

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

31 March 2023

(Unaudited)



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KPMG Professional Services

Riyadh Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

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

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of The Saudi British Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other regulatory matters

As required by the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 21 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 21 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers

Bader I. Benmohareb
Certified Public Accountant
License number: 471



PricewaterhouseCoopers, License No. 25
Kingdom Tower, P.O. Box 8282, Riyadh 11482
Kingdom of Saudi Arabia
+966 (11) 211-0400 F: +966 (11) 211-0401
www.pwc.com/middle-east

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License number: 348



KPMG Professional Services
(Professional Closed Joint Stock Company)
Paid-up capital SR 40,000,000
C.R. No. 1010425494
Headquarters in Riyadh
www.kpmg.com/sa

20 Shawwal 1444 AH
(10 May 2023)

Interim condensed consolidated statement of financial position

	Notes	As at 31 March 2023 Unaudited SAR' 000	As at 31 December 2022 Audited SAR' 000	As at 31 March 2022 Unaudited SAR' 000
ASSETS				
Cash and balances with Saudi Central Bank ("SAMA")	5	21,908,075	19,258,717	14,161,870
Due from banks and other financial institutions, net	6	6,040,552	5,871,533	7,404,934
Assets classified as held for sale		-	-	941,652
Positive fair value derivatives, net	11	2,116,844	2,538,074	1,165,163
Investments, net	7	90,978,616	86,363,159	65,588,362
Loans and advances, net	8	191,001,016	183,132,249	176,147,793
Investment in an associate	9	629,004	599,289	650,902
Other assets		1,832,217	2,228,977	2,592,154
Property, equipment and right of use assets, net		3,606,790	3,621,644	3,317,208
Goodwill and other intangibles, net	10	10,771,480	10,837,035	10,721,699
Total assets		328,884,594	314,450,677	282,691,737
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		26,353,867	25,517,303	17,135,352
Customers' deposits	12	225,983,336	214,278,851	193,889,489
Negative fair value derivatives, net	11	1,686,387	1,907,436	1,046,553
Liabilities directly associated with assets classified as held for sale		-	-	736,228
Debt securities in issue	13	5,070,852	5,114,836	5,028,016
Other liabilities		12,756,246	12,949,047	11,079,049
Total liabilities		271,850,688	259,767,473	228,914,687
Equity				
Equity attributable to equity holders of the Bank				
Share capital		20,547,945	20,547,945	20,547,945
Share premium		8,524,882	8,524,882	8,524,882
Statutory reserve		20,547,945	20,547,945	20,547,945
Other reserves		(596,216)	(1,182,348)	(285,604)
Retained earnings		6,488,802	6,244,780	3,639,346
Proposed dividends	22	1,520,548	-	702,375
Total equity attributable to equity holders of the Bank		57,033,906	54,683,204	53,676,889
Total equity attributable to Non-controlling interest		-	-	100,161
Total equity		57,033,906	54,683,204	53,777,050
Total liabilities and equity		328,884,594	314,450,677	282,691,737

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui

Lama A GHAZZAOU

Chief Financial Officer

Tony Cripps

Tony CRIPPS


Managing Director & Authorized Member

Interim condensed consolidated statement of income - Unaudited

For the three month period ended

	Notes	31 March 2023 SAR'000	31 March 2022 SAR'000
Continuing operations			
Special commission income		3,801,114	1,589,576
Special commission expense		(1,267,078)	(175,923)
Net special commission income		2,534,036	1,413,653
Fee and commission income		776,905	673,225
Fee and commission expense	26	(493,203)	(412,369)
Net fee and commission income		283,702	260,856
Exchange income, net		205,567	178,606
Income from FVSI financial instruments		220,751	104,146
Losses on FVOCI debt instruments, net		(4,892)	-
(Losses) / gains on non- FVSI investments, net		(15,043)	30,505
Other operating (expenses) / income, net	26	(6,547)	24,759
Total operating income		3,217,574	2,012,525
Provision for expected credit losses, net	19 (a)	(228,964)	(59,782)
Operating expenses			
Salaries and employee related expenses		(509,560)	(411,399)
Rent and premises related expenses		(17,814)	(12,302)
Depreciation and amortization		(116,882)	(115,797)
General and administrative expenses	26	(361,852)	(301,584)
Total operating expenses		(1,006,108)	(841,082)
Income from operating activities		1,982,502	1,111,661
Share in earnings of an associate	9	29,715	67,543
Net income for the period before Zakat and income tax		2,012,217	1,179,204
Provision for Zakat and income tax	16	(247,647)	(163,267)
Net income for the period after Zakat and income tax from continuing operations		1,764,570	1,015,937
Net loss from discontinued operations	24	-	(11,739)
Net income for the period after Zakat and income tax		1,764,570	1,004,198
Attributable to:			
Equity holders of the Bank		1,764,570	1,006,223
Non-controlling interest		-	(2,025)
Net income for the period after Zakat and income tax		1,764,570	1,004,198
Basic and diluted earnings per share (in SAR) from continuing operations attributable to equity holders of the Bank	15	0.86	0.50
Basic and diluted losses per share (in SAR) from discontinued operations attributable to equity holders of the Bank	15	-	(0.01)
Basic and diluted earnings per share (in SAR)	15	0.86	0.49

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui

Chief Financial Officer

Tony Cripps

Managing Director & Authorized Member

Interim condensed consolidated statement of comprehensive income – Unaudited

For the three month period ended

	31 March 2023 SAR'000	31 March 2022 SAR'000
Net income for the period after Zakat and income tax	1,764,570	1,004,198
Other comprehensive income for the period		
Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods		
Net changes in fair value (FVOCI equity instruments)	(18,259)	-
Re-measurement of defined benefit liability	-	(3,627)
Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods		
Debt instrument at FVOCI:		
Net changes in fair value	539,246	(259,252)
Transfer to interim condensed consolidated statement of income, net	4,892	-
Cash flow hedges:		
Net changes in fair value	141,640	(6,188)
Transfer to interim condensed consolidated statement of income, net	(90,664)	(492)
Total other comprehensive income / (loss) for the period	576,855	(269,559)
Total comprehensive income for the period	2,341,425	734,639
Attributable to:		
Equity holders of the Bank:		
Continuing operations	2,341,425	748,403
Discontinued operations	-	(11,739)
Non-controlling interest – discontinued operations	-	(2,025)
Total	2,341,425	734,639

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui



Chief Financial Officer

Tony Cripps



Managing Director & Authorized Member

The Saudi British Bank
Interim condensed consolidated statement of changes in equity - Unaudited



For the three month period

	Attributable to equity holders of the Bank								Non-	Total equity
	Note	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000	Total SAR'000	controlling interest SAR'000	
31 March 2023										
Balance at the beginning of the period		20,547,945	8,524,882	20,547,945	(1,182,348)	6,244,780	-	54,683,204	-	54,683,204
Total comprehensive income / (loss) for the period										
Net income for the period after Zakat and income tax		-	-	-	-	1,764,570	-	1,764,570	-	1,764,570
Net changes in fair value of cash flow hedges		-	-	-	141,640	-	-	141,640	-	141,640
Net changes in fair value of FVOCI equity instruments		-	-	-	(18,259)	-	-	(18,259)	-	(18,259)
Net changes in fair value of FVOCI debt instruments		-	-	-	539,246	-	-	539,246	-	539,246
Transfer to interim condensed consolidated statement of income		-	-	-	(85,772)	-	-	(85,772)	-	(85,772)
		-	-	-	576,855	1,764,570	-	2,341,425	-	2,341,425
Employee share plan reserve net charge and shares vested		-	-	-	9,277	-	-	9,277	-	9,277
2022 final dividend, net of Zakat and income tax	22	-	-	-	-	(1,520,548)	1,520,548	-	-	-
Balance at the end of the period		20,547,945	8,524,882	20,547,945	(596,216)	6,488,802	1,520,548	57,033,906	-	57,033,906

	Note	Attributable to equity holders of the Bank							Non-controlling interest SAR'000	Total equity SAR'000
		Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000	Total SAR'000		
31 March 2022										
Balance at the beginning of the period		20,547,945	8,524,882	20,547,945	(29,939)	3,335,498	-	52,926,331	102,186	53,028,517
Total comprehensive income / (loss) for the period										
Net income / (loss) for the period after Zakat and income tax		-	-	-	-	1,006,223	-	1,006,223	(2,025)	1,004,198
Net changes in fair value of cash flow hedges		-	-	-	(6,188)	-	-	(6,188)	-	(6,188)
Net changes in fair value of FVOCI debt instruments		-	-	-	(259,252)	-	-	(259,252)	-	(259,252)
Re-measurement of defined benefit liability		-	-	-	(3,627)	-	-	(3,627)	-	(3,627)
Transfer to interim condensed consolidated statement of income		-	-	-	(492)	-	-	(492)	-	(492)
		-	-	-	(269,559)	1,006,223	-	736,664	(2,025)	734,639
Employee share plan reserve net charge and shares vested		-	-	-	13,894	-	-	13,894	-	13,894
2021 final dividend, net of Zakat and income tax	22	-	-	-	-	(702,375)	702,375	-	-	-
Balance at the end of the period		20,547,945	8,524,882	20,547,945	(285,604)	3,639,346	702,375	53,676,889	100,161	53,777,050

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui
Lama A GHAZZAOU
 Chief Financial Officer


Tony Cripps
Tony CRIPPS
 Managing Director & Authorized Member

Interim condensed consolidated statement of cash flows – Unaudited

For the three month period

	Notes	31 March 2023 SAR'000	31 March 2022 SAR'000
OPERATING ACTIVITIES			
Net income for the period before Zakat and income tax, after loss from discontinued operations		2,012,217	1,167,465
Adjustments to reconcile net income before Zakat and income tax to net cash from operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(67,129)	14,407
Depreciation and amortization		116,882	115,797
Special commission expense on debt securities in issue		88,673	37,116
Special commission income expense on lease liabilities		4,175	5,150
Losses / (gains) on non-FVSI financial instruments		15,043	(30,505)
Income transferred to interim condensed consolidated statement of income		(85,772)	(492)
Share in earnings of an associate	9	(29,715)	(67,543)
Provision for expected credit losses, net	19 (a)	228,964	59,782
Employee share plan reserve		9,277	13,894
		2,292,615	1,315,071
Change in operating assets:			
Statutory deposit with SAMA		18,168	56,686
Due from banks and other financial institutions		(42,218)	96,615
Investments held as FVSI		292,649	318,756
Loans and advances		(8,058,517)	(8,546,265)
Positive fair value derivatives, net		562,870	(55,318)
Other assets		396,760	(186,416)
Change in operating liabilities:			
Due to banks and other financial institutions		836,564	2,471,686
Customers' deposits		11,704,485	7,128,877
Negative fair value derivatives, net		(221,049)	(468,039)
Other liabilities		(414,783)	236,127
		7,367,544	2,367,780
Zakat and income tax paid		(39,623)	(32,011)
Net cash generated from operating activities		7,327,921	2,335,769
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		3,184,825	4,232,589
Purchase of investments not held as FVSI		(7,521,092)	(5,477,344)
Purchase of property, equipment and intangibles, net		(36,473)	(167,726)
Net cash used in investing activities		(4,372,740)	(1,412,481)
FINANCING ACTIVITIES			
Special commission paid on debt securities in issue		(132,657)	(70,633)
Payment of lease liabilities		(27,524)	(33,316)
Dividends paid		(180)	(897)
Net cash used in financing activities		(160,361)	(104,846)
Net change in cash and cash equivalents		2,794,820	818,442
Cash and cash equivalents at beginning of the period	17	11,808,078	8,543,548
Cash and cash equivalents at end of the period	17	14,602,898	9,361,990
Supplemental non cash information			
Right of use assets		471,562	581,033
Lease liabilities		556,801	630,843
Assets classified as held for sale		-	941,652
Liabilities directly associated with assets classified as held for sale		-	736,228
Net changes in fair value and transfers to interim condensed consolidated statement of income		576,855	(269,559)

The accompanying notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui

Chief Financial Officer

Tony Cripps

Managing Director & Authorized Member

1. General

The Saudi British Bank ('SAB') is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by a Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SAB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SAB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 109 branches (31 December 2022: 109 branches) in the Kingdom of Saudi Arabia. The address of SAB's head office is as follows:

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

On 4 April 2023, the Group announced the launch of its new branding under the trade name ('SAB'). The Group is in the process to change its commercial name from "the Saudi British Bank" to "the Saudi Awwal Bank". The proposed amendment to the commercial name is subject to obtaining relevant regulatory and shareholder approvals, including the approval of the extraordinary general assembly.

The objectives of SAB are to provide a range of banking services. SAB also provides Shariah-compliant products, which are approved and supervised by an independent Shari'ah Committee established by SAB.

SAB has 100% (31 December 2022: 100%) ownership interest in a subsidiary, Arabian Real Estate Company Limited ("ARECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). ARECO is engaged in the real estate activities with own and leased property.

SAB has 100% (31 December 2022: 100%) directly held ownership interest in a subsidiary, SABB Markets Limited ("SABB Markets"), a limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SABB Markets is engaged in derivatives trading and repo activities.

SAB has 100% (31 December 2022: 100%) directly held ownership interest in a subsidiary, Alawwal Invest Company ("SAB Invest"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010242378 dated 30 Dhul Hijjah 1428H (9 January 2008). SAB Invest was formed and licensed as a capital market institution in accordance with the CMA's Resolution No. 1 39 2007. SAB Invest's principal activity is to engage in security activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities (see also note 25).

SAB has 100% (31 December 2022: 100%) directly held ownership interest in a subsidiary, Alawwal Real Estate Company ("AREC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC is engaged in the real estate activities with own and leased property.

SAB has 49% (31 December 2022: 49%) directly held ownership interest in HSBC Saudi Arabia, an associate, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada Al-Akhirah 1427H (23 July 2006). HSBC Saudi Arabia was formed and licensed as a capital market institution in accordance with the Resolution No. 37-05008 of the CMA dated 05/12/1426H corresponding to 05/01/2006G. HSBC Saudi Arabia's principal activity is to engage in the full range of securities activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities. HSBC Saudi Arabia is an associate of SAB with HSBC Asia Holdings B.V. a related party and shareholder in SAB (see also note 25).

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

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

SAB directly owns a 50% (31 December 2022: 50%) share in Saudi Kayan Assets Leasing Company and Rabigh Asset Leasing Company (the Company is currently under liquidation). Yanbu Asset Leasing Company was liquidated during the period where SAB was directly owning a 100% share. SAB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities excluding Yanbu Asset Leasing Company. The related underlying funding to the relevant borrowers is recorded on SAB's consolidated statement of financial position.

2. Basis of preparation

These interim condensed consolidated financial statements of the Group as at and for the period ended 31 March 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Group's annual consolidated financial statements as at 31 December 2022.

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

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

3. Basis of consolidation

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

Subsidiaries are entities which are directly or indirectly controlled by SAB. SAB controls an entity ("the Investee") over which it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to SAB and cease to be consolidated from the date on which the control is transferred from SAB.

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

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

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

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 unless otherwise stated.

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

The following standards, interpretations or amendments are effective from the current year and are adopted by the Group, however, these do not have any significant impact on the interim condensed consolidated financial statements of the period:

Accounting Standards, interpretations, amendments	Description	Effective date
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 1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards and / or amendments, which will become effective from periods beginning on or after 1 January 2023. 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.

Accounting Standards, interpretations, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	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. 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. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

5. Cash and balances with SAMA

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Cash in hand	1,872,040	1,779,646	1,684,056
Statutory deposit	13,305,892	13,324,060	12,006,887
Placements with SAMA	6,647,153	4,039,485	331,979
Other balances	82,990	115,526	138,948
Total	21,908,075	19,258,717	14,161,870

6. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions are classified as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Current accounts	4,507,828	5,282,629	6,315,899
Money market placements	1,535,105	-	1,091,695
Reverse repos	-	590,792	-
Provision for expected credit losses	(2,381)	(1,888)	(2,660)
Total	6,040,552	5,871,533	7,404,934

b) Credit quality analysis

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

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 March 2023 (Unaudited)	6,040,552	-	-	-	6,040,552
31 December 2022 (Audited)	5,871,533	-	-	-	5,871,533
31 March 2022 (Unaudited)	7,404,934	-	-	-	7,404,934

Balances under due from banks and other financial institutions are held with investment grade financial institutions.

c) Movement in provision for expected credit losses

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

	31 March 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	1,888	-	-	1,888
Net charge for the period	493	-	-	493
Balance as at 31 March 2023	2,381	-	-	2,381

	31 December 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	2,202	-	-	2,202
Net reversal for the year	(314)	-	-	(314)
Balance as at 31 December 2022	1,888	-	-	1,888

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

	31 March 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	2,202	-	-	2,202
Net charge for the period	458	-	-	458
Balance as at 31 March 2022	2,660	-	-	2,660

7. Investments, net

Investment securities are classified as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Fair value through other comprehensive income (FVOCI) – Debt	35,836,231	30,938,120	20,021,532
FVOCI – Equity	200,612	218,332	23,829
Fair value through statement of income (FVSI)	670,625	963,274	1,064,612
Held at amortised cost	54,281,039	54,252,894	44,490,276
Provision for expected credit losses for amortised cost	(9,891)	(9,461)	(11,887)
Total	90,978,616	86,363,159	65,588,362

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

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 March 2023 (Unaudited)					
Debt instruments at amortised cost, net	54,271,148	-	-	-	54,271,148
Debt instruments at FVOCI	35,836,231	-	-	-	35,836,231

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 December 2022 (Audited)					
Debt instruments at amortised cost, net	54,243,433	-	-	-	54,243,433
Debt instruments at FVOCI	30,938,120	-	-	-	30,938,120

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 March 2022 (Unaudited)					
Debt instruments at amortised cost, net	44,478,389	-	-	-	44,478,389
Debt instruments at FVOCI	20,021,532	-	-	-	20,021,532

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

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

	31 March 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	16,814	-	-	16,814
Net re-measurement of loss allowance	1,234	-	-	1,234
Balance as at 31 March 2023	18,048	-	-	18,048

	31 December 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	20,791	-	-	20,791
Net re-measurement of loss allowance	(3,977)	-	-	(3,977)
Balance as at 31 December 2022	16,814	-	-	16,814

	31 March 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	20,791	-	-	20,791
Net re-measurement of loss allowance	(1,819)	-	-	(1,819)
Balance as at 31 March 2022	18,972	-	-	18,972

8. Loans and advances, net

Loans and advances are comprised of the following:

	31 March 2023 (Unaudited)			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,431,487	43,466,064	118,870,269	164,767,820
Lifetime ECL not credit impaired	97,656	2,471,945	21,330,514	23,900,115
Lifetime ECL credit impaired	55,350	615,560	3,784,918	4,455,828
Purchased or originated credit impaired	79	140,272	3,644,612	3,784,963
Total loans and advances, gross	2,584,572	46,693,841	147,630,313	196,908,726
Provision for expected credit losses	(183,039)	(660,783)	(5,063,888)	(5,907,710)
Loans and advances, net	2,401,533	46,033,058	142,566,425	191,001,016

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

31 December 2022 (Audited)				
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,406,246	41,648,747	113,788,692	157,843,685
Lifetime ECL not credit impaired	112,842	2,401,715	20,048,085	22,562,642
Lifetime ECL credit impaired	52,208	826,047	4,016,719	4,894,974
Purchased or originated credit impaired	85	147,568	3,693,775	3,841,428
Total loans and advances, gross	2,571,381	45,024,077	141,547,271	189,142,729
Provision for expected credit losses	(186,499)	(706,885)	(5,117,096)	(6,010,480)
Loans and advances, net	2,384,882	44,317,192	136,430,175	183,132,249

31 March 2022 (Unaudited)				
	Credit cards	Other retail Lending	Corporate and institutional lending	Total
12 month ECL	2,050,444	38,033,289	107,381,562	147,465,295
Lifetime ECL not credit impaired	116,341	2,144,710	24,746,404	27,007,455
Lifetime ECL credit impaired	40,148	917,487	3,806,986	4,764,621
Purchased or originated credit impaired	92	159,612	3,540,854	3,700,558
Total loans and advances, gross	2,207,025	41,255,098	139,475,806	182,937,929
Provision for expected credit losses	(158,188)	(734,259)	(5,897,689)	(6,790,136)
Loans and advances, net	2,048,837	40,520,839	133,578,117	176,147,793

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 4,034 million (31 December 2022: SAR 4,292 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category.

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

- 12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12 month allowance (or lower if the tenor of the facility is less than 12 months) for ECL is recognised;
- Lifetime ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Lifetime ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the expected lifetime credit losses at time of purchase or origination. A lifetime ECL is recognised if further credit losses are expected. POCI includes non-performing loans and advances acquired through the merger with Alawwal Bank (AAB) that were recorded at fair value as of acquisition date.

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

31 March 2023 (Unaudited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2023	573,972	2,177,072	2,806,054	453,382	6,010,480
Transfer to Stage 1	25,089	(10,754)	(14,335)	-	-
Transfer to Stage 2	(12,746)	97,716	(84,970)	-	-
Transfer to Stage 3	(1,532)	(34,853)	36,385	-	-
Net re-measurement of loss allowance	(16,516)	20,954	84,623	124,276	213,337
Write-offs	-	-	(316,107)	-	(316,107)
Balance as at 31 March 2023	568,267	2,250,135	2,511,650	577,658	5,907,710

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

31 December 2022 (Audited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	511,022	3,482,551	2,600,654	108,012	6,702,239
Transfer to Stage 1	46,183	(37,154)	(9,029)	-	-
Transfer to Stage 2	(15,229)	134,791	(119,562)	-	-
Transfer to Stage 3	(3,302)	(282,551)	285,853	-	-
Net re-measurement of loss allowance	35,298	(120,565)	646,007	345,370	906,110
Write-offs	-	-	(597,869)	-	(597,869)
Financial assets disposed	-	(1,000,000)	-	-	(1,000,000)
Balance as at 31 December 2022	573,972	2,177,072	2,806,054	453,382	6,010,480

31 March 2022 (Unaudited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	511,022	3,482,551	2,600,654	108,012	6,702,239
Transfer to Stage 1	27,159	(20,971)	(6,188)	-	-
Transfer to Stage 2	(11,124)	51,731	(40,607)	-	-
Transfer to Stage 3	(1,289)	(32,899)	34,188	-	-
Net re-measurement of loss allowance	(7,092)	55,974	31,966	7,049	87,897
Write-offs	-	-	-	-	-
Balance as at 31 March 2022	518,676	3,536,386	2,620,013	115,061	6,790,136

9. Investment in an associate

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
HSBC Saudi Arabia			
Balance at beginning of the period / year	599,289	583,359	583,359
Share in earnings	29,715	172,144	67,543
Dividend received	-	(156,214)	-
Balance at end of the period / year	629,004	599,289	650,902

10. Goodwill and other intangibles

Intangibles are comprised of the following:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Amounts arising from acquisitions:			
Goodwill	8,778,091	8,778,091	8,778,091
Other intangibles	1,699,786	1,744,769	1,592,388
Software	293,603	314,175	351,220
Total	10,771,480	10,837,035	10,721,699

Impairment testing of goodwill

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

As at 31 March 2023, no impairment indicators were identified. Therefore, no impairment test was performed.

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

11. Derivatives

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

	31 March 2023 (Unaudited)			31 December 2022 (Audited)			31 March 2022 (Unaudited)		
	Positive fair Value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
Derivatives held for trading:									
Special commission rate swaps	1,537,724	(1,395,354)	78,384,107	1,764,483	(1,626,432)	59,706,917	600,863	(498,524)	41,732,883
Special commission rate options	192,466	(196,568)	9,053,541	186,836	(180,346)	8,689,426	319,339	(331,428)	15,979,200
Forward foreign exchange contracts	67,154	(43,058)	14,149,050	45,447	(37,369)	13,704,323	45,663	(30,985)	8,272,826
Currency options	6,633	(6,639)	1,920,272	9,108	(9,134)	1,350,151	15,826	(15,516)	875,094
Currency swaps	6,352	(559)	5,553,750	1,493	(128)	2,212,500	4,492	(1,095)	5,017,500
Commodity options	12,563	(12,572)	190,593	-	-	-	-	-	-
Derivatives held as fair value hedges:									
Special commission rate swaps	263,875	(11,201)	5,342,500	496,966	(28,079)	8,634,625	160,834	(155,241)	11,629,758
Derivatives held as cash flow hedges:									
Special commission rate swaps	29,677	(20,211)	3,566,000	30,691	(24,915)	3,526,000	2,175	(3,993)	290,000
Currency swaps	400	(225)	75,000	3,050	(1,033)	75,000	15,971	(9,771)	1,725,000
Total	2,116,844	(1,686,387)	118,234,813	2,538,074	(1,907,436)	97,898,942	1,165,163	(1,046,553)	85,522,261
Fair values of netting arrangements	759,108	(2,378)		1,072,683	(216)		(113,670)	222,393	
Cash collateral, net	(520,987)	76,238		(724,600)	69,323		179,825	(521,838)	
Fair values after netting	238,121	73,860		348,083	69,107		66,155	(299,445)	

12. Customers' deposits

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Demand	149,316,773	141,427,465	147,938,681
Time	73,273,625	69,651,646	41,335,209
Savings	2,190,367	1,981,334	3,330,666
Margin and others	1,202,571	1,218,406	1,284,933
Total	225,983,336	214,278,851	193,889,489

13. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

SAB issued SAR 5 billion Tier II Sukuk on 22 July 2020 under the Group's local Sukuk Programme (the "Local Programme"). The Sukuk is unsecured and due in 2030, with SAB having an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The Sukuk carries effective special commission income at six months' SAIBOR plus margin of 195 bps payable semi-annually.

14. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal matters against the Group.

b) Credit related commitments and contingencies

Credit related commitments and contingencies are as follows:

31 March 2023 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,223,444	1,333,774	5,407	30,714	16,593,339
Letters of guarantee	69,909,473	8,463,231	1,248,277	1,513,941	81,134,922
Acceptances	3,029,561	323,270	-	11,110	3,363,941
Irrevocable commitments to extend credit	5,980,958	-	-	-	5,980,958
Total	94,143,436	10,120,275	1,253,684	1,555,765	107,073,160

31 December 2022 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,267,551	801,470	7,469	38,502	16,114,992
Letters of guarantee	64,348,335	8,231,151	1,308,921	1,665,909	75,554,316
Acceptances	2,844,988	304,046	-	24,572	3,173,606
Irrevocable commitments to extend credit	4,953,207	147,960	-	-	5,101,167
Total	87,414,081	9,484,627	1,316,390	1,728,983	99,944,081

31 March 2022 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	18,838,336	1,094,565	3,669	44,458	19,981,028
Letters of guarantee	66,587,773	8,947,845	1,443,381	1,703,616	78,682,615
Acceptances	2,122,046	336,344	1,079	2,704	2,462,173
Irrevocable commitments to extend credit	3,830,181	195,980	-	-	4,026,161
Total	91,378,336	10,574,734	1,448,129	1,750,778	105,151,977

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses on loan commitments and financial guarantee contracts:

31 March 2023 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	52,215	288,017	606,250	7,255	953,737
Transfer to stage 1	486	(486)	-	-	-
Transfer to stage 2	(1,208)	1,208	-	-	-
Transfer to stage 3	-	(1,187)	1,187	-	-
Net re-measurement of loss allowance	5,054	124	21,007	11,302	37,487
Balance as at 31 March 2023	56,547	287,676	628,444	18,557	991,224

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For the three month period ended 31 March 2023

31 December 2022 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	62,055	271,134	399,589	1,569	734,347
Transfer to stage 1	15,614	(14,659)	(955)	-	-
Transfer to stage 2	(6,748)	7,199	(451)	-	-
Transfer to stage 3	-	(1,000)	1,000	-	-
Net re-measurement of loss allowance	(18,706)	25,343	207,067	5,686	219,390
Balance as at 31 December 2022	52,215	288,017	606,250	7,255	953,737

31 March 2022 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	62,055	271,134	399,589	1,569	734,347
Transfer to stage 1	4,888	(4,888)	-	-	-
Transfer to stage 2	(6,227)	6,678	(451)	-	-
Transfer to stage 3	-	(930)	930	-	-
Net re-measurement of loss allowance	(8,197)	25,125	87,519	1,746	106,193
Balance as at 31 March 2022	52,519	297,119	487,587	3,315	840,540

15. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net income / (loss) after Zakat and income tax for the period ended 31 March 2023 by the weighted average number of shares (2,054,794,522) outstanding during the period. Basic and diluted earnings per share are calculated from continuing and discontinued operations for the period ended 31 March 2022 by dividing the net income / (loss) after Zakat and income tax from continuing and discontinued operations for the period by the weighted average number of shares (2,054,794,522) outstanding during the period.

16. Zakat and income tax

The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability. In addition, SAB is subject to paying corporate income tax to reflect the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, applied to the share of taxable income of the non-Saudi shareholders.

SAB has filed Zakat and Tax return for the year 2021. Zakat and tax assessments for 2019 and 2020 are still under ZATCA review. SAB has filed an appeal on the AAB tax assessments for the years from 2005 to 2006 which is currently pending with Tax Violation and Disputes Appellate Committee.

17. Cash and cash equivalents

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Cash and balances with SAMA excluding the statutory deposit (note 5)	8,602,183	5,934,657	2,154,983
Due from banks and other financial institutions with an original maturity of three month or less from date of the acquisition	6,000,715	5,873,421	7,207,007
Total	14,602,898	11,808,078	9,361,990

18. Operating segments

The Group's primary business is conducted in the Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

The Group's reportable segments are as follows:

Wealth and Personal Banking

Caters mainly to the banking requirements of personal and private banking customers.

Corporate and Institutional Banking

Caters mainly to the banking requirements of corporate and institutional banking customers.

Treasury

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

Capital Markets

Includes activities of the Group's investment in its subsidiary for investment banking and brokerage, SAB Invest.

Others

Includes activities of the Group's investment in its associate, HSBC Saudi Arabia and equity investments. It also includes elimination of inter-group income and expense items.

Transactions between the operating segments are reported as per by the Group's transfer pricing policy. The Group's total assets and liabilities as at 31 March 2023 and 31 March 2022, its total operating income and expenses, and the results for the periods then ended, by operating segment, are as follows:

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

31 March 2023 (Unaudited)	Wealth and Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	56,282,205	145,415,908	122,735,092	1,953,500	2,497,889	328,884,594
Loans and advances, net	47,170,582	142,566,425	-	1,264,009	-	191,001,016
Investments, net	-	-	90,499,264	278,740	200,612	90,978,616
Investment in an associate	-	-	-	-	629,004	629,004
Total liabilities	79,402,162	157,049,518	35,164,213	182,387	52,408	271,850,688
Operating income from external customers	490,978	1,688,736	972,819	64,678	363	3,217,574
Inter-segment operating income / (expense)	322,493	2,792	(325,285)	-	-	-
Total operating income, of which:	813,471	1,691,528	647,534	64,678	363	3,217,574
Net special commission income	716,258	1,434,982	358,567	24,229	-	2,534,036
Net fees and commission income	44,679	198,745	663	39,615	-	283,702
Reversal of / (Provision for) expected credit losses, net	31,193	(258,430)	(1,727)	-	-	(228,964)
Total operating expenses	(478,878)	(358,435)	(94,080)	(54,029)	(20,686)	(1,006,108)
Share in earnings of an associate	-	-	-	-	29,715	29,715
Net income for the period before Zakat and income tax from continuing operations	365,786	1,074,663	551,727	10,649	9,392	2,012,217

31 March 2022 (Unaudited)	Wealth and Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	52,378,148	137,005,865	90,778,603	492,027	2,037,094	282,691,737
Loans and advances, net	42,467,706	133,578,117	-	101,970	-	176,147,793
Investments, net	-	-	65,439,826	124,707	23,829	65,588,362
Investment in an associate	-	-	-	-	650,902	650,902
Total liabilities	80,480,894	116,945,273	30,676,293	75,808	736,419	228,914,687
Operating income / (loss) from external customers	596,198	1,028,868	398,708	8,089	(19,338)	2,012,525
Inter-segment operating income / (expense)	54,162	(124,914)	70,458	-	294	-
Total operating income / (expense), of which:	650,360	903,954	469,166	8,089	(19,044)	2,012,525
Net special commission income	531,095	611,614	268,914	2,030	-	1,413,653
Net fees and commission income / (expenses)	57,265	224,745	(980)	5,611	(25,785)	260,856
Reversal of / (Provision for) expected credit losses, net	36,083	(97,223)	1,361	(3)	-	(59,782)
Total operating (expenses) / income	(417,275)	(333,361)	(74,329)	(25,449)	9,332	(841,082)
Share in earnings of an associate	-	-	-	-	67,543	67,543
Net income / (loss) for the period before Zakat and income tax from continuing operations	269,168	473,370	396,198	(17,363)	57,831	1,179,204
Net loss from discontinued operations	-	-	-	-	(11,739)	(11,739)

19. Financial risk management

Credit Risk

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

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

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk on credit related commitments and contingencies and derivatives. The Group assesses the probability of default of counterparties using internal rating tools. The Group also uses external ratings, of major rating agencies, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or market sectors. It also takes security when appropriate. The Group also seeks additional collateral, where possible, from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements.

a. Provision for expected credit losses, net

The following table shows the provision for expected credit losses for due from banks and other financial institutions, investments, loans and advances and on loan commitments and financial guarantee contracts:

	Notes	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Net provision for expected credit losses:			
Due from banks and other financial institutions	6	(493)	(458)
Investments	7	(1,234)	1,819
Loans and advances	8	(213,337)	(87,897)
Loan commitments and financial guarantee	14	(37,487)	(106,193)
Write-offs net of recoveries		23,587	132,947
Net charge for the period		(228,964)	(59,782)

b. Collateral

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

20. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates. The fair values of recognised financial instruments are not materially different from their carrying values.

Determination of fair value and fair value hierarchy:

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

- **Level 1:** quoted prices in active markets for the same instrument (e.g, without modification or repacking);
- **Level 2:** quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- **Level 3:** valuation techniques for which any significant input is not based on observable market data.

31 March 2023 (Unaudited)	Carrying Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Derivative financial instruments	2,116,844	-	2,116,844	-	2,116,844
Investments held as FVSI	670,625	425,820	244,805	-	670,625
Investments held as FVOCI – Debt	35,836,231	-	35,836,231	-	35,836,231
Investments held as FVOCI – Equity	200,612	176,519	-	24,093	200,612
Financial assets not measured at fair value:					
Due from banks and other financial institutions	6,040,552	-	6,040,552	-	6,040,552
Investments held at amortised cost	54,271,148	-	52,466,307	-	52,466,307
Loans and advances	191,001,016	-	-	190,998,418	190,998,418
Financial liabilities measured at fair value:					
Derivative financial instruments	1,686,387	-	1,686,387	-	1,686,387
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	26,353,867	-	26,353,867	-	26,353,867
Customers deposits	225,983,336	-	225,791,324	-	225,791,324
Debt securities in issue	5,070,852	-	5,070,852	-	5,070,852

Notes to the interim condensed consolidated financial statements (continued)

For the three month period ended 31 March 2023

31 December 2022 (Audited)	Carrying Value		Fair value		
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	2,538,074	-	2,538,074	-	2,538,074
Investments held as FVSI	963,274	411,827	551,447	-	963,274
Investments held as FVOCI – Debt	30,938,120	-	30,938,120	-	30,938,120
Investments held as FVOCI – Equity	218,332	194,569	-	23,763	218,332
Financial assets not measured at fair value					
Due from banks and other financial institutions	5,871,533	-	5,871,533	-	5,871,533
Investments held at amortised cost	54,243,433	-	51,735,790	-	51,735,790
Loans and advances	183,132,249	-	-	183,097,308	183,097,308
Financial liabilities measured at fair value					
Derivative financial instruments	1,907,436	-	1,907,436	-	1,907,436
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	25,517,303	-	25,517,303	-	25,517,303
Customers deposits	214,278,851	-	214,273,048	-	214,273,048
Debt securities in issue	5,114,836	-	5,114,836	-	5,114,836

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options, commodity options and other derivative financial instruments. These derivatives are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

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

FVOCI investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net assets value as at the reporting date.

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

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

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

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

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

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

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

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

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

21. Capital adequacy

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

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

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

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two-year period comprising 2020 and 2021 effective from 31 March 2021 financial statement reporting. Starting from 2022, the add-back amount will be then phased-out on a straight-line basis over the 3 years. The impact of these revised transitional arrangements to the Group's Tier 1 ratio have been an improvement of 20bps for the period ended 31 March 2023.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)	31 March 2022 (Unaudited)
Risk Weighted Assets (RWA)			
Credit Risk RWA	250,601,448	232,948,313	219,725,970
Operational Risk RWA	10,458,162	16,212,894	16,212,894
Market Risk RWA	15,037,434	7,091,185	2,185,869
Total RWA	276,097,044	256,252,392	238,124,733
Tier I Capital	47,479,333	45,236,925	44,157,187
Tier II Capital	5,761,557	5,795,143	5,724,346
Total I and II Capital	53,240,890	51,032,068	49,881,533
Capital Adequacy Ratio %			
Tier I ratio	17.20%	17.65%	18.54%
Tier I + Tier II ratio	19.28%	19.91%	20.95%

22. Dividend

The Board of Directors on 14 February 2023 has proposed a net final dividend of SAR 1,521 million for the year 2022 (2021: SAR 702 million), resulting in SAR 0.74 per share for Saudi shareholders net of Zakat (2021: SAR 0.36). The income tax of the foreign strategic shareholders will be deducted from their share of the dividends.

23. IBOR Transition (Interest Rate Benchmark Reforms)

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and impacts the products, internal systems and processes. The Group has complied with the regulatory deadline of 31 December 2022 for the LIBOR transition and is now offering products based on overnight SOFR, Term SOFR and Islamic SOFR.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. The Group has no exposure to any other LIBOR rates.

24. Discontinued operations

During the period ended 31 March 2022, SABB Takaful entered into a binding merger agreement with Walaa on 24 February 2022. After completion of the Merger Transaction on 19 October 2022, Walaa became, by operation of law, the legal successor of the assets, liabilities, rights and obligations of SABB Takaful and SABB Takaful ceased to exist.

The investment in Walaa has been classified as FVOCI from the effective date of the merger.

Summarized statement of income of SABB Takaful included in SAB's interim consolidated statement of income for the period ended 31 March 2022 under discontinued operations is as below:

	31 March 2022
Net operating income	2,905
Total operating expenses	(14,644)
Net loss from discontinued operations for the period	(11,739)

25. Business Combination

During the year ended 31 December 2022, sale and transfer of the asset management, margin lending and brokerage business lines from HSBC Saudi Arabia (as Seller) to SAB Invest (as Buyer) was completed. SAB made an announcement earlier on the Saudi Exchange (Tadawul) dated 6/10/1442H (corresponding to 18 May 2021) in relation to this. The business acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with SAB Invest being the acquirer of the lines of business from HSBC Saudi Arabia.

As required by the Standard, SAB Invest is currently in the process of allocating the purchase consideration to the identifiable tangible and intangible assets and liabilities acquired. Therefore, the acquisition accounting of the business is based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by the Standard.

26. Comparative figures

The comparatives for fee and commission expense and other operating income, net include amounts of SAR 78.4 million and SAR 20.7 million respectively which were previously classified under general and administrative expenses. This change was made to reflect better presentation which was established as a result of management's review of its expenses allocation mechanism. Accordingly, the previously reported amounts in the interim condensed consolidated statement of income for the period ended 31 March 2022 have been reclassified to conform to the current period presentation.

27. Board of Directors' approvals

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of the Group on 14 Shawwal 1444H (Corresponding 4 May 2023).