The Saudi British Bank
Interim Condensed Consolidated Financial Statements
For the three months period ended

31 March 2021

(Unaudited)

SABB ساب

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KPMG Professional Services

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

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of The Saudi British Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2021, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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 22 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 22 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

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KPMG Professional Services

23 Ramadan 1442H
(5 May 2021)

Interim consolidated statement of financial position

As at

	Notes	31 March 2021 Unaudited SAR' 000	31 December 2020 Audited SAR' 000 (Restated)	31 March 2020 Unaudited SAR'000 (Restated)
ASSETS				
Cash and balances with SAMA	5	22,670,416	36,449,415	15,814,090
Due from banks and other financial institutions, net	6	8,959,899	5,105,498	5,096,308
Positive fair value derivatives, net	11	1,422,537	1,961,306	2,061,164
Investments held at fair value through other comprehensive income	7	13,478,608	13,703,233	13,127,678
Investments held at fair value through statement of income	7	1,390,731	1,237,760	1,139,368
Investments held at amortised cost, net	7	48,355,273	45,890,014	46,282,694
Loans and advances, net	8	156,710,064	153,243,078	155,183,416
Investment in associates	9	658,297	619,232	683,540
Other assets		3,788,434	4,090,172	4,600,240
Goodwill and other intangibles	10	10,925,426	10,982,536	18,440,508
Property, equipment and right of use assets, net		3,195,570	3,169,427	3,257,347
Total assets		**271,555,255**	**276,451,671**	**265,686,353**
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		17,170,359	17,620,956	6,698,517
Customers' deposits	12	183,690,310	189,110,140	188,275,244
Debt securities in issue	13	5,025,975	5,066,610	1,513,453
Negative fair value derivatives, net	11	2,010,753	2,819,086	2,941,253
Other liabilities		11,623,267	11,073,139	10,590,214
Total liabilities		**219,520,664**	**225,689,931**	**210,018,681**
Equity				
Equity attributable to equity holders of the Bank				
Share capital		20,547,945	20,547,945	20,547,945
Share premium		8,524,882	17,586,986	17,586,986
Statutory reserve	24	20,547,945	11,485,841	11,485,841
Other reserves		627,584	324,937	(1,151,437)
Retained earnings		1,684,769	711,063	5,851,412
Proposed dividends		-	-	1,234,454
Total equity attributable to equity holders of the Bank		**51,933,125**	**50,656,772**	**55,555,201**
Total equity attributable to Non-controlling interest		101,466	104,968	112,471
Total equity		**52,034,591**	**50,761,740**	**55,667,672**
Total liabilities and equity		**271,555,255**	**276,451,671**	**265,686,353**

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui	David Dew
Lama Ghazzaoui	David Dew
Chief Financial Officer	Managing Director & Authorized Member

Interim consolidated statement of income - Unaudited

For the three months period ended

	Notes	31 March 2021 SAR'000	31 March 2020 SAR'000 (Restated)
Special commission income		1,619,772	2,237,565
Special commission expense		(190,725)	(334,990)
Net special commission income		**1,429,047**	**1,902,575**
Fee and commission income		576,436	607,223
Fee and commission expense		(276,486)	(260,882)
Fee and commission income, net		**299,950**	**346,341**
Exchange income, net		129,974	146,275
Trading income, net		55,603	11,201
Dividend income		-	25,284
Gains on FVOCI debt instruments, net		25,485	26,506
Other operating income/ (losses), net		67,964	(89,292)
Total operating income		**2,008,023**	**2,368,890**
Provision for expected credit losses, net	20(a)	(1,668)	(239,066)
Operating expenses:			
Salaries and employee related expenses		(414,987)	(502,185)
Rent and premises related expenses		(20,189)	(14,640)
Depreciation and amortization		(187,444)	(157,322)
General and administrative expenses		(284,312)	(326,553)
Total operating expenses		**(906,932)**	**(1,000,700)**
Income from operating activities		**1,099,423**	**1,129,124**
Share in earnings of associates	9	39,065	23,342
Net income for the period before Zakat and income tax		**1,138,488**	**1,152,466**
Provision for Zakat and income tax - Current		(168,284)	(178,347)
Provision for income tax - Deferred		-	(3,234)
Net income for the period after Zakat and income tax		**970,204**	**970,885**
Attributable to:			
Equity holders of the Bank		973,706	975,586
Non-controlling interest		(3,502)	(4,701)
Net income for the period after Zakat and income tax		**970,204**	**970,885**
Basic and diluted earnings per share (in SAR)	16	**0.47**	**0.47**

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui
Lama Ghazzaoui
Chief Financial Officer

David Dew
David Dew
Managing Director & Authorized Member

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Interim consolidated statement of comprehensive income - Unaudited

For the three months period ended

	31 March 2021 SAR' 000	31 March 2020 SAR' 000 (Restated)
Net income for the period after Zakat and income tax	**970,204**	**970,885**
Other comprehensive income for the period		
Items that will not be reclassified to interim consolidated statement of income in subsequent periods		
Net changes in fair value (FVOCI equity instruments)	287,150	(450,420)
Items that may be reclassified to interim consolidated statement of income in subsequent periods		
Debt instrument at FVOCI		
Net changes in fair value	52,467	(930,321)
Transfer to interim consolidated statement of income, net	(25,485)	(26,506)
Cash flow hedges		
Net changes in fair value	(1,652)	1,076
Transfer to interim consolidated statement of income, net	(751)	(3,670)
Total other comprehensive income/ (loss) for the period	**311,729**	**(1,409,841)**
Total comprehensive income/ (loss) for the period	**1,281,933**	**(438,956)**
Attributable to:		
Equity holders of the Bank	1,285,435	(434,255)
Non-controlling interest	(3,502)	(4,701)
Total	**1,281,933**	**(438,956)**

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui

Lama Ghazzaoui

Chief Financial Officer

David Dew

David Dew

Managing Director & Authorized Member

Interim consolidated statement of changes in equity - Unaudited

For the three months period ended

		Attributable to equity holders of the Bank								
	Notes	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total Equity SAR'000
31 March 2021										
Balance at the beginning of the period as previously reported		**20,547,945**	**17,586,986**	**11,485,841**	**324,937**	**760,954**	**-**	**50,706,663**	**55,077**	**50,761,740**
Effect of restatement	14	-	-	-	-	(49,891)	-	(49,891)	49,891	-
Restated balance as at 1 January 2021		**20,547,945**	**17,586,986**	**11,485,841**	**324,937**	**711,063**	**-**	**50,656,772**	**104,968**	**50,761,740**
Total comprehensive income for the period										
Net income for the period after Zakat and income tax		-	-	-	-	973,706	-	973,706	(3,502)	970,204
Net changes in fair value of cash flow hedges		-	-	-	(1,652)	-	-	(1,652)	-	(1,652)
Net changes in fair value of FVOCI equity instruments		-	-	-	287,150	-	-	287,150	-	287,150
Net changes in fair value of FVOCI debt instruments		-	-	-	52,467	-	-	52,467	-	52,467
Transfer to interim consolidated statement of income		-	-	-	(26,236)	-	-	(26,236)	-	(26,236)
					311,729	**973,706**		**1,285,435**	**(3,502)**	**1,281,933**
Transfer to statutory reserve	24	-	(9,062,104)	9,062,104	-	-	-	-	-	-
Employee share plan reserve		-	-	-	(9,082)	-	-	(9,082)	-	(9,082)
Balance at the end of the period		**20,547,945**	**8,524,882**	**20,547,945**	**627,584**	**1,684,769**	**-**	**51,933,125**	**101,466**	**52,034,591**

		Attributable to equity holders of the Bank								
	Notes	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total Equity SAR'000
31 March 2020										
Balance at the beginning of the period as previously reported		20,547,945	17,586,986	11,485,841	237,429	4,977,064	1,234,454	56,069,719	90,532	56,160,251
Effect of restatement	14	-	-	-	-	(102,700)	-	(102,700)	26,640	(76,060)
Restated balance as at 1 January 2020		**20,547,945**	**17,586,986**	**11,485,841**	**237,429**	**4,874,364**	**1,234,454**	**55,967,019**	**117,172**	**56,084,191**
Total comprehensive income for the period										
Net income for the period after Zakat and income tax - restated		-	-	-	-	975,586	-	975,586	(4,701)	970,885
Net changes in fair value of cash flow hedges		-	-	-	1,076	-	-	1,076	-	1,076
Net changes in fair value of FVOCI equity instruments		-	-	-	(450,420)	-	-	(450,420)	-	(450,420)
Net changes in fair value of FVOCI debt instruments		-	-	-	(930,321)	-	-	(930,321)	-	(930,321)
Transfer to interim consolidated statement of income		-	-	-	(30,176)	-	-	(30,176)	-	(30,176)
					(1,409,841)	**975,586**		**(434,255)**	**(4,701)**	**(438,956)**
Transfer of gain on disposal of equity instruments at FVOCI to retained earnings		-	-	-	(1,462)	1,462	-	-	-	-
Employee share plan reserve		-	-	-	22,437	-	-	22,437	-	22,437
Balance at the end of the period		**20,547,945**	**17,586,986**	**11,485,841**	**(1,151,437)**	**5,851,412**	**1,234,454**	**55,555,201**	**112,471**	**55,667,672**

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui
Lama Ghazzaoui
Chief Financial Officer

David Dew
David Dew
Managing Director & Authorized Member

Interim consolidated statement of cash flows - Unaudited

For the three months period ended

	Notes	31 March 2021 SAR'000	31 March 2020 SAR'000 (Restated)
OPERATING ACTIVITIES			
Net income for the period before Zakat and income tax		**1,138,488**	**1,152,466**
Adjustments to reconcile net income before Zakat and income tax to net cash from / (used in) operating activities:			
Amortisation of premium on investments not held as FVTPL investments, net		16,568	8,638
Depreciation and amortization		187,444	157,322
Income from FVTPL financial instruments, net		-	9,399
Gains on FVOCI debt instruments, net		(25,485)	(26,506)
Cash flow hedge gain transfer to consolidated statement of income		(751)	(3,670)
Share in earnings of associates	9	(39,065)	(23,342)
Provision for expected credit losses, net	20(a)	1,668	239,066
Employee share plan reserve		(9,082)	22,437
		1,269,785	**1,535,810**
Change in operating assets:			
Statutory deposit with SAMA		14,816	(178,475)
Due from banks and other financial institutions, net		3,251	10,065
Investments held as FVTPL		(152,975)	(7,636)
Loans and advances, net		(3,338,020)	(3,365,037)
Other assets and derivatives		840,506	(1,936,978)
Change in operating liabilities:			
Due to banks and other financial institutions		(450,597)	3,045,831
Customers' deposits		(5,419,830)	(3,887,245)
Payment of lease liabilities		(24,674)	(32,472)
Other liabilities and derivatives, net		(277,754)	(542,648)
Net cash used in operating activities		**(7,535,492)**	**(5,358,785)**
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVTPL		1,088,181	3,262,220
Purchase of investments not held as FVTPL		(3,256,213)	(3,339,087)
Purchase of property, equipment, right of use assets and intangibles, net		(156,477)	(84,837)
Net cash used in investing activities		**(2,324,509)**	**(161,704)**
FINANCING ACTIVITIES			
Debt securities in issue		(40,635)	13,701
Dividends paid		(4,474)	(4,729)
Net cash (used in)/ generated from financing activities		**(45,109)**	**8,972**
Net decrease in cash and cash equivalents		**(9,905,110)**	**(5,511,517)**
Cash and cash equivalents at beginning of the period	18	**29,708,694**	**15,198,771**
Cash and cash equivalents at end of the period	18	**19,803,584**	**9,687,254**
Special commission received during the period		1,592,515	2,166,377
Special commission paid during the period		181,389	399,831
Supplemental non cash information			
Right of use assets		797,624	1,037,474
Lease liabilities		845,856	1,067,676
Net changes in fair value and transfers to interim consolidated statement of income		311,729	(1,409,841)

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui	David Dew
Lama Ghazzaoui	David Dew
Chief Financial Officer	Managing Director & Authorized Member

1. General

The Saudi British Bank ('SABB') is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SABB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SABB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 114 branches (31 December 2020: 113 branches) in the Kingdom of Saudi Arabia. The address of SABB's head office is as follows:

The Saudi British Bank
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia

The objectives of SABB are to provide a range of banking services. SABB also provides Shariah-compliant products, which are approved and supervised by an independent Shariah Board established by SABB.

SABB has 100% (31 December 2020: 100%) ownership interest in a subsidiary, SABB Insurance Agency Limited ("SIAL"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). SABB holds 98% of its interest in SIAL directly and 2% indirect ownership interest through another subsidiary ("Arabian Real Estate Company Limited") incorporated in the Kingdom of Saudi Arabia. SIAL's principal activity is to act as an exclusive insurance agent for SABB Takaful Company ("SABB Takaful") (also a subsidiary company of SABB) within the Kingdom of Saudi Arabia.

SABB has 100% (31 December 2020: 100%) ownership interest in a subsidiary, Arabian Real Estate Company Limited ("ARECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). SABB holds 99% of its interest in ARECO directly and 1% indirect ownership interest through another subsidiary ("SABB Insurance Agency") incorporated in the Kingdom of Saudi Arabia. ARECO is engaged in the purchase, sale and lease of land and real estate for investment purposes.

SABB has 100% (31 December 2020: 100%) ownership interest in a subsidiary, SABB Real Estate Company Limited ("SRECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010428580 dated 12 Safar 1436H (4 December 2014), (the company is currently under liquidation). SABB holds 99.8% of its interest in SRECO directly and 0.2% indirect ownership interest through another subsidiary ("Arabian Real Estate Company Limited") incorporated in the Kingdom of Saudi Arabia. SRECO's principal activity is the registration of real estate and to hold and manage collateral on behalf of SABB.

SABB has 100% (31 December 2020: 100%) directly held ownership interest in a subsidiary, SABB Markets Limited ("SABB Markets"), a limited liability company incorporated in the Cayman Islands. SABB Markets is engaged in derivatives trading and repo activities.

SABB has 65% (31 December 2020: 65%) directly held ownership interest in a subsidiary, SABB Takaful, a joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumada Awal 1428H (6 June 2007). SABB Takaful's principal activity is to engage in Shariah compliant insurance activities and to offer family and general Takaful products to individuals and corporates in the Kingdom of Saudi Arabia.

SABB has 100% (31 December 2020: 100%) directly held ownership interest in a subsidiary, Alawwal Invest ("AI"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010242378 dated 30 Dhul Hijjah 1428H (9 January 2008). Alawwal Invest was formed in accordance with the CMA's Resolution No. 1 39 2007. Alawwal Invest's principal activity is to engage in investment services and asset management activities regulated by the CMA related to dealing, managing, arranging, advising and taking custody of securities.

SABB has 100% (31 December 2020: 100%) directly held ownership interest in a subsidiary, Alawwal Real Estate Company ("AREC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration

No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC's principal activity is the registration of real estate assets under its name which are received by the Bank from its borrowers as collaterals and to hold and manage collateral on behalf of SABB.

SABB has 100% (31 December 2020: 100%) directly held ownership interest in a subsidiary, Alawwal Insurance Agency Company ("AIAC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010300250 dated 29 Muharram 1432H (4 January 2011). AIAC's principal activity is to act as an insurance agent for Wataniya Insurance Company (WIC), an associate, to sell its insurance products (the company is currently under liquidation).

SABB had a 100% (31 December 2020: 100%) directly held ownership interest in a subsidiary, Alawwal Financial Markets Limited ("AFM"), a limited liability company incorporated in the Cayman Islands. AFM was engaged in derivatives trading and repo activities and was liquidated on 31 December 2020.

SABB has 49% (31 December 2020: 49%) directly held ownership interest in HSBC Saudi Arabia, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada Al-Akhirah 1427H (23 July 2006). HSBC Saudi Arabia was formed in accordance with the Resolution No. 37-05008 of the CMA dated 05/12/1426H corresponding to 05/01/2006G. HSBC Saudi Arabia's principal activity is to engage in the full range of investment banking and advisory services and asset management activities regulated by the CMA related to brokerage, dealing, managing, arranging, advising and taking custody of securities. HSBC Saudi Arabia is an associate of SABB with HSBC Asia Holdings B.V. a related party and shareholder in SABB.

SABB has 20% (31 December 2020: 20%) directly held ownership interest in an associate, Wataniya Insurance Company ("WIC"), a joint stock company incorporated in the Kingdom of Saudi Arabia formed pursuant to Royal Decree No. M/53 dated Shawwal 21, 1430H (10 October 2009). WIC's principal activity is to engage in Shariah compliant insurance activities and to offer family and general Takaful products to individuals and corporates in the Kingdom of Saudi Arabia.

SABB has participated in the following three structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structures. These entities have no other business operations.

1. Saudi Kayan Assets Leasing Company.
2. Rabigh Asset Leasing Company.
3. Yanbu Asset Leasing Company.

SABB directly owns a 50% (31 December 2020: 50%) share in Saudi Kayan Assets Leasing Company and Rabigh Asset Leasing Company and directly owns a 100% (31 December 2020: 100%) share in Yanbu Asset Leasing Company as a result of SABB's merger with Alawwal Bank (AAB) in June 2019 (the company is currently under liquidation). SABB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities excluding Yanbu Asset Leasing Company. The related underlying funding to the relevant borrowers is recorded on SABB's interim consolidated statement of financial position.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the period ended 31 March 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Group's annual consolidated financial statements as at 31 December 2020.

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.

SABB presents its interim consolidated statement of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the interim consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of SABB.

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

Use of estimates and judgements

The preparation of these 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 these estimates.

There were no changes in the current period to the critical accounting estimates and judgements that were applied on 31 December 2020.

3. Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of SABB and its subsidiaries, as mentioned in note 1 (collectively referred to as “the Group”). The financial statements of the subsidiaries are prepared for the same reporting period as that of SABB, using consistent accounting policies, except for SABB Takaful and certain immaterial subsidiaries, where latest interim reviewed financial statements or latest annual audited financial statements, respectively have been used for consolidation purposes to meet the Group’s reporting timetable.

Subsidiaries are entities which are directly or indirectly controlled by SABB. SABB controls an entity (“the Investee”) over which it is exposed, 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. Subsidiaries are consolidated from the date on which control is transferred to SABB and cease to be consolidated from the date on which the control is transferred from SABB.

Intra-group transactions and balances have been eliminated in preparing these interim condensed consolidated financial statements.

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

4. Significant accounting policies and impact of changes due to adoption of new standards

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 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.

- 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:
  - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
  - 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 25 of the interim condensed consolidated financial statements of the Group.

Accounting standards issued but not yet effective

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

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

5. Cash and balances with SAMA

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Cash in hand	2,095,275	2,252,471	2,575,893
Statutory deposit	11,668,884	11,683,700	11,120,557
Placements with SAMA	8,740,879	21,841,129	2,061,974
Other balances	165,378	672,115	55,666
Total	**22,670,416**	**36,449,415**	**15,814,090**

6. Due from banks and other financial institutions, net

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Current accounts	6,746,571	4,887,672	4,858,805
Money market placements	2,213,328	217,826	237,503
Total	**8,959,899**	**5,105,498**	**5,096,308**

The following table sets out information about the credit quality of due from banks and other financial institutions, net:

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit Impaired	Total
31 March 2021 (Unaudited)	8,959,036	863	-	-	**8,959,899**
31 December 2020 (Audited)	5,105,010	488	-	-	**5,105,498**

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against due from banks and other financial institutions:

	31 March 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2021	**1,629**	**333**	**-**	**1,962**
Net charge for the period	1,743	(322)	-	**1,421**
Balance as at 31 March 2021	**3,372**	**11**	**-**	**3,383**

	31 December 2020 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2020	425	-	-	**425**
Net charge for the year	1,204	333	-	**1,537**
Balance as at 31 December 2020	**1,629**	**333**	**-**	**1,962**

7. Investments, net

Investment securities are classified as follows:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
FVOCI – Debt, net	12,063,356	12,574,317	12,359,788
FVOCI – Equity	1,415,252	1,128,916	767,890
FVSI	1,390,731	1,237,760	1,139,368
Amortised cost, net	48,355,273	45,890,014	46,282,694
Total	**63,224,612**	**60,831,007**	**60,549,740**

The following table sets out information about the credit quality of debt instruments measured at amortised cost and FVOCI.

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 March 2021 (Unaudited)					
Debt instruments at amortised cost, net	48,355,273	-	-	-	48,355,273
Debt instruments at FVOCI, net	12,063,356	-	-	-	12,063,356

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 December 2020 (Audited)					
Debt instruments at amortised cost, net	45,890,014	-	-	-	45,890,014
Debt instruments at FVOCI, net	12,574,317	-	-	-	12,574,317

An analysis of changes in loss allowance for debt instruments not measured at fair value through profit or loss, is as follows:

	31 March 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2021	**25,700**	**-**	**-**	**25,700**
Net reversal for the period	(805)	-	-	(805)
Balance as at 31 March 2021	**24,895**	**-**	**-**	**24,895**

	31 December 2020 (Audited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 January 2020	**10,951**	**115**	**-**	**11,066**
Net charge for the year	14,749	(115)	-	14,634
Balance as at 31 December 2020	**25,700**	**-**	**-**	**25,700**

8. Loans and advances, net

Loans and advances are comprised of the following:

	31 March 2021 (Unaudited)			
	Credit cards	**Other retail lending**	**Corporate and institutional lending**	**Total**
12 month ECL	1,785,818	33,542,062	92,714,152	128,042,032
Lifetime ECL not credit impaired	108,309	1,275,488	24,666,091	26,049,888
Lifetime ECL credit impaired	64,539	1,147,900	4,721,523	5,933,962
Purchased or originated credit impaired	217	168,914	3,604,008	3,773,139
Total loans and advances, gross	**1,958,883**	**36,134,364**	**125,705,774**	**163,799,021**
Provision for expected credit losses, net	(206,107)	(1,042,156)	(5,840,694)	(7,088,957)
Loans and advances, net	**1,752,776**	**35,092,208**	**119,865,080**	**156,710,064**

	31 December 2020 (Audited) (Restated)			
	Credit cards	**Other retail lending**	**Corporate and institutional lending**	**Total**
12 month ECL	1,941,419	33,209,970	89,805,599	124,956,988
Lifetime ECL not credit impaired	63,171	882,803	24,634,505	25,580,479
Lifetime ECL credit impaired	66,244	1,464,922	4,472,301	6,003,467
Purchased or originated credit impaired	135	172,724	3,704,746	3,877,605
Total loans and advances, gross	**2,070,969**	**35,730,419**	**122,617,151**	**160,418,539**
Provision for expected credit losses, net	(234,704)	(1,358,765)	(5,581,992)	(7,175,461)
Loans and advances, net	**1,836,265**	**34,371,654**	**117,035,159**	**153,243,078**

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 5,373 million (31 December 2020: SAR 5,377 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category.

The financial assets recorded in each stage have the following characteristics:

- 12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12 month allowance (or lower if the tenor of the facility is less than 12 months) for ECL is recognised;
- Lifetime ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Lifetime ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the incurred credit losses on which a lifetime ECL is recognised. POCI includes non-performing loans and advances acquired through the merger with AAB that are recorded at written down value and therefore do not carry a provision for expected credit loss. It also includes recognition of previously written off loans of SABB where the expectation of recovery has improved.

The following table shows reconciliations from the opening to the closing balance of the provision for credit losses against loans and advances:

31 March 2021 (Unaudited)	Non-credit impaired		Credit impaired		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2021	**843,299**	**2,450,978**	**3,828,366**	**52,818**	**7,175,461**
Transfer to Stage 1	10,239	(9,406)	(833)	-	-
Transfer to Stage 2	(12,502)	15,958	(3,456)	-	-
Transfer to Stage 3	(880)	(32,185)	33,065	-	-
Net re-measurement of loss allowance	(216,082)	245,908	(114,092)	(88)	(84,354)
Write-offs	-	-	(2,150)	-	(2,150)
Balance as at 31 March 2021	**624,074**	**2,671,253**	**3,740,900**	**52,730**	**7,088,957**

31 December 2020 (Audited)	Non-credit impaired		Credit impaired		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2020	**644,297**	**2,156,103**	**3,142,098**	**60,502**	**6,003,000**
Transfer to Stage 1	38,332	(31,938)	(6,394)	-	-
Transfer to Stage 2	(7,856)	28,552	(20,696)	-	-
Transfer to Stage 3	(5,400)	(35,293)	40,693	-	-
Net re-measurement of loss allowance	173,926	333,554	1,124,194	(7,684)	1,623,990
Write-offs	-	-	(451,529)	-	(451,529)
Balance as at 31 December 2020	**843,299**	**2,450,978**	**3,828,366**	**52,818**	**7,175,461**

Economic sector risk concentrations for the loans and advances and provision for credit losses are as follows:

31 March 2021 (Unaudited)	Performing	Non-performing	POCI	Provision for credit losses	Loans and advances, net
Government and quasi government	16,433,977	189,570	-	(23,414)	16,600,133
Finance	6,674,611	-	-	(136,082)	6,538,529
Agriculture and fishing	562,762	-	-	(2,700)	560,062
Manufacturing	19,184,442	678,453	942,677	(1,600,551)	19,205,021
Mining and quarrying	3,442,677	-	-	(9,857)	3,432,820
Electricity, water, gas and health services	6,650,925	138,335	399,306	(215,777)	6,972,789
Building and construction	11,210,965	1,495,234	1,074,665	(1,357,403)	12,423,461
Commerce	36,083,207	1,539,675	882,094	(2,041,235)	36,463,741
Transportation and communication	8,344,861	6,040	3,293	(37,036)	8,317,158
Services	7,872,504	225,498	119,272	(367,814)	7,849,460
Credit cards and other retail lending	36,850,287	1,073,829	169,131	(1,248,263)	36,844,984
Others	1,342,002	26,028	182,701	(48,825)	1,501,906
Total	**154,653,220**	**5,372,662**	**3,773,139**	**(7,088,957)**	**156,710,064**

31 December 2020 (Audited) (Restated)	Performing	Non-performing	POCI	Provision for credit losses	Loans and advances, net
Government and quasi government	16,389,315	189,570	-	(6,651)	16,572,234
Finance	5,964,709	-	-	(118,702)	5,846,007
Agriculture and fishing	641,206	-	-	(4,409)	636,797
Manufacturing	18,944,111	708,507	1,020,133	(1,622,905)	19,049,846
Mining and quarrying	3,484,560	-	-	(7,326)	3,477,234
Electricity, water, gas and health services	6,279,622	138,335	446,426	(200,399)	6,663,984
Building and construction	10,251,171	1,478,191	1,053,889	(1,270,336)	11,512,915
Commerce	35,974,961	1,484,845	921,489	(1,925,998)	36,455,297
Transportation and communication	8,134,782	24,860	2,892	(64,341)	8,098,193
Services	7,404,642	211,711	119,395	(335,400)	7,400,348
Credit cards and other retail lending	36,512,236	1,116,293	172,859	(1,593,469)	36,207,919
Others	1,182,266	25,041	140,522	(25,525)	1,322,304
Total	**151,163,581**	**5,377,353**	**3,877,605**	**(7,175,461)**	**153,243,078**

9. Investment in associates

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
HSBC Saudi Arabia			
Balance at beginning of the period/ year	542,955	585,987	585,987
Share in earnings	35,641	79,870	21,623
Dividend received	-	(122,902)	-
Balance at end of the period/ year	**578,596**	**542,955**	**607,610**
Wataniya			
Balance at beginning of the period/ year	76,277	74,211	74,211
Share in earnings	3,424	2,066	1,719
Balance at end of the period/ year	**79,701**	**76,277**	**75,930**
Total	**658,297**	**619,232**	**683,540**

SABB owns 49% (2020: 49%) of the shares of HSBC Saudi Arabia, an associate. The main activities of HSBC Saudi Arabia are to provide a full range of investment banking services including investment banking advisory, brokerage, debt and project finance. It also manages mutual funds and discretionary portfolios. HSBC Saudi Arabia is an authorised person licensed by the CMA to carry out securities business activities.

SABB owns 20% (2020: 20%) of the shares of Wataniya, an associate. The primary activity of Wataniya is to offer insurance products as an extension to the Group's existing retail banking offering.

10. Goodwill and other intangibles

Intangibles are comprised of the following:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited) (Restated)
Amounts arising from business combination (note 14)			
Goodwill	8,778,091	8,778,091	16,195,867
Other intangibles	1,748,465	1,787,484	1,904,542
Goodwill arising from acquisition of SABB Takaful	13,806	13,806	13,806
Software	385,064	403,155	326,293
Total	**10,925,426**	**10,982,536**	**18,440,508**

Impairment testing of goodwill

The goodwill acquired through business combination is reviewed annually for impairment. At each reporting period, an assessment is made for indicators of impairment. If indicators exist, an impairment test is required. If performed, the impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU.

As at 31 March 2021, no impairment indicators were identified. Therefore, no impairment test was performed.

11. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	31 March 2021 (Unaudited)			31 December 2020 (Audited)			31 March 2020 (Unaudited)		
	Positive fair Value	**Negative fair value**	**Notional**	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
Derivatives held for trading:									
Special commission rate swaps	**803,072**	**(802,960)**	**37,838,491**	1,172,441	(1,175,729)	38,492,765	1,608,869	(1,605,890)	53,942,545
Special commission rate options	**520,632**	**(549,782)**	**16,118,445**	677,038	(724,737)	16,791,558	376,838	(396,022)	17,931,385
Forward foreign exchange contracts	**23,927**	**(22,685)**	**3,396,436**	68,766	(68,162)	1,534,616	32,821	(29,803)	5,044,815
Currency options	**10,087**	**(9,992)**	**1,406,467**	1,852	(1,852)	645,893	2,387	(2,387)	1,186,470
Currency swaps	**19,584**	**(13,026)**	**4,950,000**	15,418	(7,806)	3,825,000	6,690	(6,690)	487,500
Others	**-**	**-**	**-**	-	-	-	512	(512)	20,415
Derivatives held as fair value hedges:									
Special commission rate swaps	**23,112**	**(603,189)**	**10,777,217**	-	(834,505)	10,110,416	849	(887,690)	10,788,969
Derivatives held as cash flow hedges:									
Special commission rate swaps	**16,547**	**(9,119)**	**90,000**	18,581	(6,295)	90,000	9,701	(408)	290,000
Currency swaps	**5,576**	**-**	**1,031,250**	7,210	-	1,031,250	22,497	(11,851)	1,293,750
Total	**1,422,537**	**(2,010,753)**	**75,608,306**	**1,961,306**	**(2,819,086)**	**72,521,498**	**2,061,164**	**(2,941,253)**	**90,985,849**
Fair values of netting arrangements	**25,768**	**(1,317,946)**		**27,278**	**(1,665,900)**		**47,358**	**(1,721,373)**	
Cash collateral received	**(25,439)**	**1,458,662**		**(29,775)**	**1,979,400**		**(14,899)**	**1,625,531**	
Fair values after netting	**329**	**140,716**		**(2,497)**	**313,500**		**32,459**	**(95,842)**	

12. Customers' deposits

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited
Demand	130,781,260	134,240,503	127,809,860
Savings	2,091,292	1,829,933	1,867,962
Time	49,556,715	51,636,767	57,066,766
Margin and others	1,261,043	1,402,937	1,530,656
Total	**183,690,310**	**189,110,140**	**188,275,244**

13. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

SABB completed issuance of its SAR 5 billion Tier II Sukuk on 22 July 2020. The Sukuk issuance is under the Group's local Sukuk Programme (the "Local Programme") and is due in 2030, with SABB having an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The structure of the Sukuk was approved by SABB's Shari'ah committee. The Sukuk is unsecured and was offered by way of private placement in the Kingdom of Saudi
Arabia carrying effective special commission income at six months' SAIBOR plus margin of 195 bps payable semi-annually.

SAR 1,500 million 10 year Sukuk – 2015

SABB issued the Sukuk on 28 May 2015 and with maturity in May 2025. This was a Basel III compliant issuance and SABB had an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the agreement. The Sukuk was unsecured and listed on the Saudi Stock Exchange (Tadawul). The Sukuk was repaid on 31 May 2020.

14. Business combination

Further to receipt of regulatory approvals, on 16 June 2019 SABB completed a statutory merger with AAB. On this date, the net assets and business activities of AAB were transferred to SABB in exchange for newly issued shares of SABB. The AAB legal entity ceased to exist following the transfer. Shares of AAB were cancelled and the new shares in SABB were issued to shareholders of AAB at an exchange ratio of 0.48535396 new SABB shares for each AAB share.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with SABB being the acquirer and AAB being the acquiree. As required by the Standard, SABB has allocated the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. Refer year end 31 December 2020 financial statements for more details.

Purchase price allocation

In 2020, the Group completed a comprehensive purchase price allocation focusing on, but not limited to, valuation adjustments to the following:

- recognition of intangible assets including brand, core deposits and purchased credit card relationships;
- loans and advances;
- properties and equipment; and
- other recognized financial and non-financial assets and liabilities.

The goodwill is primarily attributable to the expected future earnings of the acquired business and synergies created. The goodwill recognised is deductible for income tax purposes.

The completion of the purchase price allocation exercise within twelve months from the acquisition date, including restatement of provisional fair values at which the net assets were acquired from AAB, has had the following impact on the line items of the consolidated statements of financial position, income, and changes in equity as at for the period ended 31 March 2020:

Financial statements impacted	Description	As previously reported as at/ for the period ended 31 March 2020	Effect of restatement	Restated – 31 March 2020
Interim Consolidated Statement of Financial Position	Loans and advances, net	157,839,077	(2,655,661)	155,183,416
Interim Consolidated Statement of Financial Position	Goodwill & other intangibles assets	15,324,339	3,116,169	18,440,508
Interim Consolidated Statement of Financial Position	Total assets	265,225,845	460,508	265,686,353
Interim Consolidated Statement of Financial Position	Other liabilities	10,002,247	587,967	10,590,214
Interim Consolidated Statement of Financial Position	Total liabilities	209,430,714	587,967	210,018,681
Interim Consolidated Statement of Financial Position	Retained earnings	6,010,562	(127,459)	5,883,103
Interim Consolidated Statement of Financial Position	Total equity attributable to equity holders of the Bank	55,714,351	(127,459)	55,586,892
Interim Consolidated Statement of Financial Position	Total liabilities and equity	265,225,845	460,508	265,686,353
Interim Consolidated Statement of Income	Special commission income	2,304,060	(66,495)	2,237,565
Interim Consolidated Statement of Income	Provision for expected credit losses, net	(254,162)	15,096	(239,066)
Interim Consolidated Statement of Income	Net income for the period after Zakat and tax	1,022,284	(51,399)	970,885
Interim Consolidated Statement of Income	EPS	0.50	(0.03)	0.47

Restatement in Non-controlling interest

The Group refined the approach to calculating the non-controlling interest in SABB Takaful to ensure it is fully compliant with IFRS.

Financial statements impacted	Description	As previously reported as at year ended 31 December 2020	Effect of restatement	Restated – 31 December 2020
Interim Consolidated Statement of Financial Position	Retained earnings	760,954	(49,891)	711,063
Interim Consolidated Statement of Financial Position	Total equity attributable to Non-controlling interest	55,077	49,891	104,968

Financial statements impacted	Description	As previously reported as at year ended 31 December 2019	Effect of restatement	Restated – 31 December 2019
Interim Consolidated Statement of Financial Position	Retained earnings	4,901,004	(26,640)	4,874,364
Interim Consolidated Statement of Financial Position	Total equity attributable to Non-controlling interest	90,532	26,640	117,172

Financial statements impacted	Description	As previously reported after adjusting PPA restatement (mentioned above) as at period ended 31 March 2020	Effect of restatement	Restated – 31 March 2020
Interim Consolidated Statement of Financial Position	Retained earnings	5,883,103	(31,691)	5,851,412
Interim Consolidated Statement of Financial Position	Total equity attributable to Non-controlling interest	80,780	31,691	112,471

15. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal matters against the Group.

b) Credit related commitments and contingencies

Credit related commitments and contingencies are as follows:

31 March 2021 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	14,160,253	1,140,041	2,062	66,693	**15,369,049**
Letters of guarantee	61,283,984	8,336,260	1,064,934	2,171,141	**72,856,319**
Acceptances	1,956,858	682,975	1,333	22,261	**2,663,427**
Irrevocable commitments to extend credit	3,488,055	162,640	-	-	**3,650,695**
Total	**80,889,150**	**10,321,916**	**1,068,329**	**2,260,095**	**94,539,490**

31 December 2020 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	13,908,396	1,247,896	-	92,043	**15,248,335**
Letters of guarantee	55,770,431	8,546,379	1,219,019	2,176,805	**67,712,634**
Acceptances	2,316,644	744,637	-	51,765	**3,113,046**
Irrevocable commitments to extend credit	3,969,165	219,348	-	-	**4,188,513**
Total	**75,964,636**	**10,758,260**	**1,219,019**	**2,320,613**	**90,262,528**

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against off balance sheet exposures:

31 March 2021 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2021	**38,855**	**136,654**	**487,056**	-	**662,565**
Transfer to stage 1	2,176	(2,176)	-	-	-
Transfer to stage 2	(210)	210	-	-	-
Transfer to stage 3	-	(1,881)	1,881	-	-
Net charge for the period	31,307	93,373	3,769	1,569	130,018
Write offs	-	-	(15,455)	-	(15,455)
Balance as at 31 March 2021	**72,128**	**226,180**	**477,251**	1,569	**777,128**

31 December 2020 (Audited)	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**28,129**	**126,322**	**481,614**	**636,065**
Transfer to stage 1	1,546	(1,426)	(120)	-
Transfer to stage 2	(2,051)	2,051	-	-
Transfer to stage 3	(350)	(2,002)	2,352	-
Net charge for the year	11,581	11,709	3,210	26,500
Balance as at 31 December 2020	**38,855**	**136,654**	**487,056**	**662,565**

16. Basic and diluted earnings per share

Basic and diluted earnings per share for the periods ended 31 March 2021 and 31 March 2020 are calculated by dividing the net income after Zakat and tax for the periods by the weighted average number of shares outstanding during the periods.

17. Zakat and income tax

In March 2019, new Zakat Regulations were issued by GAZT under resolution No. 2215 dated 7 Rajab 1440 (14 March 2019) (the "Zakat Regulations"), which provided a new basis for calculation of Zakat for companies engaged in financing activities. The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability. In addition, SABB is subject to pay corporate income tax to reflect the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, applied to the share of taxable income of the non-Saudi shareholders.

Tax assessments for the years 2010 to 2013 for SABB has been finalized. SABB has received tax assessments for fiscal years 2005 to 2009 in which the GAZT raised additional demands for income tax and withholding tax. Together with assessments relating to AAB for fiscal years from 2006 to 2013, SABB will continue to contest the appeals before the Appellate Committee for Resolution of Tax Disputes and expects a favorable outcome. The amounts are not material.

SABB has also received assessments for the years from 2014 to 2018 raising additional demands for corporate tax and an assessment relating to AAB for years 2015 to 2018 raising additional withholding tax on dividend payments to foreign shareholders, however, tax assessments for the years from 2014 onwards for AAB and 2019 for SABB are still under GAZT review. SABB has filed appeals against these assessments and expects a favorable outcome. The amounts are not material.

18. Cash and cash equivalents

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

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited) - Restated
Cash and balances with SAMA excluding the statutory deposit	11,001,532	24,765,715	4,693,533
Due from banks and other financial institutions with an original maturity of three months or less from date of the acquisition	8,802,052	4,942,979	4,993,721
Total	**19,803,584**	**29,708,694**	**9,687,254**

19. Operating segments

The Group's primary business is conducted in the Kingdom of Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

The Group's reportable segments are as follows:

Retail Banking – caters mainly to the banking requirements of personal and private banking customers.

Corporate and Institutional Banking – caters mainly to the banking requirements of corporate and institutional banking customers.

Treasury – manages the Group's liquidity, currency and special commission rate risks. It is also responsible for funding the Group's operations and managing the Group's investment portfolio and liquidity position.

Others – includes activities of the Group's investment in its insurance subsidiary and associates, SABB Takaful, HSBC Saudi Arabia and Wataniya, as well as a subsidiary for investment banking and brokerage, Alawwal Invest, equity investments, and merger-related expenses. It also includes elimination of inter-group income and expense items.

Transactions between the operating segments are reported as recorded by the Group's transfer pricing system. The Group's total assets and liabilities as at 31 March 2021 and 31 March 2020, its total operating income and expenses, and the results for the periods then ended, by operating segment, are as follows:

31 March 2021 (Unaudited)	Retail Banking	Corporate and Institutional Banking	Treasury	Others (including intergroup eliminations)	Total
Total assets	**46,319,414**	**124,741,412**	**96,920,348**	**3,574,081**	**271,555,255**
Loans and advances, net	36,844,984	119,865,080	-	-	156,710,064
Investments	-	-	61,126,118	2,098,494	63,224,612
Total liabilities	**82,401,977**	**100,284,359**	**36,103,210**	**731,118**	**219,520,664**
Customer deposits	78,577,161	94,439,049	10,674,100	-	183,690,310
Operating income from external customers	609,817	1,054,212	346,623	(2,629)	2,008,023
Inter-segment operating income (expense)	82,949	(189,905)	111,626	(4,670)	-
Total operating income	**692,766**	**864,307**	**458,249**	**(7,299)**	**2,008,023**
Provision for expected credit losses, net	307,516	(308,568)	(616)	-	(1,668)
Total operating expenses	(498,994)	(342,852)	(45,822)	(19,264)	(906,932)
Share in earnings of associates	-	-	-	39,065	39,065
Net income for the period before Zakat and income tax	**501,288**	**212,887**	**411,811**	**12,502**	**1,138,488**

31 March 2020 (Unaudited) (restated)	Retail Banking	Corporate and Institutional Banking	Treasury	Others (including intergroup eliminations)	Total
Total assets	**47,202,478**	**130,327,191**	**84,897,591**	**3,259,093**	**265,686,353**
Loans and advances, net	36,713,709	118,469,707	-	-	155,183,416
Investments	-	-	59,129,412	1,420,328	60,549,740
Total liabilities	**84,614,427**	**106,583,388**	**18,224,002**	**596,864**	**210,018,681**
Customer deposits	81,141,540	99,474,769	7,658,935	-	188,275,244
Operating income from external customers	619,673	1,369,952	352,006	27,259	2,368,890
Inter-segment operating income (expense)	208,196	(208,014)	340	(522)	-
Total operating income	**827,869**	**1,161,938**	**352,346**	**26,737**	**2,368,890**
Provision for expected credit losses, net	(69,967)	(169,281)	182	-	(239,066)
Total operating expenses	(507,952)	(304,125)	(47,038)	(141,585)	(1,000,700)
Share in earnings of associates	-	-	-	23,342	23,342
Net income/ (loss) for the period before Zakat and income tax	**249,950**	**688,532**	**305,490**	**(91,506)**	**1,152,466**

20. Financial risk management

Credit Risk

The Board of Directors is responsible for the overall risk management approach within SABB and for reviewing its effectiveness.

The Board's designated committee for risk matters is the Board Risk Committee which approves and provides oversight for the Group's risk framework, plans and performance targets, which include the establishment of risk appetite statements, risk management strategies, the appointment of senior officers, the delegation of authorities for credit and other risks and the establishment of effective control procedures.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk on credit related commitments and contingencies and derivatives.

The Group assesses the probability of default of counterparties using internal rating tools. The Group also uses external ratings, of major rating agencies, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or market sectors. It also takes security when appropriate. The Group also seeks additional collateral, where possible, from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements.

a. Provision for expected credit losses, net

The following table shows the provision for expected credit losses for due from banks and other financial institutions, investments, loans and advances and off balance sheet exposures:

	Notes	31 March 2021 (Unaudited)	31 March 2020 (Unaudited) Restated
Net provision for expected credit losses:			
Due from banks and other financial institutions, net	6	1,421	372
Investments	7	(805)	(554)
Loans and advances, net	8	(84,354)	138,984
Off balance sheet exposures	15	130,018	52,237
Write-offs net of recoveries		(44,612)	48,027
Net charge for the period		**1,668**	**239,066**

b. Collateral

The Group in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly includes time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collateral are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

21. 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 in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of recognised financial instruments are not materially different from their carrying values.

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 instrument (e.g, 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.

31 March 2021 (Unaudited)	**Carrying Value**		**Fair value**		
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Derivative financial instruments	1,422,537	-	1,422,537	-	**1,422,537**
Investments held as FVSI	1,390,731	898,850	491,881	-	**1,390,731**
Investments held as FVOCI – Debt	12,063,356	-	12,063,356	-	**12,063,356**
Investments held as FVOCI – Equity	1,415,252	1,390,600	-	24,652	**1,415,252**
Financial assets not measured at fair value					
Due from banks and other financial institutions	8,959,899	-	8,959,899	-	**8,959,899**
Investments held at amortised cost	48,355,273	-	49,549,913	-	**49,549,913**
Loans and advances	156,710,064	-	-	155,430,298	**155,430,298**
Financial liabilities measured at fair value					
Derivative financial instruments	2,010,753	-	2,010,753	-	**2,010,753**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	17,170,359	-	17,170,359	-	**17,170,359**
Customers deposits	183,690,310	-	183,711,987	-	**183,711,987**
Debt securities in issue	5,025,975	-	5,025,975	-	**5,025,975**

31 December 2020 (Audited)	Carrying Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	1,961,306	-	1,961,306	-	**1,961,306**
Investments held as FVSI	1,237,760	878,521	359,239	-	**1,237,760**
Investments held as FVOCI – Debt	12,574,317	-	12,574,317	-	**12,574,317**
Investments held as FVOCI – Equity	1,128,916	1,103,450	-	25,466	**1,128,916**
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,105,498	-	5,105,498	-	**5,105,498**
Investments held at amortised cost	45,890,014	-	47,794,071	-	**47,794,071**
Loans and advances	153,243,078	-	-	152,050,680	**152,050,680**
Financial liabilities measured at fair value					
Derivative financial instruments	2,819,086	-	2,819,086	-	**2,819,086**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	17,620,956	-	17,620,956	-	**17,620,956**
Customers deposits	189,110,140	-	189,231,025	-	**189,231,025**
Debt securities in issue	5,066,610	-	5,066,610	-	**5,066,610**

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to 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.

FVOCI investments classified as Level 2 include bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

FVOCI investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net assets value as at the reporting date. The movement in Level 3 financial instruments during the period relates to fair value and capital repayment movements only.

Fair values of listed investments are determined using bid marked prices. Fair values of unlisted investments are determined using valuation techniques that incorporate the prices and future earning streams of equivalent quoted securities.

Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SAIBOR rates.

The fair values of due from and due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates.

The fair values of demand deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue and borrowings are floating rate instruments that re-price within a year and accordingly, the fair value of this portfolio approximates the carrying value. The fair value of the remaining portfolio is not significantly different from its carrying value.

There were no transfers between the levels of fair value hierarchies during the period.

The values obtained from valuation models may be different from the transaction price of financial instruments on transaction date. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss'. It is either amortised over the life of the transaction or deferred until the instrument's fair value can be determined using market observable data or realized through disposal. Subsequent changes in fair value are recognized immediately in the Interim consolidated statement of income without reversal of deferred day one profits and losses. Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

22. Capital adequacy

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

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

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2020 and 2021 effective from 31 March 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years. The impact of these revised transitional arrangements to the Group's Tier 1 and Tier 1 + 2 ratio have been an improvement of 44bps for the period ended 31 March 2021.

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited) (Restated)
Risk Weighted Assets (RWA)			
Credit Risk RWA	200,180,333	199,268,399	206,050,334
Operational Risk RWA	18,021,472	19,064,614	19,040,238
Market Risk RWA	1,730,220	1,988,398	2,861,482
Total RWA	**219,932,025**	**220,321,411**	**227,952,054**
Tier I Capital	**43,083,826**	**41,774,973**	**39,198,115**
Tier II Capital	**6,074,931**	**6,303,054**	**2,711,082**
Total I and II Capital	**49,158,757**	**48,078,027**	**41,909,197**
Capital Adequacy Ratio %			
Tier I ratio	19.59%	18.96%	17.20%
Tier I + Tier II ratio	22.35%	21.82%	18.39%

23. Impact of Coronavirus ("COVID-19") on Expected Credit Losses ("ECL") and SAMA Programs

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a second / third wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of the Kingdom of Saudi Arabia ("the Government"), however, has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government. The Government has approved a number of vaccines for mass immunization. The drive is in full swing and it is expected that the majority of the population will be vaccinated in the near future.

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

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Group to review certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around macroeconomic factors used by the Group in the estimation of expected credit losses and the scenario probabilities currently being used by the Group in ECL estimation. During Q1 2021, as more reliable data became available, the Group updated its macroeconomic forecasts in line with its business as usual process used in the estimation of expected credit losses.

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

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

The Group continues to monitor the Micro Small and Medium Enterprises ("MSME") Deferred Payment Program ("DPP") lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves. Management has taken SAR 151 million of overlay provisions to reflect potential further credit deterioration in the underlying portfolio that is not currently evident in the portfolio given the deferral of repayments applied.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

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

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Group is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Group has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021, and increasing the facility tenors accordingly. The Group continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

The accounting impact of above changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total cumulative modification losses recorded to date amounting to SAR 405 million, of which SAR 76 million has been recorded in the current quarter. All modification losses are presented as part of other operating income / (losses), net. Subsequent to the recognition of a modification loss, it is unwound over a period of time as income through the income statement and presented as part of Special Commission Income. Total cumulative unwind income recorded to date amounted to SAR 340 million. During the three-month period ended 31 March 2021, SAR 70 million has been recorded as income to reflect the unwinding of the modification loss impact.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities program, during 2020 the Group received profit-free deposits from SAMA amounting to SAR 6.3 billion with varying maturities, which qualify from an accounting perspective as government grants. Management has determined, based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized 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. Total income of SAR 461 million arose on these profit-free deposits, out of which SAR 351 million was recognised as income in prior periods. During the three-month period ended 31 March 2021, SAR 78 million has been recognised to the statement of income. The remaining balance of unamortised deferred grant gain amounts to SAR 32 million.

As at 31 December 2020, the Group has participated in SAMA's funding for lending and facility guarantee programs and the accounting impact for the period is immaterial. Furthermore, during the three months period ended 31 March 2021, the Group has received reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 152 million.

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

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

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

In this regard, during Q2 2020, the Group received SAR 6.1 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 subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 70 million which was recognized during 2020 and was presented in other operating income / (losses), net.

Group's initiative - Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Group decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Group for three months in March 2020. This resulted in the Group recognizing a modification loss of SAR 76 million in March 2020, which was presented as part other operating income / (losses), net. As the three-month period for this voluntarily postponed payments ended, the Group has completely unwounded the impact till Q3 2020.

24. Statutory reserve

During the period ended 31 March 2021, the Group has transferred, after the approval of shareholders at the Extra Ordinary General Assembly's meeting, an amount of SAR 9.1 billion from the Share premium to statutory reserve, bringing the statutory reserve equal to the paid up Share capital of the Group. In accordance with the Banking Control Law of the Kingdom of Saudi Arabia, no further transfer of annual net income is required to Statutory reserve as its balance equals the paid up Share capital of the Group. The statutory reserve is not currently available for distribution.

25. IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The IASB has published amendments to its standards in two phases, in order to assist in a smooth transition away from IBOR.

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

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

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

On 5 March 2021, the FCA, announced that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

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

In addition, the above announcement, as confirmed by the International Swaps and Derivatives Association ("ISDA"), constitutes an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol for all 35 LIBOR settings. As a result, the fallback spread adjustment (i.e. to the adjusted risk-free rate plus spread) published by Bloomberg is fixed as of the date of this announcement (i.e. 5 March 2021) for all euro, sterling, Swiss franc, US dollar and yen LIBOR settings. The fallbacks will automatically occur for outstanding derivatives contracts that incorporate the IBOR Fallbacks Supplement or are subject to adherence of the ISDA 2020 IBOR Fallbacks Protocol on the following dates:

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

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

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The Group believes that the project is not significant in terms of scale and complexity and will have no major impact on its products, internal systems and processes.

26. Board of Directors' approvals

These interim condensed consolidated financial statements were approved by the Board of Directors on 15 Ramadan 1442AH (Corresponding 27 April 2021).