



BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2021

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To: The Shareholders of Banque Saudi Fransi
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Banque Saudi Fransi ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2021, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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 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 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 Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 20 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 20 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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27 Ramadan 1442H
9 May 2021

SAR '000	Notes	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)	Mar 31, 2020 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	10,677,503	10,548,399	12,105,219
Due from banks and other financial institutions, net	6	5,142,861	4,026,997	6,136,518
Investments held at fair value through profit or loss	7	112,526	144,603	372,448
Investments held at fair value through other comprehensive income	7	13,356,589	11,733,158	9,950,576
Investments held at amortised cost	7	27,644,478	25,800,880	23,617,336
Positive fair value of derivatives	12	6,275,974	6,909,046	7,163,078
Loans and advances, net	8	134,104,832	130,564,835	134,881,863
Investment in associate		9,695	9,695	9,695
Property, equipment and right of use assets, net		1,502,897	1,440,170	1,371,847
Other real estate		384,181	384,181	404,126
Deferred Tax		-	-	41,138
Other assets		3,021,224	2,511,620	3,123,936
Total assets		202,232,760	194,073,584	199,177,780
LIABILITIES AND EQUITY				
Liabilities				
Due to SAMA	9	9,247,253	9,129,625	1,866,315
Due to banks and other financial institutions	10	8,797,389	7,662,588	4,675,714
Customers' deposits	11	132,987,195	127,111,644	146,771,757
Negative fair value of derivatives	12	4,876,734	5,096,458	5,426,088
Other liabilities		7,126,463	6,437,324	6,492,592
Total liabilities		163,035,034	155,437,639	165,232,466
Equity				
Share capital		12,053,572	12,053,572	12,053,572
Statutory reserve		12,053,572	12,053,572	12,053,572
General reserve		982,857	982,857	982,857
Other reserves		999,327	1,188,115	1,123,704
Retained earnings		7,697,567	7,433,263	6,627,958
Proposed dividend		479,979	-	1,199,679
Treasury shares		(69,148)	(75,434)	(96,028)
Equity attributable to the shareholders of the Bank		34,197,726	33,635,945	33,945,314
Tier 1 Sukuk	15	5,000,000	5,000,000	-
Total equity		39,197,726	38,635,945	33,945,314
Total liabilities and equity		202,232,760	194,073,584	199,177,780

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Adel Mallawi



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



SAR '000	For the three months ended	
	Mar 31, 2021	Mar 31, 2020
Special commission income	1,407,326	1,699,222
Special commission expense	120,005	411,987
Net special commission income	1,287,321	1,287,235
Fee and commission income	478,687	388,216
Fee and commission expense	140,799	103,775
Net fee and commission income	337,888	284,441
Exchange income, net	73,437	97,169
Trading income, net	77,568	(6,061)
Dividend income	310	-
Gains on FVOCI / non-trading investments, net	3,033	6,958
Other operating income	15,957	87,197
Total operating income	1,795,514	1,756,939
Salaries and employee related expenses	343,263	351,424
Rent and premises related expenses	15,124	16,851
Depreciation and amortization	54,837	50,909
Other operating and general and administrative expenses	178,124	139,832
Total operating expenses before impairment charge	591,348	559,016
Impairment charge for expected credit losses, net	290,083	397,567
Impairment charge / (reversal) for investments, financial assets and others, net	8,652	(273)
Total operating expenses, net	890,083	956,310
Net income for the period before zakat and income tax	905,431	800,629
Zakat and income tax for the period	125,748	118,552
Net income for the period after zakat and income tax	779,683	682,077
Basic and diluted earnings per share (SAR)	0.62	0.57

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Adel Mallawi



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



SAR '000	For the three months ended	
	Mar 31, 2021	Mar 31, 2020
Net income for the period after zakat and income tax	779,683	682,077
Other comprehensive income / (loss):		
Items that cannot be recycled back to consolidated statement of income in subsequent periods		
<u>Movement in Equity instruments at fair value through other comprehensive income</u>		
Net change in the fair value	47,292	(14,698)
Items that can be recycled back to consolidated statement of income in subsequent periods		
<u>Debt instruments at fair value through other comprehensive income</u>		
Net change in the fair value	(53,089)	(210,348)
Income transferred to interim consolidated statement of income	(3,033)	(6,958)
<u>Cash flow hedge</u>		
Net change in the fair value	4,035	638,327
Income transferred to interim consolidated statement of income	(183,993)	(94,841)
Total other comprehensive (loss) / income for the period	(188,788)	311,482
Total comprehensive income for the period after zakat and income tax	590,895	993,559

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

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Chief Financial Officer

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Managing Director & CEO



BANQUE SAUDI FRANSI
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Unaudited

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SAR '000	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves		Proposed dividend	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total Equity
					FVOCI	Cash flow hedge					
<u>For the three months period ended March 31, 2021</u>											
Balance at the beginning of the period	12,053,572	12,053,572	982,857	7,433,263	178,472	1,009,643	-	(75,434)	33,635,945	5,000,000	38,635,945
Net income for the period after zakat and income tax	-	-	-	779,683	-	-	-	-	779,683	-	779,683
Net change in the fair value	-	-	-	-	(5,797)	4,035	-	-	(1,762)	-	(1,762)
Net amount transferred to consolidated statement of income	-	-	-	-	(3,033)	(183,993)	-	-	(187,026)	-	(187,026)
Total comprehensive income for the period	-	-	-	779,683	(8,830)	(179,958)	-	-	590,895	-	590,895
Final proposed dividend for 2020	-	-	-	(479,979)	-	-	479,979	-	-	-	-
Tier 1 Sukuk related cost	-	-	-	(35,400)	-	-	-	-	(35,400)	-	(35,400)
Net change in treasury shares	-	-	-	-	-	-	-	6,286	6,286	-	6,286
Balance at the end of the period	12,053,572	12,053,572	982,857	7,697,567	169,642	829,685	479,979	(69,148)	34,197,726	5,000,000	39,197,726
<u>For the three months period ended March 31, 2020</u>											
Balance at the beginning of the period	12,053,572	12,053,572	982,857	5,945,881	68,138	744,084	1,199,679	(101,065)	32,946,718	-	32,946,718
Net income for the period after zakat and income tax	-	-	-	682,077	-	-	-	-	682,077	-	682,077
Net change in the fair value	-	-	-	-	(225,046)	638,327	-	-	413,281	-	413,281
Net amount transferred to consolidated statement of income	-	-	-	-	(6,958)	(94,841)	-	-	(101,799)	-	(101,799)
Total comprehensive income for the period	-	-	-	682,077	(232,004)	543,486	-	-	993,559	-	993,559
Net change in treasury shares	-	-	-	-	-	-	-	5,037	5,037	-	5,037
Balance at the end of the period	12,053,572	12,053,572	982,857	6,627,958	(163,866)	1,287,570	1,199,679	(96,028)	33,945,314	-	33,945,314

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Adel Mallawi



Chief Financial Officer

Rayan Fayeze



Managing Director & CEO



SAR '000	Note	For the three months ended	
		Mar 31, 2021	Mar 31, 2020
<u>OPERATING ACTIVITIES</u>			
Net income for the period before zakat and income tax		905,431	800,629
Adjustments to reconcile net income before zakat and income tax to net cash from / (used in) operating activities:			
Accretion of discounts on investments not held as FVTPL, net		51,126	3,011
Gains on FVOCI		(3,033)	(6,958)
Depreciation and amortization		54,837	50,909
Gains on disposal of property, equipment and right of use assets, net		-	(272)
Impairment charge for credit losses, net	8	290,083	397,567
Impairment charge / (reversal) for investments, financial assets and others, net		8,652	(273)
Long term incentive scheme provision		6,286	5,037
Provision on other real estate		-	2,025
Operating income before changes in operating assets and liabilities		1,313,382	1,251,675
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		179,838	161,388
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(1,500,000)	(1,450,000)
Investments held as FVTPL, trading		32,077	(297,036)
Loans and advances		(3,830,080)	(9,554,334)
Other assets		(95,922)	(3,412,740)
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		1,252,429	4,169,889
Customers' deposits		5,875,551	13,934,255
Other liabilities		303,750	1,787,753
Net cash generated from operating activities		3,531,025	6,590,850
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales and maturities of investment not held as FVTPL		639,284	3,425,137
Purchase of investments not held as FVTPL		(4,163,236)	(5,837,111)
Purchases of property and equipment		(82,267)	(85,449)
Proceeds from sale of property and equipment		-	272
Net cash used in investing activities		(3,606,219)	(2,497,151)
(Decrease) / Increase in cash and cash equivalents		(75,194)	4,093,699
Cash and cash equivalents at the beginning of the period		6,609,409	3,662,506
Cash and cash equivalents at the end of the period	14	6,534,215	7,756,205
Special commission received during the period		1,355,668	1,573,745
Special commission paid during the period		156,886	499,059
<u>Supplemental non-cash information</u>			
Net changes in fair value and transfers to interim consolidated statement of income		(188,788)	311,482

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Adel Mallawi



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 85 branches (March 31, 2020: 87 branches) in the Kingdom of Saudi Arabia, employing 2,883 people (March 31, 2020: 2,972 people).

The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at King Saud Road, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The Bank owns a subsidiary, Saudi Fransi Capital (100% share in equity) engaged in brokerage, asset management and corporate finance business. The Bank also owns Saudi Fransi Insurance Agency (SAFIA), Saudi Fransi for Finance Leasing and Sofinco Saudi Fransi having 100% share in equity. The Bank owns 100% (95% direct ownership and 5% indirect ownership through its subsidiary) share in Sakan Real Estate Financing. These subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Bank also formed a subsidiaries BSF Markets Limited and BSF Sukuk Limited registered in Cayman Islands having 100% share in equity. The objective of BSF Markets Limited Company is derivative trading and Repo activities.

The Bank has investment in an associate and owns 27% shareholding in Banque BEMO Saudi Fransi, incorporated in Syria.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the period ended March 31, 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2020.

The consolidated financial statements of the Group as at and for the year ended December 31, 2020, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA.

3. Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries; Saudi Fransi Capital, Saudi Fransi Insurance Agency, Saudi Fransi for Finance Leasing, Sofinco Saudi Fransi, Sakan Real Estate Financing, BSF Markets Limited and BSF Sukuk Limited. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments are made wherever necessary in the financial statements of the subsidiaries to align with the Bank's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

3. Basis of consolidation (continued)

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed during the period, if any, are consolidated in the interim condensed consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. Significant Accounting Policies

The accounting policies, estimates and assumptions 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 December 31, 2020 except for the policies explained below:

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

The amendments provide temporary relief that address the impact on financial reporting when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

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

For further details, please refer note 22 to these interim consolidated financial statements.

4. Significant Accounting Policies (continued)

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2021. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

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

5. Cash and balances with SAMA

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Cash on hand	1,010,354	965,457	1,117,556
Statutory deposit	7,786,149	7,965,987	7,685,532
Money market placements with SAMA	1,881,000	1,616,955	3,156,000
Current Account	-	-	146,131
Total	10,677,503	10,548,399	12,105,219

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

6. Due from banks and other financial institutions

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Current accounts	3,294,550	4,027,436	2,972,807
Money market placements	1,848,750	-	3,164,495
Less: impairment	(439)	(439)	(784)
Total	5,142,861	4,026,997	6,136,518

i) The following table shows the stage wise due from banks and other financial institutions:

SAR '000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
March 31, 2021 (Unaudited)	5,131,387	11,913	-	5,143,300
December 31, 2020 (Audited)	4,017,172	10,264	-	4,027,436
March 31, 2020 (Unaudited)	6,097,341	39,961	-	6,137,302

ii) The following table shows the stage wise movement in ECL allowance for due from banks and other financial institutions:

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	379	60	-	439
Change for the period, net	37	(37)	-	-
Balance at the end of the period	416	23	-	439

SAR '000	December 31, 2020 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	333	40	-	373
Change for the period, net	46	20	-	66
Balance at the end of the year	379	60	-	439

SAR '000	March 31, 2020 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	333	40	-	373
Change for the period, net	354	57	-	411
Balance at the end of the period	687	97	-	784

7. Investments, net

a) Investments held at fair value through profit or loss

Investments by type of securities

SAR '000	March 31, 2021 (Unaudited)			December 31, 2020 (Audited)			March 31, 2020 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	9,839	46,297	56,136	24,096	64,533	88,629	106,099	199,384	305,483
Floating-rate securities	56,390	-	56,390	55,974	-	55,974	56,309	10,656	66,965
Total	66,229	46,297	112,526	80,070	64,533	144,603	162,408	210,040	372,448

b) Investments held at fair value through other comprehensive income

Investments by type of securities

SAR '000	March 31, 2021 (Unaudited)			December 31, 2020 (Audited)			March 31, 2020 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	7,519,824	1,776,085	9,295,909	6,802,862	1,410,585	8,213,447	5,285,237	1,060,978	6,346,215
Floating-rate securities	3,487,940	304,508	3,792,448	3,231,070	67,673	3,298,743	3,429,434	68,728	3,498,162
Equities	248,903	19,329	268,232	201,611	19,357	220,968	70,347	35,852	106,199
Total	11,256,667	2,099,922	13,356,589	10,235,543	1,497,615	11,733,158	8,785,018	1,165,558	9,950,576

c) Investments held at amortised cost

Investments by type of securities

SAR '000	March 31, 2021 (Unaudited)			December 31, 2020 (Audited)			March 31, 2020 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	24,079,310	-	24,079,310	21,775,557	-	21,775,557	18,556,858	-	18,556,858
Floating-rate securities	3,072,494	-	3,072,494	3,472,932	-	3,472,932	3,987,555	-	3,987,555
Other	492,674	-	492,674	552,391	-	552,391	1,072,923	-	1,072,923
Total	27,644,478	-	27,644,478	25,800,880	-	25,800,880	23,617,336	-	23,617,336

Gross Investments include Shariah based investments amounting to SAR 28,188 million (December 31, 2020: SAR 22,187 million; March 31, 2020: SAR 15,707 million).

7. Investments, net (continued)

d) Investment securities are classified as follows:

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Investment at amortized cost	27,649,631	25,807,423	23,627,188
Investments at FVOCI – Debt instruments	13,096,832	11,521,039	9,851,028
Investments at FVOCI – Equity/ other investments	268,232	220,968	106,174
Investment at FVTPL – Debt instruments	112,526	144,603	372,448
Less: Impairment	(13,628)	(15,392)	(16,478)
Total	41,113,593	37,678,641	33,940,360

i) The following table shows the stage wise debt instruments at amortized cost and FVOCI:

SAR '000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
March 31, 2021 (Unaudited)	40,746,463	-	-	40,746,463
December 31, 2020 (Audited)	37,328,462	-	-	37,328,462
March 31, 2020 (Unaudited)	33,478,216	-	-	33,478,216

ii) The following table shows the stage wise movement in ECL allowance for debt instruments:

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	15,392	-	-	15,392
Change for the period, net	(1,764)	-	-	(1,764)
Balance at the end of the period	13,628	-	-	13,628

SAR '000	December 31, 2020 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	22,084	-	-	22,084
Change for the period, net	(6,692)	-	-	(6,692)
Balance at the end of the year	15,392	-	-	15,392

SAR '000	March 31, 2020 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	22,084	-	-	22,084
Change for the period, net	(5,606)	-	-	(5,606)
Balance at the end of the period	16,478	-	-	16,478

8. Loans and advances, net

i) Loans and advances held at amortised cost are classified as follows:

SAR '000	March 31, 2021 (Unaudited)			
	Overdraft & Commercial loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	110,222,415	453,762	24,336,267	135,012,444
Non-performing loans and advances, net	3,515,969	21,660	203,438	3,741,067
Total loans and advances	113,738,384	475,422	24,539,705	138,753,511
Allowance for impairment	(4,267,972)	(43,407)	(337,300)	(4,648,679)
Loans and advances held at amortised cost, net	109,470,412	432,015	24,202,405	134,104,832

SAR '000	December 31, 2020 (Audited)			
	Overdraft & Commercial loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	108,514,110	451,388	22,525,757	131,491,255
Non-performing loans and advances, net	3,539,025	45,048	182,517	3,766,590
Total loans and advances	112,053,135	496,436	22,708,274	135,257,845
Allowance for impairment	(4,277,421)	(85,124)	(330,465)	(4,693,010)
Loans and advances held at amortised cost, net	107,775,714	411,312	22,377,809	130,564,835

SAR '000	March 31, 2020 (Unaudited)			
	Overdraft & Commercial loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	115,824,355	429,044	18,932,654	135,186,053
Non-performing loans and advances, net	3,480,463	43,587	232,780	3,756,830
Total loans and advances	119,304,818	472,631	19,165,434	138,942,883
Allowance for impairment	(3,640,344)	(72,114)	(348,562)	(4,061,020)
Loans and advances held at amortised cost, net	115,664,474	400,517	18,816,872	134,881,863

Gross Loans and advances include Shariah based loans and advances amounting to SAR 95,740 million (December 31, 2020: SAR 94,852 million; March 31, 2020: SAR 93,874 million).

ii) The movement in the allowance for impairment of Loans and advances to customers for the period is as follows:

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Opening loss allowance as at 1 January	4,693,010	3,708,288	3,708,288
Charge for the period, net	290,083	2,816,322	397,567
Bad debts written off against provision	(334,414)	(1,831,600)	(44,835)
Balance at the end of the period / year	4,648,679	4,693,010	4,061,020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

8. Loans and advances, net (continued)

iii) The following table shows the stage wise movement in ECL allowance for Loans and advances:

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	579,357	1,375,529	2,738,124	4,693,010
Change for the period, net	(19,913)	215,424	94,572	290,083
Bad debts written off against provision	-	-	(334,414)	(334,414)
Balance at the end of the period	559,444	1,590,953	2,498,282	4,648,679

SAR '000	December 31, 2020 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	680,944	981,444	2,045,900	3,708,288
Change for the period, net	(101,587)	394,085	2,523,824	2,816,322
Bad debts written off against provision	-	-	(1,831,600)	(1,831,600)
Balance at the end of the year	579,357	1,375,529	2,738,124	4,693,010

SAR '000	March 31, 2020 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	680,944	981,444	2,045,900	3,708,288
Change for the period, net	225,129	4,916	167,522	397,567
Bad debts written off against provision	-	-	(44,835)	(44,835)
Balance at the end of the period	906,073	986,360	2,168,587	4,061,020

iv) The following table shows the stage wise Loans and advances:

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	96,836,565	13,208,995	3,692,824	113,738,384
Credit Card	432,272	15,402	27,748	475,422
Consumer	24,088,326	205,494	245,885	24,539,705
Balance at the end of the period	121,357,163	13,429,891	3,966,457	138,753,511

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

8. Loans and advances, net (continued)

SAR '000	December 31, 2020 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	96,155,315	12,185,330	3,712,490	112,053,135
Credit Card	415,084	20,390	60,962	496,436
Consumer	22,257,313	238,439	212,522	22,708,274
Balance at the end of the year	118,827,712	12,444,159	3,985,974	135,257,845

SAR '000	March 31, 2020 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	102,792,504	12,800,237	3,712,077	119,304,818
Credit Card	395,080	26,194	51,357	472,631
Consumer	18,497,020	337,219	331,195	19,165,434
Balance at the end of the period	121,684,604	13,163,650	4,094,629	138,942,883

9. Due to SAMA

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Current accounts	182,782	67,594	-
Money market placements	-	-	937,726
Government grant	9,214,101	9,214,101	1,000,000
Modification impact, net	(149,630)	(152,070)	(71,411)
Total	9,247,253	9,129,625	1,866,315

10. Due to banks and other financial institutions

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Current accounts	350,223	342,230	388,030
Money market placements	8,447,166	7,320,358	4,287,684
Total	8,797,389	7,662,588	4,675,714

11. Customers' deposits

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Demand	83,861,046	79,860,073	78,392,107
Saving	822,700	753,054	647,529
Time	42,231,323	40,442,288	62,405,638
Other	6,072,126	6,056,229	5,326,483
Total	132,987,195	127,111,644	146,771,757

Time deposits include Shariah based deposits amounting to SAR 21,265 million (December 31, 2020: SAR 17,453 million; March 31, 2020: SAR 22,874 million).

12. Derivatives

In the ordinary course of business, the Bank utilizes the following derivative financial instruments for both trading and hedging purposes:

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For currency rate swaps, fixed and floating commission payments and principal are exchanged in different currencies.

b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

d) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for trading purposes

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers, Banks and other financial institutions in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products. The Bank also holds structured derivative which are fully back to back in accordance with the Bank's risk management strategy.

12. Derivatives (continued)

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and the management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to an acceptable level as determined by the Board of Directors in accordance with the guidelines issued by SAMA.

The Board of Directors has established the levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of commission rate risk by setting commission rate sensitivity limits. Commission rate exposure in terms of the sensitivity is reviewed on a periodic basis and hedging strategies are used to reduce the exposure within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency rate swaps to hedge against specifically identified currency risks. In addition, the Bank uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. The Bank also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Cash flow hedges

The Bank is exposed to variability in future special commission income cash flows on non-trading assets and liabilities which bear variable commission rate. The Bank uses commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps.

The tables below show the positive and negative fair values of derivative financial instruments held, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, 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.

SAR '000	March 31, 2021 (Unaudited)			December 31, 2020 (Audited)			March 31, 2020 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading									
Commission rate swaps	4,314,692	4,042,508	197,265,904	4,554,278	4,222,635	199,290,260	4,459,323	4,492,503	171,425,247
Commission rate futures and options	698,830	698,830	34,927,183	744,023	744,023	34,996,063	893,885	893,885	50,884,398
Forward foreign exchange contracts	112,624	108,906	30,510,161	242,504	121,796	32,777,959	142,584	37,541	32,566,126
Currency options	1,044	1,044	125,217	944	944	67,743	146	146	14,651
Others	2,592	2,592	57,220	2,616	2,616	61,357	2,013	2,013	59,852
Held as fair value hedges									
Commission rate swaps	30	-	37,500	-	-	-	-	-	-
Held as cash flow hedges									
Commission rate swaps	1,146,162	22,854	31,375,000	1,364,681	4,444	32,571,544	1,665,127	-	39,065,616
Total	6,275,974	4,876,734	294,298,185	6,909,046	5,096,458	299,764,926	7,163,078	5,426,088	294,015,890

13. Commitments and contingencies

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

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Letters of credit	7,765,169	8,355,493	8,480,986
Letters of guarantee	36,487,858	39,497,700	38,143,458
Acceptances	2,148,225	2,192,464	2,012,419
Irrevocable commitments to extend credit	5,982,059	6,165,495	3,832,518
Total	52,383,311	56,211,152	52,469,381

The Bank has made impairment provision amounting to SAR 422 million (December 31, 2020: 411 million and March 31, 2020: 561 million) against credit related commitments and contingencies which has been classified into other liabilities. The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings filed against the Bank as disclosed at December 31, 2020.

14. Cash and cash equivalents

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

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5)	2,891,354	2,582,412	4,419,687
Due from banks and other financial institutions maturing within three months from the date of acquisition	3,642,861	4,026,997	3,336,518
Total	6,534,215	6,609,409	7,756,205

15. Tier 1 Sukuk

During 2020, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement.

The applicable profit rate is 4.5% per annum from date of issue up to 2025 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

16. Zakat and Income Tax

In March 2019, the General Authority of Zakat and Tax (the "GAZT") issued new zakat regulations through Ministerial Decree No. 2215 dated Rajab 07, 1440H corresponding to March 14, 2019, which provides the new basis for the calculation of Zakat for companies engaged in financing activities and licensed by SAMA. The new Zakat regulations are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods from January 01, 2019.

Zakat & Tax for the period ended March 31, 2021 attributable to Saudi Shareholders amounted to approximately SAR 126 million (March 31, 2020: SAR 119 million). The provision of Zakat and income tax is estimated based on the results of operations of the Bank for the three month period ended and the consolidated financial position at March 31, 2021.

CACIB sold its remaining shares in the Bank during 2020. After the sale of these shares, it is expected that the Bank is not subjected to Income Tax and 100 percent of its shareholding is considered zakatable.

17. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

Valuation techniques include net present value and discounted cash flow models, 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 premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. 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.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values aim also to reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate.

17. Fair values of financial assets and liabilities (continued)

Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of Front Office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

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 repackaging)

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.

Derivative products valued using a valuation technique with market observable inputs are mainly commission rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and commission rate curves. Other investments in level 2 are valued based on market observable data including broker rates etc.

SAR '000	Level 1	Level 2	Level 3	Total
<u>March 31, 2021 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	6,275,974	-	6,275,974
Financial investments designated at FVTPL	56,136	56,390	-	112,526
Financial investments at FVOCI	8,048,338	5,283,200	25,051	13,356,589
Total	8,104,474	11,615,564	25,051	19,745,089
Financial Liabilities				
Derivative financial instruments negative fair value	-	4,876,734	-	4,876,734
Total	-	4,876,734	-	4,876,734

SAR '000	Level 1	Level 2	Level 3	Total
<u>December 31, 2020 (Audited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	6,909,046	-	6,909,046
Financial investments designated at FVTPL	88,629	55,974	-	144,603
Financial investments at FVOCI	7,273,262	4,434,816	25,080	11,733,158
Total	7,361,891	11,399,836	25,080	18,786,807
Financial Liabilities				
Derivative financial instruments negative fair value	-	5,096,458	-	5,096,458
Total	-	5,096,458	-	5,096,458

17. Fair values of financial assets and liabilities (continued)

SAR '000	Level 1	Level 2	Level 3	Total
<u>March 31, 2020 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	7,163,078	-	7,163,078
Financial investments designated at FVTPL	316,139	56,309	-	372,448
Financial investments at FVOCI	6,479,567	3,464,036	6,973	9,950,576
Total	6,795,706	10,683,423	6,973	17,486,102
Financial Liabilities				
Derivative financial instruments negative fair value	-	5,426,088	-	5,426,088
Total	-	5,426,088	-	5,426,088

During the period there have been no transfers in between level 1, level 2 and level 3.

The fair values of investments held at amortized cost are SAR 28,088 million (December 31, 2020: SAR 26,337 million and March 31, 2020: SAR 24,028 million) against carrying value of SAR 27,644 million (December 31, 2020: SAR 25,801 million and March 31, 2020: SAR 23,617 million). The fair values of commission bearing customers' deposits, debt securities, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique. The Bank uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances after adjusting internal credit spread which is SAR 137,797 million (December 31, 2020: SAR 134,194 million and March 31, 2020: SAR 138,419 million). The carrying values of those loans and advances are SAR 134,105 million (December 31, 2020: SAR 130,565 million and March 31, 2020: SAR 134,882 million).

18. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Bank's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the consolidated statement of income.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2020.

18. Segment information (continued)

The Bank is organised into the following main operating segments:

Retail banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

Corporate banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Investment banking and brokerage – Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, corporate finance and international and local shares brokerage services and insurance.

The Bank's total assets and liabilities, together with total operating income, total operating expenses and net income before zakat and income tax for the three months then ended, by operating segments, are as follows:

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
<u>March 31, 2021 (Unaudited)</u>					
Total assets	31,408,162	104,809,094	64,442,976	1,572,528	202,232,760
Loans and advances, net	30,195,254	102,456,926	-	1,452,652	134,104,832
Total liabilities	77,113,322	58,860,363	25,529,858	1,531,491	163,035,034
Customers' deposits	76,325,729	56,661,466	-	-	132,987,195
Total operating income	488,282	717,238	453,157	136,837	1,795,514
Total operating expenses before impairment charge	305,062	158,122	81,839	46,325	591,348
Impairment charges for financial assets, net	(3,735)	301,385	1,085	-	298,735
Net income for the period before zakat and income tax	186,955	257,731	370,233	90,512	905,431
Net special commission income	411,343	557,168	301,800	17,010	1,287,321
Fee and commission income, net	57,425	158,969	1,667	119,827	337,888
Exchange income, net	5,287	519	67,631	-	73,437
Trading income, net	-	-	77,568	-	77,568
Inter-segment revenue	228,586	310,234	(538,820)	-	-
Depreciation and amortization	34,151	7,460	12,439	787	54,837

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
<u>December 31, 2020 (Audited)</u>					
Total assets	29,086,054	102,506,558	61,050,037	1,430,935	194,073,584
Total liabilities	74,966,550	54,368,111	24,680,827	1,422,151	155,437,639

18. Segment information (continued)

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>March 31, 2020 (Unaudited)</u>					
Total assets	25,699,413	111,059,642	61,051,383	1,367,342	199,177,780
Loans and advances, net	24,321,524	109,271,789	-	1,288,550	134,881,863
Total liabilities	72,074,875	76,973,638	14,854,246	1,329,707	165,232,466
Customers' deposits	71,847,726	74,924,031	-	-	146,771,757
Total operating income	459,259	740,718	474,745	82,217	1,756,939
Total operating expenses before impairment charge	300,976	162,875	49,194	45,971	559,016
Impairment charges for financial assets, net	1,525	401,219	(5,450)	-	397,294
Net income for the period before zakat and income tax	156,758	176,624	431,001	36,246	800,629
Net special commission income	385,313	572,715	314,850	14,357	1,287,235
Fee and commission income, net	50,710	167,197	(1,326)	67,860	284,441
Exchange income, net	8,755	776	87,638	-	97,169
Trading income, net	-	-	(6,061)	-	(6,061)
Inter-segment revenue	263,932	29,115	(293,047)	-	-
Depreciation and amortization	35,536	9,943	4,695	735	50,909

19. Share capital and Earnings per share

The authorised, issued and fully paid share capital of the Bank consists of 1,205 million shares of SAR 10 each (December 31, 2020: 1,205 million shares of SAR 10 each and March 31, 2020: 1,205 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended March 31, 2021 and 2020 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Sukuk costs for the period by 1,200 million shares after excluding treasury shares consisting of 5.7 million shares as of March 31, 2021 (December 31, 2020: 5.7 million shares and March 31, 2020: 5.7 million shares).

The Board of Directors recommended on March 02, 2021 a final net dividend of SAR 0.40 per share for the year ended 2020 which is subject to approval of shareholders at the General Assembly Meeting.

20. Capital Adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management.

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

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For the three months ended March 31, 2021 and 2020

20. Capital Adequacy (continued)

SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum level.

SAMA through its circular number 391000029731 dated 15/03/1439H, which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9 – financial instruments, 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.

Bank's total risk weighted assets and total Tier I & Tier I + Tier II Capital are as follows:

SAR '000	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2020 (Unaudited)
Credit Risk RWA	170,632,114	170,312,433	174,982,311
Operational Risk RWA	12,964,425	12,952,525	12,725,823
Market Risk RWA	3,350,103	3,967,483	4,650,171
Total RWA	186,946,642	187,232,441	192,358,305
Tier I Capital	39,230,916	38,489,177	33,520,619
Tier II Capital	2,040,283	1,884,995	1,818,566
Total Tier I & II Capital	41,271,199	40,374,172	35,339,185
Capital Adequacy Ratio %			
Tier I ratio	20.99%	20.56%	17.43%
Tier I + Tier II ratio	22.08%	21.56%	18.37%

21. Impact of COVID-19 on Expected Credit Losses ("ECL") and SAMA programs

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience second / third 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. The Government has approved number of vaccines for mass immunizations. The drive is in full swing and it is expected that majority of the population will be vaccinated in near future.

The Bank continues to evaluate the current situation through conducting stress-testing scenarios on expected movements of oil prices and other macroeconomic variables and their impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance. The steps taken by management includes ongoing review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the Government and SAMA support relief programmes.

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Bank to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Bank in the estimation of ECL or revisions to the scenario probabilities currently being used by the Bank in ECL estimation. During Q1 2021 and as more reliable data became available, the management has further made adjustments to the macroeconomic factors used by the Bank in the estimation of expected credit losses.

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21. Impact of COVID-19 on Expected Credit Losses ("ECL") and SAMA programs (continued)

The Bank's ECL model continues to be sensitive to macroeconomic variables. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Bank will continue to reassess its position and the related impact on a regular basis. To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. As at March 31, 2021, the Bank, therefore maintains overlays of SAR 437 million. These have been based on a sector-based analysis performed by the Bank depending on the impacted portfolios.

The Bank continues to monitor the Micro Small and Medium Enterprises ("MSME") Deferred Payment Program ("DPP") lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves; however, management maintains SAR 235 million of overlays to reflect potential further credit deterioration in the underlying portfolio.

SAMA support programs and initiativesPrivate Sector Financing Support Program ("PSFSP")

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

- Deferred payments program;
- 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 in March 2020 and with a number of extensions to the program subsequently announced, the Bank is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from March 14, 2020 to June 30, 2021 and increasing the facility tenors accordingly. 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.

The accounting impact of above changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SAR 157 million of which SAR 33 million has been recorded in current quarter which have been presented as part of net financing income. During the three months period ended March 31, 2021, SAR 26 million has been charged to the statement of income relating to unwinding of modification losses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

21. Impact of COVID-19 on Expected Credit Losses ("ECL") and SAMA programs (continued)

In order to compensate for the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during 2020 the Bank received profit free deposits from SAMA amounting to SAR 4,592 million 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. The management has exercised certain judgements in the recognition and measurement of this grant income. Total income of SAR 404 million arose on these profit free deposits out of which SAR 124 million was recognised as income in prior periods. During the three months period ended March 31, 2021, SAR 33 million has been recognised to the statement of income with SAR 247 million as deferred grant income as at March 31, 2021.

As at March 31, 2021, the Bank has participated in SAMA's Loan guarantee programs, which is not material for the financial statements as a whole.

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

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

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

In this regard, during Q2 2020, the Bank received SAR 4,612 million profit free deposit with one year maturity. The Bank's 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 90 million, of which SAR 80 million has been recognized by the Bank to date with the remaining amount deferred. During the period ended March 31, 2021 SAR 24 million has been charged to the statement of income relating to unwinding of modification income.

22. IBOR Transition (Interest Rate Benchmark Reforms)

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

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments were effective from 01 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. The Bank has adopted these amendments along with the hedging relief for pre-replacement hedges.

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

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22. IBOR Transition (Interest Rate Benchmark Reforms) (continued)

The Bank of England and the Financial Conduct Authority (FCA) have set out clear expectations for regulated firms to remove their reliance on LIBOR in all new business and in legacy contracts, where feasible. The primary way for market participants to have certainty over the economic terms of their contracts is to actively transition them away from LIBOR.

On March 05, 2021, the FCA, announced that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

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

In addition, the above announcement, as confirmed by the International Swaps and Derivatives Association ("ISDA"), constitutes an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol for all 35 LIBOR settings. As a result, the fallback spread adjustment (i.e. to the adjusted risk-free rate plus spread) published by Bloomberg is fixed as of the date of this announcement (i.e. March 05, 2021) for all euro, sterling, Swiss franc, US dollar and yen LIBOR settings. The fallbacks will automatically occur for outstanding derivatives contracts that incorporate the IBOR Fallbacks Supplement or are subject to adherence of the ISDA 2020 IBOR Fallbacks Protocol on the following dates:

- After December 31, 2021: For outstanding derivatives referenced to all euro, sterling, Swiss franc and yen LIBOR settings.
- After June 30, 2023: For outstanding derivatives referenced to all US dollar LIBOR settings.

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

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes. In addition, the Bank has developed a comprehensive communication plan to engage with customer on account of IBOR transition, educating and sharing relevant information for their guidance and ensuring a smooth transition to the new reference rates for the impacted contracts.

23. Comparative figures

Certain prior period figures have been reclassified to conform to current period's presentation, which are not material in nature to the interim condensed consolidated financial statements.

24. Board of Directors Approval

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on May 02, 2021 corresponding to Ramadan 20, 1442H.