

البنك
السعودي
الفرنسي
Banque
Saudi
Fransi



BANQUE SAUDI FRANSI

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED

MARCH 31, 2022

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To: The Shareholders of Banque Saudi Fransi
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Banque Saudi Fransi ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2022, 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 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 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, 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 matters

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

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27 Ramadan 1443H
28 April 2022



BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at

Page 1

SAR '000	Notes	Mar 31, 2022 (Unaudited)	Dec 31, 2021 (Audited)	Mar 31, 2021 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	10,372,513	9,795,068	10,677,503
Due from banks and other financial institutions, net	6	6,658,871	5,323,964	5,142,861
Investments, net	7	42,942,418	43,858,241	41,113,593
Positive fair value of derivatives	12	4,060,758	4,061,987	6,275,974
Loans and advances, net	8	152,689,611	147,812,759	134,104,832
Investment in associate, net		9,695	9,695	9,695
Property, equipment and right of use assets, net		1,594,180	1,585,763	1,502,897
Other real estate, net		362,234	384,181	384,181
Other assets, net		3,520,246	2,970,368	3,021,224
Total assets		222,210,526	215,802,026	202,232,760
LIABILITIES AND EQUITY				
Liabilities				
Due to SAMA	9	9,315,478	10,868,499	9,247,253
Due to banks and other financial institutions	10	11,142,715	12,985,358	8,797,389
Customers' deposits	11	150,758,518	141,950,208	132,987,195
Negative fair value of derivatives	12	4,011,015	3,246,098	4,876,734
Other liabilities		7,555,271	7,066,193	7,126,463
Total liabilities		182,782,997	176,116,356	163,035,034
Equity				
Share capital		12,053,572	12,053,572	12,053,572
Statutory reserve		12,053,572	12,053,572	12,053,572
General reserve		982,857	982,857	982,857
Other reserves		(854,302)	228,707	999,327
Retained earnings		9,217,032	8,398,887	7,697,567
Proposed dividend		1,019,956	1,019,956	479,979
Treasury shares		(45,158)	(51,881)	(69,148)
Equity attributable to the shareholders of the Bank		34,427,529	34,685,670	34,197,726
Tier 1 Sukuk	15	5,000,000	5,000,000	5,000,000
Total equity		39,427,529	39,685,670	39,197,726
Total liabilities and equity		222,210,526	215,802,026	202,232,760

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

Mazen Azoony



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
Unaudited

Page 2

SAR '000	For the three months ended	
	Mar 31, 2022	Mar 31, 2021
Special commission income	1,492,123	1,407,326
Special commission expense	149,172	120,005
Net special commission income	1,342,951	1,287,321
Fee and commission income	427,159	478,687
Fee and commission expense	121,134	140,799
Net fee and commission income	306,025	337,888
Exchange income, net	99,383	73,437
Trading income, net	66,398	77,568
Dividend income	2,745	310
Gains on FVOCI / non-trading investments, net	2,719	3,033
Other operating income	31,208	15,957
Total operating income	1,851,429	1,795,514
Salaries and employee related expenses	329,088	343,263
Rent and premises related expenses	13,389	15,124
Depreciation and amortization	54,954	54,837
Other operating and general and administrative expenses	207,058	178,124
Total operating expenses before impairment charge	604,489	591,348
Impairment charge for expected credit losses, net	275,276	290,083
Impairment (reversal) / charge for investments, financial assets and others, net	(3,470)	8,652
Total operating expenses, net	876,295	890,083
Net income for the period before Zakat	975,134	905,431
Zakat for the period	100,562	125,748
Net income for the period	874,572	779,683
Basic and diluted earnings per share (SAR)	0.68	0.62

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

Mazen Azoony



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



SAR '000	For the three months ended	
	Mar 31, 2022	Mar 31, 2021
Net income for the period	874,572	779,683
Other comprehensive income / (loss):		
Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods		
<u>Movement in equity instruments at fair value through other comprehensive income</u>		
Net change in the fair value	(4,620)	47,292
Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods		
<u>Debt instruments at fair value through other comprehensive income</u>		
Net change in the fair value	(367,838)	(53,089)
Income transferred to interim condensed consolidated statement of income	(2,719)	(3,033)
<u>Cash flow hedge</u>		
Net change in the fair value	(585,048)	4,035
Income transferred to interim condensed consolidated statement of income	(122,784)	(183,993)
Total other comprehensive loss for the period	(1,083,009)	(188,788)
Total comprehensive (loss) / income for the period	(208,437)	590,895

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

Mazen Azoony



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Unaudited

Page 4

SAR '000	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves			Proposed dividend	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total Equity
					FVOCI	Actuarial gain / (loss) on defined benefit plans	Cash flow hedge					
	12,053,572	12,053,572	982,857	8,398,887	7,712	1,731	219,264	1,019,956	(51,881)	34,685,670	5,000,000	39,685,670
For the three months period ended March 31, 2022												
Balance at the beginning of the period	-	-	-	874,572	-	-	-	-	-	874,572	-	874,572
Net income for the period	-	-	-	-	(372,458)	-	(585,048)	-	-	(957,506)	-	(957,506)
Net change in the fair value	-	-	-	-	(2,719)	-	(122,784)	-	-	(125,503)	-	(125,503)
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(375,177)	-	(707,832)	-	-	(208,437)	-	(208,437)
Total comprehensive income for the period	-	-	-	(56,427)	-	-	-	-	-	(56,427)	-	(56,427)
Tier 1 Sukuk related cost	-	-	-	-	-	-	-	-	6,723	6,723	-	6,723
Net change in treasury shares	-	-	-	-	-	-	-	-	(45,156)	-	-	-
Balance at the end of the period	12,053,572	12,053,572	982,857	9,217,032	(367,465)	1,731	(488,568)	1,019,956	(45,156)	34,427,529	5,000,000	39,427,529
	12,053,572	12,053,572	982,857	7,433,263	178,744	(272)	1,009,643	-	(75,434)	33,635,945	5,000,000	38,635,945
For the three months period ended March 31, 2021												
Balance at the beginning of the period	-	-	-	779,683	-	-	-	-	-	779,683	-	779,683
Net income for the period	-	-	-	-	(5,797)	-	4,035	-	-	(1,762)	-	(1,762)
Net change in the fair value	-	-	-	-	(3,033)	-	(183,993)	-	-	(187,026)	-	(187,026)
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(8,830)	-	(179,958)	-	-	590,895	-	590,895
Total comprehensive income for the period	-	-	-	(479,979)	-	-	-	479,979	-	-	-	-
Final proposed dividend for 2020	-	-	-	(35,400)	-	-	-	-	-	(35,400)	-	(35,400)
Tier 1 Sukuk related cost	-	-	-	-	-	-	-	-	6,286	6,286	-	6,286
Net change in treasury shares	-	-	-	-	-	-	-	-	(69,148)	-	-	-
Balance at the end of the period	12,053,572	12,053,572	982,857	7,697,567	169,914	(272)	829,685	479,979	(69,148)	34,197,726	5,000,000	39,197,726

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

Mazen Azoony



Chief Financial Officer

Rayan Fayez



Managing Director & CEO



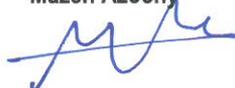
BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

Page 5

SAR '000	Note	For the three months ended	
		Mar 31, 2022	Mar 31, 2021
OPERATING ACTIVITIES			
Net income for the period before zakat		975,134	905,431
Adjustments to reconcile net income before zakat to net cash from / (used in) operating activities:			
Accretion of discounts on investments not held as FVTPL, net		59,183	51,126
Gains on FVOCI		(2,719)	(3,033)
Depreciation and amortization		54,954	54,837
Gains on disposal of property, equipment, net		(20)	-
Impairment charge for expected credit losses, net	8	275,276	290,083
Impairment (reversal) / charge for investments, financial assets and others, net		(3,470)	8,652
Long term incentive scheme provision		6,723	6,286
Operating income before changes in operating assets and liabilities		1,365,061	1,313,382
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(169,515)	179,838
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(200,000)	(1,500,000)
Investments held as FVTPL, trading		12,410	32,077
Loans and advances		(5,129,504)	(3,830,080)
Other assets		(1,195,075)	(95,922)
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		(3,438,721)	1,252,429
Customers' deposits		8,808,309	5,875,551
Other liabilities		1,121,871	339,150
Net cash generated from operating activities		1,174,836	3,566,425
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVTPL		2,138,052	639,284
Purchase of investments not held as FVTPL		(1,650,228)	(4,163,236)
Purchases of property and equipment		(63,471)	(82,267)
Proceeds from sale of property and equipment		75	-
Net cash generated from / (used in) investing activities		424,428	(3,606,219)
FINANCING ACTIVITIES			
Tier I Sukuk related cost		(56,427)	(35,400)
Net cash used in financing activities		(56,427)	(35,400)
Increase / (decrease) in cash and cash equivalents		1,542,837	(75,194)
Cash and cash equivalents at the beginning of the period		6,627,104	6,609,409
Cash and cash equivalents at the end of the period	14	8,169,941	6,534,215
Special commission received during the period		1,346,595	1,355,668
Special commission paid during the period		123,447	156,886
Supplemental non-cash information			
Movement in other reserve and transfers to the interim condensed consolidated statement of income		(1,083,009)	(188,788)

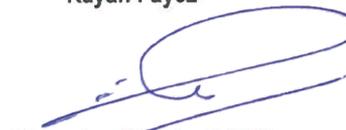
The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Mazen Azoony



Chief Financial Officer

Ryan Fayez



Managing Director & CEO



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three months ended March 31, 2022 and 2021****1. General**

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 82 branches (March 31, 2021: 85 branches) in the Kingdom of Saudi Arabia, employing 2,973 people (March 31, 2021: 2,972 people).

The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at King Saud Road, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The Bank owns a subsidiary, Saudi Fransi Capital (100% share in equity) engaged in brokerage, asset management and corporate finance business. The Bank also owns Saudi Fransi Insurance Agency (SAFIA), Saudi Fransi for Finance Leasing and Sofinco Saudi Fransi having 100% share in equity. The Bank owns 100% (95% direct ownership and 5% indirect ownership through its subsidiary) share in Sakan Real Estate Financing. These subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Bank also formed a subsidiaries BSF Markets Limited and BSF Sukuk Limited registered in Cayman Islands having 100% share in equity. The objective of BSF Markets Limited Company is derivative trading and Repo activities.

The Bank has investment in an associate and owns 27% shareholding in Banque BEMO Saudi Fransi, incorporated in Syria.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the period ended March 31, 2022 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 Chartered and Professional Accountants ("SOCPA"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2021.

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

3. Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments are made wherever necessary in the financial statements of the subsidiaries to align with the Bank's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

3. Basis of consolidation (continued)

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

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 Bank. The results of subsidiaries acquired or disposed during the period, if any, are consolidated in the interim condensed consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

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

4. Significant Accounting Policies and Estimates

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 December 31, 2021 except for the policies explained in note 22 to these interim condensed consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 01, 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after April 01, 2021

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

4. Significant Accounting Policies and Estimates (continued)

Standard, interpretation, amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after January 01, 2022.

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 01, 2022. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than January 01, 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after Jan 01, 2023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

4. Significant Accounting Policies and Estimates (continued)

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after January 01, 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

5. Cash and balances with SAMA

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Cash on hand	1,059,258	1,023,141	1,010,354
Statutory deposit	8,861,443	8,691,928	7,786,149
Money market placements with SAMA	451,812	79,999	1,881,000
Total	10,372,513	9,795,068	10,677,503

6. Due from banks and other financial institutions

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Current accounts	2,677,348	3,798,508	3,294,550
Money market placements	3,981,749	1,525,636	1,848,750
Less: impairment	(226)	(180)	(439)
Total	6,658,871	5,323,964	5,142,861

i) The following table shows the stage wise movement in ECL allowance for due from banks and other financial institutions:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	114	66	-	180
Net charge / (reversal) for the period	79	(33)	-	46
Balance at the end of the period	193	33	-	226

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	379	60	-	439
Net charge / (reversal) for the year	(265)	6	-	(259)
Balance at the end of the year	114	66	-	180

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

6. Due from banks and other financial institutions (continued)

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	379	60	-	439
Net charge / (reversal) for the period	37	(37)	-	-
Balance at the end of the period	416	23	-	439

ii) The following table shows the gross carrying amount of the due from banks and other financial institutions:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01	5,316,259	7,885	-	5,324,144
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the period	1,334,988	(35)	-	1,334,953
Write-offs	-	-	-	-
Balance at the end of the period	6,651,247	7,850	-	6,659,097

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01	4,017,172	10,264	-	4,027,436
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	1,299,087	(2,379)	-	1,296,708
Write-offs	-	-	-	-
Balance at the end of the year	5,316,259	7,885	-	5,324,144

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01	4,017,172	10,264	-	4,027,436
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the period	1,114,215	1,649	-	1,115,864
Write-offs	-	-	-	-
Balance at the end of the period	5,131,387	11,913	-	5,143,300

7. Investments, net

a) Investment securities are classified as follows:

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Investment at amortized cost	26,544,350	28,705,446	27,644,478
Investments at FVOCI – Debt instruments	15,862,725	14,604,493	13,088,357
Investments at FVOCI – Equity/other investments	337,758	338,307	268,232
Investment at FVTPL – Debt/equity instruments	197,585	209,995	112,526
Total	42,942,418	43,858,241	41,113,593

Gross Investments include Shariah based investments amounting to SAR 29,743 million (December 31, 2021: SAR 31,502 million; March 31, 2021: SAR 28,188 million).

b) Investments held at fair value through profit or loss

Investments by type of securities

SAR '000	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)			March 31, 2021 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	135,567	8,734	144,301	144,385	11,102	155,487	9,839	46,297	56,136
Floating-rate securities	53,284	-	53,284	54,508	-	54,508	56,390	-	56,390
Total	188,851	8,734	197,585	198,893	11,102	209,995	66,229	46,297	112,526

c) Investments held at fair value through other comprehensive income

Investments by type of securities

SAR '000	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)			March 31, 2021 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	7,886,944	3,505,291	11,392,235	7,760,291	2,847,479	10,607,770	7,519,824	1,776,085	9,295,909
Floating-rate securities	3,744,703	725,787	4,470,490	3,604,681	392,042	3,996,723	3,487,940	304,508	3,792,448
Equities and others	327,505	10,253	337,758	328,041	10,266	338,307	248,903	19,329	268,232
Total	11,959,152	4,241,331	16,200,483	11,693,013	3,249,787	14,942,800	11,256,667	2,099,922	13,356,589

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

7. Investments, net (continued)

d) Investments held at amortised cost

Investments by type of securities

SAR '000	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)			March 31, 2021 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	22,845,526	-	22,845,526	24,939,934	-	24,939,934	24,079,310	-	24,079,310
Floating-rate securities	3,073,495	-	3,073,495	3,072,632	-	3,072,632	3,072,494	-	3,072,494
Other	625,329	-	625,329	692,880	-	692,880	492,674	-	492,674
Total	26,544,350	-	26,544,350	28,705,446	-	28,705,446	27,644,478	-	27,644,478

i) The following table shows the stage wise movement in ECL allowance for debt instruments:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	20,640	-	-	20,640
Net charge / (reversal) for the period	(1,874)	-	-	(1,874)
Balance at the end of the period	18,766	-	-	18,766

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	15,392	-	-	15,392
Net charge / (reversal) for the year	5,248	-	-	5,248
Balance at the end of the year	20,640	-	-	20,640

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	15,392	-	-	15,392
Net charge / (reversal) for the period	(1,764)	-	-	(1,764)
Balance at the end of the period	13,628	-	-	13,628

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

7. Investments, net (continued)

ii) The following table shows the stage wise gross carrying value of debt instruments:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	43,316,349	-	-	43,316,349
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the period	(903,484)	-	-	(903,484)
Write-offs	-	-	-	-
Balance at the end of the period	42,412,865	-	-	42,412,865

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	37,328,462	-	-	37,328,462
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the year	5,987,887	-	-	5,987,887
Write-offs	-	-	-	-
Balance at the end of the year	43,316,349	-	-	43,316,349

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	37,328,462	-	-	37,328,462
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the period	3,418,001	-	-	3,418,001
Write-offs	-	-	-	-
Balance at the end of the period	40,746,463	-	-	40,746,463

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

8. Loans and advances, net

i) Loans and advances held at amortised cost are classified as follows:

SAR '000	March 31, 2022 (Unaudited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	125,308,419	534,027	28,008,540	153,850,986
Non-performing loans and advances, net	3,588,800	18,034	104,599	3,711,433
Total loans and advances	128,897,219	552,061	28,113,139	157,562,419
Allowance for impairment	(4,543,675)	(55,021)	(274,112)	(4,872,808)
Loans and advances held at amortised cost, net	124,353,544	497,040	27,839,027	152,689,611

SAR '000	December 31, 2021 (Audited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	121,282,954	527,408	26,876,972	148,687,334
Non-performing loans and advances, net	3,685,252	34,509	138,488	3,858,249
Total loans and advances	124,968,206	561,917	27,015,460	152,545,583
Allowance for impairment	(4,380,256)	(61,999)	(290,569)	(4,732,824)
Loans and advances held at amortised cost, net	120,587,950	499,918	26,724,891	147,812,759

SAR '000	March 31, 2021 (Unaudited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	110,222,415	453,762	24,336,267	135,012,444
Non-performing loans and advances, net	3,515,969	21,660	203,438	3,741,067
Total loans and advances	113,738,384	475,422	24,539,705	138,753,511
Allowance for impairment	(4,267,972)	(43,407)	(337,300)	(4,648,679)
Loans and advances held at amortised cost, net	109,470,412	432,015	24,202,405	134,104,832

Gross Loans and advances include Shariah based loans and advances amounting to SAR 108,750 million December 31, 2021: SAR 108,298 million; March 31, 2021: SAR 95,740 million).

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

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Opening loss allowance as at January 01	4,732,824	4,693,010	4,693,010
Charge for the period, net	275,276	1,021,349	290,083
Bad debts written off against provision	(135,292)	(981,535)	(334,414)
Balance at the end of the period / year	4,872,808	4,732,824	4,648,679

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

8. Loans and advances, net (continued)

iii) The following table shows the stage wise movement in ECL allowance for loans and advances:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	526,450	1,828,983	2,377,391	4,732,824
Transfer from 12-month ECL	(11,180)	10,897	283	-
Transfer from lifetime ECL not credit impaired	20,413	(24,604)	4,191	-
Transfer from Lifetime ECL credit impaired	5,860	987	(6,847)	-
Net charge / (reversal) for the period	(145,091)	265,232	155,135	275,276
Write-offs	-	-	(135,292)	(135,292)
Balance at the end of the period	396,452	2,081,495	2,394,861	4,872,808

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	579,357	1,375,529	2,738,124	4,693,010
Transfer from 12-month ECL	(44,426)	41,237	3,189	-
Transfer from lifetime ECL not credit impaired	52,085	(151,723)	99,638	-
Transfer from Lifetime ECL credit impaired	35,490	31,225	(66,715)	-
Net charge / (reversal) for the year	(96,056)	532,715	584,690	1,021,349
Write-offs	-	-	(981,535)	(981,535)
Balance at the end of the year	526,450	1,828,983	2,377,391	4,732,824

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	579,357	1,375,529	2,738,124	4,693,010
Transfer from 12-month ECL	(12,922)	12,480	442	-
Transfer from lifetime ECL not credit impaired	8,780	(12,144)	3,364	-
Transfer from Lifetime ECL credit impaired	17,462	2,932	(20,394)	-
Net charge / (reversal) for the period	(33,233)	212,156	111,160	290,083
Write-offs	-	-	(334,414)	(334,414)
Balance at the end of the period	559,444	1,590,953	2,498,282	4,648,679

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

8. Loans and advances, net (continued)

iv) The following table shows the stage wise gross loans and advances by product:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	111,155,147	14,108,196	3,633,876	128,897,219
Credit Card	509,958	17,971	24,132	552,061
Consumer	27,775,897	195,637	141,605	28,113,139
Balance at the end of the period	139,441,002	14,321,804	3,799,613	157,562,419

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	107,440,769	13,792,995	3,734,442	124,968,206
Credit Card	479,227	43,508	39,182	561,917
Consumer	26,669,049	185,933	160,478	27,015,460
Balance at the end of the year	134,589,045	14,022,436	3,934,102	152,545,583

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	96,836,565	13,208,995	3,692,824	113,738,384
Credit Card	432,272	15,402	27,748	475,422
Consumer	24,088,326	205,494	245,885	24,539,705
Balance at the end of the period	121,357,163	13,429,891	3,966,457	138,753,511

v) The following table shows the stage wise gross carrying value of loans and advances:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	134,589,045	14,022,436	3,934,102	152,545,583
Transfer from 12-month ECL	(1,445,604)	1,437,353	8,251	-
Transfer from lifetime ECL not credit impaired	593,840	(635,456)	41,616	-
Transfer from Lifetime ECL credit impaired	10,684	1,763	(12,447)	-
Net change for the period	5,693,037	(504,292)	(36,617)	5,152,128
Write-offs	-	-	(135,292)	(135,292)
Balance at the end of the period	139,441,002	14,321,804	3,799,613	157,562,419

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

8. Loans and advances, net (continued)

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	118,827,712	12,444,159	3,985,974	135,257,845
Transfer from 12-month ECL	(5,282,320)	5,152,199	130,121	-
Transfer from lifetime ECL not credit impaired	2,225,405	(3,019,047)	793,642	-
Transfer from Lifetime ECL credit impaired	69,680	61,043	(130,723)	-
Net change for the year	18,748,568	(615,918)	136,623	18,269,273
Write-offs	-	-	(981,535)	(981,535)
Balance at the end of the year	134,589,045	14,022,436	3,934,102	152,545,583

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	118,827,712	12,444,159	3,985,974	135,257,845
Transfer from 12-month ECL	(2,235,661)	2,219,325	16,336	-
Transfer from lifetime ECL not credit impaired	1,099,379	(1,142,359)	42,980	-
Transfer from Lifetime ECL credit impaired	32,759	5,826	(38,585)	-
Net change for the period	3,632,974	(97,060)	294,166	3,830,080
Write-offs	-	-	(334,414)	(334,414)
Balance at the end of the period	121,357,163	13,429,891	3,966,457	138,753,511

9. Due to SAMA

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Current accounts	-	13,046	182,782
Repo	1,455,392	2,999,549	-
Government grant	8,107,930	8,146,759	9,214,101
Modification impact, net	(247,844)	(290,855)	(149,630)
Total	9,315,478	10,868,499	9,247,253

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

10. Due to banks and other financial institutions

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Current accounts	938,692	481,425	350,223
Money market placements	10,204,023	12,503,933	8,447,166
Total	11,142,715	12,985,358	8,797,389

11. Customers' deposits

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Demand	90,505,172	88,999,785	83,861,046
Saving	944,585	905,762	822,700
Time	53,990,938	46,066,480	42,231,323
Other	5,317,823	5,978,181	6,072,126
Total	150,758,518	141,950,208	132,987,195

Time deposits include Shariah based deposits amounting to SAR 24,802 million (December 31, 2021: SAR 16,656 million; March 31, 2021: SAR 21,265 million).

12. Derivatives

In the ordinary course of business, the Bank utilizes the following derivative financial instruments for both trading and hedging purposes:

a) Swaps

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

b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

12. Derivatives (continued)**d) Options**

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for trading purposes

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers, Banks and other financial institutions in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products. The Bank also holds structured derivative which are fully back to back in accordance with the Bank's risk management strategy.

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and the management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to an acceptable level as determined by the Board of Directors in accordance with the guidelines issued by SAMA.

The Board of Directors has established the levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of commission rate risk by setting commission rate sensitivity limits. Commission rate exposure in terms of the sensitivity is reviewed on a periodic basis and hedging strategies are used to reduce the exposure within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency rate swaps to hedge against specifically identified currency risks. In addition, the Bank uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. The Bank also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Cash flow hedges

The Bank is exposed to variability in future special commission income cash flows on non-trading assets and liabilities which bear variable commission rate. The Bank uses commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

12. Derivatives (continued)

SAR '000	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)			March 31, 2021 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate swaps	3,480,105	3,273,079	240,216,787	2,941,054	2,768,256	205,917,331	4,314,692	4,042,508	197,265,904
Forward rate agreements and commission rate futures and options	185,412	185,412	29,914,625	318,802	318,802	28,278,081	698,830	698,830	34,927,183
Forward foreign exchange contracts	126,965	43,312	28,090,483	155,750	51,587	29,313,456	112,624	108,906	30,510,161
Currency options	8,058	8,058	563,995	7,749	7,749	699,392	1,044	1,044	125,217
Others	20,604	20,604	180,290	4,446	4,446	133,527	2,592	2,592	57,220
Held as fair value hedges:									
Commission rate swaps	3,923	-	105,000	1,269	6	142,500	30	-	37,500
Held as cash flow hedges:									
Commission rate swaps	235,691	480,550	25,672,000	632,917	95,252	27,519,500	1,146,162	22,854	31,375,000
Total	4,060,758	4,011,015	324,743,180	4,061,987	3,246,098	292,003,787	6,275,974	4,876,734	294,298,185

13. Commitments and contingencies

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

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Letters of credit	9,932,755	11,183,710	7,765,169
Letters of guarantee	37,119,464	36,677,538	36,487,858
Acceptances	2,165,384	2,021,025	2,148,225
Irrevocable commitments to extend credit	8,960,683	7,587,489	5,982,059
Total	58,178,286	57,469,762	52,383,311

i) The following table shows the stage wise movement in ECL allowance for commitments and contingencies:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	17,261	15,093	255,925	288,279
Transfer from 12-month ECL	(86)	86	-	-
Transfer from lifetime ECL not credit impaired	28	(28)	-	-
Net charge / (reversal) for the period	1,536	(2,810)	(103)	(1,377)
Write-offs	-	-	-	-
Balance at the end of the period	18,739	12,341	255,822	286,902

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

13. Commitments and contingencies (continued)

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	25,569	11,027	374,275	410,871
Transfer from 12-month ECL	(1,056)	1,056	-	-
Transfer from lifetime ECL not credit impaired	258	(386)	128	-
Net charge / (reversal) for the year	(7,510)	3,396	(118,478)	(122,592)
Write-offs	-	-	-	-
Balance at the end of the year	17,261	15,093	255,925	288,279

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	25,569	11,027	374,275	410,871
Transfer from 12-month ECL	(745)	745	-	-
Transfer from lifetime ECL not credit impaired	200	(200)	-	-
Transfer from Lifetime ECL credit impaired	-	-	-	-
Net charge / (reversal) for the period	(2,338)	(1,457)	14,821	11,026
Write-offs	-	-	-	-
Balance at the end of the period	22,686	10,115	389,096	421,897

ii) The following table shows the stage wise gross exposure of commitments and contingencies:

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	28,257,723	2,178,077	474,244	30,910,044
Transfer from 12-month ECL	(108,435)	108,192	243	-
Transfer from lifetime ECL not credit impaired	73,580	(80,553)	6,973	-
Transfer from Lifetime ECL credit impaired	-	-	-	-
Net change for the period	(399,125)	(79,982)	(7,375)	(486,482)
Write-offs	-	-	-	-
Balance at the end of the period	27,823,743	2,125,734	474,085	30,423,562

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

13. Commitments and contingencies (continued)

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	31,040,764	1,520,215	937,803	33,498,782
Transfer from 12-month ECL	(1,497,755)	1,494,068	3,687	-
Transfer from lifetime ECL not credit impaired	625,572	(644,630)	19,058	-
Transfer from Lifetime ECL credit impaired	-	(3,344)	3,344	-
Net change for the year	(1,910,858)	(188,232)	(489,648)	(2,588,738)
Write-offs	-	-	-	-
Balance at the end of the year	28,257,723	2,178,077	474,244	30,910,044

SAR '000	March 31, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	31,040,764	1,520,215	937,803	33,498,782
Transfer from 12-month ECL	(294,031)	279,965	14,066	-
Transfer from lifetime ECL not credit impaired	648,501	(648,501)	-	-
Transfer from Lifetime ECL credit impaired	3,344	686	(4,030)	-
Net change for the period	(2,934,298)	25,552	(435,366)	(3,344,112)
Write-offs	-	-	-	-
Balance at the end of the period	28,464,280	1,177,917	512,473	30,154,670

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings filed against the Bank as disclosed at December 31, 2021.

14. Cash and cash equivalents

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

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5)	1,511,070	1,103,140	2,891,354
Due from banks and other financial institutions maturing within three months from the date of acquisition	6,658,871	5,123,964	3,642,861
Total	8,169,941	6,227,104	6,534,215

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

15. Tier 1 Sukuk

During 2020, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement.

The applicable profit rate is 4.5% per annum from date of issue up to 2025 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

16. Zakat

In March 2019, Zakat, Tax and Customs Authority ("ZATCA") issued new zakat regulations through Ministerial Decree No. 2215 dated Rajab 07, 1440H corresponding to March 14, 2019, which provides the new basis for the calculation of Zakat for companies engaged in financing activities and licensed by SAMA. The new Zakat regulations are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods from January 01, 2019.

Zakat for the period ended March 31, 2022 attributable to Saudi Shareholders amounted to approximately SAR 101 million (March 31, 2021: SAR 126 million). The provision of Zakat is estimated based on the results of operations of the Bank for the three months period ended and the consolidated financial position at March 31, 2021.

17. Fair values of financial assets and liabilities

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

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

Valuation techniques include net present value and discounted cash flow models, 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 premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank 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.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values aim also to reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate.

Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Market Risk Department, which is independent of Front Office management and reports to the Chief Risk Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Determination of fair value and fair value hierarchy

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

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging)

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.

Derivative products valued using a valuation technique with market observable inputs are mainly commission rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and commission rate curves. Other investments in level 2 are valued based on market observable date including broker rates etc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

SAR '000	Level 1	Level 2	Level 3	Total
<u>March 31, 2022 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	4,060,758	-	4,060,758
Financial investments designated at FVTPL	8,734	188,851	-	197,585
Financial investments at FVOCI	9,862,827	6,212,418	125,238	16,200,483
Total	9,871,561	10,462,027	125,238	20,458,826
Financial Liabilities				
Derivative financial instruments negative fair value	-	4,011,015	-	4,011,015
Total	-	4,011,015	-	4,011,015

SAR '000	Level 1	Level 2	Level 3	Total
<u>December 31, 2021 (Audited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	4,061,987	-	4,061,987
Financial investments designated at FVTPL	16,000	193,995	-	209,995
Financial investments at FVOCI	8,716,306	6,105,327	121,167	14,942,800
Total	8,732,306	10,361,309	121,167	19,214,782
Financial Liabilities				
Derivative financial instruments negative fair value	-	3,246,098	-	3,246,098
Total	-	3,246,098	-	3,246,098

SAR '000	Level 1	Level 2	Level 3	Total
<u>March 31, 2021 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	6,275,974	-	6,275,974
Financial investments designated at FVTPL	56,136	56,390	-	112,526
Financial investments at FVOCI	8,048,338	5,283,200	25,051	13,356,589
Total	8,104,474	11,615,564	25,051	19,745,089
Financial Liabilities				
Derivative financial instruments negative fair value	-	4,876,734	-	4,876,734
Total	-	4,876,734	-	4,876,734

During the period there have been no transfers in between level 1, level 2 and level 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

The fair values of investments held at amortized cost are SAR 26,211 million (December 31, 2021: SAR 28,808 million and March 31, 2021: SAR 28,088 million) against carrying value of SAR 26,544 million (December 31, 2021: SAR 28,705 million and March 31, 2021: SAR 27,650 million). The fair values of commission bearing customers' deposits, debt securities, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique. The Bank uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances after adjusting internal credit spread which is SAR 155,473 million (December 31, 2021: SAR 151,172 million and March 31, 2021: SAR 137,797 million). The carrying values of those loans and advances are SAR 152,690 million (December 31, 2021: SAR 147,813 million and March 31, 2021: SAR 134,105 million).

18. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Bank's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of income.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2021.

The Bank is organised into the following main operating segments:

Retail banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

Corporate banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Investment banking and brokerage – Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, corporate finance and international and local shares brokerage services and insurance.

The Bank's total assets and liabilities, together with total operating income, total operating expenses and net income before zakat for the three months then ended, by operating segments, are as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

18. Segment information (continued)

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>March 31, 2022 (Unaudited)</u>					
Total assets	35,551,951	118,448,508	65,739,838	2,470,229	222,210,526
Loans and advances, net	34,282,350	116,503,542	-	1,903,719	152,689,611
Total liabilities	79,576,784	73,959,789	26,943,453	2,302,971	182,782,997
Customers' deposits	78,274,033	72,484,485	-	-	150,758,518
Total operating income	487,801	732,117	513,011	118,500	1,851,429
Total operating expenses before impairment charge	324,654	156,327	72,438	51,070	604,489
Impairment charges for financial assets & others, net	22,567	253,291	(4,052)	-	271,806
Net income for the period before zakat	140,580	322,499	444,625	67,430	975,134
Net special commission income	397,311	566,948	350,351	28,341	1,342,951
Fee and commission income, net	55,075	156,395	4,397	90,158	306,025
Exchange income, net	12,404	1,191	85,788	-	99,383
Trading income, net	-	-	66,398	-	66,398
Inter-segment revenue	201,230	50,908	(252,138)	-	-
Depreciation and amortization	34,503	11,944	7,667	840	54,954

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>December 31, 2021 (Audited)</u>					
Total assets	34,195,496	114,226,146	65,296,420	2,083,964	215,802,026
Total liabilities	81,535,610	62,773,053	29,663,189	2,144,504	176,116,356

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>March 31, 2021 (Unaudited)</u>					
Total assets	31,408,162	104,809,094	64,442,976	1,572,528	202,232,760
Loans and advances, net	30,195,254	102,456,926	-	1,452,652	134,104,832
Total liabilities	77,113,322	58,860,363	25,529,858	1,531,491	163,035,034
Customers' deposits	76,325,729	56,661,466	-	-	132,987,195
Total operating income	488,282	717,238	453,157	136,837	1,795,514
Total operating expenses before impairment charge	305,062	158,122	81,839	46,325	591,348
Impairment charges for financial assets & others, net	(3,735)	301,385	1,085	-	298,735
Net income for the period before zakat	186,955	257,731	370,233	90,512	905,431
Net special commission income	411,343	557,168	301,800	17,010	1,287,321
Fee and commission income, net	57,425	158,969	1,667	119,827	337,888
Exchange income, net	5,287	519	67,631	-	73,437
Trading income, net	-	-	77,568	-	77,568
Inter-segment revenue	228,586	310,234	(538,820)	-	-
Depreciation and amortization	34,151	7,460	12,439	787	54,837

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

19. Share capital and Earnings per share

The authorised, issued and fully paid share capital of the Bank consists of 1,205 million shares of SAR 10 each (December 31, 2021: 1,205 million shares of SAR 10 each and March 31, 2021: 1,205 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended March 31, 2022 and 2021 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Sukuk costs for the period by 1,200 million shares after excluding treasury shares consisting of 5.4 million shares as of March 31, 2022 (December 31, 2021: 5.4 million shares and March 31, 2021: 5.7 million shares).

The Board of Directors have proposed final net dividend of AR 0.85 net per share for the year which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies.

20. Capital Adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank'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 daily by the Bank's management.

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

SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum level.

SAMA through its circular number 391000029731 dated 15/03/1439H, which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9 – financial instruments, 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.

Bank's total risk weighted assets and total Tier I & Tier I + Tier II Capital are as follows:

SAR '000	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	March 31, 2021 (Unaudited)
Credit Risk RWA	191,028,492	185,159,270	170,632,114
Operational Risk RWA	13,594,276	13,224,774	12,964,425
Market Risk RWA	3,203,649	3,835,772	3,350,103
Total RWA	207,826,417	202,219,816	186,946,642
Tier I Capital	40,491,347	40,329,281	39,230,916
Tier II Capital	2,290,405	2,314,491	2,040,283
Total Tier I & II Capital	42,781,752	42,643,772	41,271,199
Capital Adequacy Ratio %			
Tier I ratio	19.48%	19.94%	20.99%
Tier I + Tier II ratio	20.59%	21.09%	22.08%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

21. Impact of SAMA programs

During 2020 and 2021, the Coronavirus (“COVID-19”) pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of this infections. Significant improvement have been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Bank continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures to date, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting 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.

Private Sector Financing Support Program (“PSFSP”)

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers’ potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The Deferred Payment Program (DPP) has ended on March 31, 2022.

In order to compensate the related cost that the Bank had incurred under the SAMA and other public authorities program, during 2020 and 2021, the Bank received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income.

During the period ended March 31, 2022, SAR 43 million (March 31, 2021: SAR 11 million) has been recognized in the interim condensed consolidated statement of income with respect to the unwinding of modification income on related deposits with an aggregate of SAR 248 million deferred grant income as at March 31, 2022 (December 31, 2021: SAR 291 million).

During the three months period ended March 31, 2022, SAR 22 million (March 31, 2021: SAR 26 million) has been charged to the interim condensed consolidated statement of income relating to unwinding of modification losses.

22. IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of an interest rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk-Free Rate (“RFR”).

Management has put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project has considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the customer communications of the aspects of the transition have also been considered. As of March 31, 2022, changes required to systems, processes and models have been identified and implemented while some system changes are in the final stage of implementation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

The Bank has exposure to IBOR rates that are subject to reform through the structural interest rate position, holdings of investment securities, and financial products denominated in foreign currencies and, where applicable associated hedging.

23. Comparative figures

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

24. Board of Directors Approval

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on April 20, 2022 corresponding to Ramadan 19, 1443H.