RIYAD BANK
(A Saudi Joint Stock Company)

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2021
AND
AUDITORS' REPORT

Ernst & Young
Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 — Five million five hundred thousand Saudi Riyal)

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Riyad Bank (A Saudi Joint Stock Company) (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section* of our report. We are independent of the Group in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

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Independent Auditors' Report on the Audit of Consolidated Financial Statements
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Expected credit loss allowance against loans and advances

As at December 31, 2021, the gross loans and advances of the Group were SAR 221.8 billion against which an expected credit loss ("ECL") allowance of SAR 4.5 billion was maintained.

We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. Furthermore, the COVID-19 pandemic continues to pose challenges to businesss thus increasing the levels of judgement needed to determine the ECL under the requirements of IFRS 9 – Financial Instruments ("IFRS 9"). The key areas of judgement include:

1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of:

   (a) exposures with a significant increase in credit risk ("SICR") since their origination; and
   (b) individually impaired / defaulted exposures.

   The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the government support programs that resulted in deferral of instalments to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves.

2. Assumptions used in the ECL models for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of the counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.

3. The need to apply overlays using expert credit judgement to reflect all relevant risk factors especially relating to the ongoing COVID-19 pandemic that might not have been captured by the ECL models.

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- We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year .
- We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9.
- We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over:
  - the ECL models, including governance over the models, its validation during the year, and any model updates performed during the year, including approval of the Credit Risk Management Committee of the key inputs, assumptions and management overlays, if any;
  - the classification of loans and advances into Stages 1,2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures;
  - the IT systems and applications supporting the ECL models; and
  - the integrity of data inputs into the ECL models.
- For a sample of customers, we assessed:
  - the internal ratings determined by management, based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information in particular, with reference to the continued impacts of the COVID-19 pandemic and also assessed that these were consistent with the ratings used as input in the ECL models;
  - management's computations for ECL; and

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Independent Auditors' Report on the Audit of Consolidated Financial Statements
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Application of these judgements and estimates, particularly in light of COVID-19 pandemic, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculation as at December 31, 2021. *Refer to the summary of significant accounting policy note 3 (e) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; and note 31.3 (b) for details of credit quality analysis and key assumptions and factors considered in determination of ECL; and note 39 for impact of the COVID-19 pandemic on ECL.*	• for selected loans, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. ▪ We assessed the appropriateness of Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio with specific focus on customers operating in sectors most affected by the COVID-19 pandemic, particularly those that continue to be eligible for deferal of instalments under government support programs based on the SAMA regulation and eligible definition for the effected customers and industry as at December 31, 2021. ▪ We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL models, due to data or model limitations or otherwise. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL models including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic. ▪ We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2021. ▪ Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL models particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in overlays. ▪ We assessed the adequacy of disclosures in the consolidated financial statements.

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments The Group has entered into various derivative transactions, including special commission rate and currency swaps ("swaps"); forward foreign exchange contracts ("forwards"); currency, special commission rate and equity options ("options"); and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter ("OTC") derivatives, and the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations. The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and, in case of hedge ineffectiveness, impact the hedge accounting as well. We considered this as a key audit matter, as there is complexity and subjectivity involved in determining the valuation in general and, in certain cases, due to the use of complex modeling techniques. As at December 31, 2021, the positive and negative fair value of derivatives held by the Group amounted to SAR 1.41 billion and SAR 1.46 billion respectively. *Refer to the basis of preparation note 2d(ii) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 3l for the accounting policy relating to derivative financial instruments and hedge accounting; and note 6 which discloses the derivative positions as at the reporting date.*	▪ We assessed the design and implementation, and tested the operating effectiveness, of key controls over management's process for valuation of derivatives and hedge accounting, including the testing of relevant automated controls covering the fair valuation process for derivatives. ▪ We selected a sample of derivatives and: • Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; • Assessed the appropriateness of the key inputs to the derivative valuation models; • We involved our specialists to assist us to perform independent valuations of the derivatives and compared the result with management's valuation; and • Assessed the hedge effectiveness performed by the Group and corroborated the related hedge accounting; ▪ Assessed the adequacy of disclosures around the valuation basis and inputs used in the fair value measurement as detailed in the consolidated financial statements.

Independent Auditors' Report on the Audit of Consolidated Financial Statements
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Other Information included in the Bank's 2021 Annual Report

The Board of Directors of the Bank (the "Directors") are responsible for the other information. The other information consists of the information included in the Bank's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS as endorsed in KSA, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report on the Audit of Consolidated Financial Statements
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent Auditors' Report on the Audit of Consolidated Financial Statements
To the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

PricewaterhouseCoopers

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Certified Public Accountant
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6 Sha'ban 1443H
(9 March 2022)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021 and 2020

	Note	**2021 SAR'000**	2020 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA), net	4	**25,587,478**	41,954,124
Due from banks and other financial institutions, net	5	**17,644,832**	13,624,476
Positive fair value of derivatives	6	**1,414,515**	1,558,957
Investments, net	7	**58,637,186**	56,449,806
Loans and advances, net	8	**217,290,235**	191,346,635
Other assets	11	**1,492,186**	1,702,893
Investment in associates	9	**649,720**	699,151
Other real estate		**313,564**	324,054
Property, equipment and right of use assets, net	10	**2,706,102**	2,427,811
Total assets		**325,735,818**	310,087,907
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	**43,134,140**	41,788,903
Negative fair value of derivatives	6	**1,460,144**	1,640,934
Customer deposits	13	**211,678,297**	203,039,336
Debt securities in issue	14	**8,716,577**	5,684,008
Other liabilities	15	**13,446,889**	13,579,628
Total liabilities		**278,436,047**	265,732,809
Shareholders' equity			
Share capital	16	**30,000,000**	30,000,000
Statutory reserve	17	**9,187,224**	7,680,879
Other reserves	18	**1,637,436**	1,745,649
Retained earnings		**4,855,111**	4,928,570
Proposed dividends	26	**1,620,000**	-
Total shareholders' equity		**47,299,771**	44,355,098
Total liabilities and shareholders' equity		**325,735,818**	310,087,907

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The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Abdullah A. Al-Oraini
Chief Financial Officer

Tareq A. Al-Sadhan
Chief Executive Officer

Eng. Abdullah M. Al-Issa
Chairman of the Board

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CONSOLIDATED STATEMENT OF INCOME
For the years ended December 31, 2021 and 2020

	Note	2021 SAR'000	2020 SAR'000
Special commission income	20	**9,108,106**	9,813,394
Special commission expense	20	**814,933**	1,599,789
Net special commission income		**8,293,173**	8,213,605
Fee and commission income	21	**3,154,791**	2,710,220
Fee and commission expense	21	**1,037,144**	836,665
Fee and commission income, net		**2,117,647**	1,873,555
Exchange income, net		**371,725**	412,614
Trading income, net		**205,649**	218,297
Dividend income		**126,969**	102,518
Gains on disposal of non-trading investments, net	22	**407,521**	305,068
Other operating income	23	**45,157**	79,464
Total operating income, net		**11,567,841**	11,205,121
Salaries and employee-related expenses	24	**2,092,284**	1,939,428
Rent and premises-related expenses		**194,072**	177,716
Depreciation of property, equipment and right of use assets	10	**493,193**	488,344
Other general and administrative expenses		**1,132,413**	974,969
Other operating expenses		**52,637**	54,100
Total operating expenses before impairment charges		**3,964,599**	3,634,557
Impairment charge for credit losses and other financial assets, net	8 e)	**850,757**	2,061,743
Impairment charge for investments, net		**1,927**	44,192
Total operating expenses, net		**4,817,283**	5,740,492
Net operating income		**6,750,558**	5,464,629
Share in (losses) earnings of associates, net		**(32,498)**	19,368
Income before zakat		**6,718,060**	5,483,997
Zakat	27	**692,681**	769,000
Net income		**6,025,379**	4,714,997
Basic and diluted earnings per share (in SAR)	25	**2.01**	1.57

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Chief Financial Officer

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Chairman of the Board

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2021 and 2020

	2021 SAR'000	2020 SAR'000
Net income for the year	**6,025,379**	4,714,997
Other comprehensive income (OCI):		
a) Items that will be reclassified to consolidated statement of income in subsequent periods		
- Fair value through other comprehensive income (FVOCI)- debt instruments		
- Net change in fair value (note 18)	**(386,843)**	656,713
- Net amounts transferred to consolidated statement of income (note 18)	**(311,311)**	(131,379)
- Net changes in allowance for expected credit losses (ECL) of debt instruments (note 18)	**12,389**	42,541
- Effective portion of net change in fair value of cash flow hedge	**(25,036)**	3,401
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial gains (losses) on defined benefit plans (note 28 b)	**73,715**	(60,134)
- Net change in fair value of FVOCI- equity instruments (note 18)	**556,380**	207,497
Other comprehensive (loss) income	**(80,706)**	718,639
Total comprehensive income	**5,944,673**	5,433,636

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The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Abdullah A. Al-Oraini
Chief Financial Officer

Tareq A. Al-Sadhan
Chief Executive Officer

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Chairman of the Board

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2021 and 2020

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
December 31, 2021						
Balance at the beginning of the year	**30,000,000**	**7,680,879**	**1,745,649**	**4,928,570**	**-**	**44,355,098**
Total comprehensive income						
Net changes in fair values of						
- FVOCI -equity instruments	**-**	**-**	**556,380**	**-**	**-**	**556,380**
- FVOCI -debt instruments	**-**	**-**	**(386,843)**	**-**	**-**	**(386,843)**
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	**-**	**-**	**(311,311)**	**-**	**-**	**(311,311)**
Net changes in allowance for expected credit losses on FVOCI -debt instruments	**-**	**-**	**12,389**	**-**	**-**	**12,389**
Actuarial gains (Note 28 (b))	**-**	**-**	**73,715**	**-**	**-**	**73,715**
Net change in fair value of cash flow hedge	**-**	**-**	**(25,036)**	**-**	**-**	**(25,036)**
Net income for the year	**-**	**-**	**-**	**6,025,379**	**-**	**6,025,379**
Total comprehensive income	**-**	**-**	**(80,706)**	**6,025,379**	**-**	**5,944,673**
Disposal of FVOCI-equity instruments (note 7 (c))	**-**	**-**	**(27,507)**	**27,507**	**-**	**-**
Final proposed dividends - 2020 (note 26)	**-**	**-**	**-**	**(1,500,000)**	**1,500,000**	**-**
Final dividends declared - 2020 (note 26)	**-**	**-**	**-**	**-**	**(1,500,000)**	**(1,500,000)**
Interim dividend - 2021 (note 26)	**-**	**-**	**-**	**(1,500,000)**	**-**	**(1,500,000)**
Transfer to statutory reserve (note 17)	**-**	**1,506,345**	**-**	**(1,506,345)**	**-**	**-**
Final proposed dividend - 2021 (note 26)	**-**	**-**	**-**	**(1,620,000)**	**1,620,000**	**-**
Balance at the end of the year	**30,000,000**	**9,187,224**	**1,637,436**	**4,855,111**	**1,620,000**	**47,299,771**
December 31, 2020						
Balance at the beginning of the year	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462
Total comprehensive income						
Net changes in fair values of						
- FVOCI -equity instruments	-	-	207,497	-	-	207,497
- FVOCI -debt instruments	-	-	656,713	-	-	656,713
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(131,379)	-	-	(131,379)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	42,541	-	-	42,541
Actuarial losses (Note 28 (b))	-	-	(60,134)	-	-	(60,134)
Net change in fair value of cash flow hedge	-	-	3,401	-	-	3,401
Net income for the year	-	-	-	4,714,997	-	4,714,997
Total comprehensive income	-	-	718,639	4,714,997	-	5,433,636
Disposal of FVOCI-equity instruments (note 7 (c))	-	-	(98)	98	-	-
Final dividend - 2019	-	-	-	-	(1,650,000)	(1,650,000)
Transfer to statutory reserve (note 17)	-	1,178,749	-	(1,178,749)	-	-
Balance at the end of the year	30,000,000	7,680,879	1,745,649	4,928,570	-	44,355,098

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The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Abdullah A. Al-Oraini **Chief Financial Officer**	**Tareq A. Al-Sadhan** **Chief Executive Officer**	**Eng. Abdullah M. Al-Issa** **Chairman of the Board**

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	Note	2021 SAR'000	2020 SAR'000
OPERATING ACTIVITIES			
Income for the year before zakat		**6,718,060**	5,483,997
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-fair value through income statement(FVIS) instruments, net		**(23,575)**	(89,884)
Gains on non-trading investments, net		**(407,521)**	(305,068)
Gains on trading investments, net		**(8,378)**	(30,251)
Dividend income		**(126,969)**	(102,518)
(Gains) loss on sale of property and equipment, net		**(359)**	68
Depreciation of property, equipment and right of use assets	10	**493,193**	488,344
Share in losses (earnings) of associates, net		**32,498**	(19,368)
Impairment charge for investments, net		**1,927**	44,192
Impairment charge for credit losses and other financial assets, net	8 e)	**850,757**	2,061,743
		7,529,633	7,531,255
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**81,619**	(782,994)
Due from banks and other financial institutions maturing after three months from date of acquisition		**(291,000)**	616,000
Positive fair value of derivatives		**144,442**	(950,110)
Investments held at FVIS		**90,085**	(43,706)
Loans and advances, net		**(26,804,454)**	(19,351,710)
Other real estate		**10,490**	(90,997)
Other assets		**345,311**	(908,685)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**1,345,237**	28,664,423
Negative fair value of derivatives		**(180,790)**	991,708
Customer deposits		**8,638,961**	8,521,437
Principal and interest on lease liabilities		**(212,618)**	(184,091)
Other liabilities		**437,361**	760,553
		(8,865,723)	24,773,083
Zakat paid	27	**(1,160,444)**	(1,117,728)
Net cash (used in) from operating activities		**(10,026,167)**	23,655,355
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		**97,500,947**	59,737,569
Purchase of investments not held as FVIS instruments		**(99,351,383)**	(61,496,852)
Purchase of property and equipment, net		**(607,495)**	(442,098)
Proceeds from disposals of property and equipment, net		**6,965**	11,562
Advance against purchase of property and equipment		**(125,000)**	-
Net cash used in investing activities		**(2,575,966)**	(2,189,819)
FINANCING ACTIVITIES			
Issuance of sukuks	14	**3,032,569**	5,680,979
Repayment of sukuks	14	**-**	(4,000,000)
Dividend paid		**(2,988,871)**	(1,654,811)
Net cash from financing activities		**43,698**	26,168
Net (decrease) increase in cash and cash equivalents		**(12,558,435)**	21,491,704
Cash and cash equivalents at beginning of the year		**44,965,121**	23,473,417
Cash and cash equivalents at end of the year	29	**32,406,686**	44,965,121
Special commission received		**8,915,549**	9,513,410
Special commission paid		**928,543**	1,714,624
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		**(166,810)**	736,232
ROU assets		**(110,328)**	(235,303)
Lease liabilities		**(5,517)**	142,292

B.H

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

Abdullah A. Al-Oraini Chief Financial Officer	Tareq A. Al-Sadhan Chief Executive Officer	Eng. Abdullah M. Al-Issa Chairman of the Board

1. GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 340 (2020: 341) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 6,620 as at December 31, 2021 (2020: 6,147 employees). The Bank's Head Office is located at the following address:

Granada Oasis - A1 Tower
Riyadh - Al Shuhada District
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Group is to provide a full range of banking and investment services. The Bank also provides to its customers, non-conventional banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group")

a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), incorporated in the Kingdom of Saudi Arabia;

b) Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities), incorporated in the Kingdom of Saudi Arabia;

c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia;

d) Esnad Al-Riyadh - a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group, incorporated in the Kingdom of Saudi Arabia;

e) Curzon Street Properties Limited incorporated in the Isle of Man; and

f) Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of the Group as at and for the years ended December 31, 2021 and 2020, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

2. BASIS OF PREPARATION (continued)

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc..

The consolidated statement of financial position is stated in order of liquidity.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency.
Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand Saudi Arabian Riyals.

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

2. BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions(continued)

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Expected credit losses (ECL) on financial assets

The measurement of impairment losses under IFRS 9 on the applicable categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns Probabilities of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models (note 31.3 (b) (v)).

ii) Fair value measurement

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.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions (continued)

iii) Determination of control over investees

Investment funds

The Group acts as 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 investor's 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.

Special Purpose Entities (SPEs)

The Group is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Group's loans and advances portfolio.

iv) Defined benefit scheme

The Group operates an End of Service Benefit scheme for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit credit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate refer note 28.

v) Fee income

The Group charges administrative fee upfront on borrowers, on loan financing. Due to large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and judgments in relation to the recognition of such fee which are recorded within 'fee and commission income, net'.

vi) Government Grant

The management has exercised certain judgements in the recognition and measurement of the grant income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies (for both conventional and non-conventional banking) adopted in the preparation of these consolidated financial statements are set out below.

3.1 Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2021 replacing, amending, or adding to the corresponding accounting policies set out in 2020 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any significant impact on the consolidated financial statements of the year unless otherwise stated below:

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted (refer note 40). Effective for annual periods beginning on or after January 1, 2021.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect 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. Effective for annual periods beginning on or after June 1, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The Group has opted, not to early adopt these pronouncements and they do not expect the adoption to have a significant impact on the consolidated financial statements of the Group.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Effective for annual periods beginning on or after April 1, 2021.

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

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.
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.
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.
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'. Effective for annual periods beginning on or after January 1, 2022.

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. Deferred until accounting periods starting not earlier than January 1, 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. Effective for annual periods beginning on or after 1 January 2023.

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 deductable temporary differences. Effective for annual periods beginning on or after 1 January 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. Effective for annual periods beginning on or after January 1, 2023.

A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts

The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.
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.
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. Effective for annual periods beginning on or after January 1, 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Accounting Policies

a) Classification of financial assets

On initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

i) Financial Asset at amortised cost (AC)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test).

ii) Financial Asset at FVOCI

Debt instrument : A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Equity instruments at FVOCI are not subject to an impairment assessment.

iii) Financial Asset at FVIS

Financial assets at FVIS comprise derivative instruments, quoted equity instruments held for trading and debt securities classified neither as AC nor FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset as FVIS, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except if the Group changes its business model for managing financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Classification of financial assets (continued)

The details of business model assessment and SPPI test are explained below.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest(SPPI)

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Classification of financial liabilities

All money market deposits, customer deposits and debt securities in issue are initially recognised at fair value less transaction costs. Financial liabilities at FVIS are recognised initially at fair value and transaction costs are taken directly to the statement of income. Subsequently all commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

c) Derecognition

i) Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of income.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

ii) Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Modifications of financial assets and financial liabilities

i) Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

ii) Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of income.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

e) Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- debt investment securities;
- due from bank balances;
- financial guarantee contracts issued;
- loan and advances; and
- loan commitments

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' (i.e. a credit rating of 'BBB' or above).

12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise ;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.
- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: The Group recognizes a loss allowance for financial assets that are measured at fair value through other comprehensive income on the statement of other comprehensive income which will not reduce the carrying amount of the financial asset in the statement of financial position.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses.

Credit cards and other revolving facilities

The Bank’s product offering includes a variety of corporate and retail overdraft and credit cards facilities, primarily on uncommitted basis, in which the Bank has the right to cancel and/or reduce the facilities with one day’s notice. Based on uncommitted nature of such exposures, past experience, and the Bank’s expectations, the period over which the Bank calculates ECL for these products is less than one year for corporate Overdrafts and up to two years for corporate and retail credit cards. The ongoing assessment of whether a significant increase in credit risk has occurred for such product exposures is similar to other lending products that is based shifts in the customer’s internal credit grade/PDs, and where applicable on the basis of Days Past Due (DPD) rules. The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this unamortised amount and the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments:the Group recognizes loss allowance based on the ECL requirement.

g) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the consolidated statement of income on a systematic basis over the period in which the bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank.

h) Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue / expenses recognition (continued)

Measurement of amortized cost and special commission income

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission income

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

Others

Dividend income is recognised when the Group's right to receive payment is established. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee related to performance obligation which is satisfied over time, the Bank recognizes revenue over the period of time.

i) Customer Loyalty Program

The Group offers customer loyalty program (reward points herein referred to as ”Hassad points”), which allows its customers to earn points that can be redeemed for certain partner outlets. The Group allocates a portion of transaction price (interchange fee) to the Hassad points awarded to its customers, based on the relative standalone selling price. The amount of revenue allocated to Hassad points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related to unredeemed Hassad points is adjusted over time based on actual experience and current trends with respect to redemption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to the reporting date, each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Investment funds

The Group acts as 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 any of these funds.

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Investment in associates

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

l) Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into, with transaction costs recognised in the consolidated statement of income and, are subsequently re-measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate. The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income/ loss. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting described below.

ii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At the inception of the hedge, the risk management objective and strategy is documented, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I) Derivative financial instruments and hedge accounting (continued)

(ii) Hedge accounting (continued)

(a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated statement of income for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

n) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances or the current fair value of the related properties, less any costs to sell, if material. Rental income from other real estate is recognised in the consolidated statement of income. No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

q) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised amount and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

s) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

t) Accounting for leases - Right of Use Asset / Lease Liabilities

On initial recognition, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

Right of Use Assets

The Group measures right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

u) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) End of service benefits

The provision for employees' end of service benefits is accrued using actuarial valuation according to the regulations of Saudi Labor Law and local regulatory requirements.

w) Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. The basis of preparation has been changed as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax is recognized in the statement of income.

Value Added tax ("VAT")

The Group is also subject to VAT in accordance with the regulations of the ZATCA, and collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

x) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

y) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

ii) Ijarah is a an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

iii) Tawaruq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

z) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

aa) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Group accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA),NET

	2021 SAR'000	2020 SAR'000
Cash in hand	4,240,485	5,136,666
Statutory deposit	10,328,075	10,409,694
Placements with SAMA	10,973,837	26,323,268
Other balances	45,081	84,496
Total	25,587,478	41,954,124

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits, calculated on average balance. The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents (note 29).

The allowance for expected credit losses (ECLs), in respect of the above, was marginal as on December 31, 2021 and 2020. The ECL allowance relate to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2021 SAR'000	2020 SAR'000
Current accounts	5,149,260	6,250,817
Money market placements	12,498,013	7,378,873
Less: allowance for ECL	(2,441)	(5,214)
Total	17,644,832	13,624,476

Money market placements include margin deposits amounting to SAR 1,575 million (2020: SAR 2,326 million).

The allowance for expected credit losses (ECLs) in respect of the above, amounted to SAR 2.4 million as on December 31, 2021 (December 31, 2020: SAR 5.2 million). The ECL allowance relates to stage 1 exposures.

An analysis of changes in loss allowance is as follows:

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	5,214	-	-	5,214
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements	(2,773)	-	-	(2,773)
Balance as at December 31, 2021	2,441	-	-	2,441

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	540	-	-	540
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements	4,674	-	-	4,674
Balance as at December 31, 2020	5,214	-	-	5,214

6. DERIVATIVES

In the ordinary course of business, the Group utilises 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 special commission rate swaps, counterparties generally exchange fixed and floating special commission rate payments in a single currency without exchanging principal. For currency swaps, principal, fixed and floating commission payments 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 customised contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled on daily basis.

c) 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 a 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 Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks 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 favourable movements in prices, rates or indices. Arbitrage involves identifying pricing anomalies in different markets and products, with the expectation of profiting from price differentials between markets or products.

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA. The Board of Directors has established 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 special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and if required hedging strategies are used to reduce special commission rate gap within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This can be achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposure.

Hedge ineffectiveness can arise from differences in timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation etc.

Fair value hedges

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

Cash flow hedges

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

6. DERIVATIVES (continued)

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

				Notional amounts by term to maturity				
2021 SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	1,291,830	(1,176,314)	60,865,983	6,607,823	15,133,246	27,280,754	11,844,160	46,946,957
Forward foreign exchange contracts	96,035	(92,017)	24,057,318	18,962,292	3,729,735	1,365,291	-	23,987,117
Currency options	191	(191)	113,149	113,149	-	-	-	40,405
Held as fair value hedges:								
Special commission rate swaps	26,459	(169,987)	5,283,720	296,855	1,019,645	2,792,732	1,174,488	5,283,720
Held as cash flow hedges:								
Special commission rate swaps	-	(21,635)	1,375,000	72,857	222,619	1,079,524	-	1,375,000
Total	1,414,515	(1,460,144)	91,695,170	26,052,976	20,105,245	32,518,301	13,018,648	77,633,199

				Notional amounts by term to maturity				
2020 SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	1,436,648	(1,210,717)	46,191,559	5,085,964	10,848,551	23,274,519	6,982,525	42,700,791
Forward foreign exchange contracts	118,908	(78,021)	24,759,998	17,863,337	4,687,415	2,209,246	-	26,879,235
Held as fair value hedges:								
Special commission rate swaps	-	(352,196)	3,253,728	189,196	578,098	2,105,159	381,275	3,253,728
Held as cash flow hedges:								
Special commission rate swaps	3,401	-	925,000	40,317	123,192	654,036	107,455	925,000
Total	1,558,957	(1,640,934)	75,130,285	23,178,814	16,237,256	28,242,960	7,471,255	73,758,754

Derivatives include non-conventional banking products of SAR 7.66 billion as at December 31, 2021 (December 31, 2020: SAR 7.24 billion)

6. DERIVATIVES (continued)

Cash flow hedges

The Group is exposed to variability in future commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. Below is the schedule indicating as at December 31, 2021 and 2020, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2021 SAR 000s	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	12,694	25,387	21,003	-
Total	12,694	25,387	21,003	-

2020	Within 1	1-3 years	3-5 years	Over 5
Cash inflows (assets)	8,048	16,095	16,095	5,299
Total	8,048	16,095	16,095	5,299

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2021 and 2020.

2021 SAR '000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed rate investments	5,201,065	5,092,681	Fair value	Special commission rate swaps	26,459	(134,844)
Fixed rate loans	834,877	799,734	Fair value	Special commission rate swaps	-	(35,143)
Floating rate notes	1,375,000	1,375,000	Cash flow	Special commission rate swaps	-	(21,635)

2020 SAR '000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed rate investments and loans	3,792,738	3,440,775	Fair value	Special commission rate swaps	-	(352,196)
Floating rate notes	925,000	925,000	Cash flow	Special commission rate swaps	3,401	-

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed with financial counterparties. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the financial counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC interest rate derivatives contracts for G4 currencies are cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of initial and variation margins to reduce counter party credit and liquidity risk.

7. INVESTMENTS, NET

a) Investments by type of securities

i) Investment at FVIS

SAR'000	Domestic		International		Total	
	2021	2020	2021	2020	2021	2020
Mutual funds	1,176,774	1,101,133	-	-	1,176,774	1,101,133
Total	1,176,774	1,101,133	-	-	1,176,774	1,101,133

ii) Investment at amortised cost, net

SAR'000	Domestic		International		Total	
	2021	2020	2021	2020	2021	2020
Fixed rate securities	28,866,331	24,925,136	699,258	935,799	29,565,589	25,860,935
Floating rate securities	6,354,823	7,178,921	-	250,219	6,354,823	7,429,140
Total	35,221,154	32,104,057	699,258	1,186,018	35,920,412	33,290,075

iii) Investments at FVOCI

SAR'000	Domestic		International		Total	
	2021	2020	2021	2020	2021	2020
Fixed rate securities	-	-	17,466,355	18,539,730	17,466,355	18,539,730
Floating rate securities	-	-	-	-	-	-
Equities	3,316,559	2,846,303	757,086	672,565	4,073,645	3,518,868
Total	3,316,559	2,846,303	18,223,441	19,212,295	21,540,000	22,058,598
Investments, net	39,714,487	36,051,493	18,922,699	20,398,313	58,637,186	56,449,806

Above investments include sukuks amounting to SAR 18.16 billion (2020: SAR 16.68 billion).

International investments above includes investment portfolios of SAR 2.0 billion (2020: SAR 2.0 billion) which are externally managed.

7. INVESTMENTS, NET (continued)

b) An analysis of changes in loss allowance is as follows:

Debt instruments carried at amortised cost (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	16,073	-	-	16,073
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	(1,312)	1,312	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements*	(12,593)	2,137	-	(10,456)
Balance as at December 31, 2021	2,168	3,449	-	5,617

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	13,360	-	-	13,360
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL - not credit impaired	-	-	-	-
Transfer to lifetime ECL - credit impaired	-	-	-	-
Net other movements*	2,713	-	-	2,713
Balance as at December 31, 2020	16,073	-	-	16,073

Debt instruments carried at FVOCI (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	52,554	24,346	23,448	100,348
Transfer to 12-month ECL	12,180	(5,338)	(6,842)	-
Transfer to lifetime ECL - not credit impaired	(10,771)	10,771	-	-
Transfer to lifetime ECL - credit impaired	(51)	(631)	682	-
Net other movements*	(15,814)	6,554	21,649	12,389
Balance as at December 31, 2021	38,098	35,702	38,937	112,737

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	43,199	14,594	14	57,807
Transfer to 12-month ECL	8,535	(8,535)	-	-
Transfer to lifetime ECL - not credit impaired	(1,204)	1,218	(14)	-
Transfer to lifetime ECL - credit impaired	(107)	(111)	218	-
Net other movements*	2,131	17,180	23,230	42,541
Balance as at December 31, 2020	52,554	24,346	23,448	100,348

* Includes remeasurement

7. INVESTMENTS, NET

c) Equity investment securities designated as at FVOCI

The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes.

	Fair value as at December 31, 2021 SAR'000	Fair value as at December 31, 2020 SAR'000	Dividend income recognised during 2021 SAR'000	Dividend income recognised during 2020 SAR'000
Saudi (Tadawul listed) equities	2,931,818	2,478,120	120,011	96,385
Other Saudi equities	384,741	368,183	-	700
Foreign equities	757,086	672,565	58	122
Total	4,073,645	3,518,868	120,069	97,207

During 2021, the Group sold shares in its Saudi (Tadawul listed) equities having a fair value of SAR 26.7 million (SAR 0.06 million during 2020) and the gain amounting to SAR 27.5 million (2020: gain of SAR 0.098 million) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio to enhance value.

7. INVESTMENTS, NET (continued)

d) The analysis of the composition of investments is as follows:

i) Investment at FVIS

	2021			2020		
SAR '000	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Mutual funds	1,176,774	-	1,176,774	1,101,133	-	1,101,133
Total	1,176,774	-	1,176,774	1,101,133	-	1,101,133

ii) Investment at amortised cost, net

	2021			2020		
SAR '000	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	11,180,726	18,384,863	29,565,589	3,739,287	22,121,648	25,860,935
Floating rate securities	842,415	5,512,408	6,354,823	1,299,995	6,129,145	7,429,140
Total	12,023,141	23,897,271	35,920,412	5,039,282	28,250,793	33,290,075

iii) Investments at FVOCI

	2021			2020		
SAR '000	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	17,466,355	-	17,466,355	18,360,964	178,766	18,539,730
Floating rate securities	-	-	-	-	-	-
Equities	3,536,111	537,534	4,073,645	3,064,158	454,710	3,518,868
Total	21,002,466	537,534	21,540,000	21,425,122	633,476	22,058,598

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 22.8 billion (2020: SAR 26.7 billion)

e) The analysis of investments by counter-party is as follows:

	2021	2020
	SAR '000	SAR '000
Government and quasi Government	34,249,966	31,277,846
Corporate	15,121,503	15,604,427
Banks and other financial institutions	9,265,717	9,567,533
Total	58,637,186	56,449,806

Investments include SAR 9,307 million (2020: SAR 13,125 million), which have been pledged under repurchase agreements with customers (note 19 d)). The market value of such investments is SAR 9,715 million (2020: SAR 14,195 million).

8. LOANS AND ADVANCES, NET

a) These comprise the following:

2021 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	5,277,415	823,626	75,604,907	135,611,522	831,957	218,149,427
Non-performing loans and advances	344,293	29,989	872,493	2,407,175	1,015	3,654,965
Total loans and advances	5,621,708	853,615	76,477,400	138,018,697	832,972	221,804,392
Allowance for impairment/ ECL	(201,286)	(25,479)	(825,289)	(3,460,949)	(1,154)	(4,514,157)
Total	5,420,422	828,136	75,652,111	134,557,748	831,818	217,290,235

2020 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	6,432,126	679,634	63,426,847	121,300,756	389,349	192,228,712
Non-performing loans and advances	327,012	30,482	1,105,749	2,186,669	2,024	3,651,936
Total loans and advances	6,759,138	710,116	64,532,596	123,487,425	391,373	195,880,648
Allowance for impairment/ ECL	(217,061)	(29,830)	(998,568)	(3,287,425)	(1,129)	(4,534,013)
Total	6,542,077	680,286	63,534,028	120,200,000	390,244	191,346,635

Loans and advances, net, include non-conventional banking products of SAR 146.0 billion (2020: SAR 122.9 billion). As at December 2021, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 102.7 billion (2020: SAR 85.2 billion), Ijarah amounting to SAR 21.7 billion (2020: SAR 21.1 billion) and Murabaha amounting to SAR 23.4 billion (2020: SAR 19.4 billion) and the expected credit loss allowance on the portfolio was SAR 3.2 billion (2020: SAR 3.1 billion). During 2021, the special commission income on the portfolio amounted to SAR 5.9 billion (2020: SAR 5.3 billion).

* Includes consumer mortgage loans

b) An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	1,026,381	945,452	2,562,180	4,534,013
Transfer to 12-month ECL	161,497	(35,360)	(126,137)	-
Transfer to lifetime ECL - not credit impaired	(6,320)	41,526	(35,206)	-
Transfer to lifetime ECL - credit impaired	(2,542)	(16,154)	18,696	-
Net re-measurement of loss allowance**	(550,072)	536,608	(6,392)	(19,856)
Balance as at December 31, 2021	628,944	1,472,072	2,413,141	4,514,157

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	449,757	509,208	1,796,901	2,755,866
Transfer to 12-month ECL	122,508	(38,824)	(83,684)	-
Transfer to lifetime ECL - not credit impaired	(14,478)	74,053	(59,575)	-
Transfer to lifetime ECL - credit impaired	(6,530)	(287,976)	294,506	-
Net re-measurement of loss allowance**	475,124	688,991	614,032	1,778,147
Balance as at December 31, 2020	1,026,381	945,452	2,562,180	4,534,013

** Includes charge-offs (consumer loans and credit cards) and write-offs (commercial, overdrafts and others).

8. LOANS AND ADVANCES, NET (continued)

b) An analysis of changes in loss allowance for Loans and Advances (continued)

ECL on credit cards (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	5,758	2,595	21,477	29,830
Transfer to 12-month ECL	8,202	(1,012)	(7,190)	-
Transfer to lifetime ECL - not credit Impaired	(153)	1,653	(1,500)	-
Transfer to lifetime ECL - credit Impaired	(96)	(184)	280	-
Net re-measurement of loss allowance including charge-offs	(6,458)	1,595	512	(4,351)
Balance as at December 31, 2021	7,253	4,647	13,579	25,479

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	8,282	3,511	26,178	37,971
Transfer to 12-month ECL	5,969	(478)	(5,491)	-
Transfer to lifetime ECL - not credit Impaired	(408)	4,604	(4,196)	-
Transfer to lifetime ECL - credit Impaired	(316)	(1,745)	2,061	-
Net re-measurement of loss allowance including charge-offs	(7,769)	(3,297)	2,925	(8,141)
Balance as at December 31, 2020	5,758	2,595	21,477	29,830

ECL on consumer loans*(SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	313,834	72,984	611,750	998,568
Transfer to 12-month ECL	145,777	(26,831)	(118,946)	-
Transfer to lifetime ECL - not credit Impaired	(2,262)	35,968	(33,706)	-
Transfer to lifetime ECL - credit Impaired	(1,150)	(9,541)	10,691	-
Net re-measurement of loss allowance including charge-offs	(205,437)	34,493	(2,335)	(173,279)
Balance as at December 31, 2021	250,762	107,073	467,454	825,289

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	217,994	93,334	626,196	937,524
Transfer to 12-month ECL	111,770	(35,663)	(76,107)	-
Transfer to lifetime ECL - not credit Impaired	(2,897)	57,507	(54,610)	-
Transfer to lifetime ECL - credit Impaired	(2,338)	(19,237)	21,575	-
Net re-measurement of loss allowance including charge-offs	(10,695)	(22,957)	94,696	61,044
Balance as at December 31, 2020	313,834	72,984	611,750	998,568

* Includes consumer mortgage loans

8. LOANS AND ADVANCES, NET (continued)

b) An analysis of changes in loss allowance for loans and advances (continued)

ECL on Commercial loans** (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	706,789	869,873	1,928,953	3,505,615
Transfer to 12-month ECL	7,518	(7,517)	(1)	-
Transfer to lifetime ECL - not credit Impaired	(3,905)	3,905	-	-
Transfer to lifetime ECL - credit Impaired	(1,296)	(6,429)	7,725	-
Net re-measurement of loss allowance	(338,177)	500,520	678,604	840,947
Write-offs	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	370,929	1,360,352	1,932,108	3,663,389

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	223,481	412,363	1,144,527	1,780,371
Transfer to 12-month ECL	4,769	(2,683)	(2,086)	-
Transfer to lifetime ECL - not credit Impaired	(11,173)	11,942	(769)	-
Transfer to lifetime ECL - credit Impaired	(3,876)	(266,994)	270,870	-
Net re-measurement of loss allowance	493,588	715,245	1,057,960	2,266,793
Write-offs	-	-	(541,549)	(541,549)
Balance as at December 31, 2020	706,789	869,873	1,928,953	3,505,615

** Includes overdrafts and others

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances

Total loans and advances (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	176,593,045	14,916,155	4,371,448	195,880,648
Transfer to 12-month ECL	2,394,485	(2,083,500)	(310,985)	-
Transfer to lifetime ECL - not credit impaired	(2,342,307)	2,431,610	(89,303)	-
Transfer to lifetime ECL - credit impaired	(484,501)	(274,044)	758,545	-
Net other movements*	27,898,111	(1,548,777)	257,583	26,606,917
Write-off	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	204,058,833	13,441,444	4,304,115	221,804,392

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	168,470,276	4,978,882	3,288,707	176,737,865
Transfer to 12-month ECL	1,411,286	(1,221,777)	(189,509)	-
Transfer to lifetime ECL - not credit impaired	(6,520,500)	6,648,942	(128,442)	-
Transfer to lifetime ECL - credit impaired	(874,609)	(1,034,156)	1,908,765	-
Net other movements*	14,106,592	5,544,264	33,476	19,684,332
Write-off	-	-	(541,549)	(541,549)
Balance as at December 31, 2020	176,593,045	14,916,155	4,371,448	195,880,648

Credit cards (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	626,115	53,519	30,482	710,116
Transfer to 12-month ECL	3,586	(2,824)	(762)	-
Transfer to lifetime ECL - not credit impaired	(2,450)	2,679	(229)	-
Transfer to lifetime ECL - credit impaired	(1,038)	(173)	1,211	-
Net other movements*	150,963	(6,751)	(713)	143,499
Balance as at December 31, 2021	777,176	46,450	29,989	853,615

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	714,841	51,215	32,428	798,484
Transfer to 12-month ECL	23,086	(17,444)	(5,642)	-
Transfer to lifetime ECL - not credit impaired	(38,517)	44,062	(5,545)	-
Transfer to lifetime ECL - credit impaired	(27,447)	(18,658)	46,105	-
Net other movements*	(45,848)	(5,656)	(36,864)	(88,368)
Balance as at December 31, 2020	626,115	53,519	30,482	710,116

*Includes new loans generated, loans repaid, charge offs and other re-measurements.

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances (continued)

Consumer loans* (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	61,917,840	1,509,007	1,105,749	64,532,596
Transfer to 12-month ECL	1,160,790	(850,570)	(310,220)	-
Transfer to lifetime ECL - not credit impaired	(570,964)	660,038	(89,074)	-
Transfer to lifetime ECL - credit impaired	(271,737)	(114,350)	386,087	-
Net other movements***	12,212,063	(47,210)	(220,049)	11,944,804
Balance as at December 31, 2021	74,447,992	1,156,915	872,493	76,477,400

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	53,660,065	1,546,415	1,123,025	56,329,505
Transfer to 12-month ECL	868,199	(688,891)	(179,308)	-
Transfer to lifetime ECL - not credit impaired	(881,820)	1,002,387	(120,567)	-
Transfer to lifetime ECL - credit impaired	(373,975)	(216,452)	590,427	-
Net other movements***	8,645,371	(134,452)	(307,828)	8,203,091
Balance as at December 31, 2020	61,917,840	1,509,007	1,105,749	64,532,596

Commercial loans**(SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	114,049,090	13,353,629	3,235,217	130,637,936
Transfer to 12-month ECL	1,230,109	(1,230,106)	(3)	-
Transfer to lifetime ECL - not credit Impaired	(1,768,893)	1,768,893	-	-
Transfer to lifetime ECL - credit Impaired	(211,726)	(159,521)	371,247	-
Net other movements***	15,535,085	(1,494,816)	478,345	14,518,614
Write-off	-	-	(683,173)	(683,173)
Balance as at December 31, 2021	128,833,665	12,238,079	3,401,633	144,473,377

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	114,095,370	3,381,252	2,133,254	119,609,876
Transfer to 12-month ECL	520,001	(515,442)	(4,559)	-
Transfer to lifetime ECL - not credit Impaired	(5,600,163)	5,602,493	(2,330)	-
Transfer to lifetime ECL - credit Impaired	(473,187)	(799,046)	1,272,233	-
Net other movements***	5,507,069	5,684,372	378,168	11,569,609
Write-off	-	-	(541,549)	(541,549)
Balance as at December 31, 2020	114,049,090	13,353,629	3,235,217	130,637,936

* Includes consumer mortgage loans

** Includes overdrafts and others

*** Includes new loans generated, loans repaid, charge offs and other re-measurements.

8. LOANS AND ADVANCES, NET (continued)

d) Impairment charge for financing losses in the consolidated statement of income represents:

	2021 SAR'000	2020 SAR'000
Charge for the year, net*	1,217,921	2,450,765
Recovery of written off loans and advances, net	(357,067)	(463,691)
Allowance for impairment, net	860,854	1,987,074

* Includes net charge offs

e) Impairment charges for credit losses and other provisions, net as reflected in the statement of income are detailed as follows:

	2021 SAR'000	2020 SAR'000
Impairment charge for credit losses, net	860,854	1,987,074
Impairment (reversal)/ charge for other financial assets, net	(10,097)	74,669
Total	850,757	2,061,743

9. INVESTMENT IN ASSOCIATES

Investment in associates represents the Group's share of investment in entities where the Group has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents:

a) 48.46% (2020: 48.46%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets.

Based on Ajil Financial Services Company's unaudited financial statements as at September 30, 2021 the total assets, liabilities and shareholders' equity amounted to SAR 1,767 million (September 30,2020: SAR 1,642 million), SAR 967 million (September 30,2020: SAR 777 million) and SAR 800 million (September 30,2020: SAR 865 million) respectively.

b) 21.4 % (2020: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain, engaged in insurance and re-insurance business and

c) 30.6% (2020: 30.6%) share ownership, (including indirect) and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re-insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

SAR' 000	Land and buildings	Right of Use assets	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs, automation projects and motor vehicles	Total
Cost						
Balance as at January 1, 2020	1,451,928	607,637	995,882	534,129	3,065,467	6,655,043
Additions	-	353,891	74,450	35,744	331,904	795,989
Disposals	(16,724)	(118,588)	(899)	(3,280)	(102,638)	(242,129)
Balance as at December 31, 2020	1,435,204	842,940	1,069,433	566,593	3,294,733	7,208,903
Additions	48,258	227,495	63,381	56,210	439,646	834,990
Disposals	(8,949)	(117,167)	(12,832)	(1,110)	(250)	(140,308)
Balance at December 31, 2021	1,474,513	953,268	1,119,982	621,693	3,734,129	7,903,585
Accumulated depreciation and amortisation						
Balance as at January 1, 2020	576,277	130,836	871,695	451,726	2,422,584	4,453,118
Charge for the year	21,132	181,041	44,827	24,836	216,508	488,344
Disposals	(5,332)	(48,459)	(899)	(3,044)	(102,636)	(160,370)
Balance as at December 31, 2020	592,077	263,418	915,623	473,518	2,536,456	4,781,092
Charge for the year	21,019	186,260	45,077	33,071	207,766	493,193
Disposals	(2,436)	(60,267)	(12,828)	(1,036)	(235)	(76,802)
Balance at December 31, 2021	610,660	389,411	947,872	505,553	2,743,987	5,197,483
Net book value						
As at January 1, 2020	875,651	476,801	124,187	82,403	642,883	2,201,925
As at December 31, 2020	843,127	579,522	153,810	93,075	758,277	2,427,811
As at December 31, 2021	863,853	563,857	172,110	116,140	990,142	2,706,102

Land and buildings and Improvements and decoration of premises include work in progress amounting to SAR 4.5 million as at December 31, 2021 (2020: nil) and SAR 18.3 million as at December 31, 2021 (2020: SAR 13.5 million), respectively. Disposals include canceled or closed lease contracts.

11. OTHER ASSETS

	2021 SAR'000	2020 SAR'000
Accounts receivable	476,827	427,104
Others*	1,015,359	1,275,789
Total	1,492,186	1,702,893

* Mainly include prepayments and sundry debtors,settlement accounts and items in transit amounting to SAR 856.1 million (2020: SAR 1,205.8 million), which are cleared in the normal course of business.

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 SAR'000	2020 SAR'000
Current accounts	1,062,616	969,252
Money market deposits	42,071,524	40,819,651
Total	43,134,140	41,788,903

Money market deposits include deposits against sales of fixed rate bonds of SAR 9,407 million (2020: SAR 12,971 million) with agreement to repurchase the same at fixed future dates (note 19 d)). The profit free deposits from SAMA as under various COVID-19 support programs amounting to SAR 19.9 billion(2020: SAR 26 billion) (note 39) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 348 million (2020: SAR 854 million).

13. CUSTOMER DEPOSITS

	2021 SAR'000	2020 SAR'000
Demand	116,255,002	116,760,934
Saving	1,348,523	1,054,476
Time	75,032,396	67,075,543
Others	19,042,376	18,148,383
Total	211,678,297	203,039,336

Time deposits include non-conventional banking deposits of SAR 31,252 million (2020: SAR 25,992 million). Demand deposits also include non-conventional call deposits of SAR 1,294 million (2020: 1,927 million). The special commission expense on the non-conventional deposits for 2021 amounted to SAR 150.2 million (2020: SAR 300.6 million). Other customers' deposits include SAR 3,522 million (2020: SAR 3,161 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2021 SAR'000	2020 SAR'000
Demand	3,854,630	14,237,775
Saving	39,047	38,005
Time	24,111,758	21,368,898
Other	1,917,490	792,892
Total	29,922,925	36,437,570

14. DEBT SECURITIES IN ISSUE

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible Sukuk amounting to SAR 3 billion. The Sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

Earlier in February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum and are callable after 5 years, subject to the terms and conditions of the agreement.
During June 2020, the Bank settled the subordinated debt (Sukuk) of SAR 4 billion issued in June 2015 (due 2025). This settlement has been done in line with the early settlement option to repay the Sukuk after 5 years from its issuance date, with prior approval of SAMA and in accordance with the terms and conditions of the agreement.

The table below sets out movement in debt securities in issue for each of the years presented:

	2021 SAR'000	2020 SAR'000
Opening balance	5,684,008	4,003,029
Cash flow items		
- Issuance of sukuks	3,000,000	5,627,400
- Repayment of sukuks	-	(4,000,000)
Other movements	32,569	53,579
Closing balance	8,716,577	5,684,008

15. OTHER LIABILITIES

	2021 SAR'000	2020 SAR'000
Accounts payable	828,737	660,392
Others*	12,618,152	12,919,236
Total	13,446,889	13,579,628

* Mainly include

a) provision for zakat and tax of SAR 1,714 million (2020: SAR 2,182 million)
b) end of service benefits of SAR 998 million (2020 : SAR 1,029 million) based on actuarial calculations (note 28 b))
c) lease liability of SAR 538 million (2020: SAR 544 million)
d) deferred fair value gain on Government grant (note 39) of SAR 263 million (2020: SAR 717 million)
e) Loss allowance for credit related commitments and contingencies SAR 256 million (2020: SAR 285 million)
f) Write-off reserves of SAR 558 million (2020: SAR 577 million)
and insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business.

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2020: 3,000 million shares of SAR 10 each).

17. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank.

Accordingly, SAR 1,506 million has been transferred from 2021 net income (2020: SAR 1,179 million). The statutory reserve is not currently available for distribution.

18. OTHER RESERVES

2021 (SAR 000s)	Cash flow hedge	Remeasuremen t of deferred plan	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	3,401	(208,068)	986,888	963,428	1,745,649
Net change in fair value	(25,036)	-	(386,843)	556,380	144,501
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(311,311)	-	(311,311)
Net ECL movement during the year	-	-	12,389	-	12,389
Actuarial gains (losses)	-	73,715	-	-	73,715
Net disposals during the year	-	-	-	(27,507)	(27,507)
Balance at end of the year	(21,635)	(134,353)	301,123	1,492,301	1,637,436

2020 (SAR 000s)	Cash flow hedge	Remeasurement of deferred plan	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	-	(147,934)	419,013	756,029	1,027,108
Net change in fair value	3,401	-	656,713	207,497	867,611
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	-	-	(131,379)	-	(131,379)
Net ECL movement during the year	-	-	42,541	-	42,541
Actuarial gains (losses)	-	(60,134)	-	-	(60,134)
Net disposals during the year	-	-	-	(98)	(98)
Balance at end of the year	3,401	(208,068)	986,888	963,428	1,745,649

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2021, there were legal proceedings of a routine nature outstanding against the Group. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2021 the Bank had capital commitments of SAR 1,587.9 million (2020: SAR 317.6 million). This includes office building, computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.
Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

19. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

i) The contractual maturity structure for the Group's commitments and contingencies are as follows:

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	6,255,541	2,700,604	111,636	-	9,067,781
Letters of guarantee *	18,703,364	31,248,356	19,654,004	1,664,352	71,270,076
Acceptances	2,470,786	751,809	4,227	-	3,226,822
Irrevocable commitments to extend credit	5,541,782	2,871,640	4,486,696	8,607,711	21,507,829
Total	32,971,473	37,572,409	24,256,563	10,272,063	105,072,508

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	6,057,428	2,919,800	96,089	-	9,073,317
Letters of guarantee *	13,184,559	28,538,617	19,156,195	1,642,957	62,522,328
Acceptances	2,039,976	454,981	2,545	-	2,497,502
Irrevocable commitments to extend credit	446,174	2,512,482	6,271,726	3,204,807	12,435,189
Total	21,728,137	34,425,880	25,526,555	4,847,764	86,528,336

* This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature .

The outstanding unused portion of non-firm commitments as at December 31, 2021 which can be revoked unilaterally at any time by the Group, amounts to SAR 94,860 million (2020: SAR 96,300 million).

ii) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	47,346	39,174	198,864	285,384
Transfer to 12-month ECL	7,323	(7,323)	-	-
Transfer to lifetime ECL - not Credit Impaired	(745)	745	-	-
Transfer to lifetime ECL - Credit Impaired	(18)	(900)	918	-
Net re-measurement of loss allowance	(15,127)	(11,721)	(2,398)	(29,246)
Transfer to write-off reserves	-	-	-	-
Balance as at December 31, 2021	38,779	19,975	197,384	256,138

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	49,500	14,359	128,926	192,785
Transfer to 12-month ECL	3,441	(3,365)	(76)	-
Transfer to lifetime ECL - not Credit Impaired	(9,925)	11,425	(1,500)	-
Transfer to lifetime ECL - Credit Impaired	(79)	(5,733)	5,812	-
Net re-measurement of loss allowance	4,409	22,488	70,903	97,800
Transfer to write-off reserves	-	-	(5,201)	(5,201)
Balance as at December 31, 2020	47,346	39,174	198,864	285,384

As at December 31, 2021, the balance in the write-off reserves amounted to SAR 558 million (December 31, 2020: SAR 577 million).

19. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

iii) The analysis of commitments and contingencies by counterparty is as follows:

	2021	2020
	SAR'000	SAR'000
Corporate	85,268,208	69,692,945
Banks and other financial institutions	19,804,300	16,835,391
Total	105,072,508	86,528,336

d) Assets pledged

Assets pledged as collateral with customers are as follows:

	2021		2020	
	Assets	Related liabilities	Assets	Related liabilities
	SAR million	SAR million	SAR million	SAR million
Investments held at amortised cost and FVOCI (note 7 e) and 12	9,307	9,407	13,125	12,971

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

20. SPECIAL COMMISSION INCOME AND EXPENSE

		2021 SAR'000	2020 SAR'000
Special commission income on:			
Investments	- FVOCI	751,776	695,722
	- Amortised cost	672,527	872,900
		1,424,303	1,568,622
Due from banks and other financial institutions		92,777	140,569
Loans and advances		7,591,026	8,104,203
Total		9,108,106	9,813,394

	2021 SAR'000	2020 SAR'000
Special commission expense on:		
Due to banks and other financial institutions	95,817	289,376
Customer deposits	476,614	1,092,300
Debt securities in issue	242,502	218,113
Total	814,933	1,599,789

21. FEE AND COMMISSION INCOME, NET

	2021 SAR'000	2020 SAR'000
Fee and commission income on:		
- Share brokerage and fund management	862,622	642,555
- Trade finance	612,195	593,368
- Credit facilities and advisory	620,534	700,679
- Card products	809,797	621,341
- Other banking services	249,643	152,277
Total fee and commission income	3,154,791	2,710,220
Fee and commission expense on:		
- Card products	636,103	566,634
- Share brokerage	141,558	117,315
- Other banking services	259,483	152,716
Total fee and commission expense	1,037,144	836,665
Fee and commission income, net	2,117,647	1,873,555

22. GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2021 SAR'000	2020 SAR'000
FVOCI	311,311	299,383
Amortised Cost	96,210	5,685
Total	407,521	305,068

23. OTHER OPERATING INCOME

Other operating income mainly includes gain on disposals of property and equipment amounting to SAR 0.44 million (2020: SAR 0.16 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 25.86 million (2020: SAR 3.55 million). Other operating income for 2020, includes SAR 66 million, representing waiver of penalty for delay in payment of VAT.

24. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2021 and 2020, and the forms of such payments.

Categories SAR 000	Number of employees		Fixed compensation		Variable compensation		Total compensation	
	2021	2020	2021	2020	2021	2020	2021	2020
Senior executives requiring SAMA no objection	12	13	29,038	30,344	29,511	28,817	58,549	59,161
Employees engaged in risk taking activities	478	376	167,223	118,861	61,795	30,566	229,018	149,427
Employees engaged in control functions	375	388	115,775	100,097	21,958	20,107	137,733	120,204
Outsourced employees	960	615	49,603	46,181	-	-	49,603	46,181
Other employees	4,795	4,755	993,567	857,484	169,652	193,273	1,163,219	1,050,757
Total	6,620	6,147	1,355,206	1,152,967	282,916	272,763	1,638,122	1,425,730

	2021	2020
Variable compensation accrued during the year and other employee related benefits*	737,078	786,461
Total salaries and employee-related expenses as per consolidated statement of income	2,092,284	1,939,428

*Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

The Group's compensation policy is based on the nature of the job, market practices and a jobholder's level of involvement in risk taking process. This policy applies to all employees, including the executive management team, and aims to link individual performance to the Group's overall achievements and financial soundness. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are decided based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

24. SALARIES AND EMPLOYEE-RELATED EXPENSES (continued)

The Board of Directors has the responsibility to approve and oversee the Group's compensation and incentives policy. The Board Nomination and Compensation Committee is composed of five non-executive Directors (comprising of three Board Directors and two independent external members) and is charged with overseeing the compensation system design and effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee is accountable for reviewing and approving the Group's compensation and incentives policy and undertaking its periodic assessment and update so as to ensure achievement of the system objectives and to reinforce the Group's risk management framework. Fixed compensation comprises salaries and wages and other benefits and allowances. Variable compensation includes sales incentives, product-related rewards and performance-related payments.

The Group has adopted fixed and variable compensation schemes. For senior managers and material risk takers, a percentage of the variable component is deferred and vested in 3 years and is aligned with the jobholder's level of responsibility, Group and individual performance and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against both industry norms and international best practice and makes necessary revisions as and when required.

25. EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2021 and 2020 are calculated by dividing the net income for the year by 3,000 million shares.

26. DIVIDENDS

Interim dividends for 2021 amounted to SAR 1,500 million (SAR 0.50 per share) and final dividends of SAR 1,620 million(SAR 0.54 per share) have been proposed for 2021. On March 23, 2021, the shareholders in the Ordinary General Assembly meeting approved the distribution of dividends to shareholders for 2020. The amount of such dividend amounted to SAR 1,500 million (SAR 0.50 per share) and the distribution date for the dividend was April 6, 2021.

27. ZAKAT

During 2018, the Group reached an agreement with the ZATCA on the settlement of zakat claims for previous financial years up to the end of the fiscal financial year 2017, against payment of an amount of SAR 2,970 million. As per the settlement agreement, the Group was required to settle 20% of the agreed zakat liability in 2018, and the remaining amount to be settled over a period of five years. Accordingly the Group has recorded zakat for the previous years and until the end of financial year 2017, through its retained earnings amounting to SAR 753.6 million. This was in addition to SAR 440 million accrued during first half of 2018. As a result of the settlement agreement the Group agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to zakat.

On March 14, 2019, Saudi Arabia's ZATCA had published rules for computation of zakat for companies engaged in financing activities (the "Rules") and licensed by SAMA. The Rules are issued pursuant to the zakat Implementing Regulations and are applicable for the periods from January 1, 2019. In addition to providing a new basis for calculating the Zakat base, the Rules have also introduced a minimum floor at 4 times the net income and a maximum cap at 8 times the net income when determining the Zakat base. Zakat liability for the shareholders will continue to be calculated at 2.5% of the Zakat base but it will not fall below the minimum floor nor would exceed the maximum cap as prescribed by the Rules.

Under the SAMA COVID-19 support initiatives, the banks in Kingdom of Saudi Arabia (KSA) received long term interest free deposits from SAMA. The nature and purpose of these deposits are defined as monetary policy tool from the Government of KSA to the banks in KSA and hence these deposits have been exempted from scope of zakatable financing source of the Bank. During the year ended December 31, 2021, the above treatment has been confirmed by the Zakat, Tax and Customs Authority (ZATCA).

Accordingly based on the new regulations, the Bank has estimated provision for zakat liability for the year ended December 31, 2021 at SAR 693 million (December 31, 2020: SAR 769 million).

The zakat paid during year-end December 31, 2021 amounted to SAR 1,160 million(December 31, 2020: SAR 1,118 million).

28. DEFINED BENEFIT PLAN

a) General description

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method".

b) The movement in the obligation during the year based on its present value are as follows:

	2021 SAR'000	2020 SAR'000
Defined benefit obligation at the beginning of the year	1,029,374	908,058
Current service cost	95,723	85,811
Interest cost	22,958	27,184
Benefits paid	(75,944)	(51,813)
Actuarial (gains) loss recognised in other comprehensive income	(73,715)	60,134
Defined benefit obligation at the end of the year	998,396	1,029,374

The end of service liability is disclosed within "other liabilities" in the consolidated statement of financial position.

c) Charge for the year

	2021 SAR'000	2020 SAR'000
Current service cost	95,723	85,811
Interest on defined benefit obligations	22,958	27,184
	118,681	112,995

28. DEFINED BENEFIT PLAN (continued)

d) Re-measurement recognised in Other comprehensive income

	2021 SAR'000	2020 SAR'000
(Gain) loss from change in experience assumptions	(15,706)	33,248
Actuarial (gain) loss due to change in demographic assumptions	(3,412)	-
(Gain) loss from change in financial assumptions	(54,597)	26,886
	(73,715)	60,134

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate per annum	2.7%	2.2%
Expected rate of salary increase per annum	4.0%	4.0%
Normal retirement age	60	60

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2021 and 2020 to the discount rate of 2.7% (2020: 2.2%) and salary escalation rate 4.0% (2020: 4.0%)

		Impact on defined benefit obligation increase / (decrease)	
	Change in assumption	Increase in assumption	Decrease in assumption
2021		SAR'000	SAR'000
Discount rate	0.50%	(47,525)	51,383
Expected rate of salary increase	0.50%	50,473	(47,180)
2020		SAR'000	SAR'000
Discount rate	0.50%	(51,217)	55,541
Expected rate of salary increase	0.50%	54,263	(50,594)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

29. CASH AND CASH EQUIVALENTS

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

	2021 SAR'000	2020 SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	15,259,413	31,544,430
Due from banks and other financial institutions maturing within three months from the date of acquisition	17,147,273	13,420,691
Total	32,406,686	44,965,121

30. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

Deposits, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities.

Treasury and investments

Principally providing money market, trading and treasury services, derivative products as well as the management of the Group's investment portfolios.

30. OPERATING SEGMENTS (continued)

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2021 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	91,223,134	3,077,765	144,200,109	87,234,810	325,735,818
Total liabilities	98,183,158	950,279	153,233,554	26,069,056	278,436,047
Total operating income, net including	3,751,513	972,894	4,307,252	2,536,182	11,567,841
- Inter segment income (expenses)	(56,242)	182,273	(366,752)	240,721	-
- Net special commission income	3,679,444	194,791	3,038,621	1,380,317	8,293,173
- Fee and commission income, net	103,567	759,852	1,230,640	23,588	2,117,647
Total operating expenses, net including	2,518,506	278,541	1,863,355	156,881	4,817,283
- Depreciation of property and equipment	377,207	29,204	75,467	11,315	493,193
- Impairment charge for credit losses and other financial assets, net	(65,726)	-	919,246	(2,763)	850,757
- Impairment charge for investments, net	-	-	-	1,927	1,927
Share in (losses) of associates, net	-	-	-	(32,498)	(32,498)
Income before zakat	1,233,007	694,353	2,443,897	2,346,803	6,718,060

2020 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	77,250,895	2,369,873	133,272,213	97,194,926	310,087,907
Total liabilities	91,940,686	564,609	150,436,062	22,791,452	265,732,809
Total operating income, net including	3,745,074	753,526	4,301,464	2,405,057	11,205,121
- Inter segment income (expenses)	125,905	169,925	(397,307)	101,477	-
- Net special commission income	3,564,197	177,496	3,193,295	1,278,617	8,213,605
- Fee and commission income, net	198,648	544,069	1,100,165	30,673	1,873,555
Total operating expenses, net including	2,463,765	222,909	2,873,238	180,580	5,740,492
- Depreciation of property and equipment	379,094	25,293	71,480	12,477	488,344
- Impairment charge for credit losses and other financial assets, net	32,914	-	2,024,357	4,472	2,061,743
- Impairment charge for investments, net	-	-	-	44,192	44,192
Share in earnings of associates, net	-	-	-	19,368	19,368
Income before zakat	1,281,309	530,617	1,428,226	2,243,845	5,483,997

b) The Group's credit exposure by operating segment is as follows:

2021 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	88,804,728	1,837,675	143,698,091	83,652,293	317,992,787
Commitments and contingencies	-	-	64,888,615	-	64,888,615
Derivatives	-	-	-	4,320,606	4,320,606

2020 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	75,307,873	1,202,563	132,922,705	93,684,882	303,118,023
Commitments and contingencies	-	-	55,018,200	-	55,018,200
Derivatives	-	-	-	3,194,647	3,194,647

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property and equipment, other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

31. FINANCIAL RISK MANAGEMENT

31.1 CREDIT RISK

Credit exposures arise principally in lending activities (for both conventional and non-conventional banking products) that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by the deployment of Risk Acceptance Criteria (RAC's) as credit risk screening tools, appropriate credit structuring, credit review process, post-disbursal monitoring of 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 or assign them to other counterparties 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, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /economic sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

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 business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note 31.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7 e). For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 19. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 30.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 35.

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 GEOGRAPHICAL CONCENTRATION

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2021 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	25,587,468	-	10	-	-	-	-	25,587,478
Cash in hand	4,240,475	-	10	-	-	-	-	4,240,485
Balances with SAMA	21,346,993	-	-	-	-	-	-	21,346,993
Due from banks and other financial institutions	10,841,747	184,542	1,403,258	5,024,952	-	3,028	187,305	17,644,832
Current accounts	23,691	88,250	108,168	4,838,433	-	3,028	87,387	5,148,957
Money market	10,818,056	96,292	1,295,090	186,519	-	-	99,918	12,495,875
Positive fair value of derivatives	837,419	27,872	548,877	347	-	-	-	1,414,515
Investments, net	39,714,488	996,454	3,828,477	8,352,701	554,785	1,497,310	3,692,971	58,637,186
FVIS	1,176,774	-	-	-	-	-	-	1,176,774
FVOCI	3,316,560	828,165	3,828,477	8,352,701	554,785	1,497,310	3,162,002	21,540,000
Amortised cost	35,221,154	168,289	-	-	-	-	530,969	35,920,412
Investment in associates	452,396	197,324	-	-	-	-	-	649,720
Loans and advances, net	209,642,265	4,967,038	2,031,111	649,515	-	-	306	217,290,235
Overdraft	5,420,422	-	-	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	-	-	828,136
Consumer loans	75,652,111	-	-	-	-	-	-	75,652,111
Commercial loans	126,909,778	4,967,038	2,031,111	649,515	-	-	306	134,557,748
Others	831,818	-	-	-	-	-	-	831,818
Other assets	1,492,186	-	-	-	-	-	-	1,492,186
Accounts receivable and others	1,492,186	-	-	-	-	-	-	1,492,186
Total	288,567,969	6,373,230	7,811,733	14,027,515	554,785	1,500,338	3,880,582	322,716,152
Liabilities								
Due to banks and other financial institutions	25,585,537	10,397,428	6,524,577	223,158	-	10,848	392,592	43,134,140
Current accounts	-	362,642	612,175	11,634	-	10,848	65,317	1,062,616
Money market deposits	25,585,537	10,034,786	5,912,402	211,524	-	-	327,275	42,071,524
Negative fair value of derivatives	123,099	11,079	1,316,368	9,598	-	-	-	1,460,144
Customer deposits	210,001,193	-	1,677,104	-	-	-	-	211,678,297
Demand	116,240,770	-	14,232	-	-	-	-	116,255,002
Saving	1,348,523	-	-	-	-	-	-	1,348,523
Time	73,369,524	-	1,662,872	-	-	-	-	75,032,396
Other	19,042,376	-	-	-	-	-	-	19,042,376
Debt securities in issue	8,716,577	-	-	-	-	-	-	8,716,577
Other liabilities	13,387,359	-	48,263	11,188	-	79	-	13,446,889
Accounts payable and others	13,387,359	-	48,263	11,188	-	79	-	13,446,889
Total	257,813,765	10,408,507	9,566,312	243,944	-	10,927	392,592	278,436,047

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 GEOGRAPHICAL CONCENTRATION (continued)

2021 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle	Europe	North America	Latin America	South East Asia	Other countries	Total
Commitments and contingencies	77,660,647	1,562,118	11,570,734	11,229,652	-	2,897,878	151,479	105,072,508
Letters of credit	8,467,348	222,242	274,433	1,200	-	68,246	34,312	9,067,781
Letters of guarantee	49,041,273	734,815	10,906,101	7,766,471	-	2,721,146	100,270	71,270,076
Acceptances	2,982,743	48,172	68,265	3,770	-	106,975	16,897	3,226,822
Irrevocable commitments to extend credit	17,169,283	556,889	321,935	3,458,211	-	1,511	-	21,507,829
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,383,019	112,166	2,790,202	35,219	-	-	-	4,320,606
Held for trading	1,383,019	112,166	2,447,991	17,219	-	-	-	3,960,395
Held as fair value	-	-	305,211	-	-	-	-	305,211
Held as cash flow	-	-	37,000	18,000	-	-	-	55,000
Commitments and contingencies	47,528,754	903,573	7,569,754	6,848,694	-	1,939,839	98,001	64,888,615
Letters of credit	3,619,655	95,005	117,316	513	-	29,174	14,668	3,876,331
Letters of guarantee	32,493,238	486,866	7,226,047	5,145,825	-	1,802,948	66,436	47,221,360
Acceptances	2,982,743	48,172	68,265	3,770	-	106,975	16,897	3,226,822
Irrevocable commitments to extend credit	8,433,118	273,530	158,126	1,698,586	-	742	-	10,564,102

2020 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with	41,954,114	-	10	-	-	-	-	41,954,124
Cash in hand	5,136,656	-	10	-	-	-	-	5,136,666
Balances with SAMA	36,817,458	-	-	-	-	-	-	36,817,458
Due from banks and other financial institutions	3,240,734	937,028	4,489,269	4,851,790	-	41,475	64,180	13,624,476
Current accounts	442,765	88,387	1,050,921	4,563,960	-	39,947	64,180	6,250,160
Money market	2,797,969	848,641	3,438,348	287,830	-	1,528	-	7,374,316
Positive fair value of	1,294,955	21,266	228,920	13,789	-	-	27	1,558,957
Investments, net	36,051,493	1,609,163	3,813,444	9,738,278	436,307	1,616,555	3,184,566	56,449,806
FVIS	1,101,133			-				1,101,133
FVOCI	2,846,303	1,094,040	3,813,444	9,738,278	436,307	1,616,555	2,513,671	22,058,598
Amortised cost	32,104,057	515,123	-	-	-	-	670,895	33,290,075
Investment in associates	494,175	204,976	-	-	-	-	-	699,151
Loans and advances, net	186,541,097	4,319,187	486,351	-	-	-	-	191,346,635
Overdraft	6,542,077	-	-	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	-	-	680,286
Consumer loans	63,534,028	-	-	-	-	-	-	63,534,028
Commercial loans	115,394,462	4,319,187	486,351	-	-	-	-	120,200,000
Others	390,244	-	-	-	-	-	-	390,244
Other assets	1,702,893	-	-	-	-	-	-	1,702,893
Accounts receivable and others	1,702,893	-	-	-	-	-	-	1,702,893
Total	271,279,461	7,091,620	9,017,994	14,603,857	436,307	1,658,030	3,248,773	307,336,042

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 GEOGRAPHICAL CONCENTRATION (continued)

2020 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Liabilities								
Due to banks and other financial institutions	25,225,844	5,709,707	10,047,376	321,519	-	13,436	471,021	41,788,903
Current accounts	-	364,418	461,227	83,057	-	3,781	56,769	969,252
Money market deposits	25,225,844	5,345,289	9,586,149	238,462	-	9,655	414,252	40,819,651
Negative fair value of derivatives	412,353	26,760	965,665	236,130	-	-	26	1,640,934
Customer deposits	200,434,165	-	2,605,171	-	-	-	-	203,039,336
Demand	116,696,291	-	64,643	-	-	-		116,760,934
Saving	1,054,476	-	-	-	-	-	-	1,054,476
Time	64,535,015	-	2,540,528		-	-	-	67,075,543
Other	18,148,383	-	-	-	-	-	-	18,148,383
Debt securities in issue	5,684,008	-	-	-	-	-	-	5,684,008
Other liabilities	13,552,665	-	19,371	7,508	-	84	-	13,579,628
Accounts payable and others	13,552,665	-	19,371	7,508	-	84	-	13,579,628
Total	245,309,035	5,736,467	13,637,583	565,157	-	13,520	471,047	265,732,809
Commitments and contingencies	57,575,386	3,580,002	11,456,635	10,626,956	-	3,122,792	166,565	86,528,336
Letters of credit	8,802,138	246,572	231	16,878	-	2,354	5,144	9,073,317
Letters of guarantee	37,942,185	2,769,660	11,455,709	7,094,433	-	3,120,438	139,903	62,522,328
Acceptances	2,486,843	6,881	695	-	-	-	3,083	2,497,502
Irrevocable commitments to extend credit	8,344,220	556,889	-	3,515,645	-	-	18,435	12,435,189
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,716,502	184,296	1,040,861	248,861	-	-	4,127	3,194,647
Held for trading	1,716,502	160,546	865,068	248,861	-	-	4,127	2,995,104
Held as fair value hedges	-	-	153,293	-	-	-	-	153,293
Held as cash flow hedges	-	23,750	22,500	-		-	-	46,250
Commitments and contingencies	36,392,039	2,259,029	7,680,345	6,485,317	-	2,093,013	108,457	55,018,200
Letters of credit	4,385,201	122,841	115	8,409	-	1,173	2,563	4,520,302
Letters of guarantee	25,435,207	1,856,690	7,679,535	4,755,877	-	2,091,840	93,786	41,912,935
Acceptances	2,486,843	6,881	695	-	-	-	3,083	2,497,502
Irrevocable commitments to extend credit	4,084,788	272,617	-	1,721,031	-	-	9,025	6,087,461

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 GEOGRAPHICAL CONCENTRATION (continued)

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
	2021 SAR'000	2020 SAR'000	2021 SAR'000	2020 SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	2,752,483	2,217,328	(1,466,496)	(1,215,317)
Consumer Loans**	902,482	1,136,231	(481,034)	(633,227)
Other GCC and Middle East				
Commercial Loans*	-	298,377	-	(223,826)
Total	3,654,965	3,651,936	(1,947,530)	(2,072,370)

*Includes overdrafts and other loans
** includes consumer mortgage loans and credit cards

31.3 CREDIT QUALITY ANALYSIS

a) The following table sets out information about the credit quality of financial assets as at December 31, 2021 and 2020. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

i) Balances with SAMA and due from bank and other financial institutions

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	37,447,375	-	-	37,447,375
Non-investment grade	1,546,901	-	-	1,546,901
Carrying amount	38,994,276	-	-	38,994,276

2020 SAR'000	12 month ECL	Life time ECL not credit	Lifetime ECL credit impaired	Total
Investment grade (credit rating of 'BBB' or above)	49,117,980	-	-	49,117,980
Non-investment grade	1,329,169	-	-	1,329,169
Carrying amount	50,447,149	-	-	50,447,149

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.
Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.
Substandard: Assets which exhibit substantially higher level of credit risk.
Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.
Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

ii) Loans and advances, gross at amortized cost

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	204,058,833	6,109,508	48,874	210,217,215
Watch list	-	7,331,936	600,276	7,932,212
Substandard	-	-	2,028,768	2,028,768
Doubtful	-	-	979,954	979,954
Loss	-	-	646,243	646,243
Carrying amount	204,058,833	13,441,444	4,304,115	221,804,392

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	176,593,045	7,428,631	63,318	184,084,994
Watch list	-	7,487,524	656,194	8,143,718
Substandard	-	-	2,227,056	2,227,056
Doubtful	-	-	743,445	743,445
Loss	-	-	681,435	681,435
Carrying amount	176,593,045	14,916,155	4,371,448	195,880,648

ii) (a) Credit cards, gross

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	777,176	18,796	-	795,972
Watch list	-	27,654	-	27,654
Substandard	-	-	25,010	25,010
Doubtful	-	-	4,966	4,966
Loss	-	-	13	13
Carrying amount	777,176	46,450	29,989	853,615

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	626,115	36,441	-	662,556
Watch list	-	17,078	-	17,078
Substandard	-	-	28,215	28,215
Doubtful	-	-	724	724
Loss	-	-	1,543	1,543
Carrying amount	626,115	53,519	30,482	710,116

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

ii) (b) Consumer loans, gross*

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	74,447,992	346,545	-	74,794,537
Watch list	-	810,370	-	810,370
Substandard	-	-	436,695	436,695
Doubtful	-	-	243,806	243,806
Loss	-	-	191,992	191,992
Carrying amount	74,447,992	1,156,915	872,493	76,477,400

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	61,917,840	1,109,908	-	63,027,748
Watch list	-	399,099	-	399,099
Substandard	-	-	701,616	701,616
Doubtful	-	-	72,686	72,686
Loss	-	-	331,447	331,447
Carrying amount	61,917,840	1,509,007	1,105,749	64,532,596

ii) (c) Commercial loans, gross**

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	128,833,665	5,744,167	48,874	134,626,706
Watch list	-	6,493,912	600,276	7,094,188
Substandard	-	-	1,567,063	1,567,063
Doubtful	-	-	731,182	731,182
Loss	-	-	454,238	454,238
Carrying amount	128,833,665	12,238,079	3,401,633	144,473,377

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	114,049,090	6,282,282	63,318	120,394,690
Watch list	-	7,071,347	656,194	7,727,541
Substandard	-	-	1,497,225	1,497,225
Doubtful	-	-	670,035	670,035
Loss	-	-	348,445	348,445
Carrying amount	114,049,090	13,353,629	3,235,217	130,637,936

* Includes consumer mortgage loans

* *Includes overdrafts and other loans

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

iii) Debt investment securities at amortised cost

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	33,584,032	-	-	33,584,032
Investment Grade	1,925,619	-	-	1,925,619
Non-investment Grade	234,835	181,543	-	416,378
Carrying amount	35,744,486	181,543	-	35,926,029

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	30,411,168	-	-	30,411,168
Investment Grade	577,023	-	-	577,023
Non-investment Grade	2,317,957	-	-	2,317,957
Carrying amount	33,306,148	-	-	33,306,148

iii) Debt investment securities at FVOCI

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade	10,094,232	659,731	-	10,753,963
Non-investment Grade	5,189,076	1,436,794	86,522	6,712,392
Carrying amount	15,283,308	2,096,525	86,522	17,466,355

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Saudi Government Bonds, Sukuk and Treasury Bills	-	-	-	-
Investment Grade	12,546,283	-	-	12,546,283
Non-investment Grade	5,703,059	237,903	52,485	5,993,447
Carrying amount	18,249,342	237,903	52,485	18,539,730

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2021 and 2020.

2021 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	76,976,224	2,086,475	119	79,062,818
Watch list	-	3,812,211	59,360	3,871,571
Substandard	-	-	311,787	311,787
Doubtful	-	-	50,832	50,832
Loss	-	-	267,671	267,671
Carrying amount	76,976,224	5,898,686	689,769	83,564,679

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	67,599,950	2,232,924	155	69,833,029
Watch list	-	3,700,226	39,747	3,739,973
Substandard	-	-	253,338	253,338
Doubtful	-	-	26,774	26,774
Loss	-	-	240,033	240,033
Carrying amount	67,599,950	5,933,150	560,047	74,093,147

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining 12 month probability of default (PD) as at the reporting date; with
- the remaining 12 month PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group, groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:
Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
Stage 2: When a loan has shown a significant increase in credit risk since origination but is not credit impaired, the Group records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Loans considered credit-impaired. The Group records an allowance for the Lifetime ECL.
POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower and his business activities.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following data.

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management and senior management changes.	Internally collected data and customer behavior – e.g. utilization of credit card facilities.	Payment record – this includes overdue status as well as a range of variables about payment ratios.
Data from credit reference agencies, press articles, changes in external credit ratings.	Customer payment behavior based on internally collected data – e.g. Delinquency cycles,	Utilization of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available,	Types and number of products held at customer level.	Requests for and granting of forbearance.
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.		Existing and forecast changes in business, financial and economic conditions.

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

i) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group's Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

ii) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Disclosure of relevant qualitative indicators, including different criteria used for different portfolios- e.g. retail mortgages, credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on a material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer or being undergone into financially stressed conditions. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

iii) Modified financial assets (continued)

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

iv) Definition of 'Default'

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default. The Group considers indicators that are:
- qualitative- e.g. breaches of covenant ;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both, its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different macroeconomic models, in order to predict the default rates for the Corporate, Investments and Retail portfolio, for the future years.

The macroeconomic forecasts are made across four non-baseline scenarios, including the three stress scenarios mentioned in the below table. These scenarios are formulated by considering the forecasts from International Monetary Fund's (IMF) latest economic outlook as the baseline. There is also an optimistic scenario namely 'Mild upturn' which is the inverse of the 'Mild Downturn' scenario. Following probability of scenario occurrences have been used to arrive at the final ECL estimates:

-Base - 40%
-Mild Up - 30%
-Mild Down- 10%
-Moderate - 10%
-Severe - 10%

For the purpose of creating macroeconomic models, the macroeconomic factors/ variables were aggregated from IMF and other reputable external sources, like Saudi Central Bank (SAMA). Initially, the Group started with close to 40 macro-economic variables for the development of macroeconomic models, and using the most robust statistical techniques like linear and multi-factor regression, the Group finally selected only the best suitable combination of variables pertaining to the respective portfolios (on which the model would be applied). The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit exposure under different portfolios:

- Crude oil prices (in USD per Barrel)
- World's GDP Growth Rate (%)
- National Government Expenditure (as a % of GDP)
- National GDP Revenue (Billion SAR '000)
- National GDP Growth Rate (%)
- Inflation (% change of Consumer Price Index)

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

v) Incorporation of forward looking information (continued)

Group has used below baseline forecast related to the macroeconomic variables and for comparison purposes, severe stress forecasts are also presented along.

	Forecast calendar years used in 2021 ECL model (Baseline)			Forecast calendar years used in 2021 ECL model (Severe)		
Economic Indicators	2022	2023	2024	2022	2023	2024
Crude Oil prices (in USD per Barrel)	64.5	61.3	59.0	47.2	43.9	41.7
National Government Revenue (Bn SAR)	954.8	978.8	1012.4	771.8	795.5	829.1
World's GDP (%)	4.9	3.6	3.7	3.9	2.9	2.7
National Government Expenditure (% of GDP)	30.8	30.5	30.1	28.5	28.2	27.8
Inflation (Consumer Price Index)	106.9	109.0	111.2	111.8	113.9	116.1
National GDP growth (annual % change)	4.8	2.8	2.8	2.3	0.2	0.3

Sensitivity of ECL allowance

Given current economic uncertainties and the dependence on macroeconomic factors used in determining the expected default of borrowers, the expected credit losses (ECL) should be considered as a best estimate within a range of possible macroeconomic estimates.

The potential impact of COVID-19 continues to add certain estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. Therefore, it is imperative to gauge the sensitivity of the ECL estimates with regard to the movement in the macroeconomic factors.

The Group has conducted sensitivity analysis of changes in economic variables used in the Point-in-time (PIT) PD models, as well as, for the changes in scenario weights used in calculating the weighted average PIT PDs. The Group uses different macroeconomic models for different portfolios/sub-portfolios for its Corporate & Retail Loans and Investments exposures and therefore, the sensitivity analysis reflects changes in the value of given macroeconomic variable(s) used in these models and the resulting ECL impact on the respective portfolio(s). Noting that macroeconomic adjustment to a single PIT PD model may include more than one independent economic variable as model input, the standalone ECL impact of aforesaid sensitivity analysis is performed. The sensitivity analysis is performed taking into account the materiality of the exposure which is covered under a particular macroeconomic model:

Assumptions sensitized (SAR' 000)	ECL impact 2021
Macro-economic factors:	
10% Dip in oil prices (USD per Barrel)	28,751
20% Dip in oil prices (USD per Barrel)	59,439
5% Contraction in Government Revenue (Bn SAR)	36,039
10% Contraction in Government Revenue (Bn SAR)	74,588
5% Decline in the World GDP growth rate (%)	10,315
10% Decline in World GDP growth rate (%)	21,151
10% Decline in National Government Expenditure (% of GDP)	3,349
15% Decline in National Government Expenditure (% of GDP)	5,055
20% Decline in National GDP growth rate (annual % change)	1,846
40% Decline in National GDP growth rate (annual % change)	3,692
1% Contraction in Saudi Inflation / CPI (% change)	148
2% Contraction in Saudi Inflation / CPI (% change)	296
Scenario Probability of Occurrence	
Base scenario sensitized by +/- 5% with corresponding change in mild downside	35,793
Base scenario sensitized by +/- 5% with corresponding change in mild upside	28,354

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

vi) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following factors:
i. Probability of default (PD);
ii. Loss given default (LGD);
iii. Exposure at default (EAD).
These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large non-retail counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, financial guarantees and Retail credit cards, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include but not limited to below:

- Product / instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower;
- Econonomic Sectors.

The Group's risk and business profile is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.
For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

31. FINANCIAL RISK MANAGEMENT (continued)

31.4 CREDIT QUALITY OF LOANS AND ADVANCES

a) Ageing of loans and advances (Excluding non-performing loans)

2021 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	45,216	2,165,260	742,773	2,953,249
From 31 - 90 days	28,428	806,539	538,212	1,373,179
From 91 - 180 days	-	-	21,667	21,667
More than 180 days	-	-	5,528	5,528
Total	73,644	2,971,799	1,308,180	4,353,623

2020 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	36,368	1,550,452	287,746	1,874,566
From 31 - 90 days	20,643	516,539	180,118	717,300
From 91 - 180 days	-	-	810	810
More than 180 days	-	-	-	-
Total	57,011	2,066,991	468,674	2,592,676

* Includes consumer mortgage loans
** Includes overdrafts and other loans

31. FINANCIAL RISK MANAGEMENT (continued)

31.4 CREDIT QUALITY OF LOANS AND ADVANCES (continued)

b) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows

	2021				2020			
SAR' 000	Performing	Non performing	Allowance for impairment	Loans and advances, net	Performing	Non performing	Allowance for impairment	Loans and advances, net
Government and quasi Government	-	-	-	-	474,379	-	(882)	473,497
Banks and other financial institutions	9,334,300	2,108	(28,396)	9,308,012	8,811,870	-	(35,808)	8,776,062
Agriculture and fishing	2,339,051	-	(3,412)	2,335,639	2,399,974	-	(4,238)	2,395,736
Manufacturing	26,434,029	468,686	(903,221)	25,999,494	23,147,533	444,542	(751,484)	22,840,591
Mining and quarrying	9,594,059	320	(11,153)	9,583,226	10,630,575	-	(9,479)	10,621,096
Electricity, water, gas and health services	8,141,975	10,440	(18,691)	8,133,724	5,078,019	7,842	(11,710)	5,074,151
Building and construction	15,994,266	1,171,339	(1,734,406)	15,431,199	15,868,270	546,974	(305,553)	16,109,691
Commerce	51,900,765	1,024,198	(867,075)	52,057,888	47,413,639	1,338,779	(2,302,426)	46,449,992
Transportation and communication	5,813,073	4,671	(9,539)	5,808,205	5,045,075	581	(6,960)	5,038,696
Services	11,917,468	70,721	(87,238)	11,900,951	9,236,766	176,987	(75,126)	9,338,627
Consumer loans and credit cards	76,428,533	902,482	(850,768)	76,480,247	64,106,481	1,136,231	(1,028,398)	64,214,314
Others	251,908	-	(258)	251,650	16,131	-	(1,949)	14,182
Total	218,149,427	3,654,965	(4,514,157)	217,290,235	192,228,712	3,651,936	(4,534,013)	191,346,635

c) Collateral

The Group in the ordinary course of lending activities holds collateral 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 collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2021 SAR'000	2020 SAR'000
Good loans	89,785,862	71,774,596
Past due but performing loans	2,480,368	1,825,921
Non performing loans	1,761,356	1,627,891
Total	94,027,586	75,228,408

32. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

32.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation
2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Group measures is an estimate (using a confidence level of 99% of the potential loss) that is not expected to be exceeded if the current market positions were to be held unchanged for 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2021 and 2020 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

	2021			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2021	0.98	2.29	4.19	7.46
Average VaR for 2021	2.00	2.29	5.22	9.50
Maximum VaR for 2021	16.08	10.51	7.66	23.88
Minimum VaR for 2021	0.56	0.11	3.48	5.35

	2020			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2020	1.20	2.24	4.65	7.21
Average VaR for 2020	2.71	4.95	3.83	9.73
Maximum VaR for 2020	22.89	13.58	5.00	30.69
Minimum VaR for 2020	0.67	2.01	2.26	4.69

32. MARKET RISK (continued)

32.2 Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2021 and 2020, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2021 and 2020 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2021

Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	603.70	-	-	-	-	-
USD	+ 100	(178.08)	(7.78)	0.45	(89.00)	(547.15)	(643.48)
EUR	+ 100	(12.73)					
GBP	+ 100	(16.20)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	-	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	571.04	-	-	-	-	-
USD	- 100	(135.23)	7.78	(0.45)	89.00	547.15	643.48
EUR	- 100	0.09					
GBP	- 100	12.35	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	-	-	-	-	-	-

32. MARKET RISK (continued)

32.2 Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

2020

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	611.43	-	-	-	-	-
USD	+ 100	(44.44)	(3.62)	0.08	(126.15)	(533.97)	(663.66)
EUR	+ 100	0.61	-	-	-	-	-
GBP	+ 100	(8.41)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	(0.58)	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(621.28)	-	-	-	-	-
USD	- 100	4.33	3.62	(0.08)	126.15	533.97	663.66
EUR	- 100	(0.61)	-	-	-	-	-
GBP	- 100	0.32	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	0.58	-	-	-	-	-

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

32. MARKET RISK (continued)

32.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	10,973,837	-	-	-	14,613,641	25,587,478
Cash in hand	-	-	-	-	4,240,485	4,240,485
Balances with SAMA	10,973,837	-	-	-	10,373,156	21,346,993
Due from banks and other financial institutions	15,198,374	146,218	-	-	2,300,240	17,644,832
Current accounts	2,848,717	-	-	-	2,300,240	5,148,957
Money market placements	12,349,657	146,218	-	-	-	12,495,875
Positive fair value of derivatives	40,299	38,152	430,086	905,978	-	1,414,515
Investments, net	15,992,867	1,455,645	9,833,910	26,104,345	5,250,419	58,637,186
FVIS	-	-	-	-	1,176,774	1,176,774
FVOCI	33,369	288,482	6,960,745	10,183,759	4,073,645	21,540,000
Amortised cost	15,959,498	1,167,163	2,873,165	15,920,586	-	35,920,412
Investment in associates	-	-	-	-	649,720	649,720
Loans and advances, net	82,013,817	66,001,889	38,700,747	30,573,782	-	217,290,235
Overdraft	5,420,422	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	828,136
Consumer loans	4,171,698	12,792,905	28,702,343	29,985,165	-	75,652,111
Commercial loans	70,761,743	53,208,984	9,998,404	588,617	-	134,557,748
Others	831,818	-	-	-	-	831,818
Other real estate	-	-	-	-	313,564	313,564
Property and equipment, net	-	-	-	-	2,706,102	2,706,102
Other assets	476,827	-	-	-	1,015,359	1,492,186
Accounts receivable and others	476,827	-	-	-	1,015,359	1,492,186
Total assets	124,696,021	67,641,904	48,964,743	57,584,105	26,849,045	325,735,818
Liabilities and shareholders' equity						
Due to banks and other financial institutions	14,240,715	7,441,084	19,755,892	633,833	1,062,616	43,134,140
Current accounts	-	-	-	-	1,062,616	1,062,616
Money market deposits	14,240,715	7,441,084	19,755,892	633,833	-	42,071,524
Negative fair value of derivatives	82,080	17,068	470,323	890,673	-	1,460,144
Customer deposits	63,335,023	14,564,913	1,724,366	730,553	131,323,442	211,678,297
Demand	4,611,610	-	-	-	111,643,392	116,255,002
Saving	710,849	-	-	-	637,674	1,348,523
Time	58,012,564	14,564,913	1,724,366	730,553	-	75,032,396
Other	-	-	-	-	19,042,376	19,042,376
Debt securities in issue	-	-	-	8,716,577	-	8,716,577
Other liabilities	-	-	-	-	13,446,889	13,446,889
Accounts payable and others	-	-	-	-	13,446,889	13,446,889
Shareholders' equity	-	-	-	-	47,299,771	47,299,771
Total liabilities and shareholders' equity	77,657,818	22,023,065	21,950,581	10,971,636	193,132,718	325,735,818
Special commission rate sensitivity -On statement of financial position gap	47,038,203	45,618,839	27,014,162	46,612,469	(166,283,673)	-
Special commission rate sensitivity -Off statement of financial position gap	3,525,653	37,575	(1,275,409)	(2,287,819)	-	
Total special commission rate sensitivity gap	50,563,856	45,656,414	25,738,753	44,324,650	(166,283,673)	
Cumulative special commission rate sensitivity	50,563,856	96,220,270	121,959,023	166,283,673	-	

32. MARKET RISK (continued)

32.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	26,323,268	-	-	-	15,630,856	41,954,124
Cash in hand	-	-	-	-	5,136,666	5,136,666
Balances with SAMA	26,323,268	-	-	-	10,494,190	36,817,458
Due from banks and other financial institutions	12,182,397	-	-	-	1,442,079	13,624,476
Current accounts	4,808,081	-	-	-	1,442,079	6,250,160
Money market placements	7,374,316	-	-	-	-	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	-	1,558,957
Investments, net	14,072,590	2,213,910	12,996,519	22,546,786	4,620,001	56,449,806
FVIS	-	-	-	-	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	14,020,806	2,143,824	6,598,286	10,527,159	-	33,290,075
Investment in associates	-	-	-	-	699,151	699,151
Loans and advances, net	77,974,355	57,921,076	33,848,423	21,602,781	-	191,346,635
Overdraft	6,542,077	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	680,286
Consumer loans	4,054,252	12,785,348	25,434,402	21,260,026	-	63,534,028
Commercial loans	66,307,496	45,135,728	8,414,021	342,755	-	120,200,000
Others	390,244	-	-	-	-	390,244
Other real estate	-	-	-	-	324,054	324,054
Property and equipment, net	-	-	-	-	2,427,811	2,427,811
Other assets	427,104	-	-	-	1,275,789	1,702,893
Accounts receivable and others	427,104	-	-	-	1,275,789	1,702,893
Total assets	131,045,119	60,175,177	47,542,298	44,905,572	26,419,741	310,087,907
Liabilities and shareholders' equity						
Due to banks and other financial institutions	6,458,517	15,052,007	18,672,548	636,579	969,252	41,788,903
Current accounts	-	-	-	-	969,252	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	-	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	-	1,640,934
Customer deposits	72,840,434	5,716,050	3,808,334	595,413	120,079,105	203,039,336
Demand	15,335,897	-	-	-	101,425,037	116,760,934
Saving	548,791	-	-	-	505,685	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	-	67,075,543
Other	-	-	-	-	18,148,383	18,148,383
Debt securities in issue	-	-	-	5,684,008	-	5,684,008
Other liabilities	-	-	-	-	13,579,628	13,579,628
Accounts payable and others	-	-	-	-	13,579,628	13,579,628
Shareholders' equity	-	-	-	-	44,355,098	44,355,098
Total liabilities and shareholders' equity	79,364,507	20,793,934	23,257,759	7,688,624	178,983,083	310,087,907
Special commission rate sensitivity -On statement of financial position gap	51,680,612	39,381,243	24,284,539	37,216,948	(152,563,342)	-
Special commission rate sensitivity -Off statement of financial position gap	2,308,591	(11,250)	(1,283,772)	(1,013,569)	-	
Total special commission rate sensitivity gap	53,989,203	39,369,993	23,000,767	36,203,379	(152,563,342)	
Cumulative special commission rate sensitivity gap	53,989,203	93,359,196	116,359,963	152,563,342	-	

32. MARKET RISK (continued)

32.2 Market Risk - Non-trading or Banking Book (continued)

iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2021 and 2020 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

Currency Exposures As at December 31, 2021 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±7.1
EUR	± 1	±0.0006
GBP	± 1	±0.014
JPY	± 1	±0
Others	± 1	±0

Currency Exposures As at December 31, 2020 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±7.14
EUR	± 1	±0.05
GBP	± 1	±0.09
JPY	± 1	± 0.00
Others	± 1	±(0.02)

iv) Foreign currency risk

The Group manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2021 Long (short) SAR'000	2020 Long (short) SAR'000
US Dollar	(762,308)	444,276
Japanese Yen	232	325
Euro	14	683
Pound Sterling	83	13
Others	27,113	49,513

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

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32. MARKET RISK (continued)

32.2 Market Risk - Non-trading or Banking Book (continued)

v) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's domestic equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant, is as follows:

Market Index	December 31, 2021		December 31, 2020	
	Change in equity index %	Effect in SAR millions	Change in equity index %	Effect in SAR millions
Tadawul	+5	127.85	+5	107.53
	+10	255.71	+10	215.05
	-5	(127.85)	-5	(107.53)
	-10	(255.71)	-10	(215.05)

33. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2020: 7%) of average demand deposits and 4% (2020: 4%) of average saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

33. LIQUIDITY RISK (continued)

a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2021 and 2020 based on contractual undiscounted repayment obligations.

As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of the financial liabilities is as follows:

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	15,320,485	7,454,281	19,768,378	637,146	43,180,290
Current accounts	1,062,616	-	-	-	1,062,616
Money market deposits	14,257,869	7,454,281	19,768,378	637,146	42,117,674
Customer deposits	192,407,060	15,916,869	2,809,546	894,321	212,027,796
Demand	116,255,022	-	-	-	116,255,022
Saving	1,348,528	-	-	-	1,348,528
Time	58,106,054	14,675,465	1,834,247	766,104	75,381,870
Other	16,697,456	1,241,404	975,299	128,217	19,042,376
Debt securities in issue	146,393	184,248	982,655	9,502,712	10,816,008
Derivative financial instruments	44,891	55,974	161,057	12,369	274,291
Total undiscounted financial liabilities	207,918,829	23,611,372	23,721,636	11,046,548	266,298,385

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	7,453,042	15,079,629	18,739,018	674,430	41,946,119
Current accounts	969,252	-	-	-	969,252
Money market deposits	6,483,790	15,079,629	18,739,018	674,430	40,976,867
Customer deposits	191,158,771	6,674,319	4,777,927	686,385	203,297,402
Demand	116,761,065	-	-	-	116,761,065
Saving	1,054,480	-	-	-	1,054,480
Time	57,022,611	5,766,317	3,906,536	638,010	67,333,474
Other	16,320,615	908,002	871,391	48,375	18,148,383
Debt securities in issue	100,650	132,125	704,668	6,382,471	7,319,914
Derivative financial instruments	16,552	17,659	171,210	85,114	290,535
Total undiscounted financial liabilities	198,729,015	21,903,732	24,392,823	7,828,400	252,853,970

33. LIQUIDITY RISK (continued)

b) The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2021 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	15,259,403	-	-	-	10,328,075	25,587,478
Cash in hand	4,240,485	-	-	-	-	4,240,485
Balances with SAMA	11,018,918	-	-	-	10,328,075	21,346,993
Due from banks and other financial institutions	17,498,614	146,218	-	-	-	17,644,832
Current accounts	5,148,957	-	-	-	-	5,148,957
Money market placements	12,349,657	146,218	-	-	-	12,495,875
Positive fair value of derivatives	40,299	38,152	430,086	905,978	-	1,414,515
Investments, net	11,491,423	802,560	14,508,926	26,519,299	5,314,978	58,637,186
FVIS	-	-	-	-	1,176,774	1,176,774
FVOCI	33,369	288,482	6,960,745	10,183,759	4,073,645	21,540,000
Amortised cost	11,458,054	514,078	7,548,181	16,335,540	64,559	35,920,412
Investment in associates	-	-	-	-	649,720	649,720
Loans and advances, net	43,254,418	33,625,068	69,029,829	71,380,920	-	217,290,235
Overdraft	5,420,422	-	-	-	-	5,420,422
Credit cards	828,136	-	-	-	-	828,136
Consumer loans	96,268	465,569	27,367,529	47,722,745	-	75,652,111
Commercial loans	36,077,774	33,159,499	41,662,300	23,658,175	-	134,557,748
Others	831,818	-	-	-	-	831,818
Other real estate	-	-	-	-	313,564	313,564
Property and equipment, net	-	-	-	-	2,706,102	2,706,102
Other assets	476,827	-	-	-	1,015,359	1,492,186
Accounts receivable and others	476,827	-	-	-	1,015,359	1,492,186
Total assets	88,020,984	34,611,998	83,968,841	98,806,197	20,327,798	325,735,818
Liabilities and shareholders' equity						
Due to banks and other financial institutions	15,303,331	7,441,084	19,755,892	633,833	-	43,134,140
Current accounts	1,062,616	-	-	-	-	1,062,616
Money market deposits	14,240,715	7,441,084	19,755,892	633,833	-	42,071,524
Negative fair value of derivatives	82,080	17,068	470,323	890,673	-	1,460,144
Customer deposits	192,313,545	15,806,317	2,699,665	858,770	-	211,678,297
Demand	116,255,002	-	-	-	-	116,255,002
Saving	1,348,523	-	-	-	-	1,348,523
Time	58,012,564	14,564,913	1,724,366	730,553	-	75,032,396
Other	16,697,456	1,241,404	975,299	128,217	-	19,042,376
Debt securities in issue	84,977	-	-	8,631,600	-	8,716,577
Other liabilities	43,866	1,300,281	925,192	706,397	10,471,153	13,446,889
Accounts payable and others	43,866	1,300,281	925,192	706,397	10,471,153	13,446,889
Shareholders' equity	-	-	-	-	47,299,771	47,299,771
Total liabilities and shareholders' equity	207,827,799	24,564,750	23,851,072	11,721,273	57,770,924	325,735,818

33. LIQUIDITY RISK (continued)

b) Analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (continued).

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	31,544,430	-	-	-	10,409,694	41,954,124
Cash in hand	5,136,666	-	-	-	-	5,136,666
Balances with SAMA	26,407,764	-	-	-	10,409,694	36,817,458
Due from banks and other financial institutions	13,624,476	-	-	-	-	13,624,476
Current accounts	6,250,160	-	-	-	-	6,250,160
Money market placements	7,374,316	-	-	-	-	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	-	1,558,957
Investments, net	8,392,076	1,040,850	14,145,197	28,249,682	4,622,001	56,449,806
FVIS	-	-	-	-	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	8,340,292	970,764	7,746,964	16,230,055	2,000	33,290,075
Investment in associates	-	-	-	-	699,151	699,151
Loans and advances, net	55,798,483	38,421,700	45,201,742	51,924,710	-	191,346,635
Overdraft	6,542,077	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	680,286
Consumer loans	105,845	370,973	24,495,701	38,561,509	-	63,534,028
Commercial loans	48,080,031	38,050,727	20,706,041	13,363,201	-	120,200,000
Others	390,244	-	-	-	-	390,244
Other real estate	-	-	-	-	324,054	324,054
Property and equipment, net	-	-	-	-	2,427,811	2,427,811
Other assets	427,104	-	-	-	1,275,789	1,702,893
Accounts receivable and others	427,104	-	-	-	1,275,789	1,702,893
Total assets	109,851,974	39,502,741	60,044,295	80,930,397	19,758,500	310,087,907
Liabilities and shareholders' equity						
Due to banks and other financial institutions	7,427,769	15,052,007	18,672,548	636,579	-	41,788,903
Current accounts	969,252	-	-	-	-	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	-	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	-	1,640,934
Customer deposits	191,091,771	6,624,052	4,679,725	643,788	-	203,039,336
Demand	116,760,934	-	-	-	-	116,760,934
Saving	1,054,476	-	-	-	-	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	-	67,075,543
Other	16,320,615	908,002	871,391	48,375	-	18,148,383
Debt securities in issue	56,608			5,627,400	-	5,684,008
Other liabilities	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Accounts payable and others	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Shareholders' equity	-	-	-	-	44,355,098	44,355,098
Total liabilities and shareholders' equity	198,729,398	22,696,653	24,825,366	8,417,456	55,419,034	310,087,907

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in note 19 c) .

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

Fair value and fair value hierarchy

2021 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,176,774	-	-	1,176,774
- Others	1,176,774	-	-	1,176,774
Investments Held as FVOCI	21,002,466	-	537,534	21,540,000
- Fixed rate securities	17,466,355	-	-	17,466,355
- Floating rate securities	-	-	-	-
- Equities	3,536,111	-	537,534	4,073,645
Positive fair value derivatives	-	1,414,515	-	1,414,515
Financial liabilities measured at fair value				
Negative fair value derivatives	-	1,460,144	-	1,460,144

2020 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,101,133	-	-	1,101,133
- Others	1,101,133	-	-	1,101,133
Investments Held as FVOCI	21,603,888	-	454,710	22,058,598
- Fixed rate securities	18,539,730	-	-	18,539,730
- Floating rate securities	-	-	-	-
- Equities	3,064,158	-	454,710	3,518,868
Positive fair value derivatives	-	1,558,957	-	1,558,957
Financial liabilities measured at fair value				
Negative fair value derivatives	-	1,640,934	-	1,640,934

The fair value of loans and advances amounted to SAR 222,745 million (2020: SAR 201,464 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances which is categorized within level 3 of fair value hierarchy. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 36,074 million (2020: SAR 33,290 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued at December 31, 2021 and 2020 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

Reconciliation of movement in Level 3	2021 SAR'000	2020 SAR'000
Opening balance	454,710	392,722
Total gains or losses		
- recognised in consolidated statement of income	(1,028)	16,399
- recognised in other comprehensive income	(34,998)	(1,218)
Purchases	118,850	46,807
Closing balance	537,534	454,710

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:

a) In the principal market for the asset or liability, or

b) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

35. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2021 SAR'000	2020 SAR'000
a) Major Shareholders		
Loans and advances	105,550	105,538
Customer deposits	27,547,597	23,620,021
Derivatives asset (at fair value)	4,792	5,291
Commitments and contingencies (irrevocable)	894,450	894,462
b) Bank's Board of Directors and Senior Executives:		
Loans and advances	1,647,213	1,471,841
Customer deposits	2,745,044	488,865
Derivatives asset (at fair value)	-	148,597
Commitments and contingencies (irrevocable)	3,255,922	2,186,884
Executive end of service	28,649	27,618
c) Associates		
Loans and advances	150,333	68,234
Customer deposits	29,031	21,932

Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Group's mutual funds:		
Customer deposits	500,000	937,000

35. RELATED PARTY TRANSACTIONS (continued)

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2021 SAR'000	2020 SAR'000
Special commission income	44,610	76,774
Special commission expense	108,162	341,896
Fees from banking services, net	376,195	343,860
Directors and committees remuneration and expenses	6,795	6,757
Executive remuneration and bonus	59,977	87,333
Executive end of service	5,064	5,189
Other expenses	167,552	164,203

36. 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 methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk.

SAMA requires banks to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above the Basel prescribed minimum. Regulatory Capital is computed for Credit, Market and Operational risks which comprise the Pillar 1 minimum capital requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Group's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	2021		2020	
	Capital SAR'000	Ratio %	Capital SAR'000	Ratio %
Top consolidated level				
Tier 1 capital	47,306,359	15.8%	44,351,697	16.5%
Tier 2 capital	9,388,920		6,779,023	
Total regulatory capital (Tier 1 + Tier 2)	56,695,279	19.0%	51,130,720	19.1%

Risk weighted assets	2021 SAR '000	2020 SAR '000
Credit risk weighted assets	274,628,117	245,886,873
Operational risk weighted assets	19,649,357	18,367,191
Market risk weighted assets	4,197,387	3,879,905
Total Pillar 1 Risk Weighted Assets	298,474,861	268,133,969

37. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

38. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 91.2 billion (2020: SAR 67.2 billion).

The Bank's assets under management, include Shariah-approved portfolios amounting to SAR 57.4 billion (2020: SAR 43.9 billion).

39. SAMA SUPPORT PROGRAMS AND INITIATIVES

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, 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. The Group has also made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models.

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. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Instalment deferred (SAR billion)	Cost of deferral (SAR million)
April 2020 – September 2020	11.8	336
October 2020 – December 2020	8.7	105
January 2021 – March 2021	12.4	191
April 2021 – June 2021	13.6	378
July 2021 – September 2021	0.3	14
October 2021 – December 2021	0.3	6
January 2022 – March 2022	0.2	3

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Group has performed as assessment with respect to SICR for the customers still under DPP program as at December 31, 2021 and recorded an overlay of SAR 106.7 million as at December 31, 2021, as a result of the potential impact of stage movement.

In order to compensate the related cost that the Group has incurred under the SAMA and other public authorities program, during the year 2020, the Group has received multiple profit free deposits from SAMA amounting to SAR 19.9 billion with varying maturities, which qualify as government grants.

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. By the end of the year 2021, total income of SAR 917.1 million had been recognised in the statement of income with the remaining amount deferred. Grant income amounting to SAR 28 million arose on the profit free deposit amounting to SAR 9.3 billion received during the year ended December 31, 2021. During the year ended December 31, 2021, a total of SAR 285.3 million (December 31, 2020: SAR 631.8 million) has been recognised in the statement of income with respect to related deposits with an aggregate of SAR 263.2 million deferred grant income as at December 31, 2021 (December 31, 2020: SAR 688.2 million).

40. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("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 a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after January 1, 2021, and include practical expedients in respect of:

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and

Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

As the Group believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as at September 30, 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Group continues to monitor this guidance as it emerges.

The Group has exposure to IBOR rates that are subject to reform through [its issuance of sukuk, the structural profit rate position, holdings of investment securities, and products denominated in foreign currencies and, where applicable, associated hedging.

During 2020 the Bank has established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference LIBOR to transition them to the alternate benchmarks as applicable, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, policies, risk management and valuation models, as well as managing related accounting implications. Further, the number and types of contracts which require updates as part of the transition have been finalized. As at September 30, 2021, changes required to systems, processes, policies, and models have been identified and have been partially implemented. The Group has published IBOR transition communication related materials on its website and specific changes to contracts required by the IBOR reform have been finalised. The Group has identified that the key impacted currencies are USD, GBP and EUR and the areas of most significant risk arising from the replacement of these LIBOR's are: updating systems and processes which capture USD, GBP and EUR LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from the IBOR transition and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participant, to ensure an orderly transition to the new alternate reference rate and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with USD, GBP & EUR LIBOR replacement.

As at December 31, 2021, Bank's exposure to LIBOR -USD maturing after June 30, 2023 amounted to SAR 9.5 billion for loans and advances and SAR 35.1 billion for notional amount of derivatives.

41. EVENTS AFTER THE REPORTING DATE

During February 2022, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, 'Green Sukuk' amounting to USD 750 million (SAR 2.8 billion). These Sukuks are perpetual securities in respect of which there is no fixed redemption dates. However, the Bank shall have the exclusive right to redeem or call the Sukuks starting February 16, 2027, subject to the terms and conditions stipulated in the Sukuk agreement. The applicable profit rate on the Sukuks is payable 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.

42. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

43. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Shahban 2, 1443H (corresponding to March 6, 2022).

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Abdullah A. Al-Oraini **Chief Financial Officer**	**Tareq A. Al-Sadhan** **Chief Executive Officer**	**Eng. Abdullah M. Al-Issa** **Chairman of the Board**