

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

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| SAR '000   | Notes | Mar 31, 2022<br>(Unaudited) | Dec 31, 2021<br>(Audited) | Mar 31, 2021<br>(Unaudited) |
|--|-------|-----------------------------|---------------------------|-----------------------------|
| <b>ASSETS</b>  |       |                             |                           |                             |
| 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                   |
| <b>Total assets</b>  |       | <b>222,210,526</b>          | <b>215,802,026</b>        | <b>202,232,760</b>          |
| <b>LIABILITIES AND EQUITY</b>                              |       |                             |                           |                             |
| <b>Liabilities</b>   |       |                             |                           |                             |
| 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                   |
| <b>Total liabilities</b>                                   |       | <b>182,782,997</b>          | <b>176,116,356</b>        | <b>163,035,034</b>          |
| <b>Equity</b>  |       |                             |                           |                             |
| 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)                    |
| <b>Equity attributable to the shareholders of the Bank</b> |       | <b>34,427,529</b>           | <b>34,685,670</b>         | <b>34,197,726</b>           |
| Tier 1 Sukuk   | 15    | 5,000,000                   | 5,000,000                 | 5,000,000                   |
| <b>Total equity</b>  |       | <b>39,427,529</b>           | <b>39,685,670</b>         | <b>39,197,726</b>           |
| <b>Total liabilities and equity</b>                        |       | <b>222,210,526</b>          | <b>215,802,026</b>        | <b>202,232,760</b>          |

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     |
| Special commission income  | 1,492,123                  | 1,407,326        |
| Special commission expense   | 149,172                    | 120,005          |
| <b>Net special commission income</b>   | <b>1,342,951</b>           | <b>1,287,321</b> |
| Fee and commission income  | 427,159                    | 478,687          |
| Fee and commission expense   | 121,134                    | 140,799          |
| <b>Net fee and commission income</b>   | <b>306,025</b>             | <b>337,888</b>   |
| 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           |
| <b>Total operating income</b>  | <b>1,851,429</b>           | <b>1,795,514</b> |
| 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          |
| <b>Total operating expenses before impairment charge</b>                         | <b>604,489</b>             | <b>591,348</b>   |
| 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            |
| <b>Total operating expenses, net</b>   | <b>876,295</b>             | <b>890,083</b>   |
| <b>Net income for the period before Zakat</b>                                    | <b>975,134</b>             | <b>905,431</b>   |
| Zakat for the period   | 100,562                    | 125,748          |
| <b>Net income for the period</b>   | <b>874,572</b>             | <b>779,683</b>   |
| 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          |
| <b>Other comprehensive income / (loss):</b>   |                            |                  |
| <b>Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods</b> |                            |                  |
| <u>Movement in equity instruments at fair value through other comprehensive income</u>                                |                            |                  |
| Net change in the fair value  | (4,620)                    | 47,292           |
| <b>Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods</b>    |                            |                  |
| <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)        |
| <b>Total other comprehensive loss for the period</b>  | <b>(1,083,009)</b>         | <b>(188,788)</b> |
| <b>Total comprehensive (loss) / income for the period</b>   | <b>(208,437)</b>           | <b>590,895</b>   |

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**

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| 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        |
| <b>For the three months period ended March 31, 2022</b>                      |                   |                   |                 |                   |                  |  |                  |                   |                 |   |                  |                   |
| 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)        | (45,156)                                      | -                | (45,156)          |
| <b>Balance at the end of the period</b>                                      | <b>12,053,572</b> | <b>12,053,572</b> | <b>982,857</b>  | <b>9,217,032</b>  | <b>(367,465)</b> | <b>1,731</b>                                     | <b>(488,568)</b> | <b>1,019,956</b>  | <b>(45,156)</b> | <b>34,427,529</b>                             | <b>5,000,000</b> | <b>39,427,529</b> |
|  | 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        |
| <b>For the three months period ended March 31, 2021</b>                      |                   |                   |                 |                   |                  |  |                  |                   |                 |   |                  |                   |
| 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)        | (69,148)                                      | -                | (69,148)          |
| <b>Balance at the end of the period</b>                                      | <b>12,053,572</b> | <b>12,053,572</b> | <b>982,857</b>  | <b>7,697,567</b>  | <b>169,914</b>   | <b>(272)</b>                                     | <b>829,685</b>   | <b>479,979</b>    | <b>(69,148)</b> | <b>34,197,726</b>                             | <b>5,000,000</b> | <b>39,197,726</b> |

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**

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| SAR '000   | Note | For the three months ended |                    |
|--|------|----------------------------|--------------------|
|  |      | Mar 31, 2022               | Mar 31, 2021       |
| <b>OPERATING ACTIVITIES</b>  |      |                            |                    |
| Net income for the period before zakat   |      | 975,134                    | 905,431            |
| <b>Adjustments to reconcile net income before zakat to net cash from / (used in) operating activities:</b> |      |                            |                    |
| 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              |
| <b>Operating income before changes in operating assets and liabilities</b>                                 |      | <b>1,365,061</b>           | <b>1,313,382</b>   |
| <b>Net (increase) / decrease in operating assets:</b>  |      |                            |                    |
| 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)           |
| <b>Net increase / (decrease) in operating liabilities:</b>   |      |                            |                    |
| 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            |
| <b>Net cash generated from operating activities</b>  |      | <b>1,174,836</b>           | <b>3,566,425</b>   |
| <b>INVESTING ACTIVITIES</b>  |      |                            |                    |
| 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                         | -                  |
| <b>Net cash generated from / (used in) investing activities</b>  |      | <b>424,428</b>             | <b>(3,606,219)</b> |
| <b>FINANCING ACTIVITIES</b>  |      |                            |                    |
| Tier I Sukuk related cost  |      | (56,427)                   | (35,400)           |
| <b>Net cash used in financing activities</b>   |      | <b>(56,427)</b>            | <b>(35,400)</b>    |
| <b>Increase / (decrease) in cash and cash equivalents</b>  |      | <b>1,542,837</b>           | <b>(75,194)</b>    |
| Cash and cash equivalents at the beginning of the period   |      | 6,627,104                  | 6,609,409          |
| <b>Cash and cash equivalents at the end of the period</b>  | 14   | <b>8,169,941</b>           | <b>6,534,215</b>   |
| Special commission received during the period  |      | 1,346,595                  | 1,355,668          |
| Special commission paid during the period  |      | 123,447                    | 156,886            |
| <b>Supplemental non-cash information</b>   |      |                            |                    |
| 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<br>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<br>(Unaudited) | December 31, 2021<br>(Audited) | March 31, 2021<br>(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                     |
| <b>Total</b>                      | <b>10,372,513</b>             | <b>9,795,068</b>               | <b>10,677,503</b>             |

## 6. Due from banks and other financial institutions

| SAR '000                | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) | March 31, 2021<br>(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)                         |
| <b>Total</b>            | <b>6,658,871</b>              | <b>5,323,964</b>               | <b>5,142,861</b>              |

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<br>not credit<br>impaired | Lifetime ECL<br>credit<br>impaired | Total      |
| Balance at January 01                   | 114                        | 66                                     | -                                  | 180        |
| Net charge / (reversal) for the period  | 79                         | (33)                                   | -                                  | 46         |
| <b>Balance at the end of the period</b> | <b>193</b>                 | <b>33</b>                              | <b>-</b>                           | <b>226</b> |

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

## 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                                     | -                          | -                                | -                            | -                |
| <b>Balance at the end of the period</b>        | <b>6,651,247</b>           | <b>7,850</b>                     | <b>-</b>                     | <b>6,659,097</b> |

| 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:**

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

| <b>SAR '000</b>          | <b>March 31, 2022<br/>(Unaudited)</b> |                      |                | <b>December 31, 2021<br/>(Audited)</b> |                      |                | <b>March 31, 2021<br/>(Unaudited)</b> |                      |                |
|--------------------------|---------------------------------------|----------------------|----------------|--|----------------------|----------------|---------------------------------------|----------------------|----------------|
|                          | <b>Domestic</b>                       | <b>International</b> | <b>Total</b>   | <b>Domestic</b>                        | <b>International</b> | <b>Total</b>   | <b>Domestic</b>                       | <b>International</b> | <b>Total</b>   |
| 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         |
| <b>Total</b>             | <b>188,851</b>                        | <b>8,734</b>         | <b>197,585</b> | <b>198,893</b>                         | <b>11,102</b>        | <b>209,995</b> | <b>66,229</b>                         | <b>46,297</b>        | <b>112,526</b> |

**c) Investments held at fair value through other comprehensive income**

**Investments by type of securities**

| <b>SAR '000</b>          | <b>March 31, 2022<br/>(Unaudited)</b> |                      |                   | <b>December 31, 2021<br/>(Audited)</b> |                      |                   | <b>March 31, 2021<br/>(Unaudited)</b> |                      |                   |
|--------------------------|---------------------------------------|----------------------|-------------------|--|----------------------|-------------------|---------------------------------------|----------------------|-------------------|
|                          | <b>Domestic</b>                       | <b>International</b> | <b>Total</b>      | <b>Domestic</b>                        | <b>International</b> | <b>Total</b>      | <b>Domestic</b>                       | <b>International</b> | <b>Total</b>      |
| 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           |
| <b>Total</b>             | <b>11,959,152</b>                     | <b>4,241,331</b>     | <b>16,200,483</b> | <b>11,693,013</b>                      | <b>3,249,787</b>     | <b>14,942,800</b> | <b>11,256,667</b>                     | <b>2,099,922</b>     | <b>13,356,589</b> |

## 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<br>(Unaudited) |               |                   | December 31, 2021<br>(Audited) |               |                   | March 31, 2021<br>(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           |
| <b>Total</b>             | <b>26,544,350</b>             | <b>-</b>      | <b>26,544,350</b> | <b>28,705,446</b>              | <b>-</b>      | <b>28,705,446</b> | <b>27,644,478</b>             | <b>-</b>      | <b>27,644,478</b> |

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<br>not credit<br>impaired | Lifetime ECL<br>credit<br>impaired | Total         |
| Balance at January 01                   | 20,640                     | -                                      | -                                  | 20,640        |
| Net charge / (reversal) for the period  | (1,874)                    | -                                      | -                                  | (1,874)       |
| <b>Balance at the end of the period</b> | <b>18,766</b>              | <b>-</b>                               | <b>-</b>                           | <b>18,766</b> |

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

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

## 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                                     | -                          | -                                | -                            | -                 |
| <b>Balance at the end of the period</b>        | <b>42,412,865</b>          | -                                | -                            | <b>42,412,865</b> |

| 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                                     | -                           | -                                | -                            | -                 |
| <b>Balance at the end of the year</b>          | <b>43,316,349</b>           | -                                | -                            | <b>43,316,349</b> |

| 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                                     | -                          | -                                | -                            | -                 |
| <b>Balance at the end of the period</b>        | <b>40,746,463</b>          | -                                | -                            | <b>40,746,463</b> |

## 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          |
| <b>Total loans and advances</b>                       | <b>128,897,219</b>           | <b>552,061</b> | <b>28,113,139</b> | <b>157,562,419</b> |
| Allowance for impairment                              | (4,543,675)                  | (55,021)       | (274,112)         | (4,872,808)        |
| <b>Loans and advances held at amortised cost, net</b> | <b>124,353,544</b>           | <b>497,040</b> | <b>27,839,027</b> | <b>152,689,611</b> |

| 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          |
| <b>Total loans and advances</b>                       | <b>124,968,206</b>           | <b>561,917</b> | <b>27,015,460</b> | <b>152,545,583</b> |
| Allowance for impairment                              | (4,380,256)                  | (61,999)       | (290,569)         | (4,732,824)        |
| <b>Loans and advances held at amortised cost, net</b> | <b>120,587,950</b>           | <b>499,918</b> | <b>26,724,891</b> | <b>147,812,759</b> |

| 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          |
| <b>Total loans and advances</b>                       | <b>113,738,384</b>           | <b>475,422</b> | <b>24,539,705</b> | <b>138,753,511</b> |
| Allowance for impairment                              | (4,267,972)                  | (43,407)       | (337,300)         | (4,648,679)        |
| <b>Loans and advances held at amortised cost, net</b> | <b>109,470,412</b>           | <b>432,015</b> | <b>24,202,405</b> | <b>134,104,832</b> |

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)                  |
| <b>Balance at the end of the period / year</b> | <b>4,872,808</b>           | <b>4,732,824</b>            | <b>4,648,679</b>           |

## 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)        |
| <b>Balance at the end of the period</b>        | <b>396,452</b>             | <b>2,081,495</b>                 | <b>2,394,861</b>             | <b>4,872,808</b> |

| 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)        |
| <b>Balance at the end of the year</b>          | <b>526,450</b>              | <b>1,828,983</b>                 | <b>2,377,391</b>             | <b>4,732,824</b> |

| 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)        |
| <b>Balance at the end of the period</b>        | <b>559,444</b>             | <b>1,590,953</b>                 | <b>2,498,282</b>             | <b>4,648,679</b> |

## 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         |
| <b>Balance at the end of the period</b> | <b>139,441,002</b>         | <b>14,321,804</b>                | <b>3,799,613</b>             | <b>157,562,419</b> |

| 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         |
| <b>Balance at the end of the year</b> | <b>134,589,045</b>          | <b>14,022,436</b>                | <b>3,934,102</b>             | <b>152,545,583</b> |

| 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         |
| <b>Balance at the end of the period</b> | <b>121,357,163</b>         | <b>13,429,891</b>                | <b>3,966,457</b>             | <b>138,753,511</b> |

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)          |
| <b>Balance at the end of the period</b>        | <b>139,441,002</b>         | <b>14,321,804</b>                | <b>3,799,613</b>             | <b>157,562,419</b> |

## 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)                  |
| <b>Total</b>             | <b>9,315,478</b>           | <b>10,868,499</b>           | <b>9,247,253</b>           |

## 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<br>(Unaudited) | December 31, 2021<br>(Audited) | March 31, 2021<br>(Unaudited) |
|-------------------------|-------------------------------|--------------------------------|-------------------------------|
| Current accounts        | 938,692                       | 481,425                        | 350,223                       |
| Money market placements | 10,204,023                    | 12,503,933                     | 8,447,166                     |
| <b>Total</b>            | <b>11,142,715</b>             | <b>12,985,358</b>              | <b>8,797,389</b>              |

**11. Customers' deposits**

| SAR '000     | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) | March 31, 2021<br>(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                     |
| <b>Total</b> | <b>150,758,518</b>            | <b>141,950,208</b>             | <b>132,987,195</b>            |

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    |
| <b>Held for trading:</b>  |                            |                     |                    |                             |                     |                    |                            |                     |                    |
| 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             |
| <b>Held as fair value hedges:</b>                               |                            |                     |                    |                             |                     |                    |                            |                     |                    |
| Commission rate swaps   | 3,923                      | -                   | 105,000            | 1,269                       | 6                   | 142,500            | 30                         | -                   | 37,500             |
| <b>Held as cash flow hedges:</b>                                |                            |                     |                    |                             |                     |                    |                            |                     |                    |
| 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         |
| <b>Total</b>  | <b>4,060,758</b>           | <b>4,011,015</b>    | <b>324,743,180</b> | <b>4,061,987</b>            | <b>3,246,098</b>    | <b>292,003,787</b> | <b>6,275,974</b>           | <b>4,876,734</b>    | <b>294,298,185</b> |

## 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                  |
| <b>Total</b>                             | <b>58,178,286</b>          | <b>57,469,762</b>           | <b>52,383,311</b>          |

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                                     | -                          | -                                | -                            | -              |
| <b>Balance at the end of the period</b>        | <b>18,739</b>              | <b>12,341</b>                    | <b>255,822</b>               | <b>286,902</b> |

## 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                                     | -                          | -                                | -                            | -                 |
| <b>Balance at the end of the period</b>        | <b>27,823,743</b>          | <b>2,125,734</b>                 | <b>474,085</b>               | <b>30,423,562</b> |

## 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                  |
| <b>Total</b>  | <b>8,169,941</b>           | <b>6,227,104</b>            | <b>6,534,215</b>           |

## 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 data 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             |
|--|------------------|-------------------|----------------|-------------------|
| <b><u>March 31, 2022 (Unaudited)</u></b>             |                  |                   |                |                   |
| <b>Financial assets</b>                              |                  |                   |                |                   |
| 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        |
| <b>Total</b>   | <b>9,871,561</b> | <b>10,462,027</b> | <b>125,238</b> | <b>20,458,826</b> |
| <b>Financial Liabilities</b>                         |                  |                   |                |                   |
| Derivative financial instruments negative fair value | -                | 4,011,015         | -              | 4,011,015         |
| <b>Total</b>   | <b>-</b>         | <b>4,011,015</b>  | <b>-</b>       | <b>4,011,015</b>  |

| SAR '000   | Level 1          | Level 2           | Level 3        | Total             |
|--|------------------|-------------------|----------------|-------------------|
| <b><u>December 31, 2021 (Audited)</u></b>            |                  |                   |                |                   |
| <b>Financial assets</b>                              |                  |                   |                |                   |
| 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        |
| <b>Total</b>   | <b>8,732,306</b> | <b>10,361,309</b> | <b>121,167</b> | <b>19,214,782</b> |
| <b>Financial Liabilities</b>                         |                  |                   |                |                   |
| Derivative financial instruments negative fair value | -                | 3,246,098         | -              | 3,246,098         |
| <b>Total</b>   | <b>-</b>         | <b>3,246,098</b>  | <b>-</b>       | <b>3,246,098</b>  |

| SAR '000   | Level 1          | Level 2           | Level 3       | Total             |
|--|------------------|-------------------|---------------|-------------------|
| <b><u>March 31, 2021 (Unaudited)</u></b>             |                  |                   |               |                   |
| <b>Financial assets</b>                              |                  |                   |               |                   |
| 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        |
| <b>Total</b>   | <b>8,104,474</b> | <b>11,615,564</b> | <b>25,051</b> | <b>19,745,089</b> |
| <b>Financial Liabilities</b>                         |                  |                   |               |                   |
| Derivative financial instruments negative fair value | -                | 4,876,734         | -             | 4,876,734         |
| <b>Total</b>   | <b>-</b>         | <b>4,876,734</b>  | <b>-</b>      | <b>4,876,734</b>  |

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       |
|---|----------------|-------------------|------------|--------------------------------|-------------|
| <b><u>March 31, 2022 (Unaudited)</u></b>              |                |                   |            |                                |             |
| 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       |
|---|----------------|-------------------|------------|--------------------------------|-------------|
| <b><u>December 31, 2021 (Audited)</u></b> |                |                   |            |                                |             |
| 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       |
|---|----------------|-------------------|------------|--------------------------------|-------------|
| <b><u>March 31, 2021 (Unaudited)</u></b>              |                |                   |            |                                |             |
| 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:

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

## **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.

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**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.