



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021



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**Independent auditors' review report on the
interim condensed consolidated financial statements**

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank Albilad ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2021, and the related interim consolidated statements of income and comprehensive income for the three and nine months periods then ended, and the interim consolidated statements of changes in equity and cash flows for the nine months period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing 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 the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 15 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 15 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**Ernst and Young & Co Public
Accountants (Professional LLC)**

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21 Rabi Al-Awwal 1443H
(27 October 2021)

BANK ALBILAD

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT**

		September 30, 2021 SAR'000 (Unaudited)	December 31, 2020 SAR'000 (Audited)	September 30, 2020 SAR'000 (Unaudited)
	<u>Note</u>			
ASSETS				
Cash and balances with SAMA		6,532,413	5,745,353	5,356,531
Due from banks and other financial institutions, net		3,057,459	2,179,430	2,306,430
Investments, net	5	17,343,336	14,883,679	14,041,985
Financing, net	6	81,798,530	70,114,980	67,762,301
Property, equipment and right of use assets, net		1,875,585	1,896,092	1,912,691
Other assets		998,966	934,752	929,175
Total assets		<u>111,606,289</u>	<u>95,754,286</u>	<u>92,309,113</u>
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions		7,923,475	5,402,930	5,468,889
Customers' deposits	7	82,345,657	71,552,889	68,883,194
Sukuk	8	3,015,675	2,004,876	2,004,982
Other liabilities		6,453,887	6,052,694	5,625,585
Total liabilities		<u>99,738,694</u>	<u>85,013,389</u>	<u>81,982,650</u>
Equity				
Share capital	13	7,500,000	7,500,000	7,500,000
Treasury shares		(61,953)	(70,527)	(80,660)
Statutory reserve		648,065	648,065	310,935
Other reserves		749,178	897,063	863,990
Retained earnings		3,024,009	1,755,951	1,714,720
Employees' share plan reserve		8,296	10,345	17,478
Total equity		<u>11,867,595</u>	<u>10,740,897</u>	<u>10,326,463</u>
Total liabilities and equity		<u>111,606,289</u>	<u>95,754,286</u>	<u>92,309,113</u>

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	<u>For the three months</u> <u>period ended</u>		<u>For the nine months period</u> <u>ended</u>		
	<u>Note</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>
INCOME					
Income from investing and financing assets		963,362	911,235	2,785,757	2,726,938
Return on deposits and financial liabilities		(76,610)	(55,712)	(197,753)	(281,116)
Income from investing and financing assets, net		886,752	855,523	2,588,004	2,445,822
Fee and commission income, net		178,915	170,254	573,041	464,304
Exchange income, net		80,003	88,951	227,118	275,847
Dividend income		13,914	1,907	22,396	10,182
Gains / (losses) on FVTPL investment, net		2,042	(16,114)	3	(95,643)
Other operating income		12,845	12,099	26,574	21,634
Total operating income		1,174,471	1,112,620	3,437,136	3,122,146
EXPENSES					
Salaries and employee related expenses		295,721	290,852	886,291	873,977
Depreciation and amortization		69,341	70,518	206,108	197,597
Other general and administrative expenses		165,568	164,898	493,333	455,338
Operating expenses before expected credit losses		530,630	526,268	1,585,732	1,526,912
Impairment charge for expected credit losses, net		142,499	160,287	448,344	514,265
Total operating expenses		673,129	686,555	2,034,076	2,041,177
Net income for the period before zakat		501,342	426,065	1,403,060	1,080,969
Zakat for the period		51,638	43,459	144,515	110,259
Net income for the period after zakat		449,704	382,606	1,258,545	970,710
Basic and diluted earnings per share (SAR)	14	0.60	0.51	1.69	1.30

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<u>For the three months</u>		<u>For the nine months period</u>	
	<u>period ended</u>		<u>ended</u>	
	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>	<u>September</u> <u>30, 2021</u> <u>SAR'000</u>	<u>September</u> <u>30, 2020</u> <u>SAR'000</u>
Net income for the period after zakat	449,704	382,606	1,258,545	970,710
Other comprehensive income:				
Items that will not be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (equity instruments)	9,878	18,429	76,644	(32,174)
- Re-measurement of employees "End of Service Benefits ("EOSB")	-	-	297	143
Items that may be reclassified to interim consolidated statement of income in subsequent periods				
- Net changes in fair value of FVOCI (debt instruments)	(10,712)	36,549	(215,313)	314,824
Total other comprehensive (loss) / income	<u>(834)</u>	<u>54,978</u>	<u>(138,372)</u>	<u>282,793</u>
Total comprehensive income for the period	<u>448,870</u>	<u>437,584</u>	<u>1,120,173</u>	<u>1,253,503</u>

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

2021 SAR' 000	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Employees' share plan reserve	Total equity
Balance at the beginning of the period	7,500,000	(70,527)	648,065	897,063	1,755,951	10,345	10,740,897
Net changes in fair value of FVOCI (equity instruments)				76,644			76,644
Re-measurement of employees "End of Service Benefits ("EOSB")"				297			297
Net changes in fair value of FVOCI (debt instruments)				(215,313)			(215,313)
Total other comprehensive loss				(138,372)	-		(138,372)
Net income for the period after zakat					1,258,545		1,258,545
Total comprehensive (loss) / income for the period				(138,372)	1,258,545		1,120,173
Realized gain from sale of FVOCI (equity instruments)				(9,513)	9,513		-
Allocation of shares during the period		8,574				(8,574)	-
Employees' share plan reserve						6,525	6,525
Balance at the end of the period	7,500,000	(61,953)	648,065	749,178	3,024,009	8,296	11,867,595

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

<u>2020</u> SAR' 000	Note	Share capital	Treasury shares	Statutory Reserve	Other reserves	Retained earnings	Employees' share plan reserve	Total equity
Balance at the beginning of the period		7,500,000	(80,660)	310,935	581,317	1,118,890	8,478	9,438,960
Net changes in fair value of FVOCI (equity instruments)					(32,174)			(32,174)
Re-measurement of employees "End of Service Benefits ("EOSB")"					143			143
Net changes in fair value of FVOCI (debt instruments)					314,824			314,824
Total other comprehensive income					282,793	-		282,793
Net income for the period after zakat						970,710		970,710
Total comprehensive income for the period					282,793	970,710		1,253,503
Realized gain from sale of FVOCI (equity instruments)					(120)	120		-
Employees' share plan reserve							9,000	9,000
Cash dividends	13					(375,000)		(375,000)
Balance at the end of the period		7,500,000	(80,660)	310,935	863,990	1,714,720	17,478	10,326,463

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>Note</u>	<u>2021</u> <u>SAR' 000</u>	<u>2020</u> <u>SAR' 000</u>
OPERATING ACTIVITIES			
Net income before zakat for the period		1,403,060	1,080,969
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on sukuk		61,951	55,726
(Gains) / loss on FVTPL investments, net		(3)	95,643
(Gains) from disposal of property and equipment, net		(205)	(48)
Depreciation and amortization		206,108	197,597
Impairment charge for expected credit losses, net		448,344	514,265
Employees' share plan reserve		6,525	9,000
Net (increase)/ decrease in operating assets:			
Statutory deposit with SAMA		(661,266)	(26,991)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		943,370	1,338,940
Bai Alajel with SAMA maturing after ninety days from the date of acquisition		(298,928)	(3,695)
Financing, net		(12,136,085)	(8,975,570)
Other assets		(64,214)	971,909
Net increase/ (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		2,520,545	4,823,769
Customers' deposits		10,792,768	1,777,651
Other liabilities		266,430	(1,258,146)
Net cash generated from operating activities		3,488,400	601,019
INVESTING ACTIVITIES			
(Purchase) / proceeds of investments held as FVOCI		(126,856)	275,437
Proceeds / (Purchase) of investments held as FVTPL		104,669	(26,338)
(Purchase) of investments held as amortized cost		(2,573,046)	(3,109,578)
(Purchase) of property and equipment		(94,494)	(189,779)
Proceed from sale of property and equipment		410	96
Net cash (used in) investing activities		(2,689,317)	(3,050,162)
FINANCING ACTIVITIES			
Distributed sukuk profit		(51,152)	(58,512)
Sukuk issuance	8	2,061,000	-
Sukuk called back	8	(1,061,000)	-
Dividends paid	13	-	(375,000)
Payment of lease liabilities		(100,768)	(99,691)
Net cash generated from/ (used in) financing activities		848,080	(533,203)
Net increase/ (decrease) in cash and cash equivalents		1,647,163	(2,982,346)
Cash and cash equivalents at the beginning of the period		2,906,729	5,757,872
Cash and cash equivalents at the end of the period	10	4,553,892	2,775,526
Supplemental information			
Income received from investing and financing assets		2,906,479	2,872,587
Exchange of sukuk	8	939,000	-
Return paid on deposits and financial liabilities		169,259	328,779

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

1. GENERAL

a) Incorporation and operation

Bank Albilad (“the Bank”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated Ramadan 21, 1425H (corresponding to November 4, 2004) in accordance with the Counsel of Ministers’ resolution no. 258 dated Ramadan 18, 1425H (corresponding to November 1, 2004). The Bank operates under Commercial Registration No.1010208295 dated Rabi Al Awal 10, 1426H (corresponding to April 19, 2005) and the Bank provides these services through 106 banking branches (September 30, 2020: 111) and 173 exchange and remittance centers (September 30, 2020: 178) in the Kingdom of Saudi Arabia.

The registered address of the Bank's head office is as follows:

Bank Albilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, “Albilad Investment Company” and “Albilad Real Estate Company” (collectively referred to as “the Group”). Albilad Investment Company and Albilad Real Estate Company are 100% owned by the Bank. All subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Group’s objective is to provide full range of banking services and conduct, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with the Shariah Committee resolutions and directions and within the provisions of the Bank’s By-laws and the Banking Control Law.

b) Shariah Authority

The Bank has established a Shariah Authority (“the Authority”). It ascertains that all the Bank’s activities are subject to its approval and control.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the nine months period ended September 30, 2021, have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand.

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

The statement of financial position is stated in order of liquidity.

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

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

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as set forth in note 1. 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 interim financial statements of the subsidiaries, where necessary, to align with the Bank’s consolidated interim 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 ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

4. SIGNIFICANT ACCOUNTING POLICIES

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

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.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be 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 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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021****5. INVESTMENTS, NET**

	September 30, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	September 30, 2020 SAR' 000 (Unaudited)
Fair value through other comprehensive income (FVOCI)			
Equities	666,269	465,998	408,487
Sukuk	<u>7,439,618</u>	<u>7,651,702</u>	<u>7,630,232</u>
	<u>8,105,887</u>	<u>8,117,700</u>	<u>8,038,719</u>
Fair value through profit or loss (FVTPL)			
Mutual funds	629,246	806,672	796,987
Equities	<u>72,760</u>	<u>-</u>	<u>-</u>
	<u>702,006</u>	<u>806,672</u>	<u>796,987</u>
Amortized cost			
Sukuk	7,241,122	4,663,885	3,909,789
Bai Alajel with SAMA	<u>1,294,321</u>	<u>1,295,422</u>	<u>1,296,490</u>
	<u>8,535,443</u>	<u>5,959,307</u>	<u>5,206,279</u>
Total	<u>17,343,336</u>	<u>14,883,679</u>	<u>14,041,985</u>

6. FINANCING, NET

	September 30, 2021 SAR'000 (Unaudited)	December 31, 2020 SAR'000 (Audited)	September 30, 2020 SAR'000 (Unaudited)
Commercial	43,074,323	35,812,045	35,610,185
Retail	<u>40,411,677</u>	<u>35,821,656</u>	<u>33,543,048</u>
Performing financing	83,486,000	71,633,701	69,153,233
Non-performing financing	<u>1,053,063</u>	<u>845,192</u>	<u>867,786</u>
Gross financing	84,539,063	72,478,893	70,021,019
Allowance for expected credit losses	<u>(2,740,533)</u>	<u>(2,363,913)</u>	<u>(2,258,718)</u>
Financing, net	<u>81,798,530</u>	<u>70,114,980</u>	<u>67,762,301</u>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021****7. CUSTOMERS' DEPOSITS**

Customers' deposits are comprised of the following:

	September 30, 2021	December 31, 2020	September 30, 2020
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Demand	45,493,416	40,185,062	40,522,297
Albilad account (Mudarabah)	21,829,389	19,800,317	20,144,198
Direct investment	12,104,590	9,522,088	6,322,017
Others	2,918,262	2,045,422	1,894,682
Total	82,345,657	71,552,889	68,883,194

8. SUKUK

On August 30, 2016, the Bank issued 2,000 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly in arrears on February 28, May 30, August 30, November 30 each year until August 30, 2026, on which date the Sukuk will be redeemed. The Bank has a call option which can be exercised on or after August 30, 2021 as per the terms and conditions in the related offering circular. Sukuk can be redeemed at the option of the bank on the periodic distribution date that falls on the 5th anniversary of the closing date. The Bank has not defaulted on any of payments (profit / principal) due during the period. The expected profit distribution on the sukuk is the base rate for three months in addition to the profit margin of 2%. During the quarter, the Bank exercised the call option on its existing sukuk and recalled Sukuk amounting to SAR 1,061 million. These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

On April 15, 2021, the Bank issued 3,000 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly each year until April 15, 2031. The Bank has a call option which can be exercised on or after April 15, 2026 as per the terms mentioned in the related offering circular. The expected profit distribution on the sukuk is the base rate for three months in addition to a profit margin of 1.65%.

The offer also included an option for the holders of the SAR 2 billion Sukuk (due 2026) that were previously issued by the Bank (the "Previous Sukuk") to exchange their investment in the Previous Sukuk with an investment in the Tier 2 Sukuk, subject to the terms and conditions of the Sukuk. Certain Sukuk holders with carrying value of SR 939 million have exercised their exchange option and subscribed into the investment in the Tier 2 Sukuk.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021****9. COMMITMENTS AND CONTINGENCIES**

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

	September 30, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	September 30, 2020 SAR' 000 (Unaudited)
Letters of guarantee	6,683,841	5,603,173	5,543,475
Letters of credit	1,320,097	1,343,578	897,133
Acceptances	457,795	416,848	527,572
Irrevocable commitments to extend credit	624,527	2,192,171	2,767,849
Total	9,086,260	9,555,770	9,736,029

b) 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.

10. CASH AND CASH EQUIVALENTS

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

	September 30, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	September 30, 2020 SAR' 000 (Unaudited)
Cash and balances with SAMA (excluding statutory deposit)	1,867,023	1,741,229	1,776,168
Due from banks and other financial institutions (maturing within ninety days from acquisition)	2,686,869	865,471	999,358
Bai Alajel with SAMA (maturing within ninety days from acquisition)	-	300,029	-
Total	4,553,892	2,906,729	2,775,526

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021**

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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.

Determination of fair value and fair value hierarchy

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

- Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- 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.

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The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
September 30, 2021 (unaudited)					
Financial assets measured at fair value					
Held as FVTPL	702,006	267,893	434,113	-	702,006
Held as FVOCI (equity instruments)	666,269	494,212	-	172,057	666,269
Held as FVOCI (debt instruments)	7,439,618	720,315	-	6,719,303	7,439,618
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	3,057,459	-	-	3,057,459	3,057,459
Investments held at amortized cost	8,535,443	2,933,841	-	5,601,602	8,535,443
Financing, net	81,798,530	-	-	82,647,891	82,647,891

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
December 31, 2020 (audited)					
Financial assets measured at fair value					
Held as FVTPL	806,672	307,718	498,954	-	806,672
Held as FVOCI (equity instruments)	465,998	298,855	-	167,143	465,998
Held as FVOCI (debt instruments)	7,651,702	736,217	-	6,915,485	7,651,702
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,179,430	-	-	2,179,430	2,179,430
Investments held at amortized cost	5,959,307	2,104,355	-	3,854,952	5,959,307
Financing, net	70,114,980	-	-	70,006,017	70,006,017

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
September 30, 2020 (unaudited)					
Financial assets measured at fair value					
Held as FVTPL	796,987	310,506	486,481	-	796,987
Held as FVOCI (equity instruments)	408,487	241,344	-	167,143	408,487
Held as FVOCI (debt instruments)	7,630,232	724,813	-	6,905,419	7,630,232
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,306,430	-	-	2,306,430	2,306,430
Investments held at amortized cost	5,206,279	1,916,755	-	3,289,524	5,206,279
Financing, net	67,762,301	-	-	67,672,206	67,672,206

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SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
September 30, 2021 (unaudited)					
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	7,923,475	-	-	7,923,475	7,923,475
Customers' deposits	82,345,657	-	-	82,345,657	82,345,657
Sukuk	3,015,675	-	-	3,015,675	3,015,675

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
December 31, 2020 (audited)					
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	5,402,930	-	-	5,402,930	5,402,930
Customers' deposits	71,552,889	-	-	71,552,889	71,552,889
Sukuk	2,004,876	-	-	2,004,876	2,004,876

SAR' 000	<u>Carrying value</u>	Fair value			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
September 30, 2020 (unaudited)					
Financial liabilities not measured at fair value					
Due to banks, SAMA and other financial institutions	5,468,889	-	-	5,468,889	5,468,889
Customers' deposits	68,883,194	-	-	68,883,194	68,883,194
Sukuk	2,004,982	-	-	2,004,982	2,004,982

The fair values of financial instruments which are not measured at fair value in these interim condensed consolidated financial statements are not significantly different from the carrying values included in the interim condensed consolidated financial statements.

Due from banks and other financial institutions and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values.

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The fair values of profit bearing customer deposits, held at amortized cost investment, due from and due to banks, SAMA and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks, SAMA and other financial institutions or a combination of both. The Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Financing classified as level 3 have been valued using expected cash flows discounted at relevant SIBOR.

Fair value through other comprehensive income (FVOCI) classified as level 3 include unlisted sukuk which have been measured by the management at fair value using broker quotes or estimating present value by discounting cash flows using adjusted discount rate. The adjusted discount rate is calculated using the Credit Default Swaps (CDS) of a similar entity using publicly available information. The valuation method has been approved by the Assets-Liability Committee (ALCO).

During the current period, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

Reconciliation of level 3 fair values held as FVOCI

	September 30, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	September 30, 2020 SAR' 000 (Unaudited)
Beginning balance	7,082,628	7,052,761	7,052,761
Purchase	-	1,250	1,250
Disposal	-	(248,933)	(248,933)
Gains/ (losses) included in OCI			
Net changes in fair value (unrealised)	(191,268)	277,550	267,484
Total	6,891,360	7,082,628	7,072,562

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12. OPERATING SEGMENT

Operating segments based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2020.

For management purposes, the Group is divided into the following four operating segments:

Retail banking

Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking

Services and products to corporate customers including deposits, financing and trade services.

Treasury

Money market and treasury services.

Investment banking and brokerage

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

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The Group's total assets and liabilities as at September 30, 2021 and 2020, together with its total operating income and expenses, and net income before zakat, for the nine months periods then ended, for each segment are as follows:

SAR'000	September 30, 2021 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	49,351,206	39,724,249	21,449,792	1,081,042	111,606,289
Total liabilities	61,697,192	18,246,436	19,460,532	334,534	99,738,694
Income from investing and financing assets, net	1,722,960	547,859	309,632	7,553	2,588,004
Fee, commission and other income, net	552,036	53,420	82,847	160,829	849,132
Total operating income	2,274,996	601,279	392,479	168,382	3,437,136
Impairment charge for expected credit losses, net	137,617	314,934	(7,816)	3,609	448,344
Depreciation and amortization	165,461	36,647	1,947	2,053	206,108
Total operating expenses	1,414,594	485,975	48,222	85,285	2,034,076
Net income for the period before zakat	860,402	115,304	344,257	83,097	1,403,060

SAR'000	September 30, 2020 (Unaudited)				
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	41,433,310	33,376,629	16,658,299	840,875	92,309,113
Total liabilities	54,764,801	14,897,647	12,130,601	189,601	81,982,650
Income from investing and financing assets, net	1,481,653	682,703	277,255	4,211	2,445,822
Fee, commission and other income, net	474,073	47,049	33,250	121,952	676,324
Total operating income	1,955,726	729,752	310,505	126,163	3,122,146
Impairment charge for expected credit losses, net	41,902	461,765	10,449	149	514,265
Depreciation and amortization	159,235	34,573	1,914	1,875	197,597
Total operating expenses	1,217,380	689,935	68,889	64,973	2,041,177
Net income for the period before zakat	738,346	39,817	241,616	61,190	1,080,969

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13. SHARE CAPITAL AND DIVIDENDS

The authorized, issued and fully paid share capital of the Bank consists of 750 million shares of SAR 10 each (30 September 2020: 750 million shares of SAR 10 each).

The Board of Directors' recommended to the General Assembly to distribute cash dividends of SAR 375 million to shareholders for the second half of 2019 in the meeting held on February 10, 2020 corresponding to Jumada Al-Thani 16, 1441. The dividends distribution has been approved in the Ordinary General Assembly meeting that has been held in April 26, 2020 corresponding to Ramadan 3, 1441, and dividends have been distributed to the registered shareholder's starting from May 4, 2020 corresponding to Ramadan 11, 1441.

14. EARNING PER SHARE ("EPS")

Basic and diluted earnings per share for the nine months period ended September 30, 2021 and 2020 is calculated by dividing the net income for the period by the weighted average number of outstanding shares as of September 30, 2021: 746 million shares (September 30, 2020: 746 million shares) adjusted for treasury shares.

15. 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.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

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 statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

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The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios:

	September 30, 2021 SAR' 000 (Unaudited)	December 31, 2020 SAR' 000 (Audited)	September 30, 2020 SAR' 000 (Unaudited)
Credit Risk RWA	76,630,780	67,979,379	66,675,903
Operational Risk RWA	7,828,134	7,243,454	7,036,919
Market Risk RWA	389,088	839,000	734,358
Total Pillar-I RWA	84,848,002	76,061,833	74,447,180
Tier I Capital	11,934,704	10,801,732	10,382,250
Tier II Capital	3,957,885	2,849,742	2,833,449
Total Tier I & II Capital	15,892,589	13,651,474	13,215,699
Capital Adequacy Ratio %			
Tier I ratio	14.07%	14.20%	13.95%
Tier I + Tier II ratio	18.73%	17.95%	17.75%

16. COMPARATIVE FIGURES

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

17. 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.

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

The Group continues to make updates within its ECL model to refine the application of the staging criteria due to Significant Increase in Credit Risk (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 continues to evaluate the current macroeconomic situation and conducts 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.

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.

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

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 were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The Group implemented the payment reliefs by deferring instalments falling due from March 14, 2020 to June 30, 2021 amounting to SAR 2 billion and extended the tenure of the applicable financing 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 were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. On September 29, 2021, for those effected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the instalments falling due from October 1, 2021 to December 31, 2021. The Group has performed an assessment to determine the pool of customers eligible for deferment and accordingly has deferred the installment falling due from July 1, 2021 to December 31, 2021 amounting to SAR 715 million and extended the tenure of the applicable financing at no additional costs to the customer. This resulted in the Group recognizing an additional modification loss of SAR 35 million and SAR 16 million during the quarters ended June 30 and September 30, 2021 respectively.

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 141.4 million until period ended September 30, 2021 (September 30, 2020: SAR 74.6 million).

During the nine months period ended September 30, 2021, SAR 60 million (September 30, 2020: SAR 74 million) has been recognised to the statement of income relating to unwinding of modification losses.

The Group has also performed as assessment with respect to SICR for customers for whom DPP program ended on September 30, 2021 and migrated customers amounting to SAR 163 million from Stage 1 and 2 to Stage 2 and 3 by downgrading the customer credit rating during the period ended September 30, 2021. This did not result in any significant impact on the ECL charge for the nine months period ended September 30, 2021.

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

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. The Bank’s previously recognized overlays of SAR 73 million have now been re-assessed and have been attributed to either specific counter parties or has been released based on management’s expert credit judgement as at 30 September 2021.

In order to compensate the related cost of the DPP program that the Group is expected to incur, during the year 2020 and the nine-month period ended September 30, 2021, the Group received profit free deposits from SAMA amounting to SAR 8.7 billion with varying maturities, which qualify as government grants. One of deposits amounting to SAR 2.1 billion has been repaid during September 2021.

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 on a systematic basis, in accordance with government grant accounting requirements. 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 114 million has been recognised in the consolidated statement of income with the remaining amount deferred. Grant income amounting to SAR 75 million arose on the profit free deposit amounting to SAR 6.6 billion that has been received during the nine-months period ended September 30, 2021. During the nine months period ended September 30, 2021, a total of SAR 127.2 million (September 30, 2020: SAR 63 million) has been recognised in the consolidated statement of income with respect to related deposits with an aggregate of SAR 66.8 million deferred grant income as at September 30, 2021 (September 30, 2020: SAR 76 million).

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 period ended September 30, 2021, the Group has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 33 million.

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17. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (continued)**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 2.6 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 the Group recognising total income of SAR 25.5 million consolidated statement of income in a systematic basis over the government grant period. This deposit has been repaid during June 2021.

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18. IBOR TRANSITION (PROFIT 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 does not have contracts which reference GBP LIBOR, including swaps which will transition under the ISDA protocols.

**19. BOARD OF DIRECTORS’ APPROVAL OF THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved by the Bank’s Board of Directors on 19 Rabi Al-Awwal, 1443H (corresponding to October 25, 2021).