SABB ساب

3rd Quarter 2020
Interim Report

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Contents

This report contains information that has been subject to audit review and conversely that has not been subject to audit review.

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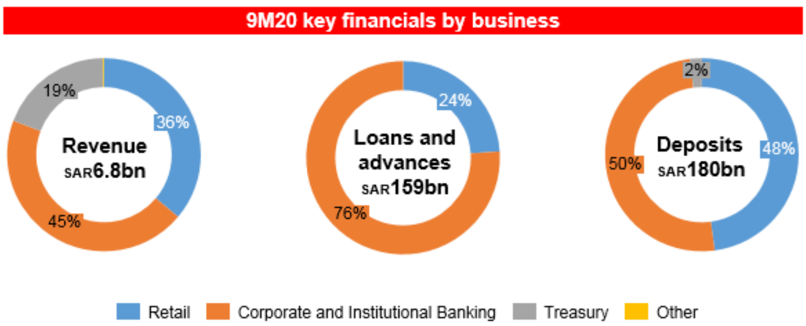
Key messages

- **The integration of the merged bank is on track** with the final milestone of the core systems integration due for delivery in the first half of 2021. The optimisation of the Bank's operating structure continues to gain traction as evident by the trajectory of underlying costs.
- **The challenges and uncertainty of COVID-19 continue to persist but we have countered the impacts with a focus on ensuring the right customer outcomes.** From the outset, the Bank has demonstrated operational resilience, transitioning swiftly, flexing our branch network appropriately and moving to new, remote working practices to ensure we maintained critical services and the safety of our customers and staff. The Bank continues to offer financial support to small business enterprises and has extended deferrals by 3 months to a total of 9 months.
- **Despite the environment, we have continued to focus on delivering exceptional service,** demonstrated through:
    - awards for Best Consumer Digital Bank and Best Mobile Banking and our mobile banking app continues to be highly rated in both the Apple and Google Stores demonstrating our expertise in digital and mobile
    - awards for Best Trade Finance Provider, Leader in Trade MENA, Best Treasury and Cash Management Provider, and Best Foreign Exchange Provider demonstrating our strengths in trade, and treasury and cash management
    - our Waafer savings product was named Product of the Year in MENA, in recognition of our drive to encourage customers to save for the long-term, a key initiative under Vision 2030
    - granted approval by Muqassa to act as one of three General Clearing Members in the Kingdom - a key part of the Financial Sector Development Programme supporting the Vision 2030 goals to develop a more diversified and effective financial sector in the Kingdom
- **Profit before tax for the three months ended 30 September 2020 of SAR1,112 million was SAR311 million or 22% down** compared with the three months ended 30 September 2019, mainly from a fall in revenue partly offset by lower expected credit losses and lower costs. **The third quarter represents a more normalised and resilient set of results** following the conclusion of the merger accounting and the recording of the goodwill impairment in the second quarter of the year, albeit with revenue significantly impacted by the cuts in benchmark interest rates earlier in the year.
- **Compared with the three months ended 30 June 2020, underlying profit before tax increased SAR1,104 million** mainly from lower expected credit losses partly offset by lower revenue as the repricing of the benchmark rate cuts from the first quarter flowed through the portfolio.
- **SABB completed the issuance of a SAR5 billion Tier II Sukuk in July 2020.** This was the first such transaction by the merged bank in the debt capital markets, the joint largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030.
- **SABB closed the reporting period with robust levels of capital, liquidity and a strong funding base.** CET1 ratio of 18.6%, a loan to deposit ratio of 84%[1], over SAR75 billion of high quality liquid assets and strong demand deposit ratio of 74%. The funding base is diversified and surplus liquidity is ample to support lending growth.



Credit ratings

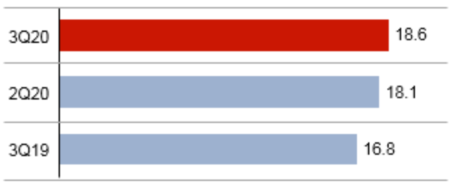
Moody's:

A1 / P-1 / Negative

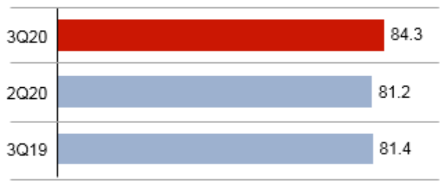
Fitch:

BBB+ / F2 / Stable

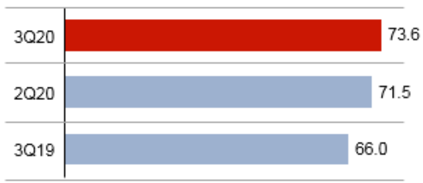
CET 1 ratio, %



Loan to deposit ratio, %



Demand deposit ratio, %



1. *Asset to deposit ratio is calculated as 'Loans and advances, net' divided by 'Customers' deposits'*

Chairman's statement

As the third quarter ended, we drew closer to our goal of attaining a full and seamless integration of the merged bank. We completed the migration of the majority of our wholesale business and we are on target with our plan to complete the full integration of the bank in the first half of next year. We are working as a single team throughout the Bank, we seek out opportunities and manage risk as one bank, and we are delivering on the promised synergies.

So SABB's future looks bright, even through the lens of these challenging times.

I am especially pleased to see that this view is shared across our industry, as evidenced by the recognition SABB has received yet again this year. During the course of the third quarter, SABB won a number of industry awards including Best Bank in Saudi Arabia for 2020 by Global Finance magazine. Our focus on digital leadership was recognised with awards for Best Consumer Digital Bank and Best Mobile Banking. Our leadership in the corporate area was recognised with awards for Best Trade Finance Provider, Leader in Trade MENA, Best Treasury and Cash Management Provider, and Best Foreign Exchange Provider. Finally, following over a year of hard work across the bank, we were appointed as one of three general clearing members of Muqassa, marking a major milestone in the Financial Sector Development Program and an important component of growth in our Institutional Banking Business.

Our successful effort to expand our products with a focus on long-term savings, a key initiative under Vision 2030, was recognised when our Waafer savings product was named Product of the Year in MENA. It truly is a very good savings product, and I encourage our retail banking customers to engage with us regarding the savings options SABB can offer. Financial awareness and literacy are important pillars of our values and of our efforts to contribute to the broader community we serve, so rest assured that the advice you receive will focus on your needs and longer-term goals.

Notwithstanding our successes and the recognition received this year, it comes as no surprise that the operating performance of the Bank reflects the challenges of the macro economic environment, which is of course underpinned by the persistence of the COVID-19 global pandemic and its adverse impact on our and global economies, as well as strong competition for customer business. Although operating margins across the sector are compressed by these factors, SABB remains well capitalized and highly liquid, and we saw our cost of credit risk decrease significantly in the third quarter, reflecting the adequacy of the Bank's credit provisions to date. As we look forward over the horizon of the next few years, the Board and the management team are optimistic for a return to growth, albeit at a modest pace in line with expectations of the overall economic outlook in the short-term, and we are confident that the Bank is well positioned to attain that growth.

The Board is currently reviewing the medium-term strategy of the Bank and, once finalised, I look forward to discussing what promises to be an exciting future in more depth. We approach that future with a clear focus on our strategy, merger integration and operational resilience, as the Board and the management team continue to steer our Bank through a difficult and challenging time.

COVID-19, and its adverse impact, have been with us since the second quarter of 2020 and it looks as though it will remain with us for the foreseeable future, but I assure you that SABB's focus continues to be on ensuring that our customers remain supported. I am confident that our operational resilience will allow us to do exactly that. The actions we have already taken – adopting quickly to remote working and other new working practices, flexing our branch availability in line with Government counter measures, and offering reliable online, mobile and telephone banking as alternative channels through which to transact and interact – have all enabled us to continue to deliver the high standard of service our customers expect from us. The third quarter saw even more of our customers increase their use of our digital applications, which lead the industry, and I encourage all our customers to continue to take up our digital propositions.

While we have great applications and processes, that alone is not enough. Our success in delivering the high service levels our clients expect from us, especially in challenging times, is a result of the dedication and efforts of our people, at all levels of SABB. So my sincere gratitude goes to our employees who worked tirelessly throughout this challenging year, including this past quarter, to ensure we supported our customers and delivered on our promises. And, just as they supported our customers, we renew our commitment to do everything we can to support our employees and help them develop their careers to the maximum of their potential.

Finally, I want to acknowledge that we do not operate in a vacuum; our ability to deal with the challenges of the pandemic and the economy were greatly supported by SAMA, which continues to support the banks and the banking system, and to the broader Saudi government, which continues its efforts to combat the spread of the virus and support our economy. Both deserve our gratitude. With their ongoing support, our award winning array of products and services and a highly energised and dedicated team, I remain optimistic and look forward to a brighter future for SABB, our customers and our country.

Lubna Suliman Olayan

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Results for the three months ended 30 September 2020 (Not subject to audit review)

Income statement for three months ended 30 September

	Three months ended 30 September		
	2020 SAR million	2019 SAR million	Change %
		Restated	
Total operating income ('Revenue')	**2,141**	2,670	(20)
Operating expenses	**(1,001)**	(1,093)	8
Provision for expected credit losses, net	**(51)**	(182)	72
Share in earnings of associates and a joint venture	**23**	29	(19)
Net (loss) / income before Zakat and tax	**1,112**	1,423	(22)
Key ratios:	**%**	%	ppt.
Return on tangible equity (ROTE)	**11.0**	12.8	(1.8)
Cost efficiency ratio (CER)	**46.8**	41.0	5.8
Cost of Risk (CoR)	**0.13**	0.46	0.33
Core Tier 1 ratio (CET1)	**18.6**	16.8	1.8
Notable items:			
Unwind of the fair value adjustment	***82***	*177*	*(54)*
Merger-related expenses	***(114)***	*(137)*	*17*
Intangible amortisation	***(39)***	*(36)*	*(8)*
One-off expenses	***(27)***	*(53)*	*49*

	As at 30 September		
	2020 SAR million	2019 SAR million	Change %
Gross customer advances	**159,356**	155,725	2
Customer deposits	**180,198**	183,413	(2)

Business update

The financial performance in the three months ended 30 September 2020 reflects a more normalised set of results following the conclusion of the merger accounting and the recording of the goodwill impairment in the second quarter of the year, with the repricing of the benchmark rate cuts from the first quarter having flowed through the portfolio, and with the economic activity having rebound somewhat from the second quarter period of curfew and lockdown counter measures to COVID-19. Despite the unprecedented macro challenges, the Bank has continued to demonstrate considerable operational resilience while maintaining the safety of our customers and staff. Our focus on ensuring the right customer outcomes is reflected in a number of important accomplishments in the quarter.

During July, the Bank was granted approval by Muqassa to act as one of three General Clearing Members in the Kingdom. Muqassa was established as the central counterparty clearer in the Saudi financial markets and is a key part of the Financial Sector Development Programme supporting the Vision 2030 goals to develop a more diversified and effective financial sector in the Kingdom.

SABB completed the issuance of a SAR5 billion Tier II Sukuk during July, which further enhanced our strong capital position. This was the first such transaction by the merged bank in the debt capital markets, the joint largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030. SABB is proud to support the continued development of the local debt capital markets. The issuance was oversubscribed by a broad range of investors, once again confirming SABB's leading position in the capital markets, and its continued strength and resilience in today's challenging economic conditions.

During the quarter, our leadership in the corporate space was recognised through gaining a series of awards including Best Trade Finance Provider, Leader in Trade MENA, Best Treasury and Cash Management Provider, and Best Foreign Exchange Provider. In addition, SABB was awarded Best Bank in Saudi Arabia for 2020 by Global Finance magazine. Our expertise in digital and mobile was recognised with awards for Best Consumer Digital Bank and Best Mobile Banking and our mobile banking app continues to be highly rated in both the Apple and Google Stores. Finally, our Waafer savings product was named Product of the Year in MENA, recognition of the progress made by SABB on developing products with a focus on long-term savings, a key initiative under Vision 2030.

The integration of the merged bank has continued into the third quarter as planned with the migration of the majority of the corporate portfolio during the period. The integration of the core systems is on track to be completed in the first half of 2021.

Financial update

The following commentary compares the performance for the three months ending 30 September 2020 to the three month ended 30 September 2019.

- **SABB recorded a Net profit before Zakat and income tax of SAR1,112 million for the three months ended 30 September 2020 which was SAR311 million or 22% lower than the prior period.** This was driven by lower revenue partly offset by lower impairments and reduced costs.
- **Revenue of SAR2,141 million was SAR528 million or 20% lower** mainly from the falls in benchmark interest rates in the first quarter of 2020 and the second half of 2019, and from lower average lending balances. Non-funds income also reduced mainly from lower fee income from reduced trade activity in our corporate business and reduced credit card fees in our retail business. Both businesses were also affected by lower loan origination fees and increased competition.
- **Operating expenses of SAR1,001 million were SAR92 million or 8% lower** and included SAR114 million of merger-related expenses (3Q19: SAR137 million). The merger-related expenses are temporary and will cease once the operational integration has completed. Excluding merger-related expenses, intangible amortisation and a small number of one-off expenses in both periods, underlying costs fell SAR46 million or 5%. Underlying cost efficiency ratio was 39.9%.
- **Charges for provisions for expected credit losses of SAR51 million were SAR131 million or 72% lower** from reversals and lower charges. The current quarter charge reflects the adequacy of the Bank's provisions to date. Cost of risk in the 3Q20 was 0.13%.
- **Gross loans of SAR159.4bn were SAR3.6 billion or 2% higher than the prior year and SAR1.0bn or 1% lower than 2Q20.** The movement in the last quarter was mainly driven by a small number of repayments.
- **Deposits of SAR180.2 billion were SAR3.2 billion or 2% lower than the prior year and SAR8.2 billion lower than 2Q20.** The movement in the last quarter was mainly driven by continued optimisation of the funding base.

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Business[1] review – 3Q20 compared with 2Q20 (Not subject to audit review)

Given the rapidly evolving landscape during 2020, we have provided below a summary of financial performance in the three months ended 30 September 2020 compared with the three month ended 30 June 2020. The commentary that follows compares the performance in the third quarter to the trailing quarter unless otherwise stated.

Pro forma Total operating income ('Revenue') by business

	Three months ended		
	30 September 2020 SAR million	30 June 2020 SAR million	Change %
Retail Banking and Wealth Management	**770**	824	(7)
Corporate and Institutional Banking	**924**	1,004	(8)
Treasury	**448**	503	(11)
Other	**-**	(14)	100
Total	**2,141**	2,318	(8)

Pro forma Net income before Zakat and income tax by business excluding goodwill impairment

	Three months ended		
	30 September 2020 SAR million	30 June 2020 SAR million	Change %
Retail Banking and Wealth Management	**361**	(102)	>100
Corporate and Institutional Banking	**492**	(197)	>100
Treasury	**384**	460	(17)
Other	**(124)**	(111)	(12)
Total	**1,112**	50	>100

Net customer advances by business

	As at		
	30 September 2020 SAR million	30 June 2020 SAR million	Change %
Retail Banking and Wealth Management	**36,381**	35,889	1
Corporate and Institutional Banking	**115,505**	117,063	(1)
Treasury	**-**	-	-
Other	**-**	-	-
Total	**151,886**	152,952	(1)

Customer deposits by business

	As at		
	30 September 2020 SAR million	30 June 2020 SAR million	Change %
Retail Banking and Wealth Management	**86,289**	86,411	(0)
Corporate and Institutional Banking	**90,299**	97,885	(8)
Treasury	**3,610**	4,062	(11)
Other	**-**	-	-
Total	**180,198**	188,357	(4)

Notes
1. *Certain historic business segment data has been re-stated to ensure comparability to current period data, as a result of ongoing alignment of businesses and products post-merger.*

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Retail Banking and Wealth Management

Financial performance

- Net income before Zakat and income tax of SAR361 million compared with a loss of SAR102 million in the second quarter. The increase in profit was mainly from lower impairments and reduced costs partly offset by reduced revenue.
- Revenue of SAR770 million was 7% lower and included SAR54 million from the unwind of the fair value adjustment (2Q20: SAR19 million). Excluding this impact, revenue was down 11% mainly from the cuts in benchmark interest rates at the start of 2020 together with increased competition. In addition, revenue also fell from reduced fee income relating to credit cards.
- Net customer lending of SAR36.4 billion increased 1% mainly from growth in mortgages, cards and personal lending products.
- Customer deposits of SAR86.3 billion were broadly unchanged in the quarter. The proportion of demand deposits increased to 82% during the quarter, a notable strength for the Bank.

Corporate and Institutional Banking

Financial performance

- Net income before Zakat and income tax of SAR492 million compared with a loss of SAR197 million in the second quarter. The increase in profit was mainly from lower impairments partly offset by reduced revenue and increased costs.
- Revenue of SAR924 million was 8% lower and included SAR29 million from the unwind of the fair value adjustment (2Q20: SAR71 million). Revenue fell from lower average lending balances together with reduced trade activity resulting in lower fee income. Fee income was also impacted by lower loan originations. Margins fell across the term and trade lending portfolios reflecting the effect of the repricing on the portfolio from the falls in benchmark rates earlier in the year together with continued competition. In addition, a modification loss of SAR136 million relating to the MSME DPP was recorded in 'Other Operating Income' offset by a gain of equal value, following the SAR6.0 billion deposit from SAMA.
- Net customer lending of SAR115.5 billion fell 1% in the quarter as repayments were broadly higher than new origination.
- Customer deposits of SAR90.3 billion fell 7% in the quarter from as we continued to optimise our deposit base. The proportion of demand deposits increased to 69% during the quarter.

Treasury

Financial performance

- Net income before Zakat and income tax of SAR384 million was SAR76 million or 17% lower mainly from lower revenue.
- Revenue of SAR448 million was SAR56 million or 11% lower mainly from lower trading income as the prior period was impacted by higher volatility.

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Pro forma results for the nine months ended 30 September 2020 (Not subject to audit review)

Pro forma Income statement for nine months ended 30 September

	Nine months ended 30 September		
	2020 SAR million	2019 SAR million	Change %
		Restated	
Total operating income ('Revenue')	**6,828**	8,255	(17)
Operating expenses	**(2,972)**	(3,093)	4
Provision for expected credit losses, net	**(1,599)**	(2,275)	30
Goodwill impairment	**(7,418)**	-	-
Share in earnings of associates and a joint venture	**58**	95	(39)
Net (loss) / income before Zakat and tax	**(5,102)**	2,982	>(100)
Key ratios:	**%**	%	ppt.
Return on Tangible Equity (ROTE)	**7.5**	9.1	(1.6)
Cost efficiency ratio (CER)	**43.5**	37.5	6.0
Cost of Risk (CoR)	**1.33**	1.81	0.48
Core Tier 1 ratio (CET1)	**18.6**	16.8	1.8
Notable items:			
Goodwill impairment	***(7,418)***	-	-
Unwind of the fair value adjustment	***265***	*214*	*24*
Charge relating to the net impact from the deferred payment programmes	***(76)***	-	-
Merger-related expenses	***(301)***	*(303)*	*1*
Intangible amortisation	***(117)***	*(42)*	*>(100)*
One-off expenses	***(43)***	*(127)*	*66*
Underlying Pro forma income statement excluding notable items above:			
Total operating income ('Revenue')	**6,639**	8,041	(17)
Operating expenses	**(2,511)**	(2,621)	4
Provision for expected credit losses, net	**(1,599)**	(2,275)	30
Share in earnings of associates and a joint venture	**58**	95	(39)
Net income before Zakat and tax	**2,588**	3,240	(20)

Pro forma financial results have been calculated for illustrative purposes only for the nine months ended 30 September 2019, to enable an understanding of the period on period performance of the combined entity. It assumes SABB and AAB merged on the 1 January 2018. Because of its nature, the pro forma financial information addresses a hypothetical situation and therefore does not represent SABB's actual financial results. Restatements following the final PPA calculation have been reflected in the numbers above.

The following commentary compares the performance for the nine months ending 30 September 2020 to the nine month ended 30 September 2019 unless otherwise stated.

- **Net loss before Zakat and income tax of SAR5,102 million compared with a Net profit before Zakat and income tax of SAR2,982 million.** The decline included the SAR7,418 million goodwill impairment that was reported in the second quarter of 2020. There were several other notable items recorded in the income statement for both periods and these are listed above.

  Excluding all these items, net income before Zakat and income tax was SAR2,588 million which was 20% lower than the prior period driven by lower revenue partly offset by lower charges for expected credit losses and lower operating expenses. The notable items and their impact on the income statement are explained further below.

- **Revenue of SAR6,828 million was SAR1,427 million or 17% lower** and included SAR265 million from the unwind of the fair value adjustment (9M19 restated: SAR214 million) and a charge of SAR76 million for the impact relating to the Healthcare programme deferred payment programme.

  Unwind of the fair value adjustment: Following the completion of the accounting for the merger through the Purchase Price Allocation ('PPA') exercise, SABB has recorded the acquired AAB loan portfolio at fair value which is a discounted amount to the contractual amounts that are due from the underlying loans. For those loans that are considered performing, the discount applied will be unwound over time to the contractual maturity date of the loans and recognised in 'Net special commission income' using the effective interest rate method ('EIR'). The amount recognised in the future will be on a declining basis, in line with the EIR method.

  Impact from two specific deferred payment programmes ('DPP'): Two key support packages for customers affected by the COVID-19 pandemic include:

  i. DPP for MSME customers – Following the launch of SAMA's Private Sector Financing Support Program ('PSFSP') which provides support to Micro Small and Medium Enterprises ('MSME'), SABB initially provided eligible customers with a six-month payment deferral by extending the tenure of applicable loans granted with no additional costs to be borne by the eligible customer. Following guidance in the third quarter, this was extended by three months giving eligible customers a nine-month payment deferral.

  ii. 3-month DPP for retail customers who work in the healthcare sector - In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, SABB postponed payments earlier in the year for all public and private health care workers who had credit facilities for three months.

  From an accounting perspective, both DPPs have been treated in line with IFRS 9 accounting standard as a modification in the terms of the arrangement and has resulted in a total modification loss of SAR336 million (1Q20: SAR170 million; 2Q20: SAR30 million; 3Q20: SAR136 million) recorded in 'Other operating income' and a discount has been applied to 'Loans and advances, net' of the same value. The additional modification losses included in the third quarter mainly relates to the three-month extension in the deferral period. The discount for the MSME programme will be unwound on a flat-line basis over a nine-month period from the start of the deferral with SAR189 million unwound to date through 'Net special commission income.' The discount for the healthcare programme has completely unwound during the second quarter. For both deferred payment programmes, the unwind of the respective modification losses will broadly offset the lower Special Commission Income as a result of the deferred accrual period, thereby maintaining a constant yield throughout the life of the contract, in line with the effective interest method.

In order to offset the modification loss for the MSME DPP, SABB has received deposits from SAMA to the value of SAR6.0 billion with varying maturities. This has been accounted for in line with government grant accounting requirements which has resulted in a gain of SAR366 million, of which SAR273 million has been recorded in 'Other Operating Income' with the remainder deferred.

Excluding the unwind of the fair value adjustment, and the impact of the DPP for healthcare workers, revenue of SAR6,639 million fell SAR1,403 million or 17%, largely from reduced Net special commission income reflecting lower performing lending balances and repricing as a result of the cuts in benchmark interest rates. Net fee income fell from a reduction in trade fees reflecting the current challenging macro-environment and lower oil prices together with lower loan origination fees and lower net fees from credit cards as a result of increased competition and the challenging economic activity.

- **Operating expenses of SAR2,972 million were SAR121 million or 4% lower** and included SAR301 million of merger-related expenses (9M19: SAR303 million), and an intangible amortisation charge of SAR117 million (9M19 restated: SAR42 million), relating to the intangible assets which were recognised following the merger. Costs of a one-off nature were minimal in the current period, but excluding one-off costs from both periods and the aforementioned items, underlying costs fell 4%, reflecting the ongoing synergies that are being generated and are expected to grow.
- **Cost efficiency ratio was 43.5%.** Excluding the notable items and one-off expenses, the underlying cost efficiency ratio was 37.8%.
- **Charges for provisions for expected credit losses of SAR1,599 million were SAR676 million or 30% lower** mainly from lower charges in CIB. 3Q20 ECL of SAR51 million decreased SAR1,258 million compared with the second quarter as the prior quarter included charges for the worsening global macro-economic environment following COVID-19 and fall in global oil prices. The current quarter charge reflects the adequacy of the Bank's provisions to date. Cost of risk was 1.33% for the nine months (9M19: 1.81%).
- **Gross customer advances of SAR159.4bn increased SAR3.6 billion or 2% compared with 9M19**. Year-to-date growth of SAR1.3 billion or 1% was largely from growth in the corporate sector in the first quarter of 2020.
- **Customer deposits of SAR180.2 billion fell 2% compared with 9M19 and fell 4% compared with 1H20**. Overall funding remains strong and SABB's demand deposit ratio increased to 74% (3Q19: 66%, 1H20: 72%), reflecting strong funding dynamics of the Bank.
- **CET1 capital ratio remains strong at 18.6%** and increased 1.8ppts compared with 9M19. Compared with 1H20, CET1 ratio improved 0.5ppt driven mainly by the net income generated in the quarter. **Total capital ratio increased to 21.4%** supported in part by our SAR5 billion Tier II Sukuk issuance.

Net special commission income margin (Not subject to audit review)

Net special commission income by quarter excluding the unwind of the fair value adjustment

	Quarter ended		
	30 September 2020 SAR million	30 June 2020 SAR million	30 September 2019 SAR million
			Restated
Special commission income	**1,774**	1,948	2,446
Special commission expense	**(198)**	(222)	(518)
Net special commission income	**1,576**	1,726	1,928
Average special commission income earning assets[1]	**262,314**	259,748	252,071
	%	%	%
Gross Yield	**2.7**	3.0	3.8
Cost of funding[2]	**(0.4)**	(0.4)	(1.0)
Net special commission income spread	**2.3**	2.6	2.8
Net special commission income margin	**2.4**	2.7	3.1

Notes
1. *Average special commission income earning assets is calculated using daily average balances of Cash & balances with SAMA, Due from banks and other financial institutions, Loans and advances to customers (gross) and Investments excluding equity investments.*
2. *Cost of Funding is calculated using daily average balances of Due to banks and other financial institutions, Customer deposits, Debt securities in issue and borrowings.*

Pro forma net special commission income margin for 3Q20, excluding the benefit from the unwind of the fair value adjustment was 2.4%. Net special commission income margin was 0.3ppt lower than 2Q20, in line with previous guidance reflecting the falls in global benchmark interest rates in 1Q20. Costs of funds were stable compared with 2Q20 and fell 0.6ppt compared with 3Q19 in part driven by our active reduction in time deposits together with the benefit of repricing. Net special commission income also declined due to a decrease in customer lending.

Average special commission income earning assets increased as a result of an increase in liquidity driven by management action to manage the current environment, with lower outflows from the retail deposit base, together with receipt of funding from SAMA to support COVID-19 countermeasure support for customers.

NSCI sensitivity

For every 25bps change in benchmark interest rates, we expect up to 10bps impact on our net special commission income margin.

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Reported results for the nine months ended 30 September 2020 (Not subject to audit review)

Nine months ended 30 September financial highlights

	Nine months ended 30 September		
	2020 SAR million	2019 SAR million	Change %
		Restated	
Total operating income ('Revenue')	**6,828**	6,650	3
Operating expenses (excluding Provisions for credit losses, net)	**(2,972)**	(2,431)	(22)
Provision for expected credit losses, net	**(1,599)**	(1,864)	14
Goodwill impairment	**(7,418)**	-	-
Share in earnings of associates and a joint venture	**58**	95	(39)
Net income before Zakat and income tax	**(5,102)**	2,450	>(100)
Zakat and income tax	**255**	(369)	>100
Net (loss) / income after Zakat and income tax	**(4,847)**	2,081	>(100)
Key ratios:	**%**	%	ppt.
Return on Tangible Equity (ROTE)	**7.5**	7.9	(0.4)
Cost efficiency ratio (CER)	**43.5**	36.6	(6.9)
Cost of Risk (CoR)	**1.33**	1.82	0.49
Core Tier 1 ratio (CET1)	**18.6**	16.8	1.8
Notable items:			
Impairment of goodwill	***(7,418)***	*-*	*-*
Unwind of the fair value adjustment	***265***	*214*	*24*
Charge relating to the net impact in 1H20 from the deferred payment programmes	***(76)***	*-*	*-*
Merger-related expenses	***(301)***	*(270)*	*(11)*
Intangible amortisation	***(117)***	*(42)*	*>(100)*

	As at 30 September		
	2020 SAR million	2019 SAR million	Change %
Gross customer advances	**159,356**	155,725	2
Customer deposits	**180,198**	183,417	(2)

The table above reflects the reported consolidated financials of SABB for the nine months ended 30 September 2020 and 2019. SABB legally merged with AAB on 16 June 2019. Results for the nine months ended 30 September 2020 reflect the results of the combined entity whereas the results for the nine months ended 30 September 2019 reflect the results of SABB up to the merger date and the results of the combined entity for the remaining period. A clearer understanding of the underlying trends compared to history is best achieved through a review of our proforma results.

The following commentary compares the performance for the nine months ending 30 September 2020 to the nine month ended 30 September 2019 unless otherwise stated.

- **SABB recorded a Net loss before Zakat and income tax of SAR5,102 million for the nine months ended 30 September 2020 compared with a Net income before Zakat and income tax of SAR2,450 million in the prior year and included SAR7,418 million goodwill impairment.** Excluding the impairment of goodwill, SABB had recorded a Net income before Zakat and income tax of SAR2,316 million which was SAR134 million or 5% lower than the prior year as higher revenue and lower impairments were more than offset by increased costs.

- **Revenue of SAR6,828 million was SAR178 million or 3% higher** and included revenue generated by the acquired AAB business post-merger together with SAR265 million from the unwind of the PV discount.

- **Operating expenses of SAR2,972 million were SAR541 million or 22% higher** and included expenses incurred by the acquired AAB business post-merger and SAR301 million of merger-related expenses (9M19: SAR270 million). The merger-related expenses are temporary and will cease once the operational integration has completed.

- **Charges for provisions for expected credit losses of SAR1,599 million were SAR265 million or 14% lower.** The charge in the third quarter was significantly lower than the second quarter which reflected the increasingly worsening macro-environment underpinned by the COVID-19 global pandemic and lower oil prices. The current quarter charge reflects the adequacy of the Bank's provisions to date. Cost of risk was 1.33% for the nine months.

- **Goodwill impairment of SAR7,418 million was reported in the second quarter** relating to the goodwill created following the merger with Alawwal bank. The impairment was a non-cash item and a one-time accounting charge. The need to impair in the second quarter was driven by two factors:

  - the temporary inflation of the Bank's share price at the time of the merger caused by Saudi Arabia's inclusion into the MSCI EM Index

  - the unprecedented and unexpected emergence of the COVID-19 pandemic and its impact on the economy has also contributed to the outcome of the impairment assessment's expectation of future returns

  The impairment of goodwill does not affect the Bank's Capital, liquidity or funding; nor the Bank's strategic strengths and competitive advantages. Our ability to lend to and support our customers, our products and services and our focus on our people all remain entirely unaffected by this accounting charge. A more detailed explanation can be found in our 1H20 Interim Report.

Earnings Release Legal disclaimer

Important notice

The information, statements and opinions set out in this Earnings release are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments. This Earnings release, which does not purport to be comprehensive nor render any form of legal, tax, investment, accounting, financial or other advice, has been provided by SABB and has not been independently verified by any person. You should consult your own advisers as to legal, tax investment, accounting, financial or other related matters concerning any investment in any securities. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by SABB or their affiliates or any of its or their officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this Earnings release (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed. No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this Earnings Release, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this Earnings release or any additional information or to remedy any inaccuracies in or omissions from this Earnings release. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

Forward-looking statements

This Earnings release may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of SABB which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Certain of the assumptions and judgements may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of SABB. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of SABB at the date the statements are made, and SABB does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of SABB as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Building a better working world

KPMG Al Fozan & Partners
Certified Public Accountants

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: The shareholders of The Saudi British Bank (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of The Saudi British Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2020, and the related interim consolidated statements of income and comprehensive income for the three and nine month periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the nine 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 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 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 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 the Saudi Arabian Monetary Authority ("SAMA"), certain capital adequacy information has been disclosed in note 18 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 18 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

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Abdulaziz A. Al Sowailim
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ترخيص مهني رقم ٤٥
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KPMG Al Fozan & Partners
Certified Public Accountants

16 Rabi Al Awwal 1442H
(2 November 2020)

Interim consolidated statement of financial position

	Notes	**30 September 2020 Unaudited SAR' 000**	31 December 2019 Audited SAR' 000	30 September 2019 Unaudited SAR' 000
ASSETS			(Restated)	(Restated)
Cash and balances with SAMA	5	**21,510,775**	21,266,892	15,690,753
Due from banks and other financial institutions, net	6	**4,923,876**	4,987,766	6,905,661
Positive fair value derivatives	12	**2,169,903**	970,526	1,186,806
Investments, net	7	**64,101,919**	60,483,826	58,809,978
Loans and advances, net	8	**151,885,546**	152,075,086	149,335,681
Investment in associates and a joint venture	9	**595,223**	660,198	644,699
Property and equipment, net		**3,241,215**	3,308,278	3,365,825
Goodwill and other intangible assets	10	**10,956,532**	18,462,065	18,483,246
Other assets		**4,572,572**	3,772,092	4,064,204
Total assets		**263,957,561**	265,986,729	258,486,853
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		**14,480,455**	3,652,686	3,584,376
Customers' deposits	11	**180,198,367**	192,166,524	183,413,165
Debt securities in issue	23	**5,028,906**	1,499,752	1,516,750
Borrowings		**-**	-	1,697,606
Negative fair value derivatives	12	**3,075,982**	1,317,640	1,631,617
Other liabilities		**11,386,529**	11,265,936	11,526,003
Total liabilities		**214,170,239**	209,902,538	203,369,517
Equity				
Equity attributable to equity holders of the Bank				
Share capital		**20,547,945**	20,547,945	20,547,945
Share premium		**17,586,986**	17,586,986	17,586,986
Statutory reserve		**11,485,841**	11,485,841	11,007,305
Other reserves		**40,860**	237,429	(66,546)
Retained earnings		**62,139**	4,901,004	5,932,726
Proposed dividends		**-**	1,234,454	-
Total equity attributable to equity holders of the Bank		**49,723,771**	55,993,659	55,008,416
Non-controlling interest		**63,551**	90,532	108,920
Total equity		**49,787,322**	56,084,191	55,117,336
Total liabilities and equity		**263,957,561**	265,986,729	258,486,853

Mathew Pearce — *Mathew Pearce* — Chief Financial Officer

David Dew — *David Dew* — Managing Director & Authorized Member

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of income - Unaudited

	Notes	Three months ended 30 September 2020 SAR'000	Three months ended 30 September 2019 SAR'000	Nine months ended 30 September 2020 SAR'000	Nine months ended 30 September 2019 SAR'000
			(Restated)		(Restated)
Special commission income		**1,855,921**	2,575,670	**6,130,480**	6,349,380
Special commission expense		**(198,353)**	(491,374)	**(755,199)**	(1,168,244)
Net special commission income		**1,657,568**	2,084,296	**5,375,281**	5,181,136
Fee and commission income, net		**342,132**	370,239	**991,004**	920,635
Exchange income, net		**124,559**	154,950	**384,737**	365,947
Trading income, net		**19,799**	34,628	**122,222**	78,339
Dividend income		**-**	30,240	**25,284**	72,239
Gains on FVOCI debt instruments, net		**4,694**	4	**31,200**	40,033
Other operating losses, net		**(7,389)**	(4,712)	**(101,374)**	(8,062)
Total operating income		**2,141,363**	2,669,645	**6,828,354**	6,650,267
Provision for expected credit losses, net	20(a)	**(51,098)**	(182,049)	**(1,598,947)**	(1,864,475)
Goodwill impairment	10	**-**	-	**(7,417,776)**	-
Operating expenses:					
Salaries and employee related expenses		**(442,680)**	(518,144)	**(1,393,957)**	(1,217,974)
Rent and premises related expenses		**(18,118)**	(28,572)	**(49,005)**	(49,481)
Depreciation and amortisation		**(183,295)**	(151,404)	**(498,923)**	(281,959)
General and administrative expenses		**(357,239)**	(395,165)	**(1,030,170)**	(881,197)
Total operating expenses		**(1,001,332)**	(1,093,285)	**(2,972,055)**	(2,430,611)
Income/ (loss) from operating activities		**1,088,933**	1,394,311	**(5,160,424)**	2,355,181
Share in earnings of associates and a joint venture	9	**23,398**	29,003	**57,926**	94,538
Net income/ (loss) for the period before Zakat and income tax		**1,112,331**	1,423,314	**(5,102,498)**	2,449,719
Provision for Zakat and income tax – Current		**(63,147)**	(219,784)	**(205,598)**	(371,813)
(Charge)/ credit for income tax – Deferred		**-**	(31,884)	**460,850**	3,301
Net income/ (loss) for the period after Zakat and income tax		**1,049,184**	1,171,646	**(4,847,246)**	2,081,207
Attributable to:					
Equity holders of the Bank		**1,056,590**	1,177,986	**(4,820,265)**	2,094,161
Non-controlling interest		**(7,406)**	(6,340)	**(26,981)**	(12,954)
Net income/ (loss) for the period after Zakat and income tax		**1,049,184**	1,171,646	**(4,847,246)**	2,081,207
Basic and diluted earnings/ (loss) per share (SAR)	17	**0.51**	0.57	**(2.35)**	1.22

Mathew Pearce

Mathew Pearce

Chief Financial Officer

David Dew

David Dew

Managing Director & Authorized Member

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statement

Interim consolidated statement of comprehensive income - Unaudited

	Three months ended		Nine months ended	
	30 September 2020 SAR'000	30 September 2019 SAR'000	**30 September 2020 SAR'000**	30 September 2019 SAR'000
		(Restated)		(Restated)
Net income/ (loss) for the period after Zakat and income tax	**1,049,184**	1,171,646	**(4,847,246)**	2,081,207
Other comprehensive income/ (loss) for the period				
Items that cannot be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value (FVOCI equity instruments)	**3,612**	(294,727)	**(199,854)**	(117,339)
Items that can be reclassified to interim consolidated statement of income in subsequent periods				
Debt instruments at FVOCI				
- Net changes in fair value	**413,228**	6,286	**(2,436)**	135,004
- Transfer to interim consolidated statement of income, net	**(4,694)**	(4)	**(31,200)**	(40,033)
Cash flow hedges				
- Net changes in fair value	**(3,955)**	2,912	**(4,631)**	17,849
- Transfer to interim consolidated statement of income, net	**3,330**	1,111	**(1,100)**	(399)
Total other comprehensive income/ (loss) for the period	**411,521**	(284,422)	**(239,221)**	(4,918)
Total comprehensive income/ (loss) for the period	**1,460,705**	887,224	**(5,086,467)**	2,076,289
Attributable to:				
Equity holders of the Bank	**1,468,111**	893,564	**(5,059,486)**	2,089,243
Non-controlling interest	**(7,406)**	(6,340)	**(26,981)**	(12,954)
Total	**1,460,705**	887,224	**(5,086,467)**	2,076,289

Mathew Pearce	David Dew
Mathew Pearce	David Dew
Chief Financial Officer	Managing Director & Authorized Member

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

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Interim consolidated statement of changes in equity for the nine months ended 30 September – Unaudited

	Attributable to equity holders of the Bank								
2020	**Share capital SAR '000**	**Share premium SAR'000**	**Statutory reserve SAR '000**	**Other reserves SAR '000**	**Retained earnings SAR '000**	**Proposed dividends SAR '000**	**Total SAR '000**	**Non-controlling interest SAR '000**	**Total Equity SAR '000**
Balance at the beginning of the period as previously reported	**20,547,945**	**17,586,986**	**11,485,841**	**237,429**	**4,977,064**	**1,234,454**	**56,069,719**	**90,532**	**56,160,251**
Effect of restatement (note 21)	**-**	**-**	**-**	**-**	**(76,060)**	**-**	**(76,060)**	**-**	**(76,060)**
Restated balance as at 1 January 2020	**20,547,945**	**17,586,986**	**11,485,841**	**237,429**	**4,901,004**	**1,234,454**	**55,993,659**	**90,532**	**56,084,191**
Total comprehensive loss for the period									
Net loss for the period after Zakat and income tax	**-**	**-**	**-**	**-**	**(4,820,265)**	**-**	**(4,820,265)**	**(26,981)**	**(4,847,246)**
Net changes in fair value of cash flow hedges	**-**	**-**	**-**	**(4,631)**	**-**	**-**	**(4,631)**	**-**	**(4,631)**
Net changes in fair value of FVOCI equity instruments	**-**	**-**	**-**	**(199,854)**	**-**	**-**	**(199,854)**	**-**	**(199,854)**
Net changes in fair value of FVOCI debt instruments	**-**	**-**	**-**	**(2,436)**	**-**	**-**	**(2,436)**	**-**	**(2,436)**
Transfer to interim consolidated statement of income	**-**	**-**	**-**	**(32,300)**	**-**	**-**	**(32,300)**	**-**	**(32,300)**
				(239,221)	**(4,820,265)**	**-**	**(5,059,486)**	**(26,981)**	**(5,086,467)**
Transfer of gain on disposal of FVOCI equity instruments to retained earnings	**-**	**-**	**-**	**(3,623)**	**3,623**	**-**	**-**	**-**	**-**
Employee share plan reserve	**-**	**-**	**-**	**46,275**	**-**	**-**	**46,275**	**-**	**46,275**
2019 final dividend paid net of zakat and income tax	**-**	**-**	**-**	**-**	**(22,223)**	**(1,234,454)**	**(1,256,677)**	**-**	**(1,256,677)**
Balance at the end of the period	**20,547,945**	**17,586,986**	**11,485,841**	**40,860**	**62,139**	**-**	**49,723,771**	**63,551**	**49,787,322**
2019									
Balance at the beginning of the period as previously reported	15,000,000	-	10,778,261	(3,123)	5,135,131	1,430,954	32,341,223	121,874	32,463,097
Effect of restatement on adoption of IAS 12	-	-	-	-	112,661	-	112,661	-	112,661
Restated balance as at 1 January 2019	15,000,000	-	10,778,261	(3,123)	5,247,792	1,430,954	32,453,884	121,874	32,575,758
Total comprehensive income for the period									
Net income for the period after Zakat and income tax (restated)	-	-	-	-	2,094,161	-	2,094,161	(12,954)	2,081,207
Net changes in fair value of cash flow hedges	-	-	-	17,849	-	-	17,849	-	17,849
Net changes in fair value of FVOCI equity instruments	-	-	-	(117,339)	-	-	(117,339)	-	(117,339)
Net changes in fair value of FVOCI debt instruments	-	-	-	135,004	-	-	135,004	-	135,004
Transfer to interim consolidated statement of income	-	-	-	(40,432)	-	-	(40,432)	-	(40,432)
				(4,918)	2,094,161		2,089,243	(12,954)	2,076,289
Transfer of gain on disposal of FVOCI equity investments to retained earnings	-	-	-	(5,137)	5,137	-	-	-	-
Business combinations (note 21)	5,547,945	17,586,986	-	(72,646)	-	-	23,062,285	-	23,062,285
Employee share plan reserve	-	-	-	19,278	-	-	19,278	-	19,278
Transfer to statutory reserve (restated)	-	-	229,044	-	(229,044)	-	-	-	-
2018 final dividend net of Zakat and income tax	-	-	-	-	-	(1,430,954)	(1,430,954)	-	(1,430,954)
2019 interim dividend paid net of Zakat and income tax	-	-	-	-	(1,185,320)	-	(1,185,320)	-	(1,185,320)
Restated balance at the end of the period	20,547,945	17,586,986	11,007,305	(66,546)	5,932,726	-	55,008,416	108,920	55,117,336

Mathew Pearce

Mathew Pearce

Chief Financial Officer

David Dew

David Dew

Managing Director & Authorized Member

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The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

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Interim consolidated statement of cash flows for the nine months ended 30 September – Unaudited

	Notes	2020 SAR'000	2019 SAR'000
OPERATING ACTIVITIES			(Restated)
Net (loss)/ income for the period before Zakat and income tax		**(5,102,498)**	2,449,719
Adjustments to reconcile net (loss) / income before Zakat and income tax to net cash from operating activities:			
Amortisation of premium / (accretion of discount) on investments not held as FVTPL, net		**32,945**	(511)
Depreciation and amortization		**498,923**	281,959
Income/ (loss) from FVTPL financial instruments, net		**4,927**	(9,704)
Gains on FVOCI debt instruments, net		**(31,200)**	(40,033)
Cash flow hedge gains transfer to interim consolidated statement of income		**(1,100)**	(399)
Share in earnings of associates and a joint venture	9	**(57,926)**	(94,538)
Provision for expected credit losses, net	20(a)	**1,598,947**	1,864,475
Goodwill impairment	10	**7,417,776**	-
Employee share plan reserve		**46,275**	19,278
		4,407,069	4,470,246
Change in operating assets:			
Statutory deposit with SAMA		**(485,305)**	(483,286)
Due from banks and other financial institutions, net		**74,403**	1,427,856
Investments held as FVTPL		**(204,586)**	(391,105)
Loans and advances, net		**(1,344,019)**	5,337,175
Other assets and derivatives		**(2,357,611)**	(1,103,893)
Change in operating liabilities:			
Due to banks and other financial institutions		**13,634,553**	4,234,591
Customers' deposits		**(11,955,081)**	(7,984,466)
Other liabilities and derivatives, net		**2,454,902**	(75,023)
		4,224,325	5,432,095
Zakat and income tax paid		**(539,828)**	(343,353)
Net cash from operating activities		**3,684,497**	5,088,742
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVTPL		**8,511,100**	2,891,242
Purchase of investments not held as FVTPL		**(11,664,669)**	(11,158,249)
Dividend received from investment in associates and a joint venture		**122,898**	62,640
Cash and cash equivalents acquired through business combination		**-**	2,632,553
Purchase of property and equipment		**(339,706)**	(220,352)
Net cash used in investing activities		**(3,370,377)**	(5,792,166)
FINANCING ACTIVITIES			
Debt securities in issue		**3,529,154**	17,468
Borrowings		**-**	2,298
Dividends paid		**(1,255,300)**	(2,637,394)
Net cash generated from/ (used in) financing activities		**2,273,854**	(2,617,628)
Net increase/ (decrease) in cash and cash equivalents		**2,587,974**	(3,321,052)
Cash and cash equivalents at beginning of the period	15	**26,673,648**	16,801,572
Cash and cash equivalents at end of the period	15	**29,261,622**	13,480,520
Special commission received during the period		**6,037,910**	6,316,452
Special commission paid during the period		**972,001**	1,083,939
Supplemental non cash information			
Net changes in fair value and transfers to interim consolidated statement of income		**(239,221)**	(4,918)

Mathew Pearce	David Dew
Mathew Pearce	David Dew
Chief Financial Officer	Managing Director & Authorized Member

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

1. General

The Saudi British Bank ("SABB") is a joint stock company incorporated in the Kingdom of Saudi Arabia and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SABB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SABB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 122 branches (31 December 2019: 136 Branches) in the Kingdom of Saudi Arabia). The address of SABB's head office is as follows:

The Saudi British Bank
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia

The objectives of SABB are to provide a range of banking services. SABB also provides Shariah compliant products, which are approved and supervised by an independent Shariah Board established by SABB.

Further to receipt of regulatory approvals, the shareholders of SABB and Alawwal Bank ("AAB") approved the merger of the two banks at Extraordinary General Meetings held on 15 May 2019 pursuant to Articles 191-193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G) (the "Companies Law"), and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA"). Please refer to note 21 for details.

SABB has 100% (31 December 2019: 100%) ownership interest in a subsidiary, SABB Insurance Agency Limited ("SIAL"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). SABB holds 98% of its interest in SIAL directly and 2% indirect ownership interest through another subsidiary ("Arabian Real Estate Company Limited") incorporated in the Kingdom of Saudi Arabia. SIAL's principal activity is to act as an exclusive insurance agent for SABB Takaful Company ("SABB Takaful") (also a subsidiary company of SABB) within the Kingdom of Saudi Arabia.

SABB has 100% (31 December 2019: 100%) ownership interest in a subsidiary, Arabian Real Estate Company Limited ("ARECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). SABB holds 99% of its interest in ARECO directly and 1% indirect ownership interest through another subsidiary ("SABB Insurance Agency") incorporated in the Kingdom of Saudi Arabia. ARECO is engaged in the purchase, sale and lease of land and real estate for investment purposes.

SABB has 100% (31 December 2019: 100%) ownership interest in a subsidiary, SABB Real Estate Company Limited ("SRECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010428580 dated 12 Safar 1436H (4 December 2014), (the company is currently under liquidation). SABB holds 99.8% of its interest in SRECO directly and 0.2% indirect ownership interest through another subsidiary ("Arabian Real Estate Company Limited") incorporated in the Kingdom of Saudi Arabia. SRECO's principal activity is the registration of real estate and to hold and manage collateral on behalf of SABB.

SABB has 100% (31 December 2019: 100%) directly held ownership interest in a subsidiary, SABB Markets Limited ("SABB Markets"), a limited liability company incorporated in the Cayman Islands. SABB Markets is engaged in derivatives trading and repo activities.

SABB has 65% (31 December 2019: 65%) directly held ownership interest in a subsidiary, SABB Takaful, a joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumada Awal 1428H (6 June 2007). SABB Takaful's principal activity is to engage in Shariah compliant insurance activities and to offer family and general Takaful products to individuals and corporates in the Kingdom of Saudi Arabia.

SABB has 100% (31 December 2019: 100%) directly held ownership interest in a subsidiary, Alawwal Invest ("AI"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010242378 dated 30 Dhul Hijjah 1428H (9 January 2008). Alawwal Invest was formed in accordance with the CMA's Resolution No. 1 39 2007. Alawwal Invest's principal activity is to engage in investment services and asset management activities regulated by the CMA related to dealing, managing, arranging, advising and taking custody of securities.

SABB has 100% (31 December 2019: 100%) directly held ownership interest in a subsidiary, Alawwal Real Estate Company ("AREC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC's principal activity is the registration of real estate assets under its name which are received by the Bank from its borrowers as collaterals and to hold and manage collateral on behalf of SABB.

SABB has 100% (31 December 2019: 100%) directly held ownership interest in a subsidiary, Alawwal Insurance Agency Company ("AIAC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010300250 dated 29 Muharram 1432H (4 January 2011) (the company is currently under liquidation). AIAC's principal activity is to act as an insurance agent for Wataniya Insurance Company (WIC), an associate, to sell its insurance products.

SABB has 100% (31 December 2019: 100%) directly held ownership interest in a subsidiary, Alawwal Financial Markets Limited ("AFM"), a limited liability company incorporated in the Cayman Islands. AFM is engaged in derivatives trading and repo activities.

SABB has 49% (31 December 2019: 49%) directly held ownership interest in HSBC Saudi Arabia, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada Al-Akhirah 1427H (23 July 2006). HSBC Saudi Arabia was formed in accordance with the Resolution No. 37-05008 of the CMA dated 05/12/1426H corresponding to 05/01/2006G. HSBC Saudi Arabia's principal activity is to engage in the full range of investment banking and advisory services and asset management activities regulated by the CMA related to brokerage, dealing, managing, arranging, advising and taking custody of securities. HSBC Saudi Arabia is an associate of SABB (31 December 2019: an associate) with HSBC Asia Holdings B.V. a related party and shareholder in SABB.

SABB has participated in the following three structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structures. These entities have no other business operations.

i. Saudi Kayan Assets Leasing Company.
ii. Rabigh Asset Leasing Company.
iii. Yanbu Asset Leasing Company.

SABB directly owns a 50% (31 December 2019: 50%) share in Saudi Kayan Assets Leasing Company and Rabigh Asset Leasing Company and directly owns a 100% (31 December 2019: 100%) share in Yanbu Asset Leasing Company as a result of SABB's merger with AAB in June 2019 (the company is currently under liquidation). SABB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities excluding Yanbu Asset Leasing Company. The related underlying funding to the relevant borrowers are recorded on SABB's interim consolidated statement of financial position.

SABB has 20% (31 December 2019: 20%) directly held ownership interest in an associate, Wataniya Insurance Company ("WIC"), a joint stock company incorporated in the Kingdom of Saudi Arabia formed pursuant to Royal Decree No. M/53 dated Shawwal 21, 1430H (10 October 2009). WIC's principal activity is to engage in Shariah compliant insurance activities and to offer family and general Takaful products to individuals and corporates in the Kingdom of Saudi Arabia.

2. Basis of preparation

The interim condensed consolidated financial statements of the Bank as at and for the period ended 30 September 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organisation of Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with Bank's annual consolidated financial statements as at 31 December 2019.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2019, were prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA.

SABB presents its interim consolidated statement of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the interim consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of SABB.

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

Use of estimates and judgements

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in the current period to the critical accounting estimates and judgements that were applied on 31 December 2019, except for the level of estimation uncertainty and judgement for the calculation of goodwill impairment and expected credit losses ('ECL') as detailed in note 10 and note 22, respectively.

3. Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of SABB and its subsidiaries, as mentioned in note 1 (collectively referred to as "the Bank"). The financial statements of the subsidiaries are prepared for the same reporting period as that of SABB, using consistent accounting policies, except for SABB Takaful and certain immaterial subsidiaries, where latest interim reviewed financial statements or latest annual audited financial statements, respectively have been used for consolidation purposes to meet the Bank's reporting timetable.

Subsidiaries are entities which are directly or indirectly controlled by SABB. SABB controls an entity ("the Investee") over which it is exposed, 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. Subsidiaries are consolidated from the date on which control is transferred to SABB and cease to be consolidated from the date on which the control is transferred from SABB.

Intra-group transactions and balances have been eliminated in preparing these interim condensed consolidated financial statements.

4. Significant accounting policies and impact of changes due to adoption of new standards

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the accounting policy specified below:

Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The government grant is recognised in the consolidated statement of income on a systematic basis over the periods in which the Bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the bank. Where the customer is the ultimate beneficiary, the bank only records the respective receivable and payable amounts.

Impact of changes in accounting policies due to adoption of new standards:

The below are amended reporting standards that became applicable for annual reporting periods commencing on 1 January 2020:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Amendments to References to the Conceptual Framework in IFRS Standards

The above amendments to IFRS do not have material impact on the accompanying interim condensed consolidated financial statements of the Bank.

IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from inter-bank offered rates (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 are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

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.

Therefore, the Bank believes the current market structure supports the continuation of hedge accounting as at 30 September 2020.

Management is running a project on the Bank'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.

5. Cash and balances with SAMA

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Cash in hand	**2,398,737**	2,375,158	2,375,927
Statutory deposit	**11,427,387**	10,942,082	11,334,892
Placements with SAMA	**7,534,917**	7,653,718	1,628,909
Other balances	**149,734**	295,934	351,025
Total	**21,510,775**	21,266,892	15,690,753

6. Due from banks and other financial institutions, net

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Current accounts	**4,699,348**	4,473,830	5,223,556
Money market placements	**224,528**	513,936	1,682,105
Total	**4,923,876**	4,987,766	6,905,661

The following table sets out information about the credit quality of due from banks and other financial institutions, net.

	Stage 1	Stage 2	Stage 3	POCI	Total
30 September 2020 (Unaudited)	**4,923,876**	-	-	-	**4,923,876**
31 December 2019 (Audited)	4,987,766	-	-	-	4,987,766

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against due from banks and other financial institutions:

	30 September 2020 (Unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**425**	**-**	**-**	**425**
Net charge for the period	**2,572**	**-**	**-**	**2,572**
Balance as at 30 September 2020	**2,997**	**-**	**-**	**2,997**

	31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	98	-	-	98
Net charge for the year	327	-	-	327
Balance as at 31 December 2019	425	-	-	425

7. Investments, net

Investment securities are classified as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited) (Restated)
FVOCI – Debt, net	**12,438,711**	12,708,906	11,139,918
FVOCI – Equity	**999,237**	1,228,767	1,180,544
FVTPL	**1,166,415**	1,142,573	1,108,581
Held at amortised cost, net	**49,497,556**	45,403,580	45,380,935
Total	**64,101,919**	60,483,826	58,809,978

The following table sets out information about the credit quality of debt instruments measured at amortised cost and FVOCI.

	30 September 2020 (Unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Debt instruments at FVOCI, net	**12,438,711**	**-**	**-**	**-**	**12,438,711**
Debt instruments at amortised cost, net	**49,497,556**	**-**	**-**	**-**	**49,497,556**

	31 December 2019 (Audited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt instruments at FVOCI, net	12,517,887	191,019	-	-	12,708,906
Debt instruments at amortised cost, net	45,403,580	-	-	-	45,403,580

An analysis of changes in provision for expected credit losses for debt instruments not measured at FVTPL, is as follows:

	30 September 2020 (Unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**10,951**	**115**	**-**	**11,066**
Net charge/ (reversal) for the period	**17,705**	**(115)**	**-**	**17,590**
Balance as at 30 September 2020	**28,656**	**-**	**-**	**28,656**

	31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	2,581	148	16,571	19,300
Net charge/ (reversal) for the year	8,370	(33)	-	8,337
Write offs	-	-	(16,571)	(16,571)
Balance as at 31 December 2019	10,951	115	-	11,066

8. Loans and advances, net

Loans and advances are comprised of the following:

	30 September 2020 (Unaudited)			
	Credit cards	**Other retail lending**	**Corporate and institutional lending**	**Total**
12 month ECL	**1,961,866**	**33,317,653**	**89,173,229**	**124,452,748**
Life time ECL not credit impaired	**63,701**	**940,097**	**23,512,831**	**24,516,629**
Life time ECL credit impaired	**72,506**	**1,491,286**	**4,972,485**	**6,536,277**
Purchased or originated credit impaired	**396**	**186,850**	**3,662,660**	**3,849,906**
Total loans and advances, gross	**2,098,469**	**35,935,886**	**121,321,205**	**159,355,560**
Provision for expected credit losses, net	**(294,260)**	**(1,359,486)**	**(5,816,268)**	**(7,470,014)**
Loans and advances, net	**1,804,209**	**34,576,400**	**115,504,937**	**151,885,546**

	31 December 2019 (Audited) (Restated)			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,326,426	33,579,624	95,922,761	131,828,811
Life time ECL not credit impaired	74,200	1,150,384	15,665,513	16,890,097
Life time ECL credit impaired	67,267	838,399	4,223,705	5,129,371
Purchased or originated credit impaired	1,113	219,472	4,009,222	4,229,807
Total loans and advances, gross	2,469,006	35,787,879	119,821,201	158,078,086
Provision for expected credit losses, net	(275,927)	(1,179,028)	(4,548,045)	(6,003,000)
Loans and advances, net	2,193,079	34,608,851	115,273,156	152,075,086

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 5,926 million (31 December 2019: SAR 4,247 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ("the curing period") to be eligible to be upgraded to a not-impaired category.

The financial assets recorded in each stage have the following characteristics:

12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12-month allowance for ECL is recognised;

Life time ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;

Life time ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and

Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the incurred credit losses on which a lifetime ECL is recognised. POCI includes non-performing loans and advances acquired through the merger with AAB that are recorded at written down value and therefore do not carry a provision for expected credit loss. It also includes recognition of previously written off loans of SABB where the expectation of recovery has improved.

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against loans and advances:

	30 September 2020 (Unaudited)				
	Non-Credit Impaired		**Credit Impaired**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**643,024**	**2,157,375**	**3,142,099**	**60,502**	**6,003,000**
Transfer to Stage 1	**35,614**	**(30,702)**	**(4,912)**	**-**	**-**
Transfer to Stage 2	**(8,329)**	**28,197**	**(19,868)**	**-**	**-**
Transfer to Stage 3	**(5,944)**	**(35,909)**	**41,853**	**-**	**-**
Net re-measurement of loss allowance	**31,211**	**325,734**	**1,169,327**	**(8,689)**	**1,517,583**
Write-offs	**-**	**-**	**(50,569)**	**-**	**(50,569)**
Balance as at 30 September 2020	**695,576**	**2,444,695**	**4,277,930**	**51,813**	**7,470,014**

	31 December 2019 (Audited) (Restated)				
	Non-Credit Impaired		Credit Impaired		
	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2019	366,723	1,624,813	2,716,152	42,924	4,750,612
Transfer to Stage 1	52,816	(42,156)	(10,660)	-	-
Transfer to Stage 2	(5,690)	27,070	(21,380)	-	-
Transfer to Stage 3	(3,630)	(258,312)	261,942	-	-
Net re-measurement of loss allowance	232,805	805,960	1,084,862	17,578	2,141,205
Write-offs	-	-	(888,817)	-	(888,817)
Balance as at 31 December 2019	643,024	2,157,375	3,142,099	60,502	6,003,000

Economic sector risk concentrations for the loans and advances and provision for expected credit losses are as follows:

30 September 2020 (Unaudited)	**Performing**	**Non-performing**	**POCI**	**Provision for expected credit losses**	**Loans and advances, net**
Government and quasi Government	**13,678,289**	**189,570**	**-**	**(8,765)**	**13,859,094**
Finance	**5,941,763**	**-**	**-**	**(118,024)**	**5,823,739**
Agriculture and fishing	**736,149**	**-**	**207,560**	**(4,432)**	**939,277**
Manufacturing	**20,985,225**	**630,483**	**952,355**	**(1,571,458)**	**20,996,605**
Mining and quarrying	**3,428,185**	**-**	**-**	**(7,970)**	**3,420,215**
Electricity, water, gas and health services	**6,070,795**	**194,879**	**465,666**	**(206,192)**	**6,525,148**
Building and construction	**12,180,667**	**2,169,766**	**677,818**	**(1,771,177)**	**13,257,074**
Commerce	**32,721,608**	**660,160**	**849,296**	**(1,347,844)**	**32,883,220**
Transportation and communication	**8,084,912**	**28,543**	**203,368**	**(58,487)**	**8,258,336**
Services	**7,870,130**	**4,459**	**20,433**	**(228,445)**	**7,666,577**
Credit cards and other retail lending	**36,629,010**	**1,218,099**	**187,246**	**(1,653,746)**	**36,380,609**
Others	**1,253,391**	**829,571**	**286,164**	**(493,474)**	**1,875,652**
Total	**149,580,124**	**5,925,530**	**3,849,906**	**(7,470,014)**	**151,885,546**

31 December 2019 (Audited) (Restated)	Performing	Non-performing	POCI	Provision for expected credit losses	Loans and advances, net
Government and quasi Government	11,343,218	189,570	-	(2,998)	11,529,790
Finance	6,006,276	-	-	(163,060)	5,843,216
Agriculture and fishing	557,020	-	227,716	(1,709)	783,027
Manufacturing	22,747,265	568,972	953,200	(1,455,641)	22,813,796
Mining and quarrying	2,783,633	-	-	(3,169)	2,780,464
Electricity, water, gas and health services	5,531,374	166,741	484,722	(177,117)	6,005,720
Building and construction	12,265,304	1,799,436	821,003	(1,380,702)	13,505,041
Commerce	33,069,707	538,750	994,191	(1,008,722)	33,593,926
Transportation and communication	8,739,756	4,933	224,705	(29,405)	8,939,989
Services	7,818,888	20,579	30,016	(156,785)	7,712,698
Credit cards and other retail lending	37,293,107	743,193	220,585	(1,454,955)	36,801,930
Others	1,446,029	214,528	273,669	(168,737)	1,765,489
Total	149,601,577	4,246,702	4,229,807	(6,003,000)	152,075,086

9. Investment in associates and a joint venture

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited) (Restated)
HSBC Saudi Arabia			
Balance at beginning of the period / year	**585,987**	532,597	532,597
Share in earnings	**55,519**	138,611	105,859
Dividend received	**(122,902)**	(62,640)	(62,640)
Disposal	**-**	(22,581)	-
Balance at end of the period / year	**518,604**	585,987	575,816
Wataniya Insurance Company			
Balance at beginning of the period / year	**74,211**	-	-
Acquired through business combination	**-**	80,204	80,204
Share in earnings / (loss)	**2,408**	(5,993)	(11,321)
Balance at end of the period / year	**76,619**	74,211	68,883
Total	**595,223**	660,198	644,699

SABB owns 49% (31 December 2019: 49%) of the shares of HSBC Saudi Arabia, an associate. The main activities of HSBC Saudi Arabia are to provide a full range of investment banking services including investment banking advisory, brokerage, debt and project finance as well as Islamic finance. It also manages mutual funds and discretionary portfolios. HSBC Saudi Arabia is an authorised person licensed by the CMA to carry out securities business activities.

In October 2019, SABB disposed of 1,000,000 shares in the share capital of HSBC Saudi Arabia (the "Shares") to HSBC Asia Holdings B.V., representing 2% of the issued share capital of HSBC Saudi Arabia, as a result of which SABB no longer shares joint control and governance rights over HSBC Saudi Arabia with HSBC.

SABB owns 20% (31 December 2019: 20%) ownership stake in WIC. The primary activity of WIC is to offer insurance products as an extension to the Bank's existing retail banking offering.

10. Goodwill and other intangible assets

Intangibles are comprised of the following:

	30 September 2020 (Unaudited)	31 December 2019 (Audited) (Restated)	30 September 2019 (Unaudited) (Restated)
Amounts arising from business combination (note 21)			
- goodwill	**8,778,091**	16,195,867	16,195,867
- intangibles	**1,826,504**	1,943,561	1,979,640
Goodwill arising from acquisition of a subsidiary	**13,806**	13,806	13,806
Software	**338,131**	308,831	293,933
Total	**10,956,532**	18,462,065	18,483,246

Goodwill impairment test

During the quarter ended 30 June 2020, Goodwill acquired through business combinations (note 21) allocated to the cash generating units (CGUs) of Retail Banking & Wealth Management (RBWM), Corporate & Institutional Banking (CIB) and Treasury was tested for impairment. The test was performed by comparing the estimated recoverable amount of the Bank's CGUs that carry goodwill, as determined through a Value In Use (VIU) model, with the carrying amount of net assets of each CGU. Accordingly, the Goodwill allocated to CIB was impaired by SAR 7.4 billion and the charge was recorded in the Interim Consolidated Statement of Income. The other CGUs were not impaired.

The decrease in VIU as at 30 June 2020 was based on a prediction of the short to medium term impact of COVID-19 on the economy and the Bank, and thereafter based on long term economic projections. The model assumes an economic recovery benefit from 2023 onwards. In the current environment, the ability to predict the future is more challenging than ever, which makes the determination of VIU sensitive to changes in input assumptions.

The key assumptions used in the VIU had been presented in the 30 June 2020 Interim Consolidated Financial Statements. As at Q3 2020, no further impairment indicators were identified which would trigger the need to revise the estimates previously disclosed.

11. Customers' deposits

Customers' deposits are comprised of the following:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited) (Restated)
Demand	**132,657,631**	122,517,724	121,130,637
Savings	**1,668,692**	1,691,003	1,610,823
Time	**44,493,223**	51,825,874	58,922,351
Margin and others	**1,378,821**	16,131,923	1,749,354
Total	**180,198,367**	192,166,524	183,413,165

12. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts. 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 Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	30 September 2020 (Unaudited)			31 December 2019 (Audited)			30 September 2019 (Unaudited) (Restated)		
	Positive fair Value	**Negative fair value**	**Notional**	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
Derivatives held for trading:									
Special commission rate swaps	**1,300,501**	**(1,299,697)**	**39,254,684**	732,749	(709,194)	59,941,010	922,789	(880,685)	59,199,948
Special commission rate options	**754,434**	**(809,972)**	**18,047,074**	124,349	(128,907)	13,661,863	159,371	(164,797)	14,904,068
Forward foreign exchange contracts	**55,722**	**(49,082)**	**3,361,912**	33,028	(22,491)	9,059,855	24,677	(20,526)	5,674,510
Currency options	**6,461**	**(6,305)**	**1,122,503**	1,102	(982)	1,673,918	8,508	(8,389)	4,847,540
Currency swaps	**15,453**	**(6,245)**	**5,100,000**	6,995	(6,995)	487,500	8,246	(8,246)	487,500
Others	**-**	**-**	**-**	11,090	(11,090)	352,773	7,635	(7,635)	360,836
Derivatives held as fair value hedges:									
Special commission rate swaps	**-**	**(894,592)**	**10,110,416**	15,189	(425,325)	11,205,022	3,601	(521,832)	10,355,022
Derivatives held as cash flow hedges:									
Special commission rate swaps	**30,357**	**(10,089)**	**90,000**	9,195	(454)	440,000	6,007	(895)	440,000
Currency swaps	**6,975**	**-**	**1,106,250**	36,829	(12,202)	1,668,750	45,972	(18,612)	1,762,500
Total	**2,169,903**	**(3,075,982)**	**78,192,839**	970,526	(1,317,640)	98,490,691	1,186,806	(1,631,617)	98,031,924

13. Zakat and income tax

In March 2019, new Zakat Regulations were issued by GAZT under resolution No. 2215 dated 7 Rajab 1440 (14 March 2019) (the “Zakat Regulations”), which provided a new basis for calculation of Zakat for companies engaged in financing activities. The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability. SABB is subject to pay corporate income tax to reflect the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, applied to the share of taxable income of the non-Saudi shareholders.

SABB has received tax assessments for fiscal years 2005 to 2009 in which the GAZT raised additional demands for income tax and withholding tax. Together with assessments relating to AAB for fiscal years from 2006 to 2013, SABB will continue to contest its appeals before the Appellate Committee for Resolution of tax disputes and expects a favourable outcome of the aforementioned appeals. The amounts are not material.

14. Commitments and contingencies

i. Legal proceedings

There are no material outstanding legal matters against the Bank.

ii. Credit related commitments and contingencies

Credit related commitments and contingencies are as follows:

	30 September 2020 (Unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Letters of credit	**12,932,652**	**1,519,498**	**260**	**104,493**	**14,556,903**
Letters of guarantee	**56,562,017**	**6,229,947**	**1,324,129**	**2,205,369**	**66,321,462**
Acceptances	**2,094,418**	**444,791**	**-**	**53,895**	**2,593,104**
Irrevocable commitments to extend credit	**3,710,706**	**150,935**	**-**	**-**	**3,861,641**
Total	**75,299,793**	**8,345,171**	**1,324,389**	**2,363,757**	**87,333,110**

	31 December 2019 (Audited) (Restated)				
	Stage 1	Stage 2	Stage3	POCI	Total
Letters of credit	15,901,096	1,492,562	6,787	162,373	17,562,818
Letters of guarantee	74,774,803	7,752,440	1,558,202	2,234,429	86,319,874
Acceptances	2,923,447	420,773	382	33,931	3,378,533
Irrevocable commitments to extend credit	5,907,107	179,584	-	-	6,086,691
Total	99,506,453	9,845,359	1,565,371	2,430,733	113,347,916

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against off balance sheet exposures.

	30 September 2020 (Unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**28,129**	**126,322**	**481,614**	**636,065**
Transfer to Stage 1	**1,773**	**(1,653)**	**(120)**	**-**
Transfer to Stage 2	**(1,567)**	**1,567**	**-**	**-**
Transfer to Stage 3	**(456)**	**(2,026)**	**2,482**	**-**
Net charge/ (reversal) for the period	**23,055**	**22,677**	**(4,662)**	**41,070**
Balance as at 30 September 2020	**50,934**	**146,887**	**479,314**	**677,135**

	31 December 2019 (Audited) (Restated)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	31,331	237,530	156,235	425,096
Transfer to Stage 1	13,811	(13,373)	(438)	-
Transfer to Stage 2	(636)	1,192	(556)	-
Transfer to Stage 3	-	(26,405)	26,405	-
Net (reversal)/ charge for the year	(16,377)	(72,622)	299,968	210,969
Balance as at 31 December 2019	28,129	126,322	481,614	636,065

15. Cash and cash equivalents

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

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	**10,083,387**	10,324,810	4,355,860
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition	**19,178,235**	16,348,838	9,124,660
Total	**29,261,622**	26,673,648	13,480,520

16. Operating segments

The Bank's primary business is conducted in the Kingdom of Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities being the majority of the balance.

The Bank's reportable segments are as follows:

- **Retail Banking** – caters mainly to the banking requirements of personal and private banking customers.
- **Corporate and Institutional Banking** – caters mainly to the banking requirements of corporate and institutional banking customers.
- **Treasury** – manages the Bank's liquidity, currency and special commission rate risks. It is also responsible for funding the Bank's operations and managing the Bank's investment portfolio and liquidity position.
- **Others –** includes activities of the Bank's investment in its insurance subsidiary and associate, SABB Takaful and WIC, as well as a subsidiary and associate (30 September 2019: joint venture) for investment banking and brokerage, Alawwal Invest and HSBC Saudi Arabia, equity investments, and merger-related expenses. It also includes elimination of inter-group income and expense items.

Transactions between the operating segments are reported as recorded by the Bank's transfer pricing system. The Bank's total assets and liabilities as at 30 September 2020 and 2019, its total operating income and expenses, and the results for the nine months period then ended, by operating segment, are as follows:

30 September 2020 (Unaudited)	**Retail Banking**	**Corporate and Institutional Banking**	**Treasury**	**Others (including intergroup eliminations)**	**Total**
Total assets	**46,570,930**	**119,394,206**	**94,835,047**	**3,157,378**	**263,957,561**
- Loans and advances, net	**36,380,609**	**115,504,937**	**-**	**-**	**151,885,546**
- Investments	**-**	**-**	**62,467,041**	**1,634,878**	**64,101,919**
Total liabilities	**90,248,323**	**96,612,769**	**26,752,429**	**556,718**	**214,170,239**
- Customer deposits	**86,289,467**	**90,298,882**	**3,610,018**	**-**	**180,198,367**
Operating income from external customers	**2,050,547**	**3,766,425**	**997,638**	**13,744**	**6,828,354**
Inter-segment operating income (expense)	**415,805**	**(720,402)**	**305,467**	**(870)**	**-**
Total operating income	**2,466,352**	**3,046,023**	**1,303,105**	**12,874**	**6,828,354**
Provision for expected credit losses, net	**(368,815)**	**(1,210,049)**	**(20,083)**	**-**	**(1,598,947)**
Goodwill impairment	**-**	**(7,417,776)**	**-**	**-**	**(7,417,776)**
Total operating expenses	**(1,550,785)**	**(889,481)**	**(133,967)**	**(397,822)**	**(2,972,055)**
Share in earnings of associates and a joint venture, net	**-**	**-**	**-**	**57,926**	**57,926**
Net income/ (loss) for the period before Zakat and income tax	**546,752**	**(6,471,283)**	**1,149,055**	**(327,022)**	**(5,102,498)**

30 September 2019 (Unaudited) (Restated)	Retail Banking	Corporate and Institutional Banking	Treasury	Others (including intergroup eliminations)	Total
Total assets	47,793,226	125,386,558	79,888,899	5,418,170	258,486,853
- Loans and advances, net	37,322,011	112,013,670	-	-	149,335,681
- Investments	-	-	56,871,497	1,938,481	58,809,978
Total liabilities	90,684,035	95,634,485	15,979,754	1,071,243	203,369,517
- Customer deposits	86,610,553	89,918,398	6,884,214	-	183,413,165
Operating income from external customers	1,725,612	3,867,874	974,830	81,951	6,650,267
Inter-segment operating income (expense)	725,055	(635,373)	(130,536)	40,854	-
Total operating income	2,450,667	3,232,501	844,294	122,805	6,650,267
Provision for expected credit losses, net	(330,423)	(1,525,823)	(8,229)	-	(1,864,475)
Total operating expenses	(1,151,116)	(744,915)	(140,375)	(394,205)	(2,430,611)
Share in earnings of associates and a joint venture, net	-	-	-	94,538	94,538
Net income/ (loss) for the period before Zakat and income tax	969,128	961,763	695,690	(176,862)	2,449,719

17. Basic and diluted (loss)/ earnings per share

Basic and diluted (loss)/ earnings per share for the periods ended 30 September 2020 and 30 September 2019 is calculated by dividing the net (loss)/ income for the period by the weighted average number of shares outstanding during the period.

18. Capital adequacy

The Bank's objectives when managing capital are to ensure the Bank remains within minimum regulatory requirements set by SAMA, continues as a going concern and supports customers throughout the economic cycle.

The Bank monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its assets, commitments and contingencies, and notional amounts of derivatives at a weighted amount to reflect their relative risk.

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years. The impact of these revised transitional arrangements to the Bank's Q3 2020 Tier 1 and Tier 1 + 2 ratio have been an improvement of 43bps.

	30 September 2020 (Unaudited)	31 December 2019 (Audited) (Restated)	30 September 2019 (Unaudited) (Restated)
Risk Weighted Assets (RWA)			
Credit Risk RWA	**198,393,382**	205,118,642	202,784,836
Operational Risk RWA	**19,064,614**	19,265,850	19,265,850
Market Risk RWA	**2,144,679**	1,829,683	1,432,625
Total RWA	**219,602,675**	226,214,175	223,483,311
Tier I Capital	**40,825,023**	38,450,069	37,515,445
Tier II Capital	**6,186,893**	2,819,213	2,817,289
Total I & II Capital	**47,011,916**	41,269,282	40,332,734
Capital Adequacy Ratio %			
Tier I ratio	**18.59%**	17.00%	16.79%
Tier I + Tier II ratio	**21.41%**	18.24%	18.05%

19. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of recognised financial instruments are not materially different from their carrying values, except for loans and advances, customer deposits and investments held at amortised cost.

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.

30 September 2020 (Unaudited)	Carrying value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Positive fair value derivatives	2,169,903	-	2,169,903	-	2,169,903
Investments held as FVTPL	1,166,415	853,560	312,855	-	1,166,415
Investments held as FVOCI, net	13,437,948	973,420	12,438,711	25,817	13,437,948
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,923,876	-	4,923,876	-	4,923,876
Investments held at amortised cost, net	49,497,556	-	50,740,493	146,359	50,886,852
Loans and advances, net	151,885,546	-	-	151,156,910	151,156,910
Financial liabilities measured at fair value					
Negative fair value derivatives	3,075,982	-	3,075,982	-	3,075,982
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	14,480,455	-	14,480,455	-	14,480,455
Customers' deposits	180,198,367	-	180,269,506	-	180,269,506
Debt securities in issue	5,028,906	-	5,028,906	-	5,028,906

31 December 2019 (Audited) (Restated)	Carrying value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Positive fair value derivatives	970,526	-	970,526	-	970,526
Investments held as FVTPL	1,142,573	847,573	295,000	-	1,142,573
Investments held as FVOCI, net	13,937,673	1,202,100	12,708,906	26,667	13,937,673
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	4,987,766	-	4,987,766	-	4,987,766
Investments held at amortised cost, net	45,403,580	-	46,172,171	-	46,172,171
Loans and advances, net	152,075,086	-	-	150,797,694	150,797,694
Financial liabilities measured at fair value					
Negative fair value derivatives	1,317,640	-	1,317,640	-	1,317,640
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	3,652,686	-	3,652,686	-	3,652,686
Customers' deposits	192,166,524	-	192,261,356	-	192,261,356
Debt securities in issue	1,499,752	-	1,499,752	-	1,499,752

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to 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.

FVOCI investments classified as Level 2 include bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

FVOCI investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net assets value as at the reporting date. The movement in Level 3 financial instruments during the period relates to fair value and capital repayment movements only.

Fair values of listed investments are determined using bid marked prices. Fair values of unlisted investments are determined using valuation techniques that incorporate the prices and future earning streams of equivalent quoted securities.

Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SAIBOR rates.

The fair values of due from and due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates.

The fair values of demand deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue and borrowings are floating rate instruments that re-price within a year and accordingly, the fair value of this portfolio approximates the carrying value. The fair value of the remaining portfolio is not significantly different from its carrying value.

There were no transfers between the levels of fair value hierarchies during the period.

The values obtained from valuation models may be different from the transaction price of financial instruments on transaction date. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss'. It is either amortised over the life of the transaction or deferred until the instrument's fair value can be determined using market observable data or realized through disposal. Subsequent changes in fair value are recognized immediately in the Interim consolidated statement of income without reversal of deferred day one profits and losses. Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The Bank uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

20. Financial risk management

Credit Risk

The Board of Directors is responsible for the overall risk management approach within SABB and for reviewing its effectiveness.

The Board's designated committee for risk matters is the Board Risk Committee which approves and provides oversight for the Bank's risk framework, plans and performance targets, which include the establishment of risk appetite statements, risk management strategies, the appointment of senior officers, the delegation of authorities for credit and other risks and the establishment of effective control procedures.

The Bank manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk on credit related commitments and contingencies and derivatives.

The Bank assesses the probability of default of counterparties using internal rating tools. Also the Bank uses external ratings, of major rating agencies, where available.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases the Bank may also close out transactions to mitigate credit risk. The Bank's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or market sectors. It also takes security when appropriate. The Bank also seeks additional collateral, where possible, from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements.

a. Provision for expected credit losses, net

The following table shows the provision for expected credit losses for Due from banks and other financial institutions, Investments, Loans and advances and off balance sheet exposures:

	Notes	**30 September 2020 (Unaudited)**	30 September 2019 (Unaudited) (Restated)
Net provision for expected credit losses:			
Due from banks and other financial institutions	6	**2,572**	829
Investments	7	**17,590**	7,399
Loans and advances	8	**1,517,583**	1,643,216
Off balance sheet exposures	14	**41,070**	151,703
Write-offs net of recoveries of debts previously written-off		**20,132**	61,328
Net charge for the period		**1,598,947**	1,864,475

b. Collateral

The Bank in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. This collateral mostly includes time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collateral are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

21. Business combination

Further to receipt of regulatory approvals, on 16 June 2019 SABB completed a statutory merger with AAB. On this date, the net assets and business activities of AAB were transferred to SABB in exchange for newly issued shares of SABB. The AAB legal entity ceased to exist following the transfer. Shares of AAB were cancelled and the new shares in SABB were issued to shareholders of AAB at an exchange ratio of 0.48535396 new SABB shares for each AAB share. The issue of new shares has increased SABB's paid-up capital by 37% from SAR 15,000,000,000 to SAR 20,547,945,220 and the number of its issued shares have increased from 1,500,000,000 to 2,054,794,522. SABB and AAB's original shareholders owned 73% and 27% respectively, of the combined bank on a fully diluted basis on the merger date.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with SABB being the acquirer and AAB being the acquiree. As required by the Standard, SABB has allocated the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired.

The Merger has created the Kingdom's fourth-largest bank (according to the total assets as of 31 December 2019), a top-tier retail and corporate bank, and provides access to a global banking network to facilitate the flow of investment capital into Saudi Arabia and the growth of international trade. SABB is better positioned to support the Saudi economy, Saudi residents and Saudi companies in Saudi Arabia and internationally. The benefits of the merger created post completion of the transaction are expected to be fully realized in the earnings of the merged bank two to three years subsequent to the completion of the transaction on 16 June 2019.

a. Purchase consideration

The purchase consideration was determined to be SAR 23,140,991 thousand which consisted of the issue of 554,794,522 new shares to the shareholders of AAB. This is inclusive of SAR 6,060 thousands representing SABB's grant of shares to AAB employees under its legacy Share Based Equity Settled Bonus and SAR 78,706 thousands representing AAB converted Treasury Shares (new shares issuance included 1,887,445 treasury shares). Following the conversion of treasury shares, an increase of SAR 23,062,285 thousands in Shareholders' equity was recorded.

The fair value of the new issued shares of SABB was determined on the basis of the closing market price of the ordinary shares of SAR 41.70 per share on the Tadawul on the last trading date prior to the acquisition date of 16 June 2019. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium of SAR 5,547,945 thousands and SAR 17,586,986 thousands, respectively.

b. Merger related costs

During the period ended 30 September 2020, the Bank incurred merger related integration and transaction costs on account of fees paid to third parties for legal, valuation and transaction services as well as costs of in-house staff and third party consultants working on the merger amounting to SAR 301 million (30 September 2019 : SAR 270 million). These costs have been included in 'Salaries and employee related expenses' and 'General and administrative expenses' in the interim consolidated statement of income amounting to SAR 72 million (30 September 2019 : SAR 52 million) and SAR 229 million (30 September 2019 : SAR 218 million), respectively.

c. Valuation approach and methodologies – other intangibles:

- **Customer relationships - Purchased Credit Card Receivables**

The Bank has estimated the value of Purchased Credit Card Receivables ("PCCR") using an income approach, specifically the Multi-period Excess Earnings Method ("MEEM"), which is a commonly accepted method for valuing customer relationships.

- **Core deposits Intangible - CDI**

The Bank has adopted the discounted cost savings method, a form of the income approach, in valuation of the core deposit intangible on the difference between the cost of the Bank's core deposits (both special commission and servicing costs net of fee and commission income) and the cost of the Bank's alternative source of funds. The value of the core deposit intangible is the difference between the present value of the current source of funds and the alternate funding source.

The analysis has considered demand, savings and time deposits. The assumed attrition and special commission rates and assumptions for fees and commissions are based on a historical analysis of deposit balances from existing customers.

The assumption with regard to alternate source of funds is based on replacing the deposits with time deposits based on the behavioral maturity of the existing deposit base.

- **Brand**

The Bank has followed Relief-from-Royalty approach, a form of income approach, to value Alawwal's brand.

d. Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition.

	16 June 2019
Assets	
Cash and balances with SAMA	**4,933,326**
Due from banks and other financial institutions, net	**966,284**
Positive fair value derivatives, net	**165,849**
Investments, net	**15,560,922**
Loans and advances, net	**45,904,064**
Investment in an associate	**80,204**
Property and equipment, net	**1,464,093**
Other assets	**1,545,806**
Total assets	**70,620,548**
Liabilities	
Due to banks and other financial institutions	**863,192**
Customers' deposits	**60,910,930**
Negative fair value derivatives, net	**132,810**
Other liabilities	**3,868,798**
Total liabilities	**65,775,730**
Alawwal Bank net assets as at acquisition date	**4,844,818**
Provisional amounts arising from the acquisition:	
- Retirement of AAB treasury shares	**78,706**
- goodwill	**16,195,867**
- other intangibles	**2,021,600**
Total purchase consideration	**23,140,991**

e. Acquired receivables

For each class of acquired receivables, the fair value, gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows:

	Fair value of the acquired receivables	Gross contractual amount receivable	The contracted cash flows not expected to be collected
Due from banks and other financial institutions	**966,284**	**966,343**	**59**
Investments, net	**15,560,922**	**15,597,717**	**36,795**
Loans and advances, net	**45,904,064**	**58,339,024**	**12,434,960**
Other financial assets	**80,204**	**54,204**	**-**
Total	**62,511,474**	**74,957,288**	**12,471,814**

f. Purchase price allocation

The Bank has completed a comprehensive purchase price allocation focusing on, but not limited to, valuation adjustments to the following:

- recognition of intangible assets including brand, core deposits and purchased credit card relationships;
- loans and advances;
- properties and equipment; and
- other recognized financial and non-financial assets and liabilities.

The purchase price allocation has been included in the interim condensed consolidated financial statements.

The goodwill is primarily attributable to the expected future earnings of the acquired business and synergies created. The goodwill recognised is deductible for income tax purposes.

The completion of the purchase price allocation exercise within twelve months from the acquisition date, including restatement of provisional fair values at which the net assets were acquired from AAB, has had the following impact on the line items of the interim consolidated statements of financial position, income, and changes in equity as at and for the periods ended 30 September 2019 and 31 December 2019:

Financial statements Impacted	Description	As previously reported for the period ended/ as at 30 September 2019	Effect of restatement	Restated – 30 September 2019
Interim Consolidated Statement of Financial Position	Positive fair value derivatives	1,190,606	(3,800)	1,186,806
Interim Consolidated Statement of Financial Position	Investments, net	58,720,119	89,859	58,809,978
Interim Consolidated Statement of Financial Position	Loans and advances, net	152,528,772	(3,193,091)	149,335,681
Interim Consolidated Statement of Financial Position	Investment in an associate and a joint venture	653,899	(9,200)	644,699
Interim Consolidated Statement of Financial Position	Goodwill & other intangibles assets	15,233,325	3,249,921	18,483,246
Interim Consolidated Statement of Financial Position	Other assets	3,575,045	489,159	4,064,204
Interim Consolidated Statement of Financial Position	Total assets	257,864,005	622,848	258,486,853
Interim Consolidated Statement of Financial Position	Customers' deposits	183,417,385	(4,220)	183,413,165
Interim Consolidated Statement of Financial Position	Negative fair value derivatives	1,635,917	(4,300)	1,631,617
Interim Consolidated Statement of Financial Position	Other liabilities	10,984,378	541,625	11,526,003
Interim Consolidated Statement of Financial Position	Total liabilities	202,836,412	533,105	203,369,517
Interim Consolidated Statement of Financial Position	Statutory reserve	10,991,100	16,205	11,007,305
Interim Consolidated Statement of Financial Position	Other reserves	12,160	(78,706)	(66,546)
Interim Consolidated Statement of Financial Position	Retained earnings	5,780,482	152,244	5,932,726
Interim Consolidated Statement of Financial Position	Total equity	55,027,593	89,743	55,117,336
Interim Consolidated Statement of Income	Special commission income	6,248,239	101,141	6,349,380
Interim Consolidated Statement of Income	Special commission expense	(1,187,200)	18,956	(1,168,244)
Interim Consolidated Statement of Income	Provision for expected credit losses, net	(1,954,787)	90,312	(1,864,475)
Interim Consolidated Statement of Income	Depreciation and amortisation	(239,999)	(41,960)	(281,959)
Interim Consolidated Statement of Income	Net income for the period after Zakat and tax	1,912,758	168,449	2,081,207
Interim Consolidated Statement of Income	EPS	1.12	0.10	1.22

Financial statements Impacted	Description	As previously reported as at 31 December 2019	Effect of restatement	Restated - 31 December 2019
Consolidated Statement of Financial Position	Loans and advances, net	154,676,970	(2,601,884)	152,075,086
Consolidated Statement of Financial Position	Goodwill & other intangibles assets	15,345,896	3,116,169	18,462,065
Consolidated Statement of Financial Position	Total assets	265,472,444	514,285	265,986,729
Consolidated Statement of Financial Position	Other liabilities	10,675,591	590,345	11,265,936
Consolidated Statement of Financial Position	Total liabilities	209,312,193	590,345	209,902,538
Consolidated Statement of Financial Position	Retained earnings	4,977,064	(76,060)	4,901,004
Consolidated Statement of Financial Position	Total equity	56,160,251	(76,060)	56,084,191

22. Impact of Coronavirus ("COVID-19") on Expected Credit Losses ("ECL") and SAMA Programs

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Bank continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The Bank has also revised certain inputs and assumptions used for the determination of expected credit losses ("ECL"). The revisions mainly revolved around:
- adjusting macroeconomic factors/inputs used by the Bank in its ECL model including observed default rates; and
- applying of staging criteria in light of the SAMA support measures and to effectively identify exposures where lifetime ECL losses may have been triggered despite repayment holidays.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgment and uncertainty and therefore, the actual outcomes may be different to those projected.

SAMA programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for six months on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of Other

Operating income. The Bank continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

Further to the above, on 1 September 2020, SAMA extended the deferred payments program by allowing additional three-month payment deferrals for eligible MSMEs until 14 December 2020. The Bank has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Bank recognizing an additional modification loss of SAR 86 million during the period ended 30 September 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Bank has recognised SAR 260 million of related modification losses of which SAR 189 million have been unwound.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during the nine-month period ended 30 September 2020 the Bank received profit free deposits from SAMA amounting to SR 6 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 30 September 2020, total income of SR 273 million has been recognised in the statement of income and SR 93 million deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the nine-month period ended 30 September 2020, SR 13 million has been recognised in the statement of income relating to unwinding of deferred income.

Subsequent to the current period end, the Bank has received an additional deposit of SAR 276 million on 1 October 2020 for a period of one and half year under the same program.

As at 30 September 2020, the Bank has participated in SAMA's funding for lending and facility guarantee programs and the accounting impact for the period is immaterial. Furthermore, during the current period, the Bank received an amount of SAR 54 million on account of reimbursement from SAMA for POS and e-commerce services.

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 the period ended 30 September 2020, the Bank received SAR 6.1 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 70 million which has been recognised in the interim consolidated statement of income for the period ended 30 September 2020.

Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognizing a day 1 modification loss of SR 76 million in March 2020, which was presented as part of Other Operating income. As the three-month period for this voluntarily postponed payments ended; therefore, the Bank has completely unwounded the impact.

23. Debt securities in issue

SABB completed issuance of its SAR 5 billion Tier II Sukuk on 22 July 2020. The Sukuk issuance is under the Bank's local Sukuk Programme (the "Local Programme") and is due in 2030, with SABB having an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The structure of the Sukuk was approved by SABB's Shari'ah committee.

The Sukuk is unsecured and was offered by way of private placement in the Kingdom of Saudi Arabia carrying effective special commission income at 6 months' SAIBOR plus margin of 195 bps payable semi-annually.

24. Comparative figures

Certain prior period figures have been reclassified to conform to the current period's presentation.

25. Board of directors' approval

These interim condensed consolidated financial statements were approved by the Board of Directors on 12 Rabi' Alawwal 1442AH (29 October 2020G).