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

To: THE SHAREHOLDERS OF
RIYAD BANK
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2020, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2020, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended and other explanatory notes (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 the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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 Arabian Monetary Authority ("SAMA"), certain capital adequacy information has been disclosed in note (19) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (19) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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16 Rabi al-Awwal 1442H
(2 November 2020)

RIYAD BANK
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2020

Public

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INTERIM CONDENSED 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				
Cash and balances with SAMA		44,190,831	29,189,487	15,928,989
Due from banks and other financial institutions		11,441,815	4,734,888	10,873,561
Positive fair value of derivatives	6	1,709,772	608,847	650,512
Investments, net	7	55,035,614	53,361,415	51,313,939
Loans and advances, net	8	190,823,050	173,981,999	166,275,279
Investment in associates	18	693,161	702,882	695,670
Other real estate		327,585	233,057	245,797
Property and equipment, net		2,391,014	2,201,925	2,227,634
Other assets		1,944,913	774,378	2,361,579
Total assets		308,557,755	265,788,878	250,572,960
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		42,644,039	13,124,480	16,375,756
Negative fair value of derivatives	6	1,841,540	649,226	801,005
Customer deposits	9	201,292,346	194,517,899	177,672,013
Debt securities in issue	10	5,638,302	4,003,029	4,042,947
Other liabilities		14,487,004	12,922,782	12,439,287
Total liabilities		265,903,231	225,217,416	211,331,008
Shareholders' equity				
Share capital		30,000,000	30,000,000	30,000,000
Statutory reserve		6,502,130	6,502,130	5,101,613
Other reserves		924,617	1,027,108	782,249
Retained earnings		5,227,777	1,392,224	3,358,090
Proposed dividends		-	1,650,000	-
Total shareholders' equity		42,654,524	40,571,462	39,241,952
Total liabilities and shareholders' equity		308,557,755	265,788,878	250,572,960

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2020	2019	2020	2019
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		2,376,413	2,668,034	7,518,951	7,704,866
Special commission expense		303,744	633,807	1,341,212	1,898,970
Net special commission income		2,072,669	2,034,227	6,177,739	5,805,896
Fee and commission income		762,214	705,145	2,028,830	2,151,020
Fee and commission expense		220,332	191,729	592,250	610,550
Fee and commission income, net		541,882	513,416	1,436,580	1,540,470
Exchange income, net		78,872	93,420	330,996	252,582
Trading income, net		40,810	29,775	218,118	121,660
Dividend income		30,676	36,225	89,292	84,470
Gains on disposal of non-trading investments, net		52,102	52,643	152,154	199,498
Other operating income		3,974	2,987	10,531	7,827
Total operating income, net		2,820,985	2,762,693	8,415,410	8,012,403
Salaries and employee-related expenses		464,571	462,139	1,438,593	1,362,098
Rent and premises-related expenses		45,309	45,181	131,979	142,310
Depreciation of property and equipment		130,713	113,251	369,308	327,925
Other general and administrative expenses		235,207	260,018	693,181	701,813
Other operating expenses		14,102	21,975	43,265	33,406
Total operating expenses before impairment charge		889,902	902,564	2,676,326	2,567,552
Impairment charge for credit losses and other financial assets, net	8.4	490,102	201,495	1,410,316	641,392
Impairment (reversal) charge for investments, net		(19,384)	(3,541)	14,569	(41,166)
Total operating expenses, net		1,360,620	1,100,518	4,101,211	3,167,778
Net operating income		1,460,365	1,662,175	4,314,199	4,844,625
Share in earnings of associates, net	18	12,610	14,171	13,256	146,260
Income for the period before zakat		1,472,975	1,676,346	4,327,455	4,990,885
Zakat for the period		177,000	170,000	492,000	500,000
Net income for the period		1,295,975	1,506,346	3,835,455	4,490,885
Basic and diluted earnings per share (in SAR)	17	0.43	0.50	1.28	1.50

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2020	2019	2020	2019
	SAR'000	SAR'000	SAR'000	SAR'000
Net income for the period	1,295,975	1,506,346	3,835,455	4,490,885
Other comprehensive income (OCI):				
a) Items that may be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Fair value through other comprehensive income (FVOCI- debt instruments):				
- Net change in fair value	285,608	92,653	(75,639)	840,527
- Net amounts transferred to interim condensed consolidated statement of income	(18,171)	(47,859)	(91,317)	(181,561)
- Net changes in allowance for expected credit losses of debt instruments	(6,833)	(1,742)	9,828	(18,553)
- Net change in fair value of cash flow hedge	801	-	801	-
b) Items that cannot be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Net change in fair value of equity instruments at fair value through other comprehensive income- (FVOCI- equity instruments)	311,206	(175,489)	53,934	96,438
Other comprehensive income (loss) for the period	572,611	(132,437)	(102,393)	736,851
Total comprehensive income for the period	1,868,586	1,373,909	3,733,062	5,227,736

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
For the nine month periods ended 30 September 2020 & 2019

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
30 September 2020						
Balance at the beginning of the period	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462
Total comprehensive income						
Net changes in fair values of						
- FVOCI equity instruments	-	-	53,934	-	-	53,934
- FVOCI debt instruments	-	-	(75,639)	-	-	(75,639)
Net amount reclassified to the interim				-	-	-
condensed consolidated statement of income for FVOCI -debt instruments	-	-	(91,317)	-	-	(91,317)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	9,828	-	-	9,828
Net change in fair value of cash flow hedge	-	-	801	-	-	801
Net income for the period	-	-	-	3,835,455	-	3,835,455
Total comprehensive income	-	-	(102,393)	3,835,455	-	3,733,062
Disposal of FVOCI -equity instruments	-	-	(98)	98	-	-
Final dividends - 2019 (note 16)	-	-	-	-	(1,650,000)	(1,650,000)
Balance at the end of the period	30,000,000	6,502,130	924,617	5,227,777	-	42,654,524
30 September 2019						
Balance at the beginning of the period	30,000,000	5,101,613	58,047	414,556	1,200,000	36,774,216
Total comprehensive income						
Net changes in fair values of						
- FVOCI equity instruments	-	-	96,438	-	-	96,438
- FVOCI debt instruments	-	-	840,527	-	-	840,527
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI - debt instruments	-	-	(181,561)	-	-	(181,561)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	(18,553)	-	-	(18,553)
Net income for the period	-	-	-	4,490,885	-	4,490,885
Total comprehensive income	-	-	736,851	4,490,885	-	5,227,736
Disposal of FVOCI equity instruments	-	-	(12,649)	12,649		-
Final dividends - 2018	-	-	-	-	(1,200,000)	(1,200,000)
Interim dividends - 2019	-	-	-	(1,560,000)	-	(1,560,000)
Balance at the end of the period	30,000,000	5,101,613	782,249	3,358,090	-	39,241,952

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Notes	For the nine month period ended 30 September 2020 SAR'000	2019 SAR'000
OPERATING ACTIVITIES			
Income for the period before zakat		4,327,455	4,990,885
Adjustments to reconcile income for the period before zakat to net cash from (used in) operating activities:			
Accretion of discounts and amortisation of premium, net on non-FVIS instruments, net		(70,295)	(46,066)
Gains on disposals of non-trading investments, net		(152,154)	(199,498)
Gains on trading investments, net		(20,940)	(18,332)
Dividend income		(89,292)	(84,470)
Depreciation of property and equipment		369,308	327,925
Share in earnings of associates, net		(13,256)	(146,260)
Impairment (reversal) charge for investments, net		14,569	(41,166)
Impairment charge for credit losses and other financial assets, net	8.4	1,410,316	641,392
		5,775,711	5,424,410
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(1,074,335)	(633,018)
Due from banks and other financial institutions maturing after three months from date of acquisition		725,000	(2,057,584)
Positive fair value of derivatives		(1,100,925)	(363,887)
Fair value through income statement (FVIS)		246,459	(336,711)
Loans and advances, net		(18,180,509)	(15,885,716)
Other real estate		(94,528)	(18,392)
Other assets		(1,157,468)	(1,689,499)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		29,519,559	7,795,242
Negative fair value of derivatives		1,192,314	526,735
Customer deposits		6,774,447	7,849,857
Other liabilities		1,365,312	1,343,612
		23,991,037	1,955,049
Zakat paid		(642,572)	(430,249)
Net cash from operating activities		23,348,465	1,524,800
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		35,452,002	51,415,235
Purchase of investments not held as FVIS instruments		(37,125,106)	(53,188,061)
Purchase of property and equipment, net		(285,848)	(239,381)
Net cash used in investing activities		(1,958,952)	(2,012,207)
FINANCING ACTIVITIES			
Proceeds from issuance of debt securities in issue, net		1,626,350	-
Dividend paid		(1,644,955)	(2,756,837)
Net cash used in financing activities		(18,605)	(2,756,837)
Net increase (decrease) in cash and cash equivalents		21,370,908	(3,244,244)
Cash and cash equivalents at the beginning of the period	12	23,472,740	17,443,752
Cash and cash equivalents at end of the period	12	44,843,648	14,199,508
Special commission received during the period		7,237,009	7,681,472
Special commission paid during the period		1,374,667	1,721,404
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated statement of income		(112,221)	755,404

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

1. GENERAL

Riyad Bank (the “Bank”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers’ Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 341 licensed branches (30 September 2019: 341 licensed branches) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The registered address of the Bank’s Head Office is as follows:

Granada Oasis - A1 Tower
Riyadh - Al Shuhada District
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

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

The interim condensed consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries, a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), b) Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities); c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia; d) Curzon Street Properties Limited incorporated in the Isle of Man; and e) Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank. These entities together with the Bank, are collectively referred to as “the Group”.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the nine months period ended 30 September 2020 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 endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”). The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended 31 December 2019.

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the financial statements of the subsidiaries which are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

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.

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

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

(a) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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 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 (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Bank will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programmes to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Bank needs to ensure it has appropriate accounting policies and governance in place. For the additional disclosures, the Bank will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

(b) Definition of a Business (Amendments to IFRS 3)

(c) Definition of Material (Amendments to IAS 1 and IAS 8)

(d) 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 Group.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2019, except for the policies explained below. Based on the adoption of amended standards explained in note 4, the following accounting policies are applicable effective 1 January 2020 replacing / amending or adding to the corresponding accounting policies set out in 2019 financial statements.

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 profit 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. The government grant is recognised in the statement of income on a systematic basis over the period 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.

6. 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 Group'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)		
	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000
Held for trading:									
Special commission rate swaps	1,612,785	(1,380,212)	45,696,130	513,761	(427,453)	40,316,114	594,671	(507,044)	39,162,023
Forward foreign exchange contracts	96,186	(62,684)	22,297,500	95,086	(21,762)	29,886,020	55,841	(45,897)	36,345,711
Held as fair value hedges:									
Special commission rate swaps	-	(398,644)	3,395,224	-	(200,011)	3,169,439	-	(248,064)	3,169,354
Held as cash flow hedges:									
Special commission rate swaps	801	-	450,000	-	-	-	-	-	-
Total	1,709,772	(1,841,540)	71,838,854	608,847	(649,226)	73,371,573	650,512	(801,005)	78,677,088

7 INVESTMENTS, NET

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 September 2019 (Unaudited) SAR'000
Investments at amortized cost	33,263,952	32,154,904	32,028,787
Investments at FVOCI:			
- Equity	3,358,540	3,088,985	2,389,810
- Debt	17,669,846	17,131,969	16,157,990
Total investments at FVOCI	21,028,386	20,220,954	18,547,800
Investment at FVIS	801,506	1,038,918	798,762
Less: impairment	(58,230)	(53,361)	(61,410)
Total	55,035,614	53,361,415	51,313,939

8. LOANS AND ADVANCES, NET

8.1 Loans and advances held at amortised cost

These comprise the following:

30 September 2020 (Unaudited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	7,360,091	690,039	62,102,207	121,473,695	455,051	192,081,083
Non-performing loans and advances	353,666	-	389,182	2,186,170	1,290	2,930,308
Total loans and advances	7,713,757	690,039	62,491,389	123,659,865	456,341	195,011,391
Allowance for impairment	(227,960)	(22,264)	(968,452)	(2,966,217)	(3,448)	(4,188,341)
Loans and advances, net	7,485,797	667,775	61,522,937	120,693,648	452,893	190,823,050

31 December 2019 (Audited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	6,778,704	798,484	55,951,555	111,157,478	497,510	175,183,731
Non-performing loans and advances	95,536	-	377,950	1,078,062	2,586	1,554,134
Total loans and advances	6,874,240	798,484	56,329,505	112,235,540	500,096	176,737,865
Allowance for impairment	(110,945)	(37,971)	(937,524)	(1,667,204)	(2,222)	(2,755,866)
Loans and advances, net	6,763,295	760,513	55,391,981	110,568,336	497,874	173,981,999

30 September 2019 (Unaudited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	6,093,883	813,382	52,432,251	107,457,533	400,483	167,197,532
Non-performing loans and advances	78,587	-	332,081	1,022,486	480	1,433,634
Total loans and advances	6,172,470	813,382	52,764,332	108,480,019	400,963	168,631,166
Allowance for impairment	(68,175)	(38,579)	(857,786)	(1,390,601)	(746)	(2,355,887)
Loans and advances, net	6,104,295	774,803	51,906,546	107,089,418	400,217	166,275,279

8.2 The movement in the allowance for impairment of loans and advances to customers is as follows:

SAR'000	For the nine month period ended 30 September 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at the beginning of the period/ year	2,755,866	2,358,529
Provided during the period/ year	1,594,497	1,173,853
Bad debts written off against provision during the period/ year	(162,022)	(776,516)
	4,188,341	2,755,866

8.3 The breakdown of allowance for impairment of loans and advances by stages is as follows:

SAR'000	12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance at 30 September 2020 (Unaudited)	757,736	832,550	2,598,055	4,188,341
Balance at 31 December 2019 (Audited)	449,757	509,208	1,796,901	2,755,866
Balance at 30 September 2019 (Unaudited)	364,825	473,672	1,517,390	2,355,887

8.4 Impairment charges for credit losses and other financial assets, net as reflected in the interim consolidated statement of income are detailed as follows:

SAR'000	For the three month period ended 30 September 2020 (Unaudited)	For the three month period ended 30 September 2019 (Unaudited)	For the nine month period ended 30 September 2020 (Unaudited)	For the nine month period ended 30 September 2019 (Unaudited)
Impairment charge for credit losses, net	466,065	189,840	1,339,458	635,267
Impairment charge for other financial assets, net	24,037	11,655	70,858	6,125
Total	490,102	201,495	1,410,316	641,392

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 September 2019 (Unaudited) SAR'000
Demand	115,322,359	93,707,806	91,856,333
Saving	726,771	525,605	507,485
Time	55,166,989	80,114,743	66,299,252
Others	30,076,227	20,169,745	19,008,943
Total	201,292,346	194,517,899	177,672,013

10. DEBT SECURITIES IN ISSUE

During June 2020, the Bank settled the subordinated debt (Sukuk) of SAR 4 billion issued in June 2015 (due 2025). This settlement has been done in line with the early settlement option to repay the sukuk after 5 years from its issuance date, with prior approval of SAMA and in accordance with the terms and conditions of the agreement.

Earlier in February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum.

11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 September 2019 (Unaudited) SAR'000
Letters of credit	8,208,172	9,197,819	8,365,774
Letters of guarantee	62,046,896	61,546,938	63,207,144
Acceptances	2,451,017	2,416,610	2,364,823
Irrevocable commitments to extend credit	12,630,445	12,336,542	11,674,200
Total	85,336,530	85,497,909	85,611,941

b) The breakdown of allowance for impairment of credit related commitments and contingencies by stages is as follows:

SAR'000	12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance at 30 September 2020 (Unaudited)	50,690	84,703	137,335	272,728
Balance at 31 December 2019 (Audited)	49,500	14,359	128,926	192,785
Balance at 30 September 2019 (Unaudited)	55,549	14,680	83,657	153,886

Other liabilities as at 30 September 2020, include write-off reserves amounting to SAR 582 million (31 December 2019: SAR 603 million).

12. CASH AND CASH EQUIVALENTS

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

	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 September 2019 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	33,489,594	19,562,787	6,707,560
Due from banks and other financial institutions maturing within three months from date of acquisition	11,354,054	3,909,953	7,491,948
Total	44,843,648	23,472,740	14,199,508

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

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.

Following are the financial instruments carried at fair value in the interim condensed consolidated financial statements.

Fair value and fair value hierarchy

30 September 2020 SAR'000 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
- Positive fair value of derivatives	-	1,709,772	-	1,709,772
- Investments held at FVIS	801,506	-	-	801,506
- Investments held at FVOCI	20,581,761	-	406,497	20,988,258
Financial liabilities measured at fair value				
- Negative fair value of derivatives	-	1,841,540	-	1,841,540

31 December 2019 SAR'000 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
- Positive fair value of derivatives	-	608,847	-	608,847
- Investments held at FVIS	1,038,918	-	-	1,038,918
- Investments held at FVOCI	19,788,231	-	392,722	20,180,953
Financial liabilities measured at fair value				
- Negative fair value of derivatives	-	649,226	-	649,226

30 September 2019 SAR'000 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
- Positive fair value of derivatives	-	650,512	-	650,512
- Investments held at FVIS	798,762	-	-	798,762
- Investments held at FVOCI	18,198,950	-	308,940	18,507,890
Financial liabilities measured at fair value				
- Negative fair value of derivatives	-	801,005	-	801,005

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Reconciliation of movement in Level 3	For the nine month period ended 30 September 2020 (Unaudited) SAR'000	For the year-ended 31 December 2019 (Audited) SAR'000
Opening balance	392,722	288,876
Total gains or losses, net:		
- recognised in interim condensed consolidated statement of income	14,836	3
- recognised in other comprehensive income	(1,061)	5,178
Purchases	-	98,665
Closing balance	406,497	392,722

There were no transfers between the fair value hierarchy levels during the current or prior period.

The fair values of on-balance sheet financial instruments, except for loans and advances and investments held at amortised cost are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of customer deposits, debt securities in issue, cash and balances with SAMA, due from and due to banks and other financial institutions, other assets and other liabilities which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks and other financial institutions, other assets and other liabilities.

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances. The estimated fair values of loans and advances was SAR 200.5 billion as at 30 September 2020 (31 December 2019: SAR 178.3 billion).

The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The estimated fair values of these investments was SAR 33.9 billion as at 30 September 2020 (31 December 2019: SAR 32.8 billion).

14. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group’s primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, the representative office and the agency are not material to the Group’s overall interim condensed consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Bank's transfer pricing system.There are no other material items of income or expenses between the operating segments.

14. OPERATING SEGMENTS (continued)

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

Deposits, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

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

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

Treasury and investment

Principally providing money market, trading and treasury services as well as the management of the Group's investment portfolios.

The Group's total assets and liabilities at 30 September 2020 and 2019 and its total operating income, total operating expenses and income before zakat for the nine months periods then ended, by operating segments, are as follows:

30 September 2020

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	75,643,921	2,102,882	134,639,881	96,171,071	308,557,755
Total liabilities	90,843,784	421,606	150,429,660	24,208,181	265,903,231
Total operating income, net of which	2,793,029	518,764	3,296,511	1,807,106	8,415,410
- Net special commission income	2,629,805	141,998	2,413,051	992,885	6,177,739
- Fee and commission income, net	174,697	353,377	882,891	25,615	1,436,580
Inter segment revenues	95,009	139,491	(349,931)	115,431	-
Total operating expenses, net of which	1,795,113	149,433	2,032,307	124,358	4,101,211
- Depreciation of property and equipment	288,399	18,024	54,052	8,833	369,308
- Impairment (reversal) charge for credit losses and other financial assets, net	(6,574)	-	1,404,853	12,037	1,410,316
- Impairment charge for investments, net	-	-	-	14,569	14,569
Share in earnings of associates, net	-	-	-	13,256	13,256
Income for the period before zakat	997,916	369,331	1,264,204	1,696,004	4,327,455

30 September 2019

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	63,344,028	1,400,012	119,267,267	66,561,653	250,572,960
Total liabilities	81,995,413	319,604	109,264,186	19,751,805	211,331,008
Total operating income, net of which	2,734,023	381,615	3,263,325	1,633,440	8,012,403
- Net special commission income	2,411,691	99,333	2,307,728	987,144	5,805,896
- Fee and commission income, net	329,493	253,081	952,317	5,579	1,540,470
Inter segment revenues	506,942	99,026	(606,279)	311	-
Total operating expenses, net of which	1,592,347	142,932	1,395,783	36,716	3,167,778
- Depreciation of property and equipment	258,772	12,165	49,556	7,432	327,925
- Impairment (reversal) charge for credit losses and other financial assets, net	(123,057)	-	768,292	(3,843)	641,392
- Impairment reversal for investment, net	-	-	-	(41,166)	(41,166)
Share in earnings of associates, net	-	-	-	146,260	146,260
Income for the period before zakat	1,141,676	238,683	1,867,542	1,742,984	4,990,885

15. FINANCIAL RISK MANAGEMENT

Credit risk

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group'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 Group 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 Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /service sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

The Group 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 business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

16. DIVIDENDS

On 25 March 2020, the shareholders in the Ordinary General Assembly meeting approved the distribution of dividends to shareholders for the second half of 2019. The amount of such dividend amounted to SAR 1,650 million (SAR 0.55 per share) and the distribution date for the dividend was 8 April 2020.

17. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 September 2020 and 2019 are calculated by dividing the net income for the period by 3,000 million outstanding shares.

18. SHARE IN EARNINGS OF ASSOCIATES, NET

During the prior period ended 31 March 2019, the Group increased its holding in Ajil Financial Services Company (an associate of the Bank) to 48.46 % (31 December 2018: 35%). Cash consideration of SAR 33.7 million was paid for the additional stake. In the absence of control, the additional investment has been accounted for using the equity method in the interim condensed consolidated financial statements. Gains on the above transaction amounted to SAR 103.7 million and had been included in share of earnings in associate, net for the period ended 30 September 2019.

19. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers the Group's business plans along with economic conditions which directly and indirectly affects its business environment.

19. CAPITAL ADEQUACY (continued)

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	30 September 2020 (Unaudited) SAR Millions	31 December 2019 (Audited) SAR Millions	30 September 2019 (Unaudited) SAR Millions
Risk weighted assets			
Credit	244,487	229,293	224,919
Operational	17,988	16,562	16,072
Market	2,854	3,701	3,083
Total Pillar-I Risk Weighted Assets	265,329	249,556	244,074
Eligible capital			
Tier I Capital	42,655	40,572	39,242
Tier II Capital	6,477	4,513	4,443
Total Tier I and II Capital	49,132	45,085	43,685
Tier I Capital Adequacy Ratio %	16.1%	16.3%	16.1%
Total Capital Adequacy Ratio %	18.5%	18.1%	17.9%

20 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are 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 probability of default and
- revisions to the macro-economic scenario probabilities;

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 judgement and uncertainty and therefore, the actual outcomes may be different to those expected through the ECL model.

As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time despite above revisions. Accordingly, management's ECL assessment also includes sector-based analysis depending on the impacted portfolios and certain macroeconomic analysis. The Bank has therefore recognised an overlay of SAR 144 million as at 30 September 2020. The Bank will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSME") as 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;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA, the Bank is required to defer payments for six months on lending facilities to eligible MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing 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 months payment deferrals for eligible MSMEs until 14 December 2020. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 for a period of additional three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Bank recognizing an additional modification loss of SAR 104.7 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 441 million of related modification losses of which SAR 315 million have been unwound.

20. **IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)**

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 months period ended 30 September 2020 the Bank received profit free deposits from SAMA amounting to SAR 19.9 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 day 1 fair valuation gain of SAR 441 million has been recognised in the statement of income and SAR 627 million is deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the nine months period ended 30 September 2020, SAR 53.1 million, net, has been charged to the statement of income relating to unwinding of Day 1 income.

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 nine months period ended 30 September 2020, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 64 million.

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

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:
- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Bank received SAR 6.3 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 day 1 fair valuation gain of SAR 97 million of which SAR 22 million has been recognised in the statement of income as at 30 September 2020 and with the remaining amount deferred.

Bank's initiative - 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 decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months from April 1, 2020 till June 30, 2020.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period presentation.