# BANK ALJAZIRA

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**

KPMG Professional Services
Zahran Business Center
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Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

PricewaterhouseCoopers
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License No. 25

# Independent Auditors' Review Report on Interim Condensed Consolidated Financial Statements

To the Shareholders of Bank AlJazira
(A Saudi Arabian Joint Stock Company)

***Introduction***

We have reviewed the accompanying interim consolidated statement of financial position of Bank AlJazira (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 shareholders' equity and cash flows for the three month period then ended and other explanatory notes which form an integral part of these interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ('IAS 34') as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of review***

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 International Standards on Auditing ('ISAs'), that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

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

***Other regulatory matter***

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 17 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 17 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**for KPMG Professional Services**
**Certified Public Accountants**

Ebrahim Oboud Baeshen
Certified Public Accountant
License Number 382

**for PricewaterhouseCoopers**
**Certified Public Accountants**

Mufaddal A.Ali
Certified Public Accountant
License Number 447

20 Ramadan 1442H
2 May 2021

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R 4030290792
J:1
ترخيص رقم ٤٦
KPMG
KPMG Professional Services

برايس وترهاوس كوبرز
محاسبون قانونيون
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **31 March 2021 (Unaudited) SR'000** | 31 December 2020 (Audited) SR'000 | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with Saudi Central Bank (SAMA) | 14 | **7,152,890** | 5,248,294 | 4,748,902 |
| Due from banks and other financial institutions, net | | **815,944** | 426,138 | 1,855,022 |
| Investments held at fair value through statement of income (FVIS) | 5 | **443,798** | 443,104 | 207,370 |
| Investments held at fair value through other comprehensive income (FVOCI) | 5 | **1,181,961** | 1,118,251 | 1,174,619 |
| Investments held at amortised cost, net | 5 | **27,424,410** | 28,334,118 | 27,274,663 |
| Positive fair value of Shari'ah compliant derivatives | 9 | **106,950** | 135,224 | 150,729 |
| Financing, net | 6 | **55,174,633** | 53,961,211 | 51,979,019 |
| Investment in an associate | 7 | **165,676** | 164,136 | 152,109 |
| Other real estate | | **474,421** | 474,421 | 472,853 |
| Property and equipment, net | | **1,138,410** | 1,155,609 | 1,141,367 |
| Other assets | | **504,245** | 628,368 | 576,950 |
| **Total assets** | | **94,583,338** | 92,088,874 | 89,733,603 |
| | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **LIABILITIES** | | | | |
| Due to banks and other financial institutions | | **8,121,054** | 8,530,196 | 11,219,481 |
| Customers' deposits | 8 | **70,680,875** | 68,003,612 | 62,668,675 |
| Negative fair value of Shari'ah compliant derivatives | 9 | **230,895** | 303,495 | 378,068 |
| Subordinated Sukuk | 10 | **2,018,533** | 2,004,633 | 2,027,916 |
| Other liabilities | | **1,805,860** | 1,882,439 | 1,768,770 |
| **Total liabilities** | | **82,857,217** | 80,724,375 | 78,062,910 |
| | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | 11 | **8,200,000** | 8,200,000 | 8,200,000 |
| Statutory reserve | | **2,665,754** | 2,665,754 | 2,657,316 |
| General reserve | | **-** | - | 68,000 |
| Other reserves | 12 | **(59,547)** | (99,576) | (187,237) |
| Retained earnings | | **919,914** | 598,321 | 686,614 |
| Proposed dividend | | **-** | - | 246,000 |
| **Total shareholders' equity** | | **11,726,121** | 11,364,499 | 11,670,693 |
| **Total liabilities and shareholders' equity** | | **94,583,338** | 92,088,874 | 89,733,603 |

| Tarek Al-Kasabi<br>Chairman | Naif Al Abdulkareem<br>CEO and Managing Director | Hani Noori<br>Acting Chief Financial Officer |
|---|---|---|

Faeem Ullah

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

# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
## FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

| | | For the three month period ended | |
|---|---|---|---|
| | Notes | 31 March 2021 SR'000 | 31 March 2020 SR'000 |
| Income from investments and financing | | **737,075** | 805,421 |
| Return on deposits and financial liabilities | | **(93,300)** | (260,285) |
| **Net financing and investment income** | | **643,775** | 545,136 |
| Fees from banking services - income | | **321,458** | 252,554 |
| Fees from banking services - expense | | **(143,110)** | (95,561) |
| Fees from banking services, net | | **178,348** | 156,993 |
| Exchange income, net | | **43,000** | 59,605 |
| Net gain / (loss) on FVIS financial instruments | | **653** | (1,680) |
| Net gains on de-recognition of financial assets measured at FVOCI - Sukuk | | **382** | 2,714 |
| Net gains on de-recognition of financial assets measured at amortised cost | | **77,516** | 532 |
| Other operating income | | **1,764** | 5,616 |
| **Total operating income** | | **945,438** | 768,916 |
| Salaries and employee-related expenses | | **235,333** | 250,711 |
| Rent and premises-related expenses | | **14,363** | 12,180 |
| Depreciation and amortisation | | **52,942** | 51,853 |
| Other general and administrative expenses | | **121,729** | 112,690 |
| Other operating expenses | | **6,246** | 6,789 |
| **Total operating expenses before impairment charge** | | **430,613** | 434,223 |
| Impairment charge for financing and other financial assets, net | 6 (b) | **152,814** | 121,955 |
| **Total operating expenses** | | **583,427** | 556,178 |
| **Net operating income** | | **362,011** | 212,738 |
| Share in net income of an associate | | **1,591** | 3,873 |
| **Net income for the period before Zakat and income tax** | | **363,602** | 216,611 |
| **Zakat and income tax** | | | |
| Zakat | | **(39,616)** | (33,562) |
| Income tax | | **(2,393)** | (1,440) |
| **Net income for the period** | | **321,593** | 181,609 |
| **Basic and diluted earnings per share for the period (expressed in SR per share)** | 11 | **0.39** | 0.22 |

| Tarek Al-Kasabi | Naif Al Abdulkareem | Hani Noori |
|---|---|---|
| Chairman | CEO and Managing Director | Acting Chief Financial Officer |

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

Naeem +Ullah

# Bank AlJazira
(A Saudi Joint Stock Company)

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
## FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

| | Notes | For the three month period ended 31 March 2021 SR'000 | 31 March 2020 SR'000 |
|---|---|---|---|
| Net income for the period | | **321,593** | 181,609 |
| **Other comprehensive income / (loss):** | | | |
| ***Items that can be reclassified to consolidated statement of income in subsequent periods:*** | | | |
| Cash flow hedges: | | | |
| - Effective portion of change in the fair value | 12 | **52,197** | (110,809) |
| - Net amount transferred to consolidated statement of income | 12 | **(22)** | (22) |
| Net changes in fair value of investments classified as at FVOCI – Sukuk | 12 | **(12,146)** | 10,398 |
| ***Total other comprehensive income / (loss) for the period*** | | **40,029** | (100,433) |
| **Total comprehensive income for the period** | | **361,622** | 81,176 |

Tarek Al-Kasabi
Chairman

Naif Al Abdulkareem
CEO and Managing Director

Hani Noori
Acting Chief Financial Officer

Yaeen Ullah

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

# Bank AlJazira

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**

| | Share capital SR'000 | Statutory reserve SR'000 | General reserve SR'000 | Other reserves SR'000 | Retained earnings SR'000 | Proposed dividend SR'000 | Total shareholders' equity SR'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2021 (audited)** | **8,200,000** | **2,665,754** | - | **(99,576)** | **598,321** | - | **11,364,499** |
| Net income for the period | - | - | - | - | 321,593 | - | 321,593 |
| Other comprehensive income | - | - | - | 40,029 | - | - | 40,029 |
| Total comprehensive income for the period | - | - | - | 40,029 | 321,593 | - | 361,622 |
| **Balance at 31 March 2021 (unaudited)** | **8,200,000** | **2,665,754** | - | **(59,547)** | **919,914** | - | **11,726,121** |
| | | | | | | | |
| Balance at 1 January 2020 (audited) | 8,200,000 | 2,657,316 | 68,000 | (86,804) | 505,005 | 246,000 | 11,589,517 |
| Net income for the period | - | - | - | - | 181,609 | - | 181,609 |
| Other comprehensive loss | - | - | - | (100,433) | - | - | (100,433) |
| Total comprehensive income for the period | - | - | - | (100,433) | 181,609 | - | 81,176 |
| Balance at 31 March 2020 (unaudited) | 8,200,000 | 2,657,316 | 68,000 | (187,237) | 686,614 | 246,000 | 11,670,693 |

| Tarek Al-Kasabi | Naif Al Abdulkareem | Hani Noori |
|---|---|---|
| Chairman | CEO and Managing Director | Acting Chief Financial Officer |

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

# Bank AlJazira
(A Saudi Joint Stock Company)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
## FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

| | Notes | For the three month period ended 31 March 2021 SR'000 | 31 March 2020 SR'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Net income for the period before Zakat and income tax** | | **363,602** | 216,611 |
| **Adjustments to reconcile net income to net cash from operating activities:** | | | |
| Net (gain) / loss on FVIS financial instruments | | **(653)** | 1,680 |
| Gain on investments not held as FVIS | | **(77,898)** | (3,246) |
| Return on subordinated sukuk | | **13,900** | 20,995 |
| Impairment charge for financing and other financial assets, net | 6 (b) | **152,814** | 121,955 |
| Depreciation and amortization | | **52,942** | 51,853 |
| Share in net income of an associate | | **(1,591)** | (3,873) |
| Loss on disposal / write off of property and equipment | | **28** | 2,969 |
| | | **503,144** | 408,944 |
| **Net changes in operating assets:** | | | |
| Statutory deposit with SAMA | | **(358,591)** | 143,197 |
| Due from banks and other financial institutions maturing after ninety days from the date of acquisition | | **-** | 246,313 |
| Investments held at FVIS | | **(41)** | 77,974 |
| Positive fair value of Shari'ah compliant derivatives | | **28,274** | (49,103) |
| Financing | | **(1,387,898)** | (2,415,124) |
| Other real estate | | **-** | (3,861) |
| Other assets | | **124,123** | (91,400) |
| **Net changes in operating liabilities:** | | | |
| Due to banks and other financial institutions | | **(409,142)** | 2,965,727 |
| Customers' deposits | | **2,677,263** | (28,119) |
| Negative fair value of Shari'ah compliant derivatives | | **(72,600)** | 162,057 |
| Other liabilities | | **(26,661)** | (179,271) |
| | | **1,077,871** | 1,237,334 |
| Zakat and income tax paid | | **(46)** | - |
| **Net cash from operating activities** | | **1,077,825** | 1,237,334 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from maturity and sale of investments not held as FVIS | | **1,190,882** | 57,683 |
| Acquisition of investments not held as FVIS | | **(279,819)** | (1,162,481) |
| Acquisition of property and equipment | | **(33,674)** | (29,457) |
| Proceeds from sale of property and equipment | | **4** | - |
| **Net cash from / (used in) investing activities** | | **877,393** | (1,134,255) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | **-** | (14) |
| Payment for principal portion of lease liabilities | | **(19,563)** | (16,402) |
| **Net cash used in financing activities** | | **(19,563)** | (16,416) |
| Net change in cash and cash equivalents held | | **1,935,655** | 86,663 |
| Cash and cash equivalents at the beginning of the period | | **2,076,343** | 2,646,838 |
| **Cash and cash equivalents at the end of the period** | 14 | **4,011,998** | 2,733,501 |
| Income from investments and financing received during the period | | **737,767** | 790,368 |
| Return on deposits and financial liabilities paid during the period | | **152,402** | 260,879 |
| **Supplemental non-cash information** | | | |
| ROU assets | | **331,814** | 406,789 |
| Lease liabilities | | **307,440** | 367,673 |
| Net changes in fair value and transfers of cash flow hedge derivatives to the interim consolidated statement of income | | **52,175** | (110,831) |

| Tarek Al-Kasabi | Naif Al Abdulkareem | Hani Noori |
|---|---|---|
| Chairman | CEO and Managing Director | Acting Chief Financial Officer |

Yaeem Al Ullah

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

## 1. GENERAL

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"). Bank AlJazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated 12 Jumad Al-Thani 1395H (21 June 1975). The Bank commenced its business on 16 Shawwal 1396H (9 October 1976) with the takeover of The National Bank of Pakistan's branches in the Kingdom of Saudi Arabia under commercial registration number 4030010523 dated 29 Rajab 1396H (27 July 1976) issued in Jeddah. The Bank operates through its 80 branches (31 December 2020: 79 branches and 31 March 2020: 78 branches) and 62 Fawri Remittance Centers (31 December 2020: 62 and 31 March 2020: 61 Fawri Remittance Centers) in the Kingdom of Saudi Arabia. The Bank's Head Office is located at the following address:

Bank AlJazira
Nahda District, King Abdulaziz Road,
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari'ah compliant (non-interest based) banking products and services comprising of Murabaha, Istisna'a, Ijarah, Tawaraq, Musharaka, Wa'ad Fx and Sukuk which are approved and supervised by an independent Shari'ah Board established by the Bank. The Bank's shares are listed on Tadawul in the Kingdom of Saudi Arabia.

The details of the Bank's subsidiaries and associate are as follows:

| | Country of incorporation | Nature of business | **Ownership (direct and indirect) 31 March 2021** | Ownership (direct and indirect) 31 December 2020 | Ownership (direct and indirect) 31 March 2020 |
|---|---|---|---|---|---|
| **Subsidiary** | | | | | |
| AlJazira Capital Company | Kingdom of Saudi Arabia | Brokerage, margin financing and asset management | **100%** | 100% | 100% |
| Aman Development and Real Estate Investment Company | Kingdom of Saudi Arabia | Holding and managing real estate collaterals on behalf of the Bank | **100%** | 100% | 100% |
| *Aman Insurance Agency Company (under liquidation) | Kingdom of Saudi Arabia | Acting as an agent for bancassurance activities on behalf of the Bank | **100%** | 100% | 100% |
| AlJazira Securities Limited | Cayman Islands | Carry out Shari'ah compliant derivative and capital market transactions | **100%** | 100% | 100% |
| **Associate** | | | | | |
| AlJazira Takaful Ta'awuni Company | Kingdom of Saudi Arabia | Fully Shari'ah compliant protection and saving products | **26.03%** | 35% | 35% |

## 1. GENERAL (continued)

* Subsequent to the year ended 31 December 2020, the Company applied for its license renewal from Saudi Central Bank ("SAMA"), however, it was refused, as SAMA has recently required the Banks to carry out Bancassurance business directly. This as a result has restricted the ability of the Company to carry out business activities and therefore, management of the Company has decided to initiate the winding up procedures.

## 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 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 Certified Public Accountants ("SOCPA").

The Group also prepares its consolidated financial statements to comply with the Banking Control Law and the Regulation for Companies in the Kingdom of Saudi Arabia and the Bank's By-laws.

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

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 expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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

## 3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries as set out in Note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

The interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

a) Subsidiaries
Subsidiaries are entities which are controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

## 3. BASIS OF CONSOLIDATION (continued)

a) Subsidiaries (continued)

i. the Group has power over an entity;
ii. the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii. the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

c) Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim 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.

d) Investment in an associate

Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/ (losses) based on the latest available financial information) less impairment, if any.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the interim condensed consolidated statement of income.

## 3. BASIS OF CONSOLIDATION (continued)

d) Investment in an associate (continued)
The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of the investment in the interim condensed consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

## 4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

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

**New standards, interpretations and amendments adopted by the Group**

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.

- Profit 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 profit 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 profit rate, equivalent to a movement in a market rate of profit;
- 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 18 to these interim condensed consolidated financial statements.

**Accounting standards issued but not yet effective**

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning on or after January 1, 2022 are listed below. 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. INVESTMENTS

Investments are classified as follows:

| | | 31 March 2021 SR'000 | | |
|---|---|---|---|---|
| | | **Domestic** | **International** | **Total** |
| **i)** | **FVIS** | | | |
| | Mutual funds | **192,465** | **250,504** | **442,969** |
| | Equities | **829** | **-** | **829** |
| | | **193,294** | **250,504** | **443,798** |
| **ii)** | **FVOCI** | | | |
| | Equities | **4,143** | **762** | **4,905** |
| | Sukuk investments | **1,177,056** | **-** | **1,177,056** |
| | | **1,181,199** | **762** | **1,181,961** |
| **iii)** | **Amortised cost** | | | |
| | Sukuk investments | **22,527,579** | **-** | **22,527,579** |
| | Wakala floating rate notes | **4,904,015** | **-** | **4,904,015** |
| | | **27,431,594** | **-** | **27,431,594** |
| | Allowance for impairment | **(7,184)** | **-** | **(7,184)** |
| | | **27,424,410** | **-** | **27,424,410** |
| | **Total** | **28,798,903** | **251,266** | **29,050,169** |

| | | 31 December 2020 SR'000 | | |
|---|---|---|---|---|
| | | **Domestic** | **International** | **Total** |
| **i)** | FVIS | | | |
| | Mutual funds | 193,324 | 249,020 | 442,344 |
| | Equities | 760 | - | 760 |
| | | 194,084 | 249,020 | 443,104 |
| **ii)** | FVOCI | | | |
| | Equities | 4,143 | 789 | 4,932 |
| | Sukuk investments | 1,113,319 | - | 1,113,319 |
| | | 1,117,462 | 789 | 1,118,251 |

## 5. INVESTMENTS (continued)

| | 31 December 2020 SR'000 | | |
|---|---|---|---|
| | Domestic | International | Total |
| **iii) Amortised cost** | | | |
| Sukuk investments | 23,436,322 | - | 23,436,322 |
| Wakala floating rate notes | 4,904,294 | - | 4,904,294 |
| | 28,340,616 | - | 28,340,616 |
| Allowance for impairment | (6,498) | - | (6,498) |
| | 28,334,118 | - | 28,334,118 |
| Total | 29,645,664 | 249,809 | 29,895,473 |

| | 31 March 2020 SR'000 | | |
|---|---|---|---|
| | Domestic | International | Total |
| **i) FVIS** | | | |
| Mutual funds | 193,832 | 13,168 | 207,000 |
| Equities | 370 | - | 370 |
| | 194,202 | 13,168 | 207,370 |
| **ii) FVOCI** | | | |
| Equities | 4,143 | 724 | 4,867 |
| Sukuk investments | 1,169,752 | - | 1,169,752 |
| | 1,173,895 | 724 | 1,174,619 |
| **iii) Amortised cost** | | | |
| Sukuk investments | 22,365,651 | - | 22,365,651 |
| Wakala floating rate notes | 4,909,912 | - | 4,909,912 |
| | 27,275,563 | - | 27,275,563 |
| Allowance for impairment | (900) | - | (900) |
| | 27,274,663 | - | 27,274,663 |
| Total | 28,642,760 | 13,892 | 28,656,652 |

## 6. FINANCING , NET

The financing is classified as at amortized cost.

| 31 March 2021 | SR'000<br>Credit cards | Consumer | Commercial | Others | Total |
|---|---|---|---|---|---|
| Performing financing | 669,637 | 26,633,163 | 28,355,787 | 355,877 | 56,014,464 |
| Non-performing financing | 57,683 | 294,066 | 1,075,806 | - | 1,427,555 |
| **Gross financing** | 727,320 | 26,927,229 | 29,431,593 | 355,877 | 57,442,019 |
| Allowance for impairment | (64,043) | (220,206) | (1,983,137) | - | (2,267,386) |
| **Financing, net** | 663,277 | 26,707,023 | 27,448,456 | 355,877 | 55,174,633 |

| 31 December 2020 | SR'000<br>Credit cards | Consumer | Commercial | Others | Total |
|---|---|---|---|---|---|
| Performing financing | 695,605 | 26,542,025 | 27,303,432 | 371,189 | 54,912,251 |
| Non-performing financing | 55,679 | 168,344 | 1,017,934 | - | 1,241,957 |
| **Gross financing** | 751,284 | 26,710,369 | 28,321,366 | 371,189 | 56,154,208 |
| Allowance for impairment | (63,908) | (211,871) | (1,917,218) | - | (2,192,997) |
| **Financing, net** | 687,376 | 26,498,498 | 26,404,148 | 371,189 | 53,961,211 |

| 31 March 2020 | SR'000<br>Credit cards | Consumer | Commercial | Others | Total |
|---|---|---|---|---|---|
| Performing financing | 699,111 | 24,193,477 | 27,121,108 | 400,998 | 52,414,694 |
| Non-performing financing | 51,539 | 166,120 | 399,534 | - | 617,193 |
| **Gross financing** | 750,650 | 24,359,597 | 27,520,642 | 400,998 | 53,031,887 |
| Allowance for impairment | (62,114) | (164,652) | (826,102) | - | (1,052,868) |
| **Financing, net** | 688,536 | 24,194,945 | 26,694,540 | 400,998 | 51,979,019 |

## 6. FINANCING, NET (continued)

Financing, net represent Shari'ah compliant products in respect of Murabaha agreements, Ijarah, Istisnaat, Musharaka and Tawarruq.

a) Movement in allowance for Impairment is as follows:

| | **31 March 2021 (Unaudited) SR'000** | 31 December 2020 (Audited) SR'000 | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|---|
| Balance at the beginning of the period | **2,192,997** | 1,009,167 | 1,009,167 |
| Impairment charge for financing | **210,378** | 1,411,054 | 131,858 |
| Bad debts written off | **(104,601)** | (134,946) | (59,121) |
| Reversal / recoveries of amounts previously impaired | **(31,388)** | (92,278) | (29,036) |
| **Balance at the end of the period** | **2,267,386** | 2,192,997 | 1,052,868 |

b) Net impairment charge for financing and other financial assets for the period in the interim condensed consolidated statement of income comprised of:

| | **31 March 2021 (Unaudited) SR'000** | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|
| Impairment charge for financing | **210,378** | 131,858 |
| Recoveries / reversal of amounts previously impaired | **(31,388)** | (29,036) |
| Recoveries from debts previously written off | **(4,513)** | (6,597) |
| Reversal of impairment charge for ECL in respect of due from banks and other financial institutions | **(156)** | (80) |
| Net impairment charge for ECL in respect of investments | **686** | 900 |
| Net (Reversal) / impairment charge for ECL in respect of non-funded financing and credit related commitments | **(22,193)** | 24,910 |
| Impairment charge for financing and other financial assets, net | **152,814** | 121,955 |

## 7. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the investment made by the Group in AlJazira Takaful Ta'awuni Company ("AJT"). The Group effectively holds 26.03% (31 December 2020: 35% and 31 March 2020: 35%) shareholding in AJT.

The share of total comprehensive income in an associate represents the Group's share in the total comprehensive income of AJT and was based on the latest available financial information of AJT. AJT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in AJT as of 31 March 2021 was SR 368.11 million (31 December 2020: SR 309.92 million and 31 March 2020: SR 183.51 million) based on Tadawul market price.

## 8. CUSTOMERS' DEPOSITS

| | **31 March 2021 (Unaudited) SR'000** | 31 December 2020 (Audited) SR'000 | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|---|
| Demand | **38,434,168** | 37,411,390 | 31,815,526 |
| Saving | **753,458** | 284,182 | - |
| Customers' time investments | **29,646,053** | 28,543,641 | 28,957,409 |
| Other | **1,847,196** | 1,764,399 | 1,895,740 |
| Total | **70,680,875** | 68,003,612 | 62,668,675 |

Customers' time investments comprise deposits received on Shari'ah Compliant (non-commission based) Murabaha and Wakala products.

## 9. SHARIAH COMPLIANT DERIVATIVES

### 9.1 Nature/type of derivatives held

In the ordinary course of business, the Group utilizes the following Shari'ah derivative financial instruments for both trading and strategic hedging purposes:

**a) Swaps**

Swaps are commitments to exchange one set of cash flows for another. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal. For cross-currency profit rate swaps, principal, fixed and floating profit payments are exchanged in different currencies.

**b) Options (Wa'ad Fx)**

Foreign exchange options are transactions, whereby a client, in consideration for the payment of a fee agrees to enter into one or a series of trades in which one party (promisor) gives a commitment as a unilateral undertaking, to a second party (promisee).

An option can be a unilateral promise or combination of promises. The Group enters into the option depending on the client's risk profile, whereby the client may promise to buy, sell or buy and sell a currency with or without conditions for hedging its exposure.

### 9.2 Purpose of derivatives

**a) Held for trading purposes**

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

## 9. SHARIAH COMPLIANT DERIVATIVES (continued)

### 9.2 Purpose of derivatives (continued)

### b) Held for hedging purposes

The Group uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to profit rate risk and foreign exchange risk.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by Saudi Central Bank.

As part of its financial asset and liability management, the Group uses Shari'ah compliant derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risk. This is generally achieved by hedging specific transactions.

**Cash flow hedges**

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear profit at a variable rate. The Group uses profit rate swaps as cash flow hedges of these profit rate risks.

The gains on cash flow hedges reclassified to the interim condensed consolidated statement of income during the period are as follows:

| | **31 March 2021 SR'000** | 31 March 2020 SR'000 |
|---|---|---|
| Income from investments and financing | **413** | 413 |
| Return on deposits and financial liabilities | **(391)** | (391) |
| Net gains on cash flow hedges reclassified to the interim condensed consolidated statement of income | **22** | 22 |

The cash flow hedges of profit rate swap were highly effective in offsetting the variability of return on investments, deposits and financial liabilities.

During the prior periods, the Bank sold certain of its profit rate swaps used for cash flows hedges. However, the gain / (loss) would continue to be classified in interim condensed consolidated statement of comprehensive income as the related hedge items are still outstanding. In accordance with the IFRS requirements, the gain / (loss) will be reclassified to interim condensed consolidated statement of income in the period when the cash flows pertaining to hedged items will affect the interim condensed consolidated statement of income.

## 9. SHARIAH COMPLIANT DERIVATIVES (continued)

The table below summarize the positive and negative fair values of the Group's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of 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 market risk.

| | **31 March 2021 (Unaudited) SR'000** | | | 31 December 2020 (Audited) SR'000 | | | 31 March 2020 (Unaudited) SR'000 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Positive fair value** | **Negative fair value** | **Notional amount** | Positive fair value | Negative fair value | Notional amount | Positive fair value | Negative fair value | Notional amount |
| **Held for trading:** | | | | | | | | | |
| Profit rate swaps | **14,417** | **14,417** | **1,240,040** | 18,792 | 18,792 | 1,254,753 | 32,722 | 32,722 | 1,492,347 |
| Structured deposits | **-** | **-** | **-** | - | - | - | 2,000 | 2,000 | 800,000 |
| Currency swaps | **-** | **-** | **-** | 3,780 | 40 | 265,106 | - | - | - |
| Currency forwards (Wa'ad) | **6** | **48** | **197,492** | 8 | 40 | 5,681 | 12 | 888 | 763,419 |
| **Total** | **14,423** | **14,465** | **1,437,532** | 22,580 | 18,872 | 1,525,540 | 34,734 | 35,610 | 3,055,766 |
| **Held as cash flow hedge:** | | | | | | | | | |
| Profit rate swaps | **92,527** | **216,430** | **3,550,625** | 112,644 | 284,623 | 3,550,625 | 115,995 | 342,458 | 3,550,625 |
| **Total** | **106,950** | **230,895** | **4,988,157** | 135,224 | 303,495 | 5,076,165 | 150,729 | 378,068 | 6,606,391 |

The negative fair values of profit rate swaps are mainly due to a downward shift in the yield curve. The fair values of these swaps are expected to be settled on or before April 2044 (31 December 2020: April 2044 and 31 March 2020: April 2044).

Held for trading profit rate swaps include accrued profit receivable and payable amounting to SR 1.58 million (31 December 2020: SR 1.47 million and 31 March 2020: SR 3.39 million). Held as cash flow hedge profit rate swaps include accrued profit receivable amounting to SR 5.10 million (31 December 2020: SR 5.04 million and 31 March 2020: SR 18.56 million) and accrued profit payable amounting to SR 22.65 million (31 December 2020: SR 18.46 million and 31 March 2020: SR 23.79 million).

## 9. SHARIAH COMPLIANT DERIVATIVES (continued)

Pursuant to changes in certain international laws, the Bank has established a Special Purpose Vehicle (SPV) namely AlJazira Securities Limited and intends to transfer all of its Profit rate swaps ("PRS") derivatives, hedged or traded, to this SPV. In this connection, initially, a novation agreement has been signed among the Bank, the SPV and one of the counter party. Going forward, the SPV will execute all the derivatives with counterparties with a back to back transaction with the Bank. As the change was necessitated by laws, management believe that existing hedging relationships continue to be effective.

## 10. SUBORDINATED SUKUK

On 2 June 2016, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 190 basis point per annum and payable semi-annually in arrears on 2 June and 2 December each year until 2 June 2026, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 2 June 2021 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. These Sukuk are registered with Saudi Stock Exchange (Tadawul).

## 11. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 820 million shares of SR 10 each (31 December 2020: 820 million shares of SR 10 each and 31 March 2020: 820 million shares of SR 10 each).

Basic earnings per share for the current and prior period is calculated by dividing the net income for the period attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding.

| | **31 March 2021 (Unaudited) SR'000** | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|
| **Profit attributable to ordinary shareholders** | | |
| For basic and diluted earnings per share | **321,593** | 181,609 |
| | **Shares** | Shares |
| **Weighted-average number of ordinary shares** | | |
| For basic and diluted earnings per share | **820,000,000** | 820,000,000 |
| Basic and diluted earnings per share (in SR) | **0.39** | 0.22 |

The calculations of basic and diluted earnings per share are same for the Bank.

## 12. OTHER RESERVES

| **31 March 2021** | **Cash flow hedges SR' 000** | **Fair value reserve – FVOCI Sukuk SR' 000** | **Actuarial gains SR' 000** | **Total SR' 000** |
|---|---|---|---|---|
| Balance at beginning of the period | **(158,638)** | **36,560** | **22,502** | **(99,576)** |
| Net change in fair value | **52,197** | **(12,146)** | **-** | **40,051** |
| Transfer to interim condensed consolidated statement of income | **(22)** | **-** | **-** | **(22)** |
| Net movement during the period | **52,175** | **(12,146)** | **-** | **40,029** |
| Balance at end of the period | **(106,463)** | **24,414** | **22,502** | **(59,547)** |

| 31 March 2020 | Cash flow hedges SR' 000 | Fair value reserve – FVOCI Sukuk SR' 000 | Actuarial gains SR' 000 | Total SR' 000 |
|---|---|---|---|---|
| Balance at beginning of the period | (110,411) | 5,508 | 18,099 | (86,804) |
| Net change in fair value | (110,809) | 10,398 | - | (100,411) |
| Transfer to interim condensed consolidated statement of income | (22) | - | - | (22) |
| Net movement during the period | (110,831) | 10,398 | - | (100,433) |
| Balance at end of the period | (221,242) | 15,906 | 18,099 | (187,237) |

## 13. COMMITMENTS AND CONTINGENCIES

a) 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 31 December 2020.

## 13. COMMITMENTS AND CONTINGENCIES (continued)

b) The Bank's credit related commitments and contingencies are as follows:

| | **31 March 2021 (Unaudited) SR'000** | 31 December 2020 (Audited) SR'000 | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|---|
| Letter of credit | **677,130** | 777,807 | 709,466 |
| Letter of guarantee | **4,175,044** | 4,589,950 | 4,062,613 |
| Acceptances | **244,235** | 170,509 | 210,572 |
| Irrevocable commitments to extend credit | **186,016** | 618,455 | 259,947 |
| **Total** | **5,282,425** | 6,156,721 | 5,242,598 |
| Allowance for impairment | **(348,894)** | (371,087) | (118,399) |
| **Net exposure** | **4,933,531** | 5,785,634 | 5,124,199 |

c) During 2018, the Bank reached a Settlement Agreement (the "Agreement") with the GAZT to comply with the directives provided by Royal Decree No. (26/M) dated 20 Rabi Al-Awaal 1440 H (28 November 2018) and the Ministerial Resolution No. 1260 dated 5 Rabi Al-Thani 1440 H (12 December 2018), in order to settle outstanding Zakat liabilities for the years from 2006 to 2017 against a full and final payment of SR 551 million, payable in 6 instalments over a period of 5 years ending 1 December 2023. The Bank paid the first instalment of SR 110 million in December 2018 and two instalments of SR 88.2 million each during the month of November 2019 and November 2020 respectively. Under the Agreement, the Bank and GAZT also agreed to settle Zakat for the year 2018 in accordance with the settlement framework provided by the Royal Decree and the Ministerial Resolution. As a result of the Agreement, all Zakat related disputes between the Bank and the GAZT pertaining to the years 2006 to 2017 stand resolved.

For tax matters, the Bank has withdrawn all of its appeals pertaining to the years 2006 through 2011 and 2017 and settled the associated disputed liabilities to avail the amnesty offered by the GAZT as a result of which the tax related disputes between the Bank and the GAZT stand resolved.

During 2019, the Bank received VAT assessments with an additional Value Added Tax (VAT) of SR 61 million and associated delay fines amounting to SR 29 million. The Bank has objected to the imposition of additional VAT and associated delay fines and has paid the additional VAT "under protest" in order to adhere to the regulations. The settlement of additional VAT has been recorded as a receivable from the customers and Ministry of Housing in the consolidated financial statements. However, in order to avail the amnesty, the Bank has withdrawn the appeal. During the year 2020, the Bank received further VAT assessment for the years 2018 and 2019 with an additional VAT of SR 39.3 million and associated delay fines amounting to SR 63.9 million. The Bank has objected to the imposition of additional VAT and associated delay fines. However, the Bank decided to settle the additional tax of SR 39.3 million "under protest" in order to avail the amnesty so that associated delay fines are waived.

## 13. COMMITMENTS AND CONTINGENCIES (continued)

During the year 2020, the Bank received Income Tax assessment for the years 2015 through 2018. The Bank did not appeal against the assessment and decided to settle the additional tax of SR 2.6 million within the amnesty period in order to get a waiver on the associated delay fines as a result of which tax related disputes between the Bank and the GAZT pertaining to these years stand resolved. The Bank has filed its Zakat and income tax returns with the GAZT and paid Zakat and income tax for the years up to and including the year 2019, except for the amounts agreed as a liability under the Agreement which will be paid to GAZT as and when they fall due.

## 14. CASH AND CASH EQUIVALENTS

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

| | **31 March 2021 (Unaudited) SR'000** | 31 December 2020 (Audited) SR'000 | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|---|
| Cash and balances with SAMA, excluding statutory deposit | **3,193,875** | 1,647,870 | 1,491,618 |
| Due from banks and other financial institutions with an original maturity of 90 days or less from the date of acquisition | **818,123** | 428,473 | 1,241,883 |
| **Total** | **4,011,998** | 2,076,343 | 2,733,501 |

The reconciliation of cash and cash equivalents to cash and balances with Saudi Central Bank is as follows:

| | **31 March 2021 (Unaudited) SR'000** | 31 December 2020 (Audited) SR'000 | 31 March 2020 (Unaudited) SR'000 |
|---|---|---|---|
| Cash and cash equivalents as per statement of cash flows | **4,011,998** | 2,076,343 | 2,733,501 |
| Statutory deposit | **3,959,015** | 3,600,424 | 3,257,284 |
| Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition | **(818,123)** | (428,473) | (1,241,883) |
| Cash and balances with SAMA | **7,152,890** | 5,248,294 | 4,748,902 |

## 15. OPERATING SEGMENTS

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Chief Executive Officer) in order to allocate resources to the segments and to assess their performance.

All of the Group's operations are based in the Kingdom of Saudi Arabia.

## 15. OPERATING SEGMENTS (continued)

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the interim condensed consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2020.

For management purposes, the Group is organized into following main operating segments:

**Personal banking**
Deposit, credit and investment products for individuals.

**Corporate banking**
Financing, deposits and other credit products for corporate, small to medium sized businesses and institutional customers.

**Treasury**
Treasury includes money market, foreign exchange, trading and treasury services.

**Brokerage and asset management**
Provides shares brokerage services to customers (this segment includes the activities of the Bank's subsidiary AlJazira Capital Company).

**Takaful Ta'awuni**
Provides protection and saving products services. As required by the Insurance Law of Saudi Arabia, the Group has spun off its insurance business in a separate entity named AlJazira Takaful Ta'awuni Company (AJT) formed under the new Insurance Law of Saudi Arabia (Co-operative Insurance Companies Control Law). This segment represented the insurance portfolio of policies entered into by the Bank before 2014. This insurance portfolio has been transferred with effect from 1 January 2020 at zero value (no cost to AJT), including the transfer of all assets and liabilities related to this business.

**Others**
Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The Group's total assets and liabilities at 31 March 2021 and 31 March 2020, its total operating income and expenses, and its net income for the three month period then ended, by operating segment, are as follows:

## 15. OPERATING SEGMENTS (continued)

**31 March 2021 (SR'000)**

| | Personal banking | Corporate banking | Treasury | Brokerage and asset management | Takaful Ta'awuni | Others | Total |
|---|---|---|---|---|---|---|---|
| Total assets | 30,975,996 | 24,467,387 | 37,052,577 | 1,922,628 | - | 164,750 | 94,583,338 |
| Total liabilities | 43,390,686 | 25,601,492 | 12,925,900 | 940,065 | - | (926) | 82,857,217 |
| Total operating income | 474,066 | 175,373 | 256,468 | 95,800 | - | (56,269) | 945,438 |
| Net financing and investment income | 355,377 | 145,144 | 135,396 | 8,296 | - | (438) | 643,775 |
| Fees from banking services, net | 78,119 | 23,204 | (60) | 85,267 | - | (8,182) | 178,348 |
| Net gain on FVIS financial instruments | - | - | - | 1,997 | - | (1,344) | 653 |
| Share in net income of an associate | - | - | - | 227 | - | 1,364 | 1,591 |
| Impairment charge for financing and other financial assets, net | (314) | (151,814) | (686) | - | - | - | (152,814) |
| Depreciation and amortization | (36,942) | (8,738) | (4,032) | (3,230) | - | - | (52,942) |
| Total operating expenses | (274,935) | (228,707) | (37,311) | (41,933) | - | (541) | (583,427) |
| Net income / (loss) before Zakat and income tax | 199,131 | (53,334) | 219,157 | 54,094 | - | (55,446) | 363,602 |

## 15. OPERATING SEGMENTS (continued)

| | Personal Banking | Corporate banking | Treasury | Brokerage and asset management | Takaful Ta'awuni | Others | Total |
|---|---|---|---|---|---|---|---|
| 31 December 2020 | | | | | | | |
| Total assets | 30,563,365 | 23,467,253 | 36,150,152 | 1,745,053 | - | 163,051 | 92,088,874 |
| Total liabilities | 42,056,851 | 24,398,194 | 13,435,001 | 835,414 | - | (1,085) | 80,724,375 |
| 31 March 2020 | | | | | | | |
| Total assets | 27,902,275 | 24,106,051 | 35,912,057 | 1,560,828 | 100,283 | 152,109 | 89,733,603 |
| Total liabilities | 41,847,987 | 21,433,896 | 14,104,045 | 576,699 | 100,283 | - | 78,062,910 |
| Total operating income | 427,818 | 147,355 | 244,289 | 50,518 | 392 | (101,456) | 768,916 |
| Net financing and investment Income | 256,452 | 117,018 | 180,558 | 12,110 | 392 | (21,394) | 545,136 |
| Fees from banking services, net | 101,374 | 25,808 | - | 40,635 | - | (10,824) | 156,993 |
| Net loss on FVIS financial instruments | - | - | - | (1,680) | - | - | (1,680) |
| Share in net income of an associate | - | - | - | 553 | - | 3,320 | 3,873 |
| Impairment charge for financing and other financial assets, net | (14,059) | (107,554) | (342) | - | - | - | (121,955) |
| Depreciation and amortization | (31,797) | (4,414) | (9,969) | (3,375) | (183) | (2,115) | (51,853) |
| Total operating expenses | (263,446) | (167,213) | (82,027) | (34,303) | (315) | (8,874) | (556,178) |
| Net income / (loss) before Zakat and income tax | 164,372 | (19,858) | 162,262 | 16,768 | 77 | (107,010) | 216,611 |

## 16. 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

### 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.

a) The following table presents the Group's financial assets and liabilities that are measured at fair values:

| | | 31 March 2021 (SR'000) Fair Value | | |
|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Total** |
| **Financial assets measured at fair value:** | | | | |
| FVIS - Mutual funds | **442,969** | **-** | **442,969** | **442,969** |
| FVIS - Equities | **829** | **829** | **-** | **829** |
| FVOCI – Sukuk | **1,181,961** | **-** | **1,181,961** | **1,181,961** |
| Shari'ah compliant derivatives | **106,950** | **-** | **106,950** | **106,950** |
| **Total** | **1,732,709** | **829** | **1,731,880** | **1,732,709** |
| **Financial liabilities measured at fair value:** | | | | |
| Shari'ah compliant derivatives | **230,895** | **-** | **230,895** | **230,895** |

| | | 31 December 2020 (SR'000) Fair Value | | |
|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | |
| FVIS - Mutual funds | 442,344 | - | 442,344 | 442,344 |
| FVIS - Equities | 760 | 760 | - | 760 |
| FVOCI – Sukuk | 1,113,319 | - | 1,113,319 | 1,113,319 |
| Shari'ah compliant derivatives | 135,224 | - | 135,224 | 135,224 |
| **Total** | 1,691,647 | 760 | 1,690,887 | 1,691,647 |
| **Financial liabilities measured at fair value:** | | | | |
| Shari'ah compliant derivatives | 303,495 | - | 303,495 | 303,495 |

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

| | | | 31 March 2020 (SR'000) Fair Value | |
|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Total |
| Financial assets measured at fair value: | | | | |
| FVIS - Mutual funds | 207,000 | - | 207,000 | 207,000 |
| FVIS - Equities | 370 | 370 | - | 370 |
| FVOCI – Sukuk | 1,169,752 | - | 1,169,752 | 1,169,752 |
| Shari'ah compliant derivatives | 150,729 | - | 150,729 | 150,729 |
| Total | 1,527,851 | 370 | 1,527,481 | 1,527,851 |
| Financial liabilities measured at fair value: | | | | |
| Shari'ah compliant derivatives | 378,068 | - | 378,068 | 378,068 |

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options, profit rate swaps and structured deposits. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Profit rate swaps, wa'ad options and structured deposits are fair valued using forward profit rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

There were no changes in valuation techniques during the period.

There were no transfers between Levels 1 and 2 during the period. New investments acquired during the period / year are classified under the relevant levels. There were no financial assets or financial liabilities at fair value classified under level 3.

Investments amounting to SR 4.90 million (31 December 2020: SR 4.93 million and 31 March 2020: SR 4.87 million) are carried at cost and, accordingly, are not fair valued.

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

b) Following table represent fair values of financial assets and liabilities which are carried at amortised cost. There are no financial assets and liabilities where fair value is measurable as level 1 fair value.

| | **31 March 2021 (SR'000)** | | |
|---|---|---|---|
| | **Amortised cost** | **Fair value Level 2** | **Fair value Level 3** |
| **Financial assets:** | | | |
| Due from banks and other financial institutions | **815,944** | **-** | **815,793** |
| Investment held at amortised cost, net | **27,424,410** | **28,093,299** | **-** |
| Financing, net | **55,174,633** | **-** | **57,793,835** |
| **Total** | **83,414,987** | **28,093,299** | **58,609,628** |
| **Financial liabilities:** | | | |
| Due to banks and other financial institutions | **8,121,054** | **-** | **8,097,969** |
| Customers' deposits | **70,680,875** | **-** | **70,753,721** |
| Subordinated Sukuk | **2,018,533** | **-** | **2,018,533** |
| **Total** | **80,820,462** | **-** | **80,870,223** |

| | 31 December 2020 (SR'000) | | |
|---|---|---|---|
| | Amortised cost | Fair value Level 2 | Fair value Level 3 |
| **Financial assets:** | | | |
| Due from banks and other financial institutions | 426,138 | - | 426,074 |
| Investment held at amortised cost, net | 28,334,118 | 29,115,386 | - |
| Financing, net | 53,961,211 | - | 56,815,209 |
| **Total** | 82,721,467 | 29,115,386 | 57,241,283 |
| **Financial liabilities:** | | | |
| Due to banks and other financial institutions | 8,530,196 | - | 8,509,548 |
| Customers' deposits | 68,003,612 | - | 68,169,001 |
| Subordinated Sukuk | 2,004,633 | - | 2,004,633 |
| **Total** | 78,538,441 | - | 78,683,182 |

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

| | 31 March 2020 (SR'000) | | |
|---|---|---|---|
| | **Amortised cost** | **Fair value Level 2** | **Fair value Level 3** |
| **Financial assets:** | | | |
| Due from banks and other financial institutions | 1,855,022 | - | 1,872,231 |
| Investment held at amortised cost, net | 27,274,663 | 27,811,528 | - |
| Financing, net | 51,979,019 | - | 54,263,169 |
| **Total** | 81,108,704 | 27,811,528 | 56,135,400 |
| **Financial liabilities:** | | | |
| Due to banks and other financial institutions | 11,219,481 | - | 11,280,711 |
| Customers' deposits | 62,668,675 | - | 63,016,386 |
| Subordinated Sukuk | 2,027,916 | - | 2,027,916 |
| **Total** | 75,916,072 | - | 76,325,013 |

The fair value of the cash and balances with Saudi Central Bank, other assets and other liabilities approximate to their carrying amount. The fair values of level 2 and level 3 financial instruments are estimated as at 31 March 2021 at the current applicable yield curve taking into account the counterparty risks and applicable market rate.

**Valuation technique and significant unobservable inputs**

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

## 16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

| S.No | Type | Accounting Classification | Valuation Technique | Significant unobservable Inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|---|---|
| 1 | Mutual Fund units | FVIS | Fair valued using the quoted prices of underlying securities. | Not applicable | Not applicable |
| 2 | Investment held at FVOCI – debt | FVOCI | Fair valued using the broker quoted prices or estimating present value by discounting cash flows using adjusted discount rate. | Not applicable | Not applicable |
| 3 | forward exchange contracts (Wa'ad) and Profit rate swaps | FVIS | **Forward exchange contracts (Wa'ad)**: Fair valued using discounted Notional techniques that use observable market data inputs for Forex Exchange (FX) and yield curves<br>**Profit rate swaps:** The fair value is determined by discounting the future cash flows using observable market data inputs for yield curves. | Not applicable | Not applicable |
| 4 | Due from banks and other financial institutions, Financing, Due to banks and other financial institutions, Customer Deposits | Amortised Cost | **Market Data**: Used observable market data inputs for yield curves.<br>**Fair value technique**: The fair value is determined by discounting the future cash flows. A discounted cash flow is the product of:<br>• The anticipated nominal magnitude and sign of a cash flow.<br>• The accumulated discount over the amount of time remaining until the anticipated time of the cash flow, at a rate of discount.<br>The fair value is determined only for the Customers' time investments. | Not applicable | Not applicable |
| 5 | Investment held at amortised cost - net | Amortised Cost | Fair valued using the quoted prices, where available. | Not applicable | Not applicable |

## 17. 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 on a periodic basis by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets 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 consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

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

| | **31 March 2021 (Unaudited)** | 31 December 2020 (Audited) | 31 March 2020 (Unaudited) |
|---|---|---|---|
| | **SR'000** | SR'000 | SR'000 |
| Credit Risk RWA | **56,766,443** | 55,360,267 | 54,259,326 |
| Operational Risk RWA | **5,629,603** | 5,496,895 | 5,145,810 |
| Market Risk RWA | **1,895,480** | 1,775,940 | 1,434,444 |
| **Total Pillar-I RWA** | **64,291,526** | 62,633,102 | 60,839,580 |
| Tier I Capital | **12,520,916** | 12,159,294 | 12,528,092 |
| Tier II Capital | **2,497,446** | 2,633,778 | 2,303,459 |
| **Total Tier I and II Capital** | **15,018,362** | 14,793,072 | 14,831,551 |
| Capital Adequacy Ratio (%) | | | |
| Tier I ratio | **19.48%** | 19.41% | 20.59% |
| Total Tier I and II Capital | **23.36%** | 23.62% | 24.38% |

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a second / 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 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 number of vaccines for mass immunization. The drive is in full swing and it is expected that majority of the population will be vaccinated in near future.

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

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 COVID-19 outbreak has had on its normal operations and financial performance. The steps taken by management includes 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 relief programmes.

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Group to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Group in ECL estimation. In 2020, the Group made certain adjustments to the macroeconomic factors and scenario weightings.

The Group's ECL model continues to be sensitive to macroeconomic variables. 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 therefore continues to maintain overlays of SR 86.5 million as at 31 March 2021. These have been based on a sector-based analysis performed by the Group depending on the impacted portfolios.

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; however, management continues to maintain SR 31.21 million overlays to reflect potential further credit deterioration expected in the underlying portfolio on completion of the holiday period.

**SAMA support programs and initiatives**

**Private Sector Financing Support Program ("PSFSP")**

In response to COVID-19, Saudi Central Bank (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 (DPP);
- Funding for lending program;
- Facility guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

## 18. 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 a number of extensions to the program subsequently announced, the Group is required to defer payments on financing facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the customer'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 modification losses amounting to SR 199.21million of which SR 116.71 million has been recorded in current quarter which have been presented as part of net financing income. During the three month period ended 31 March 2021, SR 43.26 million (2020: SR 53.42 million) has been charged to the interim consolidated statement of income relating to unwinding of modification losses.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities program, during 2020 the Group received profit free deposits from SAMA amounting to SR 2.41 billion with varying maturities, which qualify as government grants. Management has determined based on the communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income. Total income of SR 236.36 million arose on these profit free deposits out of which SR 106.33 million was recognised as income in prior periods. During the three month period ended 31 March 2021, SR 124 million has been recognised to the interim consolidated statement of income with SR 6.03 million remaining as deferred grant income as at 31 March 2021.

As at 31 March 2021, the Group has participated in SAMA's funding for lending and facility guarantee programs and the accounting impact for the period is immaterial.

***SAMA liquidity support for the Saudi banking sector amounting to SR 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 SR 1.78 billion profit free deposit with one year maturity. Management has determined based on the communication received from SAMA that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 44.32 million, of which SR 40.74 million has been recognised by the Bank to date with the remaining amount deferred.

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

***SAMA liquidity support for the Saudi banking sector amounting to SR 50 billion (continued)***

During the period ended 31 March 2021 SR 5.01million was recognised as income with respect to this programme.

**Bank's initiative - Health care sector support**

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of KSA citizens and residents in response to the COVID-19 outbreak, during Q1 2020, the Bank decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognising a day 1 modification loss of SR 19.88 million during the year ended 31 December 2020, which was presented as part of net financing income. SR 0.84 million has been charged to the interim consolidated statement of income on unwinding the discount on financing during Q1 2021.

In addition, during Q3 2020, the Bank also postponed payments for certain public and private workers mainly employed in health care and aviation sectors and covered by SANID program who had credit facilities with the Bank for a period ranging from three to six months. This resulted in the Bank recognizing a day 1 modification loss of SR 24.15 million, which was presented as part of net financing income. SR 0.92 million has been charged to the interim consolidated statement of income on unwinding the discount on these financings modified during Q1 2021.

## 19. IBOR Transition (Profit Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The IASB is engaged in a two-phase process of amending its guidance 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 final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments 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, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, 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 IBOR.

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.

## 19. IBOR Transition (Profit Rate Benchmark Reforms) (continued)

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.

The table below shows the Bank's exposure at the period end to significant IBORs subject to reform that have yet to transition to RFRs. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

| **SR '000**<br>**31 March 2021** | **Non-derivative financial assets - carrying value** | **Non-derivative financial liabilities carrying value** | **Derivatives Nominal amount** |
|---|---|---|---|
| LIBOR USD | 1,553,347 | 144,335 | 2,150,625 |

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

## 20. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified so as to align with the current period presentation.

## 21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 23 April 2021 (corresponding to 11 Ramadan 1442H).