Arab National Bank

(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements
For the period ended 30 September 2021

KPMG Professional Services

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C.R. No. 1010425494

Building a better working world

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Independent Auditors' Review Report on Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as of 30 September 2021, and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the nine month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard No. 34 *"Interim Financial Reporting"* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Regulatory Matters

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (20) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (20) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

KPMG Professional Services

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

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
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22 Rabi Al-Awwal 1443H
(28 October 2021)

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021 AND 2020
Amounts in SAR '000

	Notes	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
ASSETS				
Cash and balances with SAMA	6	**8,606,697**	12,633,339	14,326,974
Due from banks and other financial institutions, net	7	**1,314,239**	1,081,984	2,459,433
Positive fair value of derivatives	13	**1,036,868**	994,828	970,621
Investments, net	8	**43,866,850**	43,774,875	43,387,214
Loans and advances, net	9	**120,015,665**	113,362,613	118,058,060
Investments in associates	10	**1,145,404**	1,289,732	1,277,356
Other real estate		**179,063**	219,977	220,697
Property and equipment, net		**2,233,048**	2,300,770	2,058,274
Other assets		**3,876,876**	4,737,724	5,767,806
Total assets		**182,274,710**	180,395,842	188,526,435
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions	11	**12,177,826**	9,797,744	11,074,833
Negative fair value of derivatives	13	**2,311,557**	3,446,905	4,009,410
Customers' deposits	12	**129,394,865**	129,352,176	136,724,824
Other liabilities		**4,766,728**	5,203,219	5,320,351
Sukuk		**2,852,210**	2,829,654	2,025,707
Total liabilities		**151,503,186**	150,629,698	159,155,125
Equity				
Equity attributable to equity holders of the Bank				
Share capital	18	**15,000,000**	15,000,000	15,000,000
Statutory reserve		**8,317,000**	8,317,000	7,756,000
Other reserves		**642,584**	279,460	157,755
Retained earnings		**6,784,881**	6,137,867	6,424,994
Total equity attributable to equity holders of the Bank		**30,744,465**	29,734,327	29,338,749
Non-controlling interests		**27,059**	31,817	32,561
Total equity		**30,771,524**	29,766,144	29,371,310
Total liabilities and equity		**182,274,710**	180,395,842	188,526,435

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

Latifa Al-Sabhan	Obaid Al-Rasheed	Hesham Al-Jabr
Chief Financial Officer	Managing Director	Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
Amounts in SAR '000
(Unaudited)

		For the three months ended		For the nine months ended	
	Notes	**September 30 2021**	September 30 2020	**September 30 2021**	September 30 2020
Special commission income		**1,383,847**	1,405,650	**3,884,940**	4,665,714
Special commission expense		**131,498**	195,012	**322,861**	965,268
Net special commission income		**1,252,349**	1,210,638	**3,562,079**	3,700,446
Fees and commission income, net		**126,445**	154,057	**377,260**	427,540
Exchange income, net		**56,146**	69,405	**158,241**	261,126
Unrealised gain / (loss) on FVIS financial instruments, net		**(6,916)**	(240)	**55,559**	(126,521)
Trading income, net		**976**	1,466	**10,102**	5,088
Dividend income		**22,626**	15,655	**65,136**	58,996
Gain on sale of debt financial assets, net		**25,571**	-	**158,775**	10,488
Other operating income, net		**2,030**	12,848	**29,645**	86,005
Total operating income		**1,479,227**	1,463,829	**4,416,797**	4,423,168
Salaries and employee related expenses		**312,217**	295,986	**921,731**	925,420
Rent and premises related expenses		**12,651**	15,708	**37,548**	42,464
Depreciation and amortisation		**52,307**	53,736	**157,507**	166,626
Other general and administrative expenses		**173,643**	140,314	**503,194**	444,248
Total operating expenses before impairment charges		**550,818**	505,744	**1,619,980**	1,578,758
Impairment charges for expected credit losses (ECL) and other provisions, net	9	**184,619**	203,681	**816,226**	747,464
Impairment charges for other financial assets / (reversal of impairment charges), net		**2,962**	(7,831)	**3,294**	(11,271)
Total operating expenses		**738,399**	701,594	**2,439,500**	2,314,951
Net operating income		**740,828**	762,235	**1,977,297**	2,108,217
Share in earnings of associates, net		**23,578**	21,720	**64,392**	27,514
Gain on disposal of investment in an associate	10	**-**	-	**8,019**	15,217
Net income before zakat and income tax		**764,406**	783,955	**2,049,708**	2,150,948
Zakat for the period	16	**51,357**	61,865	**180,225**	190,086
Income tax for the period	16	**48,492**	54,154	**157,964**	166,558
Deferred tax reversal for the period		**-**	-	**(3,969)**	(1,533)
Net income for the period		**664,557**	667,936	**1,715,488**	1,795,837
Attributable to:					
Equity holders of the Bank		**665,354**	668,600	**1,720,246**	1,798,339
Non-controlling interests		**(797)**	(664)	**(4,758)**	(2,502)
Net income for the period		**664,557**	667,936	**1,715,488**	1,795,837
Basic and diluted earnings per share (expressed in SAR per share)	18	**0.44**	0.45	**1.15**	1.20

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

Latifa Al-Sabhan	Obaid Al-Rasheed	Hesham Al-Jabr
Chief Financial Officer	Managing Director	Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
Amounts in SAR '000
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Net income for the period	**664,557**	667,936	**1,715,488**	1,795,837
Other comprehensive income				
Items that cannot be reclassified to the consolidated statement of income in subsequent periods				
Equity instruments at fair value through other comprehensive income:				
- Net changes in fair value	**106,708**	222,250	**397,416**	5,837
Items that can be reclassified to the consolidated statement of income in subsequent periods				
Debt instruments at fair value through other comprehensive income:				
- Net changes in fair value	**(33,926)**	25,538	**(8,721)**	(77,502)
- Net amounts transferred to interim consolidated statement of income	**(25,571)**	(4,555)	**(25,571)**	(1,943)
Total other comprehensive income / (loss) for the period	**47,211**	243,233	**363,124**	(73,608)
Total comprehensive income for the period	**711,768**	911,169	**2,078,612**	1,722,229
Attributable to:				
Equity holders of the Bank	**712,565**	911,833	**2,083,370**	1,724,731
Non-controlling interests	**(797)**	(664)	**(4,758)**	(2,502)
Total comprehensive income for the period	**711,768**	911,169	**2,078,612**	1,722,229

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

Latifa Al-Sabhan Chief Financial Officer	Obaid Al-Rasheed Managing Director	Hesham Al-Jabr Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
Amounts in SAR '000 (Unaudited)

		Attributable to equity holders of the Bank								
				Other Reserves						
2021	**Notes**	**Share capital**	**Statutory reserve**	**FVOCI**	**Actuarial losses on defined benefit plan**	**Retained earnings**	**Proposed dividends**	**Total**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2020		**15,000,000**	**8,317,000**	**336,126**	**(56,666)**	**6,137,867**	**-**	**29,734,327**	**31,817**	**29,766,144**
Changes in equity for the period:										
Net changes in fair values of FVOCI equity investments		-	-	**397,416**	-	-	-	**397,416**	-	**397,416**
Net changes in fair values of FVOCI debt instruments		-	-	**(8,721)**	-	-	-	**(8,721)**	-	**(8,721)**
Net transfers to interim consolidated statement of income		-	-	**(25,571)**	-	-	-	**(25,571)**	-	**(25,571)**
Net income for the period		-	-	-	-	**1,720,246**	-	**1,720,246**	**(4,758)**	**1,715,488**
Total comprehensive income for the period		-	-	**363,124**	-	**1,720,246**	-	**2,083,370**	**(4,758)**	**2,078,612**
2020 final dividends, net	18	-	-	-	-	**(567,822)**	-	**(567,822)**	-	**(567,822)**
2021 interim dividends	18	-	-	-	-	**(505,410)**	-	**(505,410)**	-	**(505,410)**
Balance at the end of the period		**15,000,000**	**8,317,000**	**699,250**	**(56,666)**	**6,784,881**	**-**	**30,744,465**	**27,059**	**30,771,524**

2020	Notes	Share capital	Statutory reserve	FVOCI	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
Balance at December 31, 2019		15,000,000	7,756,000	308,794	(78,008)	4,627,232	694,205	28,308,223	35,063	28,343,286
Changes in equity for the period:										
Net changes in fair values of FVOCI equity investments		-	-	5,837	-	-	-	5,837	-	5,837
Net changes in fair values of FVOCI debt instruments		-	-	(77,502)	-	-	-	(77,502)	-	(77,502)
Net transfers to interim consolidated statement of income		-	-	(1,943)	-	-	-	(1,943)	-	(1,943)
Net income for the period		-	-	-	-	1,798,339	-	1,798,339	(2,502)	1,795,837
Total comprehensive income for the period		-	-	(73,608)	-	1,798,339		1,724,731	(2,502)	1,722,229
Net loss on derecognition of FVOCI equity investments		-	-	577	-	(577)	-	-	-	-
2019 final dividends, net		-	-	-	-	-	(694,205)	(694,205)	-	(694,205)
Balance at the end of the period		15,000,000	7,756,000	235,763	(78,008)	6,424,994	-	29,338,749	32,561	29,371,310

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

Latifa Al-Sabhan
Chief Financial Officer

Obaid Al-Rasheed
Managing Director

Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
Amounts in SAR '000
(Unaudited)

	Notes	2021	2020
OPERATING ACTIVITIES			
Net income before zakat and income tax		**2,049,708**	2,150,948
Adjustments to reconcile net income to net cash used in operating activities:			
Amortisation of premium on investments not held as FVIS, net		**28,191**	20,640
Special commission expense on Sukuk		**69,637**	45,900
Gain on sale of debt financial assets, net		**(158,775)**	(10,488)
Unrealised (gain) / loss on revaluation of investments as FVIS, net		**(55,559)**	126,521
Dividend income		**(65,136)**	(58,996)
Depreciation and amortisation		**157,507**	166,626
Loss on disposal of property, equipment and other real estate, net		**9,695**	58
Impairment charges for ECL and other provisions, net		**816,226**	747,464
Impairment / (Reversal of) charges for other financial assets, net		**3,294**	(11,271)
Share in earnings of associates, net		**(64,392)**	(27,514)
Gain on disposal of investment in an associate		**(8,019)**	(15,217)
		2,782,377	3,134,671
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**133,746**	(14,537)
Investments held at FVIS		**62,010**	(58,087)
Positive fair value of derivatives		**(42,040)**	254,515
Loans and advances		**(7,769,436)**	228,088
Other real estate, net		**31,389**	1,500
Other assets		**860,848**	(2,957,247)
Net increase / (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		**2,380,082**	7,992,651
Negative fair value of derivatives		**(1,135,348)**	1,668,226
Customers' deposits		**42,689**	(5,404,072)
Other liabilities		**(521,747)**	(1,365,187)
Zakat and income tax paid		**(337,052)**	(568,283)
Net cash (used in) /from operating activities		**(3,512,482)**	2,912,238
INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments not held as FVIS		**3,385,751**	1,786,481
Purchase of investments not held as FVIS		**(3,050,128)**	(6,080,573)
Purchase of property and equipment		**(53,922)**	(41,163)
Investment in associates		**-**	(367,231)
Proceeds from the sale of investment		**172,584**	-
Proceeds from sale of property and equipment		**17**	50
Dividends received		**65,136**	58,996
Net cash from / (used in) investing activities		**519,438**	(4,643,440)
FINANCING ACTIVITIES			
Dividends paid		**(668,028)**	(693,235)
Special commission paid on Sukuk		**-**	(38,096)
Net cash used in financing activities		**(668,028)**	(731,331)
Net decrease in cash and cash equivalents		**(3,661,072)**	(2,462,533)
Cash and cash equivalents at the beginning of the period		**6,427,643**	12,160,632
Cash and cash equivalents at the end of the period	15	**2,766,571**	9,698,099
Special commission received during the period		**3,655,703**	4,700,297
Special commission paid during the period		**(350,674)**	(943,931)
Supplemental non-cash information			
Net changes in fair value of investments held at fair value through other comprehensive income		**388,695**	(71,665)

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

Latifa Al-Sabhan	Obaid Al-Rasheed	Hesham Al-Jabr
Chief Financial Officer	Managing Director	Authorized Board Member

1. General

Arab National Bank (a Saudi Joint Stock Company) (the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 135 branches (September 30, 2020: 137 branches) in the Kingdom of Saudi Arabia (the Kingdom) and one branch in the United Kingdom. The address of the Bank's head office is as follows:

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

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

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

Arab National Investment Company (ANB Invest)

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

Arabian Heavy Equipment Leasing Company (AHEL)

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

ANB Insurance Agency

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

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

Al-Manzil Al-Mubarak Real Estate Financing Limited

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

1. General (continued)

ANB Global Markets Limited

The Bank established ANB Global Markets Limited on Muharram 3, 1429H (corresponding to January 31, 2017), as a limited liability company registered in the Cayman Islands. The Bank has 100% (2020: 100%) ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the nine months ended September 30, 2021 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom and other standards and announcements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

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

3. Basis of consolidation

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

3. Basis of consolidation (continued)

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

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

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

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

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

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

New standards, interpretations and amendments adopted by the Group

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

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

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

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

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

Accounting standards issued but not yet effective

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

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

5. Significant accounting policies

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

Amounts in SAR '000

6. Cash and balances with SAMA

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Cash in hand	**1,296,718**	1,358,600	1,497,025
Statutory deposit	**7,160,949**	7,294,695	7,092,826
Reverse repo with SAMA	**146,996**	3,975,890	5,726,000
Other balances	**2,034**	4,154	11,123
Total	**8,606,697**	12,633,339	14,326,974

7. Due from banks and other financial institutions

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Current accounts	**525,083**	1,088,249	395,634
Money market placements	**795,740**	750	2,068,317
Less: Impairment	**(6,584)**	(7,015)	(4,518)
Total	**1,314,239**	1,081,984	2,459,433

8. Investments, net

Investment securities are classified as follows:

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Investments at amortized cost	**39,903,809**	39,278,082	39,004,547
Investments at FVOCI - equity	**2,470,287**	2,098,464	1,966,751
Investments at FVOCI - debt	**958,770**	1,852,935	1,922,649
Investments at FVIS	**551,963**	558,415	511,233
Less: Impairment	**(17,979)**	(13,021)	(17,966)
Total	**43,866,850**	43,774,875	43,387,214

Equity investment securities designated as at FVOCI

Dividend income recognised in the interim consolidated statement of income amounted to SAR 64,896 thousand for the nine months ended September 30, 2021 (September 30, 2020: SAR 51,057 thousand).

9. Loans and advances, net

Loans and advances are held at amortized cost and comprise the following:

September 30, 2021 (Unaudited)	**Overdrafts**	**Credit cards**	**Consumer loans**	**Commercial loans and others**	**Total**
Performing loans and advances, gross	**2,977,739**	**501,932**	**31,199,957**	**86,070,085**	**120,749,713**
Non-performing loans and advances, net	**27,346**	**6,379**	**61,973**	**3,081,684**	**3,177,382**
Total loans and advances	**3,005,085**	**508,311**	**31,261,930**	**89,151,769**	**123,927,095**
ECL allowance	**(57,710)**	**(59,694)**	**(372,488)**	**(3,421,538)**	**(3,911,430)**
Loans and advances, net	**2,947,375**	**448,617**	**30,889,442**	**85,730,231**	**120,015,665**
December 31, 2020 (Audited)					
Performing loans and advances, gross	2,667,942	385,974	29,149,545	81,124,510	113,327,971
Non-performing loans and advances, net	30,296	5,968	73,956	3,949,483	4,059,703
Total loans and advances	2,698,238	391,942	29,223,501	85,073,993	117,387,674
ECL allowance	(125,645)	(36,527)	(376,968)	(3,485,921)	(4,025,061)
Loans and advances, net	2,572,593	355,415	28,846,533	81,588,072	113,362,613

Amounts in SAR '000

9. Loans and advances, net (continued)

September 30, 2020 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,471,149	390,638	28,757,819	85,593,423	118,213,029
Non-performing loans and advances, net	32,118	8,057	79,276	3,592,675	3,712,126
Total loans and advances	3,503,267	398,695	28,837,095	89,186,098	121,925,155
Impairment allowance	(85,687)	(31,681)	(391,765)	(3,357,962)	(3,867,095)
Loans and advances, net	3,417,580	367,014	28,445,330	85,828,136	118,058,060

The movement in the Expected credit losses of loans and advances to customers for the nine months period ended September 30 is as follows:

	September 30 2021 (Unaudited)	September 30 2020 (Unaudited)
Balance at the beginning of the period	**4,025,061**	3,401,583
Charge for the period, net	**956,695**	1,001,253
Bad debts written off against impairment allowance	**(1,070,326)**	(535,741)
Balance at the end of the period	**3,911,430**	3,867,095

The net impairment charge for credit losses for the period ended September 30, 2021 amounted to SAR 836,813 thousand (September 30, 2020: SAR 894,099 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 20,641 thousand (September 30, 2020: SAR 13,381 thousand) and net of recoveries amounting to SAR 140,523 thousand (September 30, 2020: SAR 120,535 thousand).

An analysis of changes in the ECL allowance of loans and advances held at amortised cost is as follows:

September 30, 2021 (Unaudited)	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 1, 2021	**1,013,106**	**962,833**	**2,049,122**	**4,025,061**
Transfer to 12-month ECL	**58,079**	**(44,581)**	**(13,498)**	**-**
Transfer to lifetime ECL not credit impaired	**(35,343)**	**47,177**	**(11,834)**	**-**
Transfer to lifetime ECL credit impaired	**(1,043)**	**(22,695)**	**23,738**	**-**
Charge for the period, net	**(4,041)**	**33,833**	**926,903**	**956,695**
Write-offs	**-**	**-**	**(1,070,326)**	**(1,070,326)**
Balance at September 30, 2021	**1,030,758**	**976,567**	**1,904,105**	**3,911,430**

September 30, 2020 (Unaudited)	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost				
Balance at January 1, 2020	788,442	924,022	1,689,119	3,401,583
Transfer to 12-month ECL	34,881	(24,665)	(10,216)	-
Transfer to lifetime ECL not credit impaired	(22,335)	40,428	(18,093)	-
Transfer to lifetime ECL credit impaired	(1,020)	(185,317)	186,337	-
Net charge for the period	33,498	159,402	808,353	1,001,253
Write-offs	-	-	(535,741)	(535,741)
Balance at September 30, 2020	833,466	913,870	2,119,759	3,867,095

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

Amounts in SAR '000

9. Loans and advances, net (continued)

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

	For the nine month period ended	
	September 30 2021 (Unaudited)	September 30 2020 (Unaudited)
Allowance charges for expected credit losses, net	**836,813**	894,099
Reversal of provisions for credit-related commitments and contingencies, net	**(20,587)**	(146,635)
Total	**816,226**	747,464

10. Investments in associates, net

ANBI Business Gate Fund

The Group owned indirectly 25.47% of ANBI Business Gate Fund (the Fund), which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from the date of closure of the first offering on January 11, 2015. Since its launch the fund was extended a number of times. The last being December 14, 2020 when the unitholders approved an extension to December 31, 2025.

During the nine months ended September 31 2021, the Group sold half of its share to the remaining unitholders for a gain of SAR 8,019 thousand, which was recognised as a realised gain on disposal of investment in an associate in the consolidated statement of income. The Group continues to be:

- Represented by two directors on the Board of Directors;
- Participate in policy making decisions, including a veto right over the sale of assets;
- Provide the majority of the Fund's funding (SAR 1.125 million); and
- Manages the Fund through its subsidiary ANBI.

Accordingly, the Group continues to classify its investment in the Fund as an Associate. Details of the Group's other investments in associates can be found in the annual financial statements for the year ended December 31, 2020.

11. Due to banks, SAMA and other financial institutions

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Current accounts	**107,918**	103,822	254,064
Money market deposits	**3,843,467**	1,064,049	2,104,282
Commission free deposits from SAMA	**8,226,441**	8,629,873	8,716,487
Total	**12,177,826**	9,797,744	11,074,833

12. Customers' deposits

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Demand	**75,114,469**	76,241,408	71,316,749
Time	**48,074,696**	47,205,310	59,825,008
Saving	**256,393**	219,031	186,830
Others	**5,949,307**	5,686,427	5,396,237
Total	**129,394,865**	129,352,176	136,724,824

13. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by the term to maturity. The notional amounts provide an indication of the volumes of transactions outstanding at the end of the period. It does 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 derivatives, nor to market risk.

Amounts in SAR '000

13. Derivatives (continued)

	September 30, 2021 (Unaudited)			December 31, 2020 (Audited)			September 30, 2020 (Unaudited)		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate and cross currency swaps	**448,184**	**417,081**	**19,991,828**	466,134	434,504	18,923,116	466,369	433,110	19,125,336
Commission rate futures and options	**481,713**	**482,321**	**12,921,480**	475,365	476,175	12,622,282	466,723	467,607	12,621,175
Forward foreign exchange and commodity contracts	**37,263**	**13,199**	**10,206,096**	37,719	14,389	4,616,536	34,476	10,969	6,199,658
Currency and commodity options	**2,479**	**2,000**	**326,226**	290	222	134,364	283	609	251,567
Held as fair value hedges:									
Commission rate swaps	**67,229**	**1,396,956**	**22,439,336**	15,320	2,521,615	23,139,238	2,770	3,097,115	23,347,709
Total	**1,036,868**	**2,311,557**	**65,884,966**	994,828	3,446,905	59,435,536	970,621	4,009,410	61,545,445

Derivatives have been disclosed at gross amounts as at September 30, 2021 and have not been netted off by cash margins placed or received, amounting to SAR 2,419 million (December 31, 2020: SAR 3,828 million; September 30, 2020: SAR 4,576 million).

14. Commitments and contingencies

a) Legal proceedings

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

b) Credit related commitments and contingencies

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

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Letters of credit	**4,916,512**	4,793,534	4,751,904
Letters of guarantee	**16,562,989**	17,250,306	17,965,358
Acceptances	**1,138,606**	1,912,386	1,463,220
Irrevocable commitments to extend credit	**1,597,757**	2,160,489	1,400,336
Others	**12,982**	16,102	19,297
Total	**24,228,846**	26,132,817	25,600,115

The unutilised portion of non-firm commitments as at September 30, 2021 that can be revoked unilaterally at any time by the Bank, amounts SAR 15,570 million (December 31, 2020: SAR 18,471 million; September 30, 2020: SAR 22,526 million).

15. Cash and cash equivalents

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

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	**1,452,332**	5,338,644	7,234,148
Due from banks and other financial institutions maturing within 90 days from the acquisition date	**1,314,239**	1,088,999	2,463,951
Total	**2,766,571**	6,427,643	9,698,099

16. Zakat and Income Tax

Zakat attributable to Saudi Shareholders for the period ended September 30, 2021 amounted to approximately SAR 180 million (September 30, 2020: SAR 190 million). Income tax attributable to the non-Saudi Shareholder on the current period's share of net income is SAR 158 million (September 30, 2020: SAR 167 million). The provision of Zakat and income tax is estimated based on the results of the operations of the Bank for the nine month period ended and the consolidated financial position at September 30, 2021.

17. Operating segments

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

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

Retail banking

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

Corporate banking

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

Treasury

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

Investment and brokerage services

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

Other

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

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

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

The Group's total interim consolidated assets and liabilities as at September 30, 2021 and 2020 and its total operating income, expenses and net income for the nine months then ended, by operating segments, are as follows:

Amounts in SAR '000

17. Operating segments (continued)

September 30, 2021 (Unaudited)	**Retail banking**	**Corporate banking**	**Treasury**	**Investment and brokerage services**	**Other**	**Total**
Total assets	**43,828,470**	**80,042,800**	**56,278,861**	**505,755**	**1,618,824**	**182,274,710**
Investments in associates	**-**	**-**	**-**	**358,781**	**786,623**	**1,145,404**
Total liabilities	**66,729,831**	**66,394,752**	**17,256,012**	**74,488**	**1,048,103**	**151,503,186**
Operating income from external customers	**1,700,246**	**2,001,152**	**558,417**	**122,230**	**34,752**	**4,416,797**
Intersegment operating income/(expense)	**(222,567)**	**(524,610)**	**668,765**	**-**	**78,412**	**-**
Total operating income	**1,477,679**	**1,476,542**	**1,227,182**	**122,230**	**113,164**	**4,416,797**
Of which:						
Net special commission income	**1,364,347**	**1,208,065**	**844,790**	**26,280**	**118,597**	**3,562,079**
Fees and commission income, net	**47,706**	**268,048**	**4,971**	**94,799**	**(38,264)**	**377,260**
Impairment charges for ECL and other provisions, net	**137,112**	**679,114**	**-**	**-**	**-**	**816,226**
Impairment charges for other financial assets, net	**-**	**-**	**3,294**	**-**	**-**	**3,294**
Depreciation and amortization	**123,386**	**6,825**	**799**	**3,970**	**22,527**	**157,507**
Total operating expenses	**1,088,620**	**1,183,661**	**73,928**	**53,456**	**39,835**	**2,439,500**
Share in earnings of associates, net	**-**	**-**	**-**	**-**	**72,411**	**72,411**
Net income attributed to equity holders of the Bank	**389,059**	**292,881**	**1,153,254**	**42,227**	**(157,175)**	**1,720,246**
Net income attributed to non-controlling interest	**-**	**-**	**-**	**-**	**(4,758)**	**(4,758)**

September 30, 2020 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	41,518,920	80,443,810	64,544,408	742,067	1,277,230	188,526,435
Investments in associates	-	-	-	517,256	760,100	1,277,356
Total liabilities	65,587,125	74,405,692	17,579,354	80,824	1,502,130	159,155,125
Operating income from external customers	1,639,570	2,568,347	58,651	147,244	9,356	4,423,168
Intersegment operating income/(expense)	119,029	(836,990)	597,871	-	120,090	-
Total operating income	1,758,599	1,731,357	656,522	147,244	129,446	4,423,168
Of which:						
Net special commission income	1,602,751	1,415,792	543,263	21,954	116,686	3,700,446
Fees and commission income, net	66,044	303,863	1,450	78,113	(21,930)	427,540
Impairment charges for ECL and other provisions, net	146,755	600,709	-	-	-	747,464
Reversal of impairment charges for other financial assets, net	-	-	(11,271)	-	-	(11,271)
Depreciation and amortization	125,523	8,826	961	4,067	27,249	166,626
Total operating expenses	1,075,696	1,085,840	64,069	59,852	29,494	2,314,951
Share in earnings of associates, net	-	-	-	-	42,731	42,731
Net income attributed to equity holders of the Bank	682,902	645,517	592,447	65,625	(188,152)	1,798,339
Net income attributed to non-controlling interest	-	-	-	-	(2,502)	(2,502)

18. Share capital, bonus shares and earnings per share

As at September 30, 2021, the authorized, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (December 31, 2020 and September 30, 2020; 1,500 million shares of SAR 10 each).

During the period ended September 30, 2021 the Board recommended to pay cash dividends of SAR 505 million (September 30, 2020: nil) for the period ended September 30, 2021. After deducting zakat this proposed final dividend will result in a net payment of SAR 0.40 per share to Saudi shareholders. The income tax liability of the foreign shareholders will be deducted from their share of dividends.

The proposed dividend as at December 31, 2020 was approved by the General Assembly at their meeting dated March 30, 2021.

Basic and diluted earnings per share for the period ended September 30, 2021 and 2020 is calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue. The diluted earnings per share is the same as the basic earnings per share.

19. Fair values of financial assets and liabilities

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

i) In the accessible principal market for the asset or liability; or

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

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

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

a. Carrying amounts and fair value

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

Amounts in SAR '000

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

a. Carrying amounts and fair value (continued)

Financial assets

September 30, 2021 (Unaudited)	**Carrying value**	**Fair value Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investments at FVIS	**551,963**	**-**	**126,437**	**425,526**	**551,963**
Investments at FVOCI	**3,429,057**	**2,474,894**	**953,270**	**893**	**3,429,057**
Positive fair value of derivatives	**1,036,868**	**-**	**1,036,868**	**-**	**1,036,868**
Financial assets not measured at fair value					
Due from banks and other financial institutions	**1,314,239**	**-**	**-**	**-**	**1,314,239**
Investments at amortised cost	**39,885,830**	**-**	**39,236,608**	**-**	**39,236,608**
Loans and advances	**120,015,665**	**-**	**-**	**124,740,138**	**124,740,138**

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

September 30, 2020 (Unaudited)	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments at FVIS	511,233	-	151,374	359,859	511,233
Investments at FVOCI	3,889,400	1,965,440	1,923,067	893	3,889,400
Positive fair value of derivatives	970,621	-	970,621	-	970,621
Financial assets not measured at fair value					
Due from banks and other financial institutions	2,459,433	-	-	-	2,459,433
Investments at amortised cost	38,986,581	-	38,378,391	-	38,378,391
Loans and advances	118,058,060	-	-	123,877,537	123,877,537

Amounts in SAR '000

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

a. Carrying amounts and fair value (continued)

Financial Liabilities

September 30, 2021 (Unaudited)	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	**2,311,557**	**-**	**2,311,557**	**-**	**2,311,557**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	**12,177,826**	**-**	**-**	**-**	**12,177,826**
Customers' deposits	**129,394,865**	**-**	**-**	**-**	**129,394,865**
Sukuk	**2,852,210**	**-**	**-**	**2,852,210**	**2,852,210**

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

September 30, 2020 (Unaudited)	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	4,009,410	-	4,009,410	-	4,009,410
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	11,074,833	-	-	-	11,074,833
Customers' deposits	136,724,824	-	-	-	136,724,824
Sukuk	2,025,707	-	-	2,025,707	2,025,707

b. Measurement of fair values

i. Transfer between levels of the fair value hierarchy

There have been no transfers within levels of the fair value hierarchy during the nine month period ended September 30, 2021 and 2020.

ii. Level 3 fair values

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

	September 30, 2021		September 30, 2020	
	Investments at FVIS	**Investments at FVOCI**	Investments at FVIS	Investments at FVOCI
Balance at the beginning of the period	**372,997**	**893**	487,000	893
Total Unrealised gain / (loss) in consolidated statement of income	**52,529**		(126,586)	-
Settlements / adjustments			(555)	-
Balance at the end of the period	**425,526**	**893**	359,859	893

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

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at September 30, 2021 and 2020 and December 31, 2020 as well as the significant unobservable inputs used.

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

Amounts in SAR '000

20. Capital Adequacy

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

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

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

	September 30 2021 (Unaudited)	December 31 2020 (Audited)	September 30 2020 (Unaudited)
Credit Risk RWA	**141,509,116**	140,270,140	147,303,613
Operational Risk RWA	**14,363,159**	14,022,208	13,843,613
Market Risk RWA	**2,215,584**	1,120,163	1,288,336
Total Pillar-I RWA	**158,087,859**	155,412,511	162,435,562
Tier I Capital	**31,295,754**	30,285,615	29,890,037
Tier II Capital	**3,964,628**	3,953,227	3,041,784
Total Tier I & II Capital	**35,260,382**	34,238,842	32,931,821
Capital Adequacy Ratio %			
Tier I ratio	**19.80%**	19.49%	18.40%
Tier I + Tier II ratio	**22.30%**	22.03%	20.27%

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

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

During 2020, management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio. The Group continues to make updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models:

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

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

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

During the period ended September 30, 2021, the Group has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) used for the determination of ECL. This resulted in additional ECL of SAR 182.9 million (September 30, 2020 : 218 million).

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

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

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 eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program (DPP);
- 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 eligible MSME. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Through multiple rounds of payment releifs the Group implemented the payment reliefs by deferring instalments falling due from March 14, 2020 to September 30, 2021 and extended the tenure of the applicable loans at no additional costs to the customer.

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 are still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA. On September 29, 2021, SAMA announced, a further extension of three additional months for these effected MSME customers, i.e. for installments 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 October 1, 2021 to December 31, 2021, which amounted to SAR 742.2 million. It also 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 15.5 millions during the quarter ended September 30, 2021.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SAR 249 million for the nine-month period ended September 30, 2021 (September 30, 2020: SAR 127.9 million).

During the nine months period ended September 30, 2021, SAR 160.7 million (September 30,2020: SAR 61.9 million) has been recognized in the statement of income relating to unwinding of modification losses.

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 for assessment of ECL on its MSME portfolio. The Group has performed an assessment with respect to SICR and concluded that no further overlay was required.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities' programs the Group received profit free deposits from SAMA amounting to SAR 5.04 billion as at September 30, 2021 (December 31, 2020 and September 30, 2020: SAR 5.04 billion). The deposits have varying maturities, and qualify as government grants.

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

Management determined based on 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 in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. Grant income amounting to SAR 9.7 million arose on the profit free deposit amounting to SAR 4.6 billion received during the nine months ended September 30, 2021. During the nine months ended September 30, 2021, a total of SAR 249 million (December 31, 2020: SAR 184.4 million; September 30, 2020: 127.9 million) has been recognised in the statement of income with respect to related deposits with no deferred grant income as at September 30, 2021 (September 30, 2020: 249.3million).

As at September 30, 2021, the Group has participated in SAMA's facility guarantee programs and the accounting impact for the period is immaterial.

Furthermore, during the nine months ended September 30, 2021, the Group has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 45.3 million (December 31, 2020: SAR 13.5 million; September 30, 2020: Nil).

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion in line with its monetary and financial stability mandate, SAMA injected SAR 50 billion into the banking sector 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 2020, the Group received a SAR 4.02 billion profit free deposit with one-year maturity. Management has determined based on the communication received from SAMA that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in in the Group recognising total income of SAR 71.9 million. This deposit has been repaid during the quarter ended June 30, 2021.

22. 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.

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

The Group has exposure to IBOR rates that are subject to reform through Loans, Interest Rate derivatives (including hedging positions)

The Group has an insignificant number of contracts that reference GBP LIBOR and extend beyond 2021, including swaps that will transition under ISDA protocols.

During 2019 the Board established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's GBP LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference GBP LIBOR to transition them to SONIA, 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, risk management and valuation models, as well as managing related tax and accounting implications. As at 30 June 2020, changes required to systems, processes and models have been identified. specific changes to contracts required by IBOR reform have not yet been proposed or agreed. The Group has identified that the areas of most significant risk arising from the replacement of GBP LIBOR are: updating systems and processes which capture GBP 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 GBP LIBOR and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participants, to ensure an orderly transition to SONIA and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with GBP LIBOR replacement.

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

23. Comparative figures

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

24. Board of Directors' approval

The interim condensed consolidated financial statements were approved by the Board on Rabi Al-Awwal 15, 1443 (corresponding to October 21, 2021).