim consolidated statement of income

Net income for the period

**Total comprehensive income for the period**

2019 final dividends, net

**Balance at the end of the period**

Share capital	Statutory reserve	FVOCI	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
15,000,000	7,756,000	308,794	(78,008)	4,627,232	694,205	28,308,223	35,063	28,343,286
-	-	(386,946)	-	-	-	(386,946)	-	(386,946)
-	-	(185,854)	-	-	-	(185,854)	-	(185,854)
-	-	(1,661)	-	-	-	(1,661)	-	(1,661)
-	-	-	-	643,787	-	643,787	(233)	643,554
-	-	(574,461)	-	643,787	-	69,326	(233)	69,093
-	-	-	-	-	(694,205)	(694,205)	-	(694,205)
15,000,000	7,756,000	(265,667)	(78,008)	5,271,019	-	27,683,344	34,830	27,718,174

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

  
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Chief Financial Officer

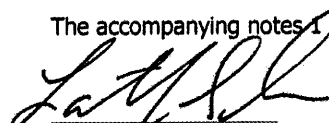
  
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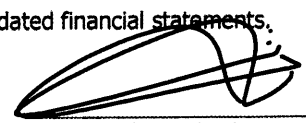
**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the three month period ended March 31**  
**Amounts in SAR '000 (Unaudited)**

	Notes	2021	2020
<b>OPERATING ACTIVITIES</b>			
Net income before zakat and income tax		708,360	770,489
Adjustments to reconcile net income to net cash used in operating activities:			
Amortization of premium on investments not held as FVTPL, net		4,361	4,784
Special commission expense on Sukuk		23,386	18,944
Gain on sale of debt and other financial assets, net		(133,204)	(10,488)
Unrealized (gain) / loss on revaluation of investments as FVTPL, net		(21,551)	126,358
Dividend income		(16,162)	(13,223)
Depreciation and amortization		53,034	58,149
Loss / (gain) on disposal of property and equipment, net		11	(18)
Allowance charges for expected credit losses and other provisions, net		335,014	198,350
Reversal of impairment charges for other financial assets, net		(2,274)	(5,819)
Share in earnings of associates, net		(20,353)	(3,814)
Gain on disposal of investment in an associate		-	(15,217)
		<u>930,622</u>	<u>1,128,495</u>
<b>Net (increase) / decrease in operating assets:</b>			
Statutory deposit with SAMA		240,761	(318,951)
Investments held at FVTPL		988	(59,956)
Positive fair value of derivatives		(217,004)	158,863
Loans and advances		(2,733,462)	(873,724)
Other assets		1,534,126	(3,718,303)
<b>Net increase / (decrease) in operating liabilities:</b>			
Due to banks, SAMA and other financial institutions		1,562,442	5,507,501
Negative fair value of derivatives		(1,051,595)	1,940,523
Customers' deposits		(4,191,417)	(6,145,399)
Other liabilities		96,309	(2,075,750)
Zakat and income tax paid		-	(63,252)
<b>Net cash used in operating activities</b>		<u>(3,828,230)</u>	<u>(4,519,953)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of investments not held as FVTPL		2,273,534	951,264
Purchase of investments not held as FVTPL		(1,470,644)	(5,243,835)
Purchase of property and equipment		(15,184)	(9,049)
Investment in associate		17,203	57,357
Proceeds from sale of property and equipment		12	18
Dividends received		16,162	13,223
<b>Net cash from / (used in) investing activities</b>		<u>821,083</u>	<u>(4,231,022)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(96,315)	(2,090)
Special commission paid on Sukuk		(20,241)	(63,252)
<b>Net cash used in financing activities</b>		<u>(116,556)</u>	<u>(65,342)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(3,123,703)</u>	<u>(8,816,317)</u>
Cash and cash equivalents at the beginning of the period		6,427,643	12,160,632
<b>Cash and cash equivalents at the end of the period</b>	14	<u>3,303,940</u>	<u>3,344,315</u>
Special commission received during the period		1,190,354	1,779,761
Special commission paid during the period		(162,668)	(450,274)
<b>Supplemental non-cash information</b>			
Net changes in fair value of investments held at fair value through other comprehensive income		225,026	(572,800)

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

  
Latifa Al-Sabhan  
Chief Financial Officer

  
Obaid Al-Rasheed  
Managing Director

  
Hesham Al-Jabr  
Authorized Board Member

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**For the three month period ended March 31, 2021 and 2020**

**1. General**

Arab National Bank (a Saudi Joint Stock Company, the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 136 branches (March 31, 2020: 137 branches) in the Kingdom of Saudi Arabia and one branch in the United Kingdom. The address of the Bank's head office is as follows:

Arab National Bank  
P.O. Box 56921  
Riyadh 11564  
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides its customers non-commission based banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and its following subsidiaries (collectively referred to as the Group):

**Arab National Investment Company (ANB Invest)**

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary, a Saudi closed joint stock company, registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above mentioned subsidiary effective January 12, 2008. On Muharram 19, 1436H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha'ban 26, 1437H (corresponding to June 2, 2016) to provide loans to the subsidiary's customers to trade in financial papers as per the Saudi Central Bank (SAMA) circular No. 371000014867 dated 5/2/1437H, and the CMA's circular No. S/6/16287/15 dated 10/3/1437H.

**Arabian Heavy Equipment Leasing Company (AHEL)**

An 87.5% owned subsidiary (2020: 87.5%) incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to reach 87.5%.

**ANB Insurance Agency**

A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from SAMA to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014).

In reference to the Article No (75) of the Insurance Company Control Law, the company requested to seize its operation at July 19, 2020 (corresponding to Dhul Qadah 28, 1441H). The request has been approved by SAMA on Rabi Al-Akhar 4, 1442H (corresponding to November 19, 2020). The same was communicated to the Ministry of Commerce. The Company is currently under the process of completing the closure procedures with related regulatory bodies.

**Al-Manzil Al-Mubarak Real Estate Financing Limited**

A wholly owned limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase of lands and real estates and invest them through sale or rent in favor of the company, maintenance and management of owners and others' assets as guarantee, sale and purchase of real estates for financing purposes as per SAMA approval No. 361000109161 dated 10/8/1436H.

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Consolidated Financial Statements (continued)**  
**For the three month period ended March 31, 2021 and 2020**

**1. General (continued)**

**ANB Global Markets Limited**

The Bank established on January 31, 2017 ANB Global Markets Limited, as a limited liability company registered in the Cayman Islands. The Bank has 100% (2020: 100%) ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

**2. Basis of preparation**

The interim condensed consolidated financial statements of the Group as at and for the three month period ended March 31, 2021 have 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 Organization for Chartered and Professional Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand, except where indicated otherwise.

**3. Basis of consolidation**

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries where necessary to align them with the Bank's interim consolidated financial statements.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date that control ceases.

Specifically, the Group controls an investee if and only if it has:

- Power over the investee i.e. existing rights that give it the current ability to direct the relevant activities of the investee;
- Exposure or rights to variable returns from its involvement with the investee; and

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.



**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Consolidated Financial Statements (continued)**  
**For the three month period ended March 31, 2021 and 2020**

**3. Basis of consolidation (continued)**

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and separately from equity holders of the Bank within equity in the interim consolidated statement of financial position. Any losses related to the non-controlling interest in a subsidiary are allocated to non-controlling interest even if doing so causes non-controlling interest to have a deficit balance.

Acquisitions of non-controlling interests are accounted for using the purchase method of accounting, whereby, the difference between the cost of acquisition and the fair value of the share of the net assets acquired is recognised as goodwill.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interest is subsequently adjusted for the Group's share of changes in the equity of the consolidated subsidiary after the date of acquisition.

All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

**4. Impact of changes in accounting policies due to adoption of new standards**

**New standards, interpretations and amendments adopted by the Group**

The Group 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 consolidated financial statements of the Group.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16  
The amendments provide temporary relief that address the impact on financial reporting when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
  - 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; and
  - 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.

For further details, please refer note 21 to these interim condensed consolidated financial statements.

**Accounting standards issued but not yet effective**

The International Accounting Standard Board (IASB) has issued following accounting standards and amendments, which were effective from periods on or after January 1, 2022. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- IFRS 17 Insurance Contracts and its amendments;
- Amendments to IAS 1 Classification of liabilities as current or non-current; and
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**5. Significant accounting policies**

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

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**6. Cash and balances with SAMA**

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Cash in hand	<b>1,345,263</b>	1,358,600	1,704,470
Statutory deposit	<b>7,053,934</b>	7,294,695	7,397,240
Reverse repo with SAMA	<b>111,000</b>	3,975,890	104,000
Other balances	<b>1,715</b>	4,154	6,014
<b>Total</b>	<b>8,511,912</b>	<b>12,633,339</b>	<b>9,211,724</b>

**7. Due from banks and other financial institutions**

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Current accounts	<b>720,207</b>	1,088,249	404,017
Money market placements	<b>1,125,755</b>	750	1,125,815
Less: Impairment	<b>(4,195)</b>	(7,015)	(9,383)
<b>Total</b>	<b>1,841,767</b>	<b>1,081,984</b>	<b>1,520,449</b>

**8. Investments, net**

Investment securities are classified as follows:

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Investments at amortized cost	<b>38,628,441</b>	39,278,082	39,337,515
Investments at FVOCI - equity	<b>2,304,768</b>	2,098,464	1,653,950
Investments at FVOCI - debt	<b>1,809,844</b>	1,852,935	1,930,773
Investments at FVTPL	<b>578,977</b>	558,415	488,274
Less: Impairment	<b>(13,277)</b>	(13,021)	(13,631)
<b>Total</b>	<b>43,308,753</b>	<b>43,774,875</b>	<b>43,396,881</b>

**Equity investment securities designated as at FVOCI**

Dividend income recognized in the interim consolidated statement of income amounted to SAR 15,922 thousand for the three months period ended March 31, 2021 (March 31, 2020: SAR 5,283 thousand).

**9. Loans and advances, net**

Loans and advances (all held at amortized cost) comprise the following:

	<b>Overdrafts</b>	<b>Credit cards</b>	<b>Consumer loans</b>	<b>Commercial loans and others</b>	<b>Total</b>
<b>March 31, 2021 (Unaudited)</b>					
Performing loans and advances, gross	<b>2,924,188</b>	<b>388,195</b>	<b>30,088,510</b>	<b>82,429,556</b>	<b>115,830,449</b>
Non-performing loans and advances, net	<b>41,566</b>	<b>8,214</b>	<b>64,466</b>	<b>3,948,024</b>	<b>4,062,270</b>
Total loans and advances	<b>2,965,754</b>	<b>396,409</b>	<b>30,152,976</b>	<b>86,377,580</b>	<b>119,892,719</b>
Impairment allowance	<b>(173,287)</b>	<b>(43,986)</b>	<b>(357,171)</b>	<b>(3,759,130)</b>	<b>(4,333,574)</b>
<b>Loans and advances, net</b>	<b>2,792,467</b>	<b>352,423</b>	<b>29,795,805</b>	<b>82,618,450</b>	<b>115,559,145</b>
<b>December 31, 2020 (Audited)</b>					
Performing loans and advances, gross	2,667,942	385,974	29,149,545	81,124,510	113,327,971
Non-performing loans and advances, net	30,296	5,968	73,956	3,949,483	4,059,703
Total loans and advances	2,698,238	391,942	29,223,501	85,073,993	117,387,674
Impairment allowance	(125,645)	(36,527)	(376,968)	(3,485,921)	(4,025,061)
Loans and advances, net	<u>2,572,593</u>	<u>355,415</u>	<u>28,846,533</u>	<u>81,588,072</u>	<u>113,362,613</u>

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**9. Loans and advances, net (continued)**

	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
March 31, 2020 (Unaudited)					
Performing loans and advances, gross	4,107,458	421,930	28,178,031	88,314,206	121,021,625
Non-performing loans and advances, net	9,326	10,190	75,594	2,413,431	2,508,541
Total loans and advances	4,116,784	432,120	28,253,625	90,727,637	123,530,166
Impairment allowance	(128,658)	(35,045)	(356,461)	(3,072,134)	(3,592,298)
Loans and advances, net	3,988,126	397,075	27,897,164	87,655,503	119,937,868

The movement in the allowance for impairment of loans and advances to customers for the three months period ended March 31 are as follows:

	<b>March 31 2021 (Unaudited)</b>	March 31 2020 (Unaudited)
Balance at the beginning of the period	<b>4,025,061</b>	3,401,583
Charge for the period, net	<b>389,016</b>	259,594
Bad debts written off against impairment allowance	<b>(80,503)</b>	(68,879)
<b>Balance at the end of the period</b>	<b>4,333,574</b>	3,592,298

Impairment charge for credit losses, net for the period ended March 31, 2021 amounted to SAR 353,205 thousand (March 31, 2020: SAR 189,467 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 1,176 thousand (March 31, 2020: SAR 564 thousand) and net of recoveries amounting to SAR 36,987 thousand (March 31, 2020: SAR 70,691 thousand).

An analysis of charges in impairment allowance of loans and advances is as follows:

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>March 31, 2021 (Unaudited)</b>				
<b>Loans and advances to customers at amortized cost</b>				
Balance at January 1, 2021	<b>1,013,107</b>	<b>962,831</b>	<b>2,049,123</b>	<b>4,025,061</b>
Transfer to 12-month ECL	<b>16,388</b>	<b>(10,580)</b>	<b>(5,808)</b>	-
Transfer to lifetime ECL not credit impaired	<b>(8,869)</b>	<b>18,420</b>	<b>(9,551)</b>	-
Transfer to lifetime ECL credit impaired	<b>(4)</b>	<b>(5,304)</b>	<b>5,308</b>	-
Net charge for the period	<b>(72,145)</b>	<b>37,536</b>	<b>423,625</b>	<b>389,016</b>
Write-offs	-	-	<b>(80,503)</b>	<b>(80,503)</b>
<b>Balance at March 31, 2021</b>	<b>948,477</b>	<b>1,002,903</b>	<b>2,382,194</b>	<b>4,333,574</b>
<b>March 31, 2020 (Unaudited)</b>				
<b>Loans and advances to customers at amortized cost</b>				
Balance at January 1, 2020	788,442	924,022	1,689,119	3,401,583
Transfer to 12-month ECL	9,214	(7,879)	(1,335)	-
Transfer to lifetime ECL not credit – impaired	(6,980)	13,251	(6,271)	-
Transfer to lifetime ECL credit impaired	(22)	(11,111)	11,133	-
Net charge for the period	171,091	23,756	64,747	259,594
Write-offs	-	-	(68,879)	(68,879)
<b>Balance at March 31, 2020</b>	<b>961,745</b>	<b>942,039</b>	<b>1,688,514</b>	<b>3,592,298</b>

"Life time ECL credit impaired (Stage 3)" includes loss allowance for non-performing loans portfolio along with the impact of other factors to IFRS 9.

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**9. Loans and advances, net (continued)**

Allowance charges for expected credit losses and other provisions, net as reflected in the interim consolidated statement of income are detailed as follows:

	<b>For the three month period ended</b>	
	<b>March 31 2021 (Unaudited)</b>	<b>March 31 2020 (Unaudited)</b>
Allowance charges for expected credit losses, net	<b>353,205</b>	189,467
(Reversal) /charge of provisions for credit-related commitments and contingencies, net	<b>(18,191)</b>	8,883
	<b>335,014</b>	198,350

**10. Due to banks, SAMA and other financial institutions**

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Current accounts	<b>77,079</b>	103,822	111,977
Money market deposits	<b>2,602,482</b>	1,064,049	8,477,705
Commission free deposits from SAMA	<b>8,680,625</b>	8,629,873	-
<b>Total</b>	<b>11,360,186</b>	9,797,744	8,589,682

**11. Customers' deposits**

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Demand	<b>70,920,365</b>	76,241,408	65,411,650
Time	<b>48,581,223</b>	47,205,310	65,093,737
Saving	<b>235,487</b>	219,031	159,352
Others	<b>5,423,684</b>	5,686,427	5,318,759
<b>Total</b>	<b>125,160,759</b>	129,352,176	135,983,498

**12. Derivatives**

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	<b>March 31, 2021 (Unaudited)</b>			<b>December 31, 2020 (Audited)</b>			<b>March 31, 2020 (Unaudited)</b>		
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Notional amount</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Notional amount</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Notional amount</b>
<b>Held for trading:</b>									
Commission rate and cross currency swaps	<b>546,330</b>	<b>510,699</b>	<b>20,969,405</b>	466,134	434,504	18,923,116	515,782	478,541	24,558,104
Commission rate futures and options	<b>555,417</b>	<b>555,983</b>	<b>12,604,568</b>	475,365	476,175	12,622,282	485,062	486,234	12,671,826
Forward foreign exchange and commodity contracts	<b>40,844</b>	<b>16,957</b>	<b>10,653,951</b>	37,719	14,389	4,616,536	55,603	32,513	10,562,676
Currency and commodity options	<b>5,950</b>	<b>5,382</b>	<b>629,702</b>	290	222	134,364	8,030	6,845	589,620
<b>Held as fair value hedges:</b>									
Commission rate swaps	<b>63,292</b>	<b>1,306,289</b>	<b>21,960,708</b>	15,320	2,521,615	23,139,238	1,796	3,277,573	23,594,563
<b>Total</b>	<b>1,211,833</b>	<b>2,395,310</b>	<b>66,818,334</b>	994,828	3,446,905	59,435,536	1,066,273	4,281,706	71,976,789

Derivatives have been disclosed at gross amounts as at the date of the interim consolidated statement of financial position, and have not been netted off by cash margins placed and received against derivatives, amounting to SAR 2,221 million (December 31, 2020: SAR 3,828 million, and March 31, 2020: SAR 5,101 million).

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**13. Commitments and contingencies**

**a) Legal proceedings**

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at December 31, 2020.

**b) Credit related commitments and contingencies**

The Group's consolidated credit related commitments and contingencies are as follows:

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Letters of credit	<b>4,321,628</b>	4,793,534	4,574,511
Letters of guarantee	<b>17,056,617</b>	17,250,306	21,290,641
Acceptances	<b>2,018,374</b>	1,912,386	1,397,536
Irrevocable commitments to extend credit	<b>2,097,356</b>	2,160,489	1,820,150
Others	<b>13,551</b>	16,102	64,639
<b>Total</b>	<b>25,507,526</b>	<b>26,132,817</b>	<b>29,147,477</b>

The unutilized portion of non-firm commitments as at March 31, 2021 which can be revoked unilaterally at any time by the Bank, amounts SAR 15,047 million (December 31, 2020: SAR 18,471 million and March 31, 2020: SAR 19,307 million).

**14. Cash and cash equivalents**

Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following:

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Cash and balances with SAMA excluding statutory deposit	<b>1,457,978</b>	5,338,644	1,814,484
Due from banks and other financial institutions maturing within 90 days from the acquisition date	<b>1,845,962</b>	1,088,999	1,529,831
<b>Total</b>	<b>3,303,940</b>	<b>6,427,643</b>	<b>3,344,315</b>

**15. Zakat and Income Tax**

Zakat for the period ended March 31, 2021 attributable to Saudi Shareholders amounted to approximately SAR 72.0 million (March 31, 2020: SAR 68.3 million). Income tax attributable to the non-Saudi Shareholder on the current period's share of net income is SAR 55.6 million (March 31, 2020: SAR 58.0 million). The provision of Zakat and income tax is estimated based on the results of operations of the Bank for the three month period ended and the consolidated financial position at March 31, 2021.

**16. Operating segments**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to segments and to assess their performance.

For management purposes, the Group is organized into the following major operating segments:

**Retail banking**

Deposit, credit and investment products for individuals and the Bank's London Branch.

**Corporate banking**

Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses.

**Treasury**

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission rate risks.

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**16. Operating segments (continued)**

**Investment and brokerage services**

Investment management services and asset management activities related to dealing, managing, arranging and advising, and custody of securities.

**Other**

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head Office and other supporting departments.

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/(expense) for the current period are consistent with the basis used for the year ended December 31, 2020. Segment assets and liabilities comprise mainly operating assets and liabilities.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in United Kingdom. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall interim condensed consolidated financial statements.

The Group's total interim consolidated assets and liabilities as at March 31, 2021 and 2020, its total operating income, expenses and net income for the three month period then ended, by operating segments, are as follows:

<b>March 31, 2021 (Unaudited)</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	43,526,553	76,157,184	55,505,102	776,189	1,470,305	177,435,333
Investments in associates	-	-	-	510,868	782,014	1,292,882
Total liabilities	67,802,751	60,614,844	16,625,697	96,993	2,290,048	147,430,333
Operating income from external customers	561,006	644,911	258,354	40,367	51,720	1,556,358
Intersegment operating income/(expense)	(110,955)	(185,718)	271,140	-	25,533	-
Total operating income	450,051	459,193	529,494	40,367	77,253	1,556,358
Of which:						
Net special commission income	420,555	357,727	319,447	6,830	74,995	1,179,554
Fees and commission income, net	6,919	96,910	(173)	33,982	(8,876)	128,762
Allowance charges for expected credit losses and other provisions, net	23,833	311,181	-	-	-	335,014
Impairment reversals for other financial assets, net	-	-	(2,274)	-	-	(2,274)
Depreciation and amortization	41,630	2,274	319	1,329	7,482	53,034
Total operating expenses	349,066	478,797	21,258	17,905	1,325	868,351
Share in earnings of associates, net	-	-	-	-	20,353	20,353
Net income attributed to equity holders of the Bank	100,985	(19,605)	508,236	14,658	(22,043)	582,231
Net income attributed to non-controlling interest	-	-	-	-	(579)	(579)

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**16. Operating segments (continued)**

March 31, 2020 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	43,501,789	80,218,848	59,170,051	190,793	1,789,635	184,871,116
Investments in associates	-	-	-	211,001	639,788	850,789
Total liabilities	68,280,984	71,075,071	15,002,153	88,324	2,706,410	157,152,942
Operating income from external customers	576,900	827,562	15,100	65,297	4,755	1,489,614
Intersegment operating income/(expense)	87,061	(346,157)	177,205	-	81,891	-
Total operating income	663,961	481,405	192,305	65,297	86,646	1,489,614
Of which:						
Net special commission income	602,649	470,992	128,611	9,258	79,247	1,290,757
Fees and commission income, net	26,519	110,493	2,682	23,058	(9,373)	153,379
Allowance charges for expected credit losses and other provisions,	41,051	157,299	-	-	-	198,350
Impairment reversals for other financial assets, net	-	-	(5,819)	-	-	(5,819)
Depreciation and amortization	43,691	2,169	318	1,379	10,592	58,149
Total operating expenses	382,047	314,977	19,341	18,397	3,394	738,156
Share in earnings of associates, net	-	-	-	-	3,814	3,814
Net income attributed to equity holders of the Bank	281,915	166,427	172,964	39,880	(17,399)	643,787
Net income attributed to non- controlling interest	-	-	-	-	(233)	(233)

**17. Share capital, bonus shares and earnings per share**

As at March 31, 2021, the authorized, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (December 31, 2020 and March 31, 2020; 1,500 million shares of SAR 10 each).

During the period ended March 31, 2021 the Board recommended to pay cash dividends of SAR 600 million (March 2020: nil) for the year ended December 31, 2020. After deducting zakat this proposed final dividend will result in a net payment of SAR 0.40 per share to Saudi shareholders. The income tax liability of the foreign shareholders will be deducted from their share of dividends.

The proposed dividends was approved by the General Assembly at their meeting dated March 30, 2021.

Basic and diluted earnings per share for the period ended March 31, 2021 and 2020 is calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue. The diluted earnings per share is the same as the basic earnings per share.

**18. Fair values of financial assets and liabilities**

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

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**18. Fair values of financial assets and liabilities (continued)**

**Determination of fair value and fair value hierarchy**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);  
 Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and  
 Level 3: valuation techniques for which any significant input is not based on observable market data.

**a. Carrying amounts and fair value**

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

**Financial assets**

<b>March 31, 2021 (Unaudited)</b>	<b>Carrying value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>					
Investments at FVTPL	578,977	-	185,539	393,438	578,977
Investments at FVOCI	4,114,612	2,303,456	1,810,263	893	4,114,612
Positive fair value of derivatives	1,211,833	-	1,211,833	-	1,211,833
<b>Financial assets not measured at fair value</b>					
Due from banks and other financial institutions	1,841,767	-	-	-	1,841,767
Investments at amortised cost	38,615,164	-	40,143,265	-	40,143,265
Loans and advances	115,559,145	-	-	120,708,633	120,919,133

<b>December 31, 2020 (Audited)</b>	<b>Carrying value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>					
Investments at FVTPL	558,415	-	185,418	372,997	558,415
Investments at FVOCI	3,951,399	2,097,133	1,853,373	893	3,951,399
Positive fair value of derivatives	994,828	-	994,828	-	994,828
<b>Financial assets not measured at fair value</b>					
Due from banks and other financial institutions	1,081,984	-	-	-	1,081,984
Investments at amortised cost	39,265,061	-	41,522,238	-	41,522,238
Loans and advances	113,362,613	-	-	119,841,435	119,841,435

**Financial Liabilities**

<b>March 31, 2021 (Unaudited)</b>	<b>Carrying value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial liabilities measured at fair value</b>					
Negative fair value of derivatives	2,395,310	-	2,395,310	-	2,395,310
<b>Financial liabilities not measured at fair value</b>					
Due to banks and other financial institutions	11,360,186	-	-	-	11,360,186
Customer deposits	125,160,759	-	-	-	125,160,759
Sukuk	2,852,783	-	-	2,887,453	2,887,453



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**18. Fair values of financial assets and liabilities (continued)**

**a. Carrying amounts and fair value (continued)**

**Financial Liabilities (continued)**

December 31, 2020 (Audited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at fair value					
Negative fair value of derivatives	3,446,905	-	3,446,905	-	3,446,905
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	9,797,744	-	-	-	9,797,744
Customers' Deposits	129,352,176	-	-	-	129,352,176
Sukuk	2,829,654	-	-	2,829,654	2,829,654

**b. Measurement of fair values**

**i. Transfer between levels of the fair value hierarchy**

There have been no transfers within levels of the fair value hierarchy during the three month period ended March 31, 2021 and 2020.

**ii. Level 3 fair values**

**Reconciliation of Level 3 fair values**

The following tables show a reconciliation from the opening balances for Level 3 fair values.

	March 31, 2021		March 31, 2020	
	Investments at FVTPL	Investments at FVOCI	Investments at FVTPL	Investments at FVOCI
Balance at the beginning of the period	372,997	893	487,000	893
Total unrealized gain / (loss) in consolidated statement of income	21,913	-	(126,536)	-
Settlements / adjustments	(1,472)	-	(41)	-
Balance at the end of the period	393,438	893	360,423	893

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**18. Fair values of financial assets and liabilities (continued)**

**b. Measurement of fair values (continued)**

**iii. Valuation technique and significant unobservable inputs**

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at March 31, 2021, March 31, 2020 and December 31, 2020 as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVTPL investments	Fair value is determined based on the investee fund's most recent reported net assets value.	None	Not applicable
FVOCI investments classified as Level 2 include plain vanilla bonds for which market quotes are not available	Fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	None	Not applicable
FVOCI investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net assets value.	None	Not applicable
Derivatives classified as Level 2 are comprised of over the counter special commission rate swaps, currency swaps, special commission rate futures and options, spot and forward foreign exchange contracts, currency and commodity options and other derivative financial instruments	These instruments are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.	None	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 2 include investments held at amortized cost	These instruments are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include loans and advances and debt issuances	These instruments are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to the credit spreads to account for any potential model discrepancy or any stressed market conditions.	The higher the credit spread, the lower is the valuation; vice versa.

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**19. Capital Adequacy**

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Group's ability to continue as a going concern; and to maintain a strong capital base. During the period, the Group has fully complied with regular capital requirements.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its interim consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III – which are effective starting January 1, 2013. Accordingly, the Group's pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	<b>March 31 2021 (Unaudited)</b>	<b>December 31 2020 (Audited)</b>	<b>March 31 2020 (Unaudited)</b>
Credit Risk RWA	<b>140,080,553</b>	140,270,140	153,646,161
Operational Risk RWA	<b>14,201,087</b>	14,022,208	13,796,547
Market Risk RWA	<b>1,168,094</b>	1,120,163	3,574,327
<b>Total Pillar-I RWA</b>	<b>155,449,734</b>	<b>155,412,511</b>	<b>171,017,035</b>
Tier I Capital	<b>30,525,050</b>	30,285,615	28,234,632
Tier II Capital	<b>3,862,472</b>	3,953,227	3,118,334
<b>Total Tier I &amp; II Capital</b>	<b>34,387,522</b>	<b>34,238,842</b>	<b>31,352,966</b>
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>19.64%</b>	19.49%	16.51%
Tier I + Tier II ratio	<b>22.12%</b>	22.03%	18.33%

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the SAMA in supervising the Bank.

**20. 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 experiencing a "third wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

Management has performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio. The Group has made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models:

- Customers whose credit quality appear to have deteriorated on a permanent basis and thus the Group is required to recognise lifetime ECL losses on such exposures;
- Customers whose credit quality have either stayed stable (due to the offsetting nature of availing government programs) or have declined but the decline is deemed to be temporary as the customer may have sound fundamentals to emerge strongly post lockdown.

The Group also continues to evaluate the current situation through conducting stress-testing scenarios of expected movements in oil prices and its impact on key credit, liquidity, operational and solvency ratios and performance indicators in addition to other risk management practices. The steps taken by management also includes a review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection thereby conducting timely review and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the government and SAMA support relief programs.

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**20. Impact of Covid-19 on Expected Credit Losses ("ECL") and SAMA programs (continued)**

As a result, the Group is required to revise certain inputs and assumptions used for the determination of ECL. In addition to the quarterly review and adjustment of macroeconomic factors, revisions are primarily made to the scenario probabilities. During the period ended March 31, 2021 management has further adjusted the macroeconomic factors and scenario probabilities used in the estimation of ECL.

The Group will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any further adjustment in the ECL is required in subsequent reporting periods.

The changes in the scenario probabilities resulted in an additional ECL of SAR 182.9 million as at 31 March 2021.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

The Group will continue to individually assess significant exposures 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**

***Private Sector Financing Support Program ("PSFSP")***

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 defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program subsequently announced, the Group is required to defer payments on lending facilities to MSME companies. The payment reliefs are considered as short-term liquidity support to address borrowers' potential cash flow shortages. The Group has implemented the payment reliefs by deferring instalments falling due from March 14, 2020 to June 30, 2021 and by extending the tenure of the applicable loans at no costs to the customer. 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 arrangement. This resulted in total modification losses amounting to SAR 403.6 million of which SAR 219.3 million has been recorded in the current quarter as part of net financing income.

The Group continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk. During the three months period ended March 31, 2021, SAR 66.9 million (March 31, 2020: nil) has been charged to the statement of income relating to unwinding of modification losses.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities program, during 2020 the Group received profit free deposits from SAMA amounting to SAR 5.04 billion with varying maturities, which qualify as government grants. Management has determined based on the communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. By the end of 2020, total income of SAR 184.4 million had been recognised in the statement of income with the remaining amount deferred. Management has exercised certain judgements in the recognition and measurement of this grant income. During the three months period ended March 31, 2021, SAR 219.3 million has been recognised in the statement of income with SAR 4.2 million as deferred grant income as at 31 March 2021.

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**20. Impact of Covid-19 on Expected Credit Losses ("ECL") and SAMA programs (continued)**

As at March 31, 2021, the Group has participated in SAMA's facility guarantee programs and the accounting impact for the period is immaterial.

Furthermore, during the three months period ended 31 March 2021, the Group has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 45.3 million.

**SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion**

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Group received SAR 4.02 billion profit free deposit with one year maturity. Management has determined based on the communication received from SAMA that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 71.9 million, of which SAR 10.2 million has been recognised in the statement of income for the period ended March 31, 2021 (December 31, 2020: SAR 57.3 million), with the remaining amount being deferred.

**21. IBOR Transition (Interest Rate Benchmark Reforms):**

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The IASB is engaged in a two-phase process of amending its guidance to assist in a smooth transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments were effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. The Group has adopted these amendments along with the hedging relief for pre-replacement hedges.

Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR.

The LIBOR administrator, ICE Benchmark Administration, is consulting on ceasing publication of all sterling LIBOR settings at the end of 2021, leaving just one year for firms to remove their remaining reliance on these benchmarks. The Bank of England and the Financial Conduct Authority (FCA) have set out clear expectations for regulated firms to remove their reliance on LIBOR in all new business and in legacy contracts, where feasible. The primary way for market participants to have certainty over the economic terms of their contracts is to actively transition them away from LIBOR.

On 5 March 2021, the Financial Conduct Authority (FCA), the UK regulator, announced that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

- 31 December 2021, for Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and US Dollar LIBOR 1-week and 2-month settings; and
- 30 June 2023, for US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings.

Regulatory authorities and public and private sector working groups in several jurisdictions, including the International Swaps and Derivatives Association (ISDA), the Sterling Risk-Free Rates Working Group, the Working Group on Euro Risk-Free Rates, and the Alternative Reference Rates Committee (ARRC), have been discussing alternative benchmark rates to replace the IBORs. These working groups are also considering how to support a transition to alternative rates and the development of new products referencing them.

These reforms are expected to cause some interest rate benchmarks to either perform differently to the way that they do currently or to disappear.

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**21. IBOR Transition (Interest Rate Benchmark Reforms): (continued)**

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

**22. Board of Directors' approval**

The interim condensed consolidated financial statements were approved by the Board on Ramadan 21, 1442 (corresponding to May 03, 2021).