



**RIYAD BANK  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2021**



Ernst and Young & Co Public Accountants  
(Professional Limited Liability Company)

Head Office  
Al Faisaliah Office Tower, 14<sup>th</sup> Floor  
King Fahad Road  
P.O. Box 2732  
Riyadh 11461  
Kingdom of Saudi Arabia

C.R. No. 1010383821



**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 2021, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2021, 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 (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 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 as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

**Other regulatory matters**

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (18) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (18) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**Ernst and Young & Co. Public Accountants  
(Professional Limited Liability Company)**

**Waleed G. Tawfiq**  
Certified Public Accountant  
License No. 437



26 Rabi Awal 1443H  
(1 November 2021)

**PricewaterhouseCoopers**  
P. O. Box 8282  
Riyadh 11482  
Kingdom of Saudi Arabia

**Mufaddal A. Ali**  
Certified Public Accountant  
License No. 447



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |        | 30 September<br>2021<br>(Unaudited) | 31 December<br>2020<br>(Audited) | 30 September<br>2020<br>(Unaudited) |
|---|--------|-------------------------------------|----------------------------------|-------------------------------------|
|   | Note   | SAR'000                             | SAR'000                          | SAR'000                             |
| <b>ASSETS</b>   |        |                                     |                                  |                                     |
| Cash and balances with Saudi Central Bank (SAMA)                      |        | 27,112,159                          | 41,954,124                       | 44,190,831                          |
| Due from banks and other financial institutions, net                  |        | 17,301,727                          | 13,624,476                       | 11,441,815                          |
| Positive fair value of derivatives                                    | 6      | 1,478,552                           | 1,558,957                        | 1,709,772                           |
| - Investment at fair value through income statement (FVIS)            | 7 i)   | 877,259                             | 1,101,133                        | 801,506                             |
| - Investment at amortised cost, net                                   | 7 ii)  | 34,165,499                          | 33,290,075                       | 33,245,850                          |
| - Investments at fair value through other comprehensive income(FVOCI) | 7 iii) | 22,408,083                          | 22,058,598                       | 20,988,258                          |
| Investments, net  | 7      | 57,450,841                          | 56,449,806                       | 55,035,614                          |
| Loans and advances, net   | 8      | 210,482,066                         | 191,346,635                      | 190,823,050                         |
| Other assets  |        | 1,392,879                           | 1,702,893                        | 1,944,913                           |
| Investment in associates  |        | 649,816                             | 699,151                          | 693,161                             |
| Other real estate   |        | 287,734                             | 324,054                          | 327,585                             |
| Property, equipment and right of use assets, net                      |        | 2,500,817                           | 2,427,811                        | 2,391,014                           |
| <b>Total assets</b>   |        | <b>318,656,591</b>                  | <b>310,087,907</b>               | <b>308,557,755</b>                  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                           |        |                                     |                                  |                                     |
| <b>Liabilities</b>  |        |                                     |                                  |                                     |
| Due to banks and other financial institutions                         |        | 42,933,640                          | 41,788,903                       | 42,644,039                          |
| Negative fair value of derivatives                                    | 6      | 1,529,066                           | 1,640,934                        | 1,841,540                           |
| Customer deposits   | 9      | 203,995,613                         | 203,039,336                      | 201,292,386                         |
| Debt securities in issue  | 10     | 8,648,055                           | 5,684,008                        | 5,638,302                           |
| Other liabilities   |        | 15,500,352                          | 13,579,628                       | 14,486,964                          |
| <b>Total liabilities</b>  |        | <b>272,606,726</b>                  | <b>265,732,809</b>               | <b>265,903,231</b>                  |
| <b>Shareholders' equity</b>   |        |                                     |                                  |                                     |
| Share capital   |        | 30,000,000                          | 30,000,000                       | 30,000,000                          |
| Statutory reserve   |        | 7,680,879                           | 7,680,879                        | 6,502,130                           |
| Other reserves  |        | 2,017,538                           | 1,745,649                        | 924,617                             |
| Retained earnings   |        | 6,351,448                           | 4,928,570                        | 5,227,777                           |
| <b>Total shareholders' equity</b>                                     |        | <b>46,049,865</b>                   | <b>44,355,098</b>                | <b>42,654,524</b>                   |
| <b>Total liabilities and shareholders' equity</b>                     |        | <b>318,656,591</b>                  | <b>310,087,907</b>               | <b>308,557,755</b>                  |

B.H

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

Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board



INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

|   | Note | For the three month period<br>ended 30 September |                  | For the nine month period<br>ended 30 September |                  |
|---|------|--|------------------|---|------------------|
|   |      | 2021   | 2020             | 2021  | 2020             |
|   |      | SAR'000  | SAR'000          | SAR'000   | SAR'000          |
| Special commission income   |      | 2,175,226  | 2,376,413        | 6,802,384                                       | 7,518,951        |
| Special commission expense  |      | 193,515  | 303,744          | 578,845   | 1,341,212        |
| <b>Net special commission income</b>                                |      | <b>1,981,711</b>                                 | <b>2,072,669</b> | <b>6,223,539</b>                                | <b>6,177,739</b> |
| Fee and commission income   |      | 772,545  | 762,214          | 2,219,622                                       | 2,028,830        |
| Fee and commission expense  |      | 235,898  | 220,332          | 711,647   | 592,250          |
| <b>Fee and commission income, net</b>                               |      | <b>536,647</b>                                   | <b>541,882</b>   | <b>1,507,975</b>                                | <b>1,436,580</b> |
| Exchange income, net  |      | 95,585   | 78,872           | 271,175   | 330,996          |
| Trading income, net   |      | 78,136   | 40,810           | 187,222   | 218,118          |
| Dividend income   |      | 45,705   | 30,676           | 109,016   | 89,292           |
| Gains on disposal of non-trading investments, net                   |      | 71,307   | 52,102           | 281,104   | 152,154          |
| Other operating income  |      | 7,492  | 3,974            | 38,473  | 10,531           |
| <b>Total operating income, net</b>                                  |      | <b>2,816,583</b>                                 | <b>2,820,985</b> | <b>8,618,504</b>                                | <b>8,415,410</b> |
| Salaries and employee-related expenses                              |      | 533,138  | 464,571          | 1,551,539                                       | 1,438,593        |
| Rent and premises-related expenses                                  |      | 48,472   | 45,309           | 137,839   | 131,979          |
| Depreciation of property, equipment and right of use assets         |      | 122,607  | 130,713          | 365,981   | 369,308          |
| Other general and administrative expenses                           |      | 286,242  | 235,207          | 875,803   | 693,181          |
| Other operating expenses  |      | 17,637   | 14,102           | 70,660  | 43,265           |
| <b>Total operating expenses before impairment charge</b>            |      | <b>1,008,096</b>                                 | <b>889,902</b>   | <b>3,001,822</b>                                | <b>2,676,326</b> |
| Impairment charge for credit losses and other financial assets, net | 8.4  | 107,584  | 490,102          | 591,992   | 1,410,316        |
| Impairment (reversal) /charge for investments, net                  |      | (38,919)   | (19,384)         | 27,117  | 14,569           |
| <b>Total operating expenses, net</b>                                |      | <b>1,076,761</b>                                 | <b>1,360,620</b> | <b>3,620,931</b>                                | <b>4,101,211</b> |
| <b>Net operating income</b>   |      | <b>1,739,822</b>                                 | <b>1,460,365</b> | <b>4,997,573</b>                                | <b>4,314,199</b> |
| Share in (losses) earnings of associates, net                       |      | (13,017)   | 12,610           | (32,552)  | 13,256           |
| <b>Income for the period before zakat</b>                           |      | <b>1,726,805</b>                                 | <b>1,472,975</b> | <b>4,965,021</b>                                | <b>4,327,455</b> |
| Zakat for the period  |      | 184,000  | 177,000          | 557,000   | 492,000          |
| <b>Net income for the period</b>                                    |      | <b>1,542,805</b>                                 | <b>1,295,975</b> | <b>4,408,021</b>                                | <b>3,835,455</b> |
| <b>Basic and diluted earnings per share (in SAR)</b>                | 17   | <b>0.51</b>                                      | <b>0.43</b>      | <b>1.47</b>                                     | <b>1.28</b>      |

B.H

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

Abdullah A. Al-Oraini  
Chief Financial Officer

Tareq A. Al-Sadhan  
Chief Executive Officer

Eng. Abdullah M. Al-Issa  
Chairman of the Board

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

|   | For the three month period ended 30 September |           | For the nine month period ended 30 September |           |
|---|---|-----------|--|-----------|
|   | 2021  | 2020      | 2021   | 2020      |
|   | SAR'000                                       | SAR'000   | SAR'000                                      | SAR'000   |
| Net income for the period   | 1,542,805                                     | 1,295,975 | 4,408,021                                    | 3,835,455 |
| Other comprehensive income (OCI):   |   |           |  |           |
| <u>a) Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods</u>         |   |           |  |           |
| - Fair value through other comprehensive income (FVOCI- debt instruments)   |   |           |  |           |
| - Net change in fair value  | 6,259   | 285,608   | (142,866)                                    | (75,639)  |
| - Net amounts transferred to interim condensed consolidated statement of income   | (70,544)                                      | (18,171)  | (241,371)                                    | (91,317)  |
| - Net changes in allowance for expected credit losses (ECL) of debt instruments   | (28,075)                                      | (6,833)   | 37,689                                       | 9,828     |
| - Net change in fair value of cash flow hedge   | (2,972)                                       | 801       | (13,049)                                     | 801       |
| <u>b) Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods</u>     |   |           |  |           |
| - Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments) | 51,595  | 311,206   | 646,343                                      | 53,934    |
| Other comprehensive income (loss) for the period  | (43,737)                                      | 572,611   | 286,746                                      | (102,393) |
| Total comprehensive income for the period   | 1,499,068                                     | 1,868,586 | 4,694,767                                    | 3,733,062 |

B.H

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

W  
Abdullah A. Al-Oraini  
Chief Financial Officer

Tareq A. Al-Sadhan  
Chief Executive Officer

Eng. Abdullah M. Al-Issa  
Chairman of the Board

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)  
For the nine month period ended 30 September 2021 & 2020

| SAR'000   | Share capital     | Statutory reserve | Other reserves   | Retained earnings | Proposed dividends | Total             |
|---|-------------------|-------------------|------------------|-------------------|--------------------|-------------------|
| <b>30 September 2021</b>  |                   |                   |                  |                   |                    |                   |
| Balance at the beginning of the period  | 30,000,000        | 7,680,879         | 1,745,649        | 4,928,570         | -                  | 44,355,098        |
| <u>Total comprehensive income</u>   |                   |                   |                  |                   |                    |                   |
| Net changes in fair values of   |                   |                   |                  |                   |                    |                   |
| - FVOCI -equity instruments   | -                 | -                 | 646,343          | -                 | -                  | 646,343           |
| - FVOCI -debt instruments   | -                 | -                 | (142,866)        | -                 | -                  | (142,866)         |
| Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments | -                 | -                 | (241,371)        | -                 | -                  | (241,371)         |
| Net changes in allowance for expected credit losses on FVOCI -debt instruments                                | -                 | -                 | 37,689           | -                 | -                  | 37,689            |
| Net change in fair value of cash flow hedge   | -                 | -                 | (13,049)         | -                 | -                  | (13,049)          |
| Net income for the period   | -                 | -                 | -                | 4,408,021         | -                  | 4,408,021         |
| Total comprehensive income  | -                 | -                 | 286,746          | 4,408,021         | -                  | 4,694,767         |
| Disposal of FVOCI-equity instruments  | -                 | -                 | (14,857)         | 14,857            | -                  | -                 |
| Final proposed dividends - 2020 (note 16)   | -                 | -                 | -                | (1,500,000)       | 1,500,000          | -                 |
| Final dividends declared - 2020 (note 16)   | -                 | -                 | -                | -                 | (1,500,000)        | (1,500,000)       |
| Interim dividend - 2021 (note 16)   | -                 | -                 | -                | (1,500,000)       | -                  | (1,500,000)       |
| Balance at the end of the period  | <u>30,000,000</u> | <u>7,680,879</u>  | <u>2,017,538</u> | <u>6,351,448</u>  | <u>-</u>           | <u>46,049,865</u> |
| <b>30 September 2020</b>  |                   |                   |                  |                   |                    |                   |
| 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        |
| <u>Total comprehensive income</u>   |                   |                   |                  |                   |                    |                   |
| 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 dividend - 2019   | -                 | -                 | -                | -                 | (1,650,000)        | (1,650,000)       |
| Balance at the end of the period  | <u>30,000,000</u> | <u>6,502,130</u>  | <u>924,617</u>   | <u>5,227,777</u>  | <u>-</u>           | <u>42,654,524</u> |

B.H

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

Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

|  |      | For the nine month period ended 30 September |                    |
|--|------|--|--------------------|
|  |      | 2021   | 2020               |
|  | Note | SAR'000                                      | SAR'000            |
| <b>OPERATING ACTIVITIES</b>  |      |  |                    |
| Income for the period before zakat   |      | 4,965,021                                    | 4,327,455          |
| <b>Adjustments to reconcile net income for the period to net cash from operating activities:</b>     |      |  |                    |
| Accretion of discounts and amortisation of premium on non-FVIS instruments, net                      |      | (16,075)                                     | (70,295)           |
| Gains on non-trading investments, net  |      | (281,104)                                    | (152,154)          |
| Gains on trading investments, net  |      | (7,064)                                      | (20,940)           |
| Dividend income  |      | (109,016)                                    | (89,292)           |
| Depreciation of property, equipment and right of use assets  |      | 365,981                                      | 369,308            |
| Share in losses (earnings) of associates, net  |      | 32,552                                       | (13,256)           |
| Impairment charge for investments, net   |      | 27,117                                       | 14,569             |
| Impairment charge for credit losses and other financial assets, net                                  | 8.4  | 591,992                                      | 1,410,316          |
|  |      | <u>5,569,404</u>                             | <u>5,775,711</u>   |
| <b>Net (increase) decrease in operating assets:</b>  |      |  |                    |
| Statutory deposit with SAMA  |      | 154,173                                      | (1,074,335)        |
| Due from banks and other financial institutions maturing after three months from date of acquisition |      | (791,000)                                    | 725,000            |
| Positive fair value of derivatives   |      | 80,405                                       | (1,100,925)        |
| Investments at FVIS  |      | 388,870                                      | 246,459            |
| Loans and advances, net  |      | (19,752,768)                                 | (18,180,509)       |
| Other real estate  |      | 36,320                                       | (94,528)           |
| Other assets   |      | 442,000                                      | (1,157,468)        |
| <b>Net increase (decrease) in operating liabilities:</b>   |      |  |                    |
| Due to banks and other financial institutions  |      | 1,144,737                                    | 29,519,559         |
| Negative fair value of derivatives   |      | (111,868)                                    | 1,192,314          |
| Customer deposits  |      | 956,277                                      | 6,774,447          |
| Other liabilities  |      | 2,144,237                                    | 1,496,163          |
|  |      | <u>(9,739,213)</u>                           | <u>24,121,888</u>  |
| Zakat paid   |      | <u>(686,565)</u>                             | <u>(642,572)</u>   |
| <b>Net cash (used in) from operating activities</b>  |      | <u>(10,425,778)</u>                          | <u>23,479,316</u>  |
| <b>INVESTING ACTIVITIES</b>  |      |  |                    |
| Proceeds from sales and maturities of investments not held as FVIS instruments                       |      | 62,243,358                                   | 35,452,002         |
| Purchase of investments not held as FVIS instruments   |      | (62,944,068)                                 | (37,125,106)       |
| Purchase of property and equipment, net  |      | (350,928)                                    | (285,848)          |
| Advance against purchase of property and equipment   |      | (125,000)                                    | -                  |
|  |      | <u>(1,176,638)</u>                           | <u>(1,958,952)</u> |
| <b>FINANCING ACTIVITIES</b>  |      |  |                    |
| Lease payments   |      | (178,373)                                    | (130,851)          |
| Debt securities in issue, net  | 10   | 2,964,047                                    | 1,626,350          |
| Dividend paid  |      | (2,988,740)                                  | (1,644,955)        |
|  |      | <u>(203,066)</u>                             | <u>(149,456)</u>   |
| <b>Net cash used in financing activities</b>   |      | <u>(11,805,482)</u>                          | <u>21,370,908</u>  |
| <b>Net (decrease) increase in cash and cash equivalents</b>  |      | <u>44,965,596</u>                            | <u>23,472,740</u>  |
| Cash and cash equivalents at beginning of the period   |      | 44,965,596                                   | 23,472,740         |
| <b>Cash and cash equivalents at end of the period</b>  | 12   | <u>33,160,114</u>                            | <u>44,843,648</u>  |
| Special commission received during the period  |      | 6,645,507                                    | 7,237,009          |
| Special commission paid during the period  |      | <u>794,023</u>                               | <u>1,374,667</u>   |
| <b>Supplemental non-cash information</b>   |      |  |                    |
| Net changes in fair value and transfers to interim condensed consolidated statement of income        |      | 249,057                                      | (112,221)          |
| Right of use (ROU) assets  |      | (88,059)                                     | (196,353)          |
| Right of use (ROU) lease liabilities   |      | (15,671)                                     | 143,102            |

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

Abdullah A. Al-Oraini  
Chief Financial Officer

Tareq A. Al-Sadhan  
Chief Executive Officer

Eng. Abdullah M. Al-Issa  
Chairman of the Board

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

### 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 2020: 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; 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; and f) Esnad Al-Riyadh - a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group. 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 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 endorsed by the Saudi Organization for Chartered and Professional 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 2020.

The consolidated financial statements of the Group as at and for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand.

### 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

---

**4. 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.

**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 1, Presentation of financial statements', on classification of liabilities
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- IFRS 17, 'Insurance contracts', as amended in June 2020

**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 2020, except for the adoption of amended standards explained in note 4.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

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 2021<br>(Unaudited)  |                                   |                               | 31 December 2020<br>(Audited)     |                                   |                               | 30 September 2020<br>(Unaudited)  |                                   |                               |
|---|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
|   | Positive<br>fair value<br>SAR'000 | Negative<br>fair value<br>SAR'000 | Notional<br>amount<br>SAR'000 | Positive<br>fair value<br>SAR'000 | Negative fair<br>value<br>SAR'000 | Notional<br>amount<br>SAR'000 | Positive fair<br>value<br>SAR'000 | Negative<br>fair value<br>SAR'000 | Notional<br>amount<br>SAR'000 |
| <b>Held for trading:</b>                    |                                   |                                   |                               |                                   |                                   |                               |                                   |                                   |                               |
| Special<br>commission<br>rate swaps         | 1,361,909                         | (1,248,070)                       | 59,470,141                    | 1,436,648                         | (1,210,717)                       | 46,191,559                    | 1,612,785                         | (1,380,212)                       | 45,696,130                    |
| Forward<br>foreign<br>exchange<br>contracts | 95,732                            | (50,112)                          | 23,690,650                    | 118,908                           | (78,021)                          | 24,759,998                    | 96,186                            | (62,684)                          | 22,297,500                    |
| Currency<br>options                         | 251                               | (251)                             | 91,696                        | -                                 | -                                 | -                             | -                                 | -                                 | -                             |
| <b>Held as fair value hedges:</b>           |                                   |                                   |                               |                                   |                                   |                               |                                   |                                   |                               |
| Special<br>commission<br>rate swaps         | 20,660                            | (220,986)                         | 4,825,171                     | -                                 | (352,196)                         | 3,253,728                     | -                                 | (398,644)                         | 3,395,224                     |
| <b>Held as cash flow hedges:</b>            |                                   |                                   |                               |                                   |                                   |                               |                                   |                                   |                               |
| Special<br>commission<br>rate swaps         | -                                 | (9,647)                           | 1,375,000                     | 3,401                             | -                                 | 925,000                       | 801                               | -                                 | 450,000                       |
| <b>Total</b>                                | <b>1,478,552</b>                  | <b>(1,529,066)</b>                | <b>89,452,658</b>             | <b>1,558,957</b>                  | <b>(1,640,934)</b>                | <b>75,130,285</b>             | <b>1,709,772</b>                  | <b>(1,841,540)</b>                | <b>71,838,854</b>             |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine month periods ended 30 September 2021 & 2020**

**7. INVESTMENTS, NET**

**Investments by type of securities**

| SAR'000                                      | Domestic             |                     |                      | International        |                     |                      | Total                |                     |                      |
|--|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
|  | 30 September<br>2021 | 31 December<br>2020 | 30 September<br>2020 | 30 September<br>2021 | 31 December<br>2020 | 30 September<br>2020 | 30 September<br>2021 | 31 December<br>2020 | 30 September<br>2020 |
| <b>i) Investment at FVIS</b>                 |                      |                     |                      |                      |                     |                      |                      |                     |                      |
| Mutual Funds                                 | 877,259              | 1,101,133           | 801,506              | -                    | -                   | -                    | 877,259              | 1,101,133           | 801,506              |
| <b>Total</b>                                 | <b>877,259</b>       | <b>1,101,133</b>    | <b>801,506</b>       | <b>-</b>             | <b>-</b>            | <b>-</b>             | <b>877,259</b>       | <b>1,101,133</b>    | <b>801,506</b>       |
| <b>ii) Investment at amortised cost, net</b> |                      |                     |                      |                      |                     |                      |                      |                     |                      |
| Fixed rate securities                        | 27,435,324           | 24,925,136          | 24,914,950           | 245,420              | 935,799             | 546,048              | 27,680,744           | 25,860,935          | 25,460,998           |
| Floating rate securities                     | 6,484,755            | 7,178,921           | 7,784,852            | -                    | 250,219             | -                    | 6,484,755            | 7,429,140           | 7,784,852            |
| <b>Total</b>                                 | <b>33,920,079</b>    | <b>32,104,057</b>   | <b>32,699,802</b>    | <b>245,420</b>       | <b>1,186,018</b>    | <b>546,048</b>       | <b>34,165,499</b>    | <b>33,290,075</b>   | <b>33,245,850</b>    |
| <b>iii) Investments at FVOCI, net</b>        |                      |                     |                      |                      |                     |                      |                      |                     |                      |
| Fixed rate securities                        | -                    | -                   | -                    | 18,269,230           | 18,539,730          | 17,669,846           | 18,269,230           | 18,539,730          | 17,669,846           |
| Equities                                     | 3,402,896            | 2,846,303           | 2,730,667            | 735,957              | 672,565             | 587,745              | 4,138,853            | 3,518,868           | 3,318,412            |
| <b>Total</b>                                 | <b>3,402,896</b>     | <b>2,846,303</b>    | <b>2,730,667</b>     | <b>19,005,187</b>    | <b>19,212,295</b>   | <b>18,257,591</b>    | <b>22,408,083</b>    | <b>22,058,598</b>   | <b>20,988,258</b>    |
| <b>Total</b>                                 | <b>38,200,234</b>    | <b>36,051,493</b>   | <b>36,231,975</b>    | <b>19,250,607</b>    | <b>20,398,313</b>   | <b>18,803,639</b>    | <b>57,450,841</b>    | <b>56,449,806</b>   | <b>55,035,614</b>    |

Above investments include sukuks amounting to SAR 16.0 billion as at 30 September 2021 (31 December 2020: SAR 16.7 billion and 30 September 2020: SAR 16.5 billion).

As at 30 September 2021, the loss allowance on the investments held at amortised cost, amounted to SAR 5.5 million (31 December 2020: SAR 16.1 million and 30 September 2020: SAR 18.1 million) and these relate to stage 1 & stage 2 exposures. During the nine month period ended 30 September 2021 the stage 1 provisions decreased by SAR 12.0 million while stage 2 increased by SAR 1.5 million.

As at 30 September 2021, the loss allowance on the investments at FVOCI, net, amounted to SAR 138.0 million (31 December 2020: SAR 100.3 million and 30 September 2020: SAR 67.6 million). During the nine month period ended 30 September 2021, the loss allowance increased by SAR 13.9 million in stage 1, SAR 15.1 million in stage 2 and SAR 8.7 million in stage 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

8. LOANS AND ADVANCES, NET

8.1 Loans and advances held at amortised cost

These comprise the following:

30 September 2021 (Unaudited)

SAR'000

|                                     | Overdraft | Credit Cards | Consumer Loans | Commercial Loans | Others  | Total       |
|-------------------------------------|-----------|--------------|----------------|------------------|---------|-------------|
| Performing loans and advances-gross | 5,314,749 | 763,756      | 71,783,387     | 132,855,417      | 656,709 | 211,374,018 |
| Non-performing loans and advances   | 359,891   | 27,879       | 739,816        | 2,267,105        | 1,015   | 3,395,706   |
| Total loans and advances            | 5,674,640 | 791,635      | 72,523,203     | 135,122,522      | 657,724 | 214,769,724 |
| Allowance for impairment            | (208,882) | (23,337)     | (748,511)      | (3,306,044)      | (884)   | (4,287,658) |
| Loans and advances, net             | 5,465,758 | 768,298      | 71,774,692     | 131,816,478      | 656,840 | 210,482,066 |

31 December 2020 (Audited)

SAR'000

|                                     | Overdraft | Credit Cards | Consumer Loans | Commercial Loans | Others  | Total       |
|-------------------------------------|-----------|--------------|----------------|------------------|---------|-------------|
| Performing loans and advances-gross | 6,432,126 | 679,634      | 63,426,847     | 121,300,756      | 389,349 | 192,228,712 |
| Non-performing loans and advances   | 327,012   | 30,482       | 1,105,749      | 2,186,669        | 2,024   | 3,651,936   |
| Total loans and advances            | 6,759,138 | 710,116      | 64,532,596     | 123,487,425      | 391,373 | 195,880,648 |
| Allowance for impairment            | (217,061) | (29,830)     | (998,568)      | (3,287,425)      | (1,129) | (4,534,013) |
| Loans and advances, net             | 6,542,077 | 680,286      | 63,534,028     | 120,200,000      | 390,244 | 191,346,635 |

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 |

Loans and advances, net, include non-conventional banking products of SAR 137.8 billion as at 30 September 2021 (31 December 2020: SAR 122.9 billion and 30 September 2020: SAR 119.5 billion).

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

|   | For the nine month period ended 30 September 2021 (Unaudited) | For the year-ended 31 December 2020 (Audited) | For the nine month period ended 30 September 2020 (Unaudited) |
|---|---|---|---|
| SAR'000   |   |   |   |
| Balance at the beginning of the period/ year                    | 4,534,013   | 2,755,866                                     | 2,755,866   |
| Provided during the period/ year                                | 423,012   | 2,319,696                                     | 1,594,497   |
| Bad debts written off against provision during the period/ year | (669,367)   | (541,549)                                     | (162,022)   |
| Balance at the end of the period/ year                          | 4,287,658   | 4,534,013                                     | 4,188,341   |

8.3 An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances (SAR'000)

|  | Stage 1   | Stage 2   | Stage 3   | Total     |
|--|-----------|-----------|-----------|-----------|
| Balance at 1 January 2021                      | 1,026,381 | 945,452   | 2,562,180 | 4,534,013 |
| Transfer to 12-month ECL                       | 165,932   | (31,747)  | (134,185) | -         |
| Transfer to lifetime ECL - not credit impaired | (6,500)   | 42,168    | (35,668)  | -         |
| Transfer to lifetime ECL - credit impaired     | (1,403)   | (37,582)  | 38,985    | -         |
| Net re-measurement of loss allowance*          | (444,434) | 295,028   | (96,949)  | (246,355) |
| Balance as at 30 September 2021                | 739,976   | 1,213,319 | 2,334,363 | 4,287,658 |

|  | Stage 1  | Stage 2   | Stage 3   | Total     |
|--|----------|-----------|-----------|-----------|
| Balance at 1 January 2020                      | 449,757  | 509,207   | 1,796,902 | 2,755,866 |
| Transfer to 12-month ECL                       | 105,573  | (39,151)  | (66,422)  | -         |
| Transfer to lifetime ECL - not credit impaired | (12,785) | 73,565    | (60,780)  | -         |
| Transfer to lifetime ECL - credit impaired     | (6,761)  | (286,091) | 292,852   | -         |
| Net re-measurement of loss allowance*          | 221,952  | 575,020   | 635,503   | 1,432,475 |
| Balance as at 30 September 2020                | 757,736  | 832,550   | 2,598,055 | 4,188,341 |

\* Includes charge-offs (consumer loans and credit cards) and write-offs (commercial, overdrafts, mortgages and others).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

8. LOANS AND ADVANCES, NET (continued)

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

|   | For the three month<br>period ended 30 September |                     | For the nine month<br>period ended 30 September |                     |
|---|--|---------------------|---|---------------------|
|   | 2021<br>(Unaudited)                              | 2020<br>(Unaudited) | 2021<br>(Unaudited)                             | 2020<br>(Unaudited) |
| SAR'000   |  |                     |   |                     |
| Impairment charge for credit losses, net                      | 138,622  | 466,065             | 617,338   | 1,339,458           |
| Impairment (reversal)/ charge for other financial assets, net | (31,038)   | 24,037              | (25,346)  | 70,858              |
| Total   | 107,584  | 490,102             | 591,992   | 1,410,316           |

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

|         | 30 September 2021<br>(Unaudited) | 31 December 2020<br>(Audited) | 30 September 2020<br>(Unaudited) |
|---------|----------------------------------|-------------------------------|----------------------------------|
| SAR'000 |                                  |                               |                                  |
| Demand  | 111,989,233                      | 116,760,934                   | 115,322,359                      |
| Saving  | 1,248,279                        | 1,054,476                     | 974,155                          |
| Time    | 71,432,245                       | 67,075,543                    | 54,919,605                       |
| Others  | 19,325,856                       | 18,148,383                    | 30,076,267                       |
| Total   | 203,995,613                      | 203,039,336                   | 201,292,386                      |

Customer time deposits include non-conventional banking deposits of SAR 31,660 million as at 30 September 2021 (31 December 2020: SAR 25,992 million and 30 September 2020: SAR 21,303 million).

10. DEBT SECURITIES IN ISSUE

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible sukuk amounting to SAR 3 billion. The sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

|  | 30 September 2021<br>(Unaudited) | 31 December 2020<br>(Audited) | 30 September 2020<br>(Unaudited) |
|--|----------------------------------|-------------------------------|----------------------------------|
| SAR'000                                  |                                  |                               |                                  |
| Letters of credit                        | 9,517,291                        | 9,073,317                     | 8,208,172                        |
| Letters of guarantee                     | 67,118,759                       | 62,522,328                    | 62,046,896                       |
| Acceptances                              | 2,358,336                        | 2,497,502                     | 2,451,017                        |
| Irrevocable commitments to extend credit | 16,347,020                       | 12,435,189                    | 12,630,445                       |
| Total                                    | 95,341,406                       | 86,528,336                    | 85,336,530                       |

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

|  | 12 Months<br>ECL | Life time ECL not<br>credit impaired | Life time ECL<br>credit impaired | Total   |
|--|------------------|--------------------------------------|----------------------------------|---------|
| SAR'000                                  |                  |                                      |                                  |         |
| Balance at 30 September 2021 (Unaudited) | 36,441           | 9,017                                | 207,539                          | 252,997 |
| Balance at 31 December 2020 (Audited)    | 47,346           | 39,174                               | 198,864                          | 285,384 |
| Balance at 30 September 2020 (Unaudited) | 50,690           | 84,703                               | 137,335                          | 272,728 |

Other liabilities as at 30 September 2021, include write-off reserves amounting to SAR 559 million (31 December 2020: SAR 577 million and 30 September 2020: SAR 582 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

12. CASH AND CASH EQUIVALENTS

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

|   | 30 September<br>2021<br>(Unaudited)<br>SAR'000 | 31 December<br>2020<br>(Audited)<br>SAR'000 | 30 September<br>2020<br>(Unaudited)<br>SAR'000 |
|---|--|---|--|
| Cash and balances with SAMA excluding statutory deposit   | 16,856,651                                     | 31,544,430                                  | 33,489,594                                     |
| Due from banks and other financial institutions maturing within three months from date of acquisition | 16,303,463                                     | 13,421,166                                  | 11,354,054                                     |
| <b>Total</b>  | <b>33,160,114</b>                              | <b>44,965,596</b>                           | <b>44,843,648</b>                              |

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

| <u>30 September 2021</u><br>SAR'000 (Unaudited)     | Level 1    | Level 2   | Level 3 | Total      |
|---|------------|-----------|---------|------------|
| <u>Financial assets measured at fair value</u>      |            |           |         |            |
| - Positive fair value of derivatives                | -          | 1,478,552 | -       | 1,478,552  |
| - Investments held at FVIS                          | 877,259    | -         | -       | 877,259    |
| - Investments held at FVOCI                         | 21,921,875 | -         | 486,208 | 22,408,083 |
| <u>Financial liabilities measured at fair value</u> |            |           |         |            |
| - Negative fair value of derivatives                | -          | 1,529,066 | -       | 1,529,066  |
| <br>  |            |           |         |            |
| <u>31 December 2020</u><br>SAR'000 (Audited)        | Level 1    | Level 2   | Level 3 | Total      |
| <u>Financial assets measured at fair value</u>      |            |           |         |            |
| - Positive fair value of derivatives                | -          | 1,558,957 | -       | 1,558,957  |
| - Investments held at FVIS                          | 1,101,133  | -         | -       | 1,101,133  |
| - Investments held at FVOCI                         | 21,603,888 | -         | 454,710 | 22,058,598 |
| <u>Financial liabilities measured at fair value</u> |            |           |         |            |
| - Negative fair value of derivatives                | -          | 1,640,934 | -       | 1,640,934  |
| <br>  |            |           |         |            |
| <u>30 September 2020</u><br>SAR'000 (Unaudited)     | Level 1    | Level 2   | Level 3 | Total      |
| <u>Financial assets measured at fair value</u>      |            |           |         |            |
| - 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 |
| <u>Financial liabilities measured at fair value</u> |            |           |         |            |
| - Negative fair value of derivatives                | -          | 1,841,540 | -       | 1,841,540  |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

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

|  | For the nine month<br>period ended<br>30 September 2021<br>(Unaudited)<br>SAR'000 | For the year ended<br>31 December 2020<br>(Audited)<br>SAR'000 | For the nine month<br>period ended<br>30 September 2020<br>(Unaudited)<br>SAR'000 |
|--|---|--|---|
| <b>Reconciliation of movement in Level 3</b>   |   |  |   |
| Opening balance  | 454,710   | 392,722  | 392,722   |
| Total gains or losses, net:  |   |  |   |
| - recognised in interim condensed consolidated statement of income                     | (804)   | 16,399   | 14,836  |
| - recognised in interim condensed consolidated statement of other comprehensive income | (50,438)  | (1,218)  | (1,061)   |
| Purchases  | 82,740  | 46,807   | -   |
| <b>Closing balance</b>   | <b>486,208</b>  | <b>454,710</b>   | <b>406,497</b>  |

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 219.7 billion as at 30 September 2021 (31 December 2020: SAR 201.5 billion and 30 September 2020: SAR 200.5 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 2021 (31 December 2020: SAR 33.3 billion and 30 September 2020: SAR 33.9 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 Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

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 2021 and 2020 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 2021

| SAR'000 (Unaudited)  | Retail banking | Investment banking and brokerage | Corporate banking | Treasury and investment | Total       |
|--|----------------|----------------------------------|-------------------|-------------------------|-------------|
| Total assets   | 85,750,568     | 2,626,780                        | 142,638,921       | 87,640,322              | 318,656,591 |
| Total liabilities  | 94,719,866     | 825,721                          | 153,140,193       | 23,920,946              | 272,606,726 |
| Total operating income, net of which   | 2,865,131      | 652,710                          | 3,172,756         | 1,927,907               | 8,618,504   |
| - Net special commission income  | 2,764,862      | 138,763                          | 2,293,145         | 1,026,769               | 6,223,539   |
| - Fee and commission income, net   | 120,079        | 498,774                          | 877,871           | 11,251                  | 1,507,975   |
| Inter segment revenues   | (13,708)       | 131,096                          | (294,237)         | 176,849                 | -           |
| Total operating expenses, net of which   | 1,798,499      | 187,269                          | 1,484,483         | 150,680                 | 3,620,931   |
| - Depreciation of property, equipment and right of use assets                    | 279,571        | 19,990                           | 56,173            | 10,247                  | 365,981     |
| - Impairment (reversal) charge for credit losses and other financial assets, net | (156,774)      | -                                | 752,198           | (3,432)                 | 591,992     |
| - Impairment charge for investments, net   | -              | -                                | -                 | 27,117                  | 27,117      |
| Share in losses of associates, net   | -              | -                                | -                 | (32,552)                | (32,552)    |
| Income for the period before zakat   | 1,066,632      | 465,441                          | 1,688,273         | 1,744,675               | 4,965,021   |

30 September 2020

| SAR'000 (Unaudited)   | Retail banking | Investment banking and brokerage | Corporate banking | Treasury and investment | Total       |
|---|----------------|----------------------------------|-------------------|-------------------------|-------------|
| Total assets  | 75,644,470     | 2,102,705                        | 134,639,535       | 96,171,045              | 308,557,755 |
| Total liabilities   | 90,052,432     | 517,608                          | 151,004,717       | 24,328,474              | 265,903,231 |
| Total operating income, net of which                                  | 2,793,590      | 505,792                          | 3,294,648         | 1,821,380               | 8,415,410   |
| - Net special commission income                                       | 2,629,663      | 128,721                          | 2,406,678         | 1,012,677               | 6,177,739   |
| - Fee and commission income, net                                      | 175,400        | 353,682                          | 881,883           | 25,615                  | 1,436,580   |
| Inter segment revenues  | 94,868         | 126,214                          | (351,677)         | 130,595                 | -           |
| Total operating expenses, net of which                                | 1,795,396      | 149,433                          | 2,031,984         | 124,398                 | 4,101,211   |
| - Depreciation of property, equipment and right of use assets         | 288,512        | 18,008                           | 53,966            | 8,822                   | 369,308     |
| - Impairment charge for credit losses and other financial assets, net | (6,574)        | -                                | 1,404,853         | 12,037                  | 1,410,316   |
| - Impairment charge for investment, net                               | -              | -                                | -                 | 14,569                  | 14,569      |
| Share in earnings of associates, net                                  | -              | -                                | -                 | 13,256                  | 13,256      |
| Income for the period before zakat                                    | 998,194        | 356,359                          | 1,262,664         | 1,710,238               | 4,327,455   |



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

---

### 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.

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

### 16. DIVIDENDS AND ZAKAT

On 23 March 2021, the shareholders in the Ordinary General Assembly meeting approved the distribution of dividends to shareholders for 2020. The amount of such dividend amounted to SAR 1,500 million (SAR 0.50 per share) and the distribution date for the dividend was 6 April 2021.

Further the Bank on 21 June 2021, announced the distribution of dividends for the first half of 2021 amounting to SAR 1,500 million (SAR 0.50 per share).

Under the SAMA COVID-19 support initiatives, the banks in Kingdom of Saudi Arabia (KSA) received long term interest free deposits from SAMA. The nature and purpose of these deposits are defined as monetary policy tool from the Government of KSA to the banks in KSA and hence these deposits have been exempted from scope of zakatable financing source of the Bank.

During the period ended 30 September 2021, the above treatment has been confirmed by the Zakat, Tax and Customs Authority (ZATCA). Based on the new regulations, the Bank has estimated provision for zakat liability for the period ended 30 September 2021 at SAR 557 million (30 September 2020: SAR 492 million).

### 17. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 September 2021 and 2020 are calculated by dividing the net income for the period by 3,000 million outstanding shares.

### 18. 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.

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<br>2021 | 31 December<br>2020 | 30 September<br>2020 |
|-------------------------------------|----------------------|---------------------|----------------------|
|                                     | (Unaudited)          | (Audited)           | (Unaudited)          |
|                                     | <u>SAR Millions</u>  | <u>SAR Millions</u> | <u>SAR Millions</u>  |
| <b>Risk weighted assets</b>         |                      |                     |                      |
| Credit                              | 264,331              | 245,887             | 244,487              |
| Operational                         | 19,420               | 18,367              | 17,988               |
| Market                              | 3,465                | 3,880               | 2,854                |
| Total Pillar-I Risk Weighted Assets | <u>287,216</u>       | <u>268,134</u>      | <u>265,329</u>       |
| <b>Eligible capital</b>             |                      |                     |                      |
| Tier I Capital                      | 46,045               | 44,352              | 42,655               |
| Tier II Capital                     | 9,430                | 6,779               | 6,477                |
| Total Tier I and II Capital         | <u>55,475</u>        | <u>51,131</u>       | <u>49,132</u>        |
| Tier I Capital Adequacy Ratio %     | 16.0%                | 16.5%               | 16.1%                |
| Total Capital Adequacy Ratio %      | 19.3%                | 19.1%               | 18.5%                |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****For the nine month periods ended 30 September 2021 & 2020****19 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 multiple wave of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak.

The Group continues to evaluate the current situation through conducting stress-testing scenarios on expected movements of key macroeconomic indicators (eg: oil prices, GDP etc.) and their impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices. The steps taken by management includes periodic 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 programs.

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Group 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 Group in the estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Group in ECL estimation. In 2020, the Group made certain adjustments to the macroeconomic factors and scenario weightings.

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

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. The Group has therefore recognised overlays of SAR 253.5 million for corporate financing as at 30 September 2021. These have been based on a sector-based analysis and other post model adjustments performed by the Group depending on the impacted portfolios.

***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 in March 2020 and with further extensions to the program subsequently announced, the Group deferred payments on lending facilities to all eligible MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Group implemented the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021, and increasing the facility tenors accordingly at no additional cost to customer. The Group continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk.

Further to the above, SAMA on June 22, 2021 announced the extension of the DPP for three additional months from July 1, 2021 to September 30, 2021, only for those MSMEs that were still affected by the COVID-19 precautionary measures and in line with guidance issued by SAMA in this regard. On September 29, 2021, for these effected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the installment falling due from October 1, 2021 to December 31, 2021. The Group performed an assessment to determine the pool of customers eligible for continued deferment and accordingly deferred the installment falling due from July 1, 2021 to December 31, 2021 and extended the tenure of the applicable loans at no additional costs to the customer. This resulted in the Group recognizing an additional modification loss of SAR 6.4 million and SAR 6.7 million during the quarters ended June 30 2021 and September 30, 2021 respectively.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 &amp; 2020

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

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. Under the DPP, the resulting total modification losses amounted to SAR 1,031 million of which SAR 399 million has been recorded during nine month period ended 30 September 2021 (30 September 2020: SAR 440.5 million). During the nine months period ended 30 September 2021, SAR 524 million (30 September 2020: SAR 314.9 million) has been recognized in the statement of income relating to unwinding of modification losses.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities program, during 2020 the Group received profit free deposits from SAMA amounting to SAR 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. The management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2020, total income of SAR 632 million had been recognised in the statement of income with the remaining amount deferred. Grant income amounting to SAR 28 million arose on the profit free deposit amounting to SAR 9.3 billion received during the nine-month period ended September 30, 2021. During the nine months period ended 30 September 2021, a total of SAR 282.1 million (30 September 2020: SAR 441 million) has been recognised in the statement of income with respect to related deposits with an aggregate of SAR 296 million deferred grant income as at 30 September 2021 (30 September 2020: SAR 627 million).

As at 30 September 2021, the Group 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 2021, the Group has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 17 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 which has been fully recognised by the Bank till date. This deposit has been repaid during the period ended-30 September 2021.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****For the nine month periods ended 30 September 2021 & 2020****20. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)**

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and

Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship

As the Group believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as at 30 September 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Group continues to monitor this guidance as it emerges.

The Group has exposure to IBOR rates that are subject to reform through [its issuance of sukuk, the structural profit rate position, holdings of investment securities, and products denominated in foreign currencies and, where applicable, associated hedging. During 2020 the Bank has established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference LIBOR to transition them to the alternate benchmarks as applicable, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, policies, risk management and valuation models, as well as managing related accounting implications. Further, the number and types of contracts which require updates as part of the transition have been finalized. As at 30 September 2021, changes required to systems, processes, policies, and models have been identified and have been partially implemented. The Group has published IBOR transition communication related materials on its website and specific changes to contracts required by the IBOR reform have been finalised. The Group has identified that the key impacted currencies are USD, GBP and EUR and the areas of most significant risk arising from the replacement of these LIBOR's are: updating systems and processes which capture USD, GBP and EUR LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from the IBOR transition and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participant, to ensure an orderly transition to the new alternate reference rate and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with USD, GBP & EUR LIBOR replacement.

As at 30 September 2021, Bank's exposure to LIBOR -USD maturing after 30 June 2023 amounted to SAR 8.1 billion for loans and advances and SAR 30.2 billion for notional amount of derivatives.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine month periods ended 30 September 2021 & 2020

---

21. COMPARATIVE FIGURES

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

22. BOARD OF DIRECTORS APPROVAL

The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 21 Rabi ul Awal, 1443H (corresponding to 27 October 2021).

B.H



Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



Eng. Abdullah M. Al-Issa  
Chairman of the Board

