BANQUE SAUDI FRANSI
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

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

Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road, P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
ey.ksa@sa.ey.com
ey.com

KPMG Professional Services

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

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banque Saudi Fransi (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in 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 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. 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 auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each key matter below, a description of how our audit addressed the matter is provided in that context:

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

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
Expected credit loss allowance against loans and Advances As at 31 December 2022, the gross loans and advances of the Group were SAR 164 billion against which an expected credit loss ("ECL") allowance of SAR 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. The key areas of judgement include: 1. Categorisation of loans and advances into Stage 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. In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next 12 months unless there has been a significant increase in credit risk since origination or default, in which case the allowance is based on the ECL expected to arise over the life of the loans and advances. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR 2. Assumptions used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including but not limited to assessment of financial condition of counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages.	▪ 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, and model methodology. ▪ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of International Financial reporting Standards (9) ("IFRS 9"). ▪ We assessed the design and implementation, amd tested the operating effectiveness of the key controls (including relevant Information Technology ("IT") general and application controls) over; • the ECL model, including governance over the model, and any model updates during the year, including approval of credit and impairment committee of 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 underpinning the ECL model; and • the integrity of data inputs into the ECL model. ▪ 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. We assessed that these were consistent with the ratings used as input in the ECL model; • management's computations for ECL; and • for selected loans and advances, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment.

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

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
Expected credit loss allowance against loans and advances (continued) 3. The need to apply overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model. Application of these judgements and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2022. *Refer to the summary of significant accounting policy note 3 (H) for the impairment of financial assets; note 2 (e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to ECL losses on financial assets and the impairment assessment methodology used by the Group; note 7 which contains the disclosure of impairment against loans and advances; and note 33 (c) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	▪ We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio. ▪ 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 model, due to data or model limitations or otherwise. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions. ▪ We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2022. ▪ Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in management overlays. We assessed the adequacy of disclosures in the consolidated financial statements.

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

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>
<tr><td>Valuation of derivative financial instruments

As at 31 December 2022, the positive and negative fair value of derivatives that are non-traded in the active market (i.e. unquoted) held by the Group amounted around SAR 6.6 billion and SAR 7.4 billion, respectively.

The Group has entered into various derivative transactions, including commission rate swaps, commsision rate futures and options, forward foreign exchange contracts, currency options and others. The valuation of these derivative contracts are subjective as it takes into account a number of assumptions and model calibrations, which often involve the exercise of judgment by management.

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 modelling techniques and valuation inputs that are not market observable.

Refer to the basis of preparation note 2 (e) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumputions regarding fair value measurement; the summary of significant accounting policies note 3 (J) for the accounting policy relating to derivative financial instruments and hedge accounting; and note 11 which discloses the derivative positions as at the reporting date.</td><td>▪ We assessed the design and implementation, and tested the operating effectiveness, of the 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 relevent key inputs to the valuation models;
• 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 the related hedge accounting; and

We assessed the adequacy of disclosures in the consolidated financial statements.</td></tr>
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Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

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

Other Information included in the Bank's Annual Report

The Board of Directors of the Bank (the Directors) are responsible for the other information in the Bank's annual report. Other information consists of the information included in the Group's 2022 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 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.

Responsibilities of 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia, 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

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

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.

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.

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Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Banque Saudi Fransi (A Saudi Joint Stock Company) (continued)

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

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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, actions taken to eliminate threats or safeguards applied.

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 was 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.

Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License Number 366

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License Number 348

28 Rajab 1444H
(19 February 2023)

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CR 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 1010425494
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KPMG
ترخيص رقم ٤٦
KPMG Professional Services

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2022 and 2021

SAR '000	Notes	2022	2021
ASSETS			
Cash and balances with SAMA	4	**11,325,586**	9,795,068
Due from banks and other financial institutions, net	5	**4,795,111**	5,323,964
Investments, net	6	**44,517,549**	43,858,241
Positive fair value of derivatives	11	**6,582,980**	4,061,987
Loans and advances, net	7	**159,011,525**	147,812,759
Investment in associate, net	8	**9,695**	9,695
Property, equipment and right of use assets, net	9	**1,739,307**	1,585,763
Other real estate, net		**342,050**	384,181
Other assets, net	10	**3,754,316**	2,970,368
Total assets		**232,078,119**	215,802,026
LIABILITIES AND EQUITY			
Liabilities			
Due to SAMA	12	**8,004,403**	10,868,499
Due to banks and other financial institutions	13	**8,766,039**	12,985,358
Customers' deposits	14	**157,592,320**	141,950,208
Negative fair value of derivatives	11	**7,383,707**	3,246,098
Debt securities and term loans	15	**4,515,254**	-
Other liabilities	16	**7,071,071**	7,066,193
Total liabilities		**193,332,794**	176,116,356
Equity			
Share capital	17	**12,053,572**	12,053,572
Statutory reserve	18	**12,053,572**	12,053,572
General reserve	18	**982,857**	982,857
Other reserves	19	**(2,090,067)**	228,707
Retained earnings		**9,768,005**	8,398,887
Proposed dividend	28	**1,079,633**	1,019,956
Treasury shares	38	**(102,247)**	(51,881)
Equity attributable to the shareholders of the Bank		**33,745,325**	34,685,670
Tier 1 Sukuk	20	**5,000,000**	5,000,000
Total equity		**38,745,325**	39,685,670
Total liabilities and equity		**232,078,119**	215,802,026

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Ramzy Darwish	Bader AlSalloom	Mazen AlRomaih
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the years ended December 31, 2022 and 2021

SAR '000	Notes	2022	2021
Special commission income	22	**8,307,199**	6,193,711
Special commission expense	22	**1,880,646**	495,066
Net special commission income		**6,426,553**	5,698,645
Fee and commission income	23	**1,423,040**	1,403,396
Fee and commission expense	23	**526,179**	515,467
Net fee and commission income		**896,861**	887,929
Exchange income, net		**474,684**	336,131
Trading income, net	24	**201,748**	171,841
Dividend income		**13,397**	1,501
Gains on FVOCI / non-trading investments, net		**3,524**	27,804
Other operating income	25	**508**	4,075
Total operating income		**8,017,275**	7,127,926
Salaries and employee related expenses	31	**1,494,960**	1,397,452
Rent and premises related expenses		**73,122**	66,061
Depreciation and amortization	9	**221,428**	224,972
Other operating and general and administrative expenses	26	**864,065**	758,459
Total operating expenses before impairment charge		**2,653,575**	2,446,944
Impairment charge for expected credit losses on loans and advances, net	7d	**1,363,944**	961,430
Impairment reversal for investments, financial assets and others, net	7e	**(4,147)**	(117,825)
Total operating expenses, net		**4,013,372**	3,290,549
Net income for the year before Zakat		**4,003,903**	3,837,377
Zakat for the year	29	**428,773**	387,500
Net income for the year		**3,575,130**	3,449,877
Basic and diluted earnings per share (SAR)	27	**2.79**	2.70

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Ramzy Darwish	Bader AlSalloom	Mazen AlRomaih
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021

SAR '000	Notes	2022	2021
Net income for the year		**3,575,130**	3,449,877
Other comprehensive income / (loss):			
Items that cannot be recycled back to consolidated statement of income in subsequent periods			
Movement in Equity instruments at fair value through other comprehensive income			
Net change in the fair value	19	**(107,100)**	12,210
Actuarial gain on defined benefit plans	19	**9,349**	2,003
Items that can be recycled back to consolidated statement of income in subsequent periods			
Debt instruments at fair value through other comprehensive income			
Net change in the fair value	19	**(750,554)**	(168,049)
Net change in ECL	19	**3,207**	5,381
Income transferred to consolidated statement of income	19	**(3,524)**	(20,574)
Cash flow hedge			
Net change in the fair value	19	**(1,372,295)**	(102,476)
Income transferred to consolidated statement of income	19	**(97,857)**	(687,903)
Total other comprehensive loss for the year		**(2,318,774)**	(959,408)
Total comprehensive income for the year		**1,256,356**	2,490,469

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Ramzy Darwish	Bader AlSalloom	Mazen AlRomaih
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021

SAR '000	Notes	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves: FVOCI	Other reserves: Actuarial gain / (loss) on defined benefit plans	Other reserves: Cash flow hedge	Proposed dividend	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total Equity
2022													
Balance at the beginning of the year		**12,053,572**	**12,053,572**	**982,857**	**8,398,887**	**7,712**	**1,731**	**219,264**	**1,019,956**	**(51,881)**	**34,685,670**	**5,000,000**	**39,685,670**
Net income for the year		-	-	-	3,575,130	-	-	-	-	-	3,575,130	-	3,575,130
Net change in the fair value	19	-	-	-	-	(854,447)	-	(1,372,295)	-	-	(2,226,742)	-	(2,226,742)
Actuarial gain		-	-	-	-	-	9,349	-	-	-	9,349	-	9,349
Net amount transferred to consolidated statement of income	19	-	-	-	-	(3,524)	-	(97,857)	-	-	(101,381)	-	(101,381)
Total comprehensive income for the year		-	-	-	3,575,130	(857,971)	9,349	(1,470,152)	-	-	1,256,356	-	1,256,356
Final dividend paid for 2021	28	-	-	-	-	-	-	-	(1,019,956)	-	(1,019,956)	-	(1,019,956)
Interim dividend paid for 2022	28	-	-	-	(901,488)	-	-	-	-	-	(901,488)	-	(901,488)
Proposed final dividend 2022	28	-	-	-	(1,079,633)	-	-	-	1,079,633	-	-	-	-
Tier 1 Sukuk related cost		-	-	-	(224,891)	-	-	-	-	-	(224,891)	-	(224,891)
Net change in treasury shares	38	-	-	-	-	-	-	-	-	(50,366)	(50,366)	-	(50,366)
Balance at the end of the year		**12,053,572**	**12,053,572**	**982,857**	**9,768,005**	**(850,259)**	**11,080**	**(1,250,888)**	**1,079,633**	**(102,247)**	**33,745,325**	**5,000,000**	**38,745,325**
2021													
Balance at the beginning of the year		12,053,572	12,053,572	982,857	7,433,263	178,744	(272)	1,009,643	-	(75,434)	33,635,945	5,000,000	38,635,945
Net income for the year		-	-	-	3,449,877	-	-	-	-	-	3,449,877	-	3,449,877
Net change in the fair value	19	-	-	-	-	(150,458)	-	(102,476)	-	-	(252,934)	-	(252,934)
Actuarial gain		-	-	-	-	-	2,003	-	-	-	2,003	-	2,003
Net amount transferred to consolidated statement of income	19	-	-	-	-	(20,574)	-	(687,903)	-	-	(708,477)	-	(708,477)
Total comprehensive income for the year		-	-	-	3,449,877	(171,032)	2,003	(790,379)	-	-	2,490,469	-	2,490,469
Final dividend paid for 2020	28	-	-	-	(479,979)	-	-	-	-	-	(479,979)	-	(479,979)
Interim dividend paid for 2021	28	-	-	-	(779,966)	-	-	-	-	-	(779,966)	-	(779,966)
Proposed final dividend 2021	28	-	-	-	(1,019,956)	-	-	-	1,019,956	-	-	-	-
Tier 1 Sukuk related cost		-	-	-	(204,352)	-	-	-	-	-	(204,352)	-	(204,352)
Net change in treasury shares	38	-	-	-	-	-	-	-	-	23,553	23,553	-	23,553
Balance at the end of the year		12,053,572	12,053,572	982,857	8,398,887	7,712	1,731	219,264	1,019,956	(51,881)	34,685,670	5,000,000	39,685,670

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Ramzy Darwish	Bader AlSalloom	Mazen AlRomaih
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

SAR '000	Note	2022	2021
OPERATING ACTIVITIES			
Net income for the year before zakat		**4,003,903**	3,837,377
Adjustments to reconcile net income before zakat to net cash generated from / (used in) operating activities:			
Accretion of discounts / (premium) on investments not held as FVSI, net		**209,980**	202,202
Gains on FVOCI		**(3,524)**	(27,804)
Depreciation and amortization	9	**221,428**	224,972
Loss on disposal of property, equipment and right of use assets, net		**37**	2,217
Impairment charge for credit losses, net	7d	**1,548,321**	1,021,349
Impairment reversal for investments, financial assets and others, net	7e	**(4,147)**	(117,825)
Long term incentive scheme provision		**26,053**	23,553
Reversal of provision for other real estate		**(9,356)**	-
Operating income before changes in operating assets and liabilities		**5,992,695**	5,166,041
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA	4	**(474,922)**	(725,941)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(955,928)**	(200,000)
Investments held as FVSI, trading		**141,251**	(65,392)
Loans and advances		**(12,668,781)**	(18,448,406)
Other assets		**(4,723,199)**	1,525,374
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		**(7,209,758)**	7,200,643
Customers' deposits		**15,642,112**	14,838,564
Other liabilities		**4,680,851**	(1,037,632)
		424,321	8,253,251
Zakat paid		**(858,390)**	(402,655)
Net cash (used in) / generated from operating activities		**(434,069)**	7,850,596
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVSI		**7,902,341**	4,376,658
Purchase of investments not held as FVSI		**(9,741,926)**	(10,850,345)
Purchase of property and equipment	9	**(342,333)**	(259,857)
Proceeds from sale of property and equipment		**690**	936
Net cash used in investing activities		**(2,181,228)**	(6,732,608)
FINANCING ACTIVITIES			
Issuance of debt securities and term loans	15	**4,500,000**	-
Dividends paid	28	**(1,921,444)**	(1,259,945)
Payment of lease liability		**(101,322)**	(35,996)
Tier 1 sukuk related cost		**(224,891)**	(204,352)
Purchase of treasury shares		**(66,231)**	-
Net cash from / (used in) financing activities		**2,186,112**	(1,500,293)
Decrease in cash and cash equivalents		**(429,185)**	(382,305)
Cash and cash equivalents at the beginning of the year		**6,227,104**	6,609,409
Cash and cash equivalents at the end of the year	30	**5,797,919**	6,227,104
Special commission received during the year		**7,507,523**	5,888,722
Special commission paid during the year		**1,310,093**	529,761
Supplemental non-cash information			
RoU assets		**70,614**	77,738
Lease liability		**24,254**	31,568
Net changes in fair value and transfers to consolidated statement of income	19	**(2,318,774)**	(959,408)

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Ramzy Darwish	Bader AlSalloom	Mazen AlRomaih
Chief Financial Officer	Chief Executive Officer	Chairman of the Board

1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 82 branches (2021: 85 branches) in the Kingdom of Saudi Arabia, employing 3,105 people (2021: 2,997 people).

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

The consolidated financial statements of the Bank comprise the financial statement of Banque Saudi Fransi and its wholly owned subsidiaries (collectively referred to as the "Group"). The Bank owns Saudi Fransi Capital (having 100% share in equity) which is engaged in brokerage, asset management and corporate finance business. The Bank also owns Saudi Fransi Insurance Agency (SAFIA), Saudi Fransi for Finance Leasing and Sofinco Saudi Fransi having 100% share in equity in each of these subsidiaries. The Bank owns 100% (95% direct ownership and 5% indirect ownership through its subsidiary) share in Sakan Real Estate Financing. These subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Bank also formed subsidiaries, BSF Markets Limited and BSF Finance Limited registered in Cayman Islands having 100% share in equity in each of these subsidiaries. The objective of BSF Markets Limited is derivative trading and Repo activities. BSF Finance Limited is a special purpose vehicle established to raise capital for Banque Saudi Fransi by the issuance of debt instruments.

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

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Group as at and for the year ended December 31, 2022 was prepared in compliance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

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, financial instruments held at Fair Value through Statement of Income (FVSI), Fair Value through Other Comprehensive Income (FVOCI) investments, liabilities for cash-settled-share based payments and defined benefit obligations. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise adjusted to record changes in fair value attributable to the risks that are being hedged.

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

2. Basis of preparation (continued)

c) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the intention and resources to continue in business for the foreseeable future. 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. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

d) Functional and presentation currency

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

e) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA 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. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

Revisions to accounting estimates are recognized 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. 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 ECL under IFRS 9 across all 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 Bank'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:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

- The Bank's internal credit grading model, which assigns Probability of Default (PD) to the individual grades
- The Bank'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 formulas, and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. Basis of preparation (continued)

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii) Fair value measurement (note 36)

iii) Impairment of FVOCI equity and debt investments (note 33)

iv) Classification of investments at amortised cost (note 6)

v) Determination of control over investees

vi) Depreciation and amortization

vii) Defined benefit plan

viii) Government grant (note 12)

3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

3.1 Change 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, 2021. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 01, 2022 replacing, amending or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

New standards, interpretations and amendments to accounting standards 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 impact on the consolidated financial statements of the year unless otherwise stated below:

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

3. Summary of significant accounting policies (continued)

Standard, interpretation, amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	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 and equipment' prohibit a company from deducting from the cost of property 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'.	Annual periods beginning on or after January 01, 2022.

New Standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than January 01, 2024

3. Summary of significant accounting policies (continued)

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 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 deductible temporary differences.	Annual periods beginning on or after January 01, 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

3. Summary of significant accounting policies (continued)

3.2 Accounting policies

A. Basis of consolidation

The consolidated financial statements comprises of the financial statements of the Bank and its subsidiaries (the Group) i.e. Saudi Fransi Capital, Saudi Fransi Insurance Agency, Saudi Fransi for Finance Leasing, Sakan real estate financing, Sofinco Saudi Fransi, BSF Markets Limited and BSF Finance Limited. The financial statements of the subsidiaries are prepared for the same reporting period 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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other voting holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights granted by equity instruments such as shares

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss

3. Summary of significant accounting policies (continued)

- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Balances between the Bank and its subsidiaries including any income and expenses arising from intra-group transactions are eliminated in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(i) List of significant subsidiaries

The table below provides details of the major subsidiaries of the Group:

Name of the subsidiary	Principal place of business	Ownership interest	
		2022	2021
Saudi Fransi Capital	K.S.A	**100%**	100%
Saudi Fransi for Finance Leasing	K.S.A	**100%**	100%

Apart from the above subsidiaries, the Bank also owns Saudi Fransi Insurance Agency, Sakan Real Estate Financing, Sofinco Saudi Fransi, BSF Markets Limited and BSF Finance Limited having 100% share in equity. BSF Markets Limited and BSF Finance Limited are incorporated in the Cayman Islands. Sofinco Saudi Fransi, Saudi Fransi Insurance Agency and Sakan Real Estate Financing have no material impact on the Group financial statements.

All subsidiaries are 100% owned by the Group hence no non-controlling interest is recognised in these consolidated financial statements.

(ii) Significant restriction

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate.

B. Investment in associates

Investments in associates are initially recognised at cost and subsequently accounted for under the equity method of accounting.

An associate is an entity in which the Bank has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture.

Investments in associates are carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments. The Bank's shares 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. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

3. Summary of significant accounting policies (continued)

When the Bank's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Under the equity method, 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. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Group's share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

When the Bank ceases to equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

C. Classification of financial assets

On initial recognition, a financial asset is classified into following categories: amortized cost, FVOCI or FVSI.

Financial asset at amortized cost

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

- 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.

3. Summary of significant accounting policies (continued)

Financial Asset at Fair value through other comprehensive income (FVOCI)

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

- 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 consolidated statement of income.

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

Financial asset at Fair value through statement of income (FVSI)

All other financial assets are classified at FVSI.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVSI 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 in the period after the Bank changes its business model for managing financial assets.

Business model assessment

The Bank makes an assessment of 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 Bank'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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

3. Summary of significant accounting policies (continued)

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 Bank's original expectations, the Bank 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 FVSI 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

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 risk 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 Bank 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 Bank considers:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- terms that limit the Bank'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.

Designation at FVSI

At initial recognition, the Bank has designated certain financial assets at FVSI.

Reclassification

Reclassification of financial assets is warranted when business model for managing financial assets is changed.

The following are not considered to be changes in business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets; or
- A transfer of financial assets between parts of the Company's assets with different business models.

Conditions for reclassification of financial assets

Reclassifications are expected to be infrequent. Such changes must be determined by the Bank's senior management and approved by the Board Executive Committee as a result of external or internal changes and must be significant to Bank's operations and demonstrable to external parties. Accordingly, a change in Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank acquires, disposes of or terminates a business line.

3. Summary of significant accounting policies (continued)

Timing of reclassification of financial assets

If the Bank reclassifies financial assets, it is required to apply the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in reclassification. On reclassification, all previously recognized gains, losses (including impairment gains or losses) or profits are not restated. A change in the objective of the Bank's business model must be affected before the reclassification date.

Financial assets reclassification impact

From	To	Requirement
Amortized Cost	FVSI	Measure fair value at reclassification date and recognize difference between fair value and Amortized Cost in statement of income
FVSI	Amortized Cost	Fair value at the reclassification date becomes the new gross carrying amount
Amortized Cost	FVOCI	Measure fair value at reclassification date and recognize any difference in OCI
FVOCI	Amortized Cost	Cumulative gain or loss previously recognized in OCI is removed from equity and applied against the fair value of the financial asset at the reclassification date
FVSI	FVOCI	Asset continues to be measured at fair value but subsequent gains and losses are recognized in OCI rather than statement of income
FVOCI	FVSI	Asset continues to be recognized at fair value and the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to statement of income

D. Classification of financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees, letter of credit and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (EIR).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated statement of income.

E. Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally 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 any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

3. Summary of significant accounting policies (continued)

F. Derecognition

Financial assets

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

The Bank 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 Bank 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 (Debt Instruments), 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 profit or loss.

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 Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank 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 Bank 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 Bank 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.

The Bank securitizes various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and in the Bank transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in other revenue.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

Financial liabilities

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

3. Summary of significant accounting policies (continued)

G. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank 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 and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original effective commission rate of the asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in consolidated statement of income. For floating-rate financial assets, the original effective commission rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Bank 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 profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in consolidated statement of income. For financial liabilities, the Bank considers a modification to be 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.

H. Impairment

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

- financial assets that are debt instruments
- lease receivables
- financial guarantee contracts issued
- loan commitments issued
- bank balances
- related party balances
- letter of credit

3. Summary of significant accounting policies (continued)

Equity instruments are not subject to impairment under IFRS 9.

The Bank 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.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as ‘Stage1’ financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired.

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of ECL

ECL are 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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate
- lease receivables: the discount rate used in measuring lease receivables.
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

3. Summary of significant accounting policies (continued)

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, 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 Bank assesses whether financial assets including lease receivable carried at amortized cost, 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. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank 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.

3. Summary of significant accounting policies (continued)

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 amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments, letter of credit and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank 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: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loan and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when the cash is received and are included in "Impairment charge for expected credit losses on loans and advances, net" in the consolidated statement of income

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.

l. Financial guarantees, letter of credits and loan commitments

'Financial guarantees' are contracts that require the Bank 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.

The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

'Loan commitments and letter of credits' are firm commitments under which, over the duration of the commitments, the Bank is required to provide credit under pre-specified terms and conditions Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL is recorded.

3. Summary of significant accounting policies (continued)

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 as follows:

- at the higher of this amortized amount and the amount of loss allowance; and

The Bank has issued no loan commitments that are measured at FVSI. For other loan commitments:

- the Bank recognizes loss allowance (Refer note 7 "Impairment Disclosures);

J. Derivatives financial instruments and hedge accounting

Derivative financial instruments including forward foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, and currency and commission rate options (both written and purchased) are 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 Bank is using IAS-39 for Hedge Accounting.

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 net trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Bank applies hedge accounting for transactions that meet specific criteria.

3. Summary of significant accounting policies (continued)

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 assets or liabilities in case of portfolio hedging), 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 inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank 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 on-going basis. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

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 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 together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the consolidated statement of income.

For hedged items measured at amortised cost, where the fair value hedge of a 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 commission rate method, (the hedge item is also fair-valued). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate and small business loans, fixed rate debt instruments at FVOCI and fixed rate issued long-term deposits. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis. If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively.

3. Summary of significant accounting policies (continued)

If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the income statement to OCI. There were no such instances in either the current year or in the comparative year.

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the 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 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 item affects the consolidated statement of income. However, if the Bank expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

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.

When the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Bank revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

K. Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3. Summary of significant accounting policies (continued)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non- monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot rates prevailing at transaction dates. Monetary assets and liabilities at year-end denominated in foreign currencies are translated into Saudi Arabian Riyals at rates of exchange prevailing at the reporting date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective interest rate and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

All differences arising on non-trading activities are taken to other non-operating income in the consolidated statement of income, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in foreign entity.

Foreign currency differences arising from the translation of the following items are recognized in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI; and
- qualifying cash flow hedges to the extent that the hedge is effective.

As at the reporting date, the assets and liabilities of foreign operations are translated into Saudi Arabian Riyals at the rate of exchange as at the statement of financial position date, and their consolidated statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of income.

L. Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Bank. These assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI and other investments held at amortized cost. The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in “Due to SAMA” or “Due to banks and other financial institutions” or “Customer deposits”, as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the statement of financial position, as the Bank does not obtain control over the assets. Amounts paid under these agreements are included in “Cash and balances with SAMA”, “Due from banks and other financial institutions” or “Loans and advances”, as appropriate. The difference between purchase and resale price 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)

M. Settlement and trade date accounting

All regular way purchases and sales of financial assets are recognized and derecognized in the consolidated statement of financial position on the settlement date i.e. the date on which the asset is acquired from or delivered to the counter party. The Bank accounts for any change in fair value which is recognized from the trade date.

Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or follow convention in the market place.

All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

N. Fair value measurement

The Group measures financial instruments, such as, derivatives and equity instruments and non-financial assets such as investment properties, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Group has access at that date. The Fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

A fair value measurement of a non-financial asset considers 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.

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

3. Summary of significant accounting policies (continued)

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

- verification of observable pricing;
- calibration of model valuations;
- a review and approval process for new models and changes to models involving Risk Division

To dynamically address valuation issues, within the Market Risk Committee, which is held every quarter, a Valuation Sub-Committee may be held to review and determine by consensus adjustments of valuation methodologies at the request of the Market Risk Committee members.

The Market Risk Committee comprises of Chief Executive Officer, the Chief Financial Officer, the Chief Treasurer & Investment Officer, the Head of Institutional Banking Group, the Chief Risk Officer and the Head of Market Risk.

O. Deposits, debt securities issued and subordinated liabilities

When the Bank designates a financial liability as at FVSI, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve.

On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on profit or loss of expected changes in fair value of the related instruments.

P. Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to sukukholders are limited in number and scope and very difficult to exercise.

The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

Q. Dividend

A provision is made for the amount of dividend declared, being appropriately authorised and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

R. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

3. Summary of significant accounting policies (continued)

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

The cost of other property and equipment is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	Over the lease period or economic life whichever is shorter
Furniture, equipment and vehicles	4 to10 years
Software programme and automation project	3 to 12 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

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.

Software (Intangible Assets)

Intangible assets comprise of internally developed software and externally acquired software's. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use.
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits . Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised (straight line) from the point at which the asset is ready for use.

S. Other real estate

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

3. Summary of significant accounting policies (continued)

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the consolidated statement of income. Any subsequent revaluation 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 in the consolidated statement of income. Gains or losses on disposal are recognised in the consolidated statement of income.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at fair value. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

T. Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for liabilities and charges

The Bank receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

3. Summary of significant accounting policies (continued)

U. Accounting for leases

Right of Use Asset (RoU) / Lease Liabilities

On initial recognition, at inception of the contract, the Bank shall assess 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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

The Bank applies the cost model, and measures right of use assets at cost:

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

Generally, the RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. These would need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

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:

I. increasing the carrying amount to reflect interest on the lease liability
II. reducing the carrying amount to reflect the lease payments made and;
II. 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 remeasured 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 remeasured 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.

3. Summary of significant accounting policies (continued)

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, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

V. Cash and cash equivalents

For the purpose of the statement of cash flows, "cash and cash equivalents" include notes and coins on hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

W. End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation conducted by an independent actuary, taking into account the provision of the Saudi Arabian Labor Law.

Net obligation, with respect to end of service benefits, to the Bank is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Bank recognizes the following changes in the net defined benefit obligation under 'salaries and employee related expenses' in the consolidated statement of income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.

X. Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Y. Treasury shares and share based payment to employee

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

3. Summary of significant accounting policies (continued)

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its employee share-based payment plans.

The Bank has adopted the equity- settled share based payments to employees. The Bank recognises a cost /expense over the vesting period and a corresponding entry to equity and measurement is based on the grant-date fair value of the equity instruments granted. Market and non-vesting conditions are reflected in the initial measurement of fair value with no subsequent true-up if the conditions are not satisfied.

Z. Zakat

Zakat

The Group is subject to Zakat in accordance with the regulations of ZATCA (Zakat, Tax & Customs Authority). Zakat expense is charged to the consolidated statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Value Added tax ("VAT")

The Bank 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 Bank 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.

AA. Investment management, brokerage and corporate finance services

The Bank offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Bank's share of investment in these funds is included in the investments and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in the consolidated financial statements.

AB. Islamic banking products

In addition to the conventional banking products, the Bank offers its customers certain non-commission based banking products, which are approved by its Shariah Board, as follows:

High level definitions of non-commission based banking products

i) **Murabaha** is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank 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) **Mudarabah** is an agreement between the Bank and a customer whereby the Bank invests in a specific transaction. The Bank is called "rabb-ul-mal" while the management and work is exclusive responsibility of the customer who is called "mudarib". The profit is shared as per the terms of the agreement but the loss is borne by the Bank.

3. Summary of significant accounting policies (continued)

iii) **Istisna'a** is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

iv) **Ijarah** is an agreement whereby the Bank, 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.

v) **Musharaka** is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

vi) **Tawaraq** is a form of Murabaha transactions where the Bank 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.

These non-commission based banking products are included in "loans and advances" and are in conformity with the related accounting policies described in these consolidated financial statements.

AC. 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 interest 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 carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in consolidated statement of income on a systematic basis over the periods 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. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

AD. 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 or the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank 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 royalty/reward 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)

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. Transaction costs include fees and commission paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

All fees paid or received between parties to the contract (e.g. between a lender and a borrower) that are included in the calculation of the effective interest rate (EIR) are amortized over the expected life of the financial instrument, unless they relate to a shorter period. The shorter period is used when the variable to which the fees, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the financial instrument. For financial instruments measured at FVSI, fees are recognised in consolidated statement of income in full when the instrument is initially recognised.

Measurement of amortized cost and special commission income and expense

The 'amortized 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 amortized 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 amortized 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 amortized 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 amortized 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.

AE. Fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the special commission income / expense as applicable.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed and performance obligations are achieved as point-in-time. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

3. Summary of significant accounting policies (continued)

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 services related to credit card, the Bank recognizes revenue over the period of time.

Brokerage income

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Group is satisfied when the Group carries out the transaction, which is considered as a performance obligation satisfied at a point in time, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

Asset management fees

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based"), or a percentage of capital deployed/raised subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group's efforts to transfer the services for that period. As asset management fees are not subject to claw backs, the management does not expect any significant reversal of revenue previously recognised.

This fee compensates and contributes to single performance obligations, the Group's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognised when services are determined as complete in accordance with the underlying agreement based on performance obligations being met, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of the performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Underwriting fees

Underwriting fees are recognized when the Group has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortised over the period of the service (deferred income).

3. Summary of significant accounting policies (continued)

AF. Customer Loyalty Program

The Bank offers customer loyalty program (reward points / air miles herein referred to as "reward points"), which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand alone selling price. The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

AG. Exchange income / (loss)

Exchange income / loss is recognised as discussed in foreign currencies policy above.

AH. Trading income / (loss)

Net income from other financial instruments at FVSI relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVSI.

Results arising from trading activities include all gains and losses from changes in fair values, related special commission income or expense including dividends for financial assets and financial liabilities held for trading and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

AI. Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income from FVSI financial instruments or other operating income based on the underlying classification of the equity instrument.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

4. Cash and balances with SAMA

SAR '000	2022	2021
Cash on hand	**973,736**	1,023,141
Statutory deposit	**9,166,850**	8,691,928
Money market placements	**1,185,000**	79,999
Total	**11,325,586**	9,795,068

Cash and balances with SAMA include Islamic related products of SAR Nil million (2021: SAR Nil million).

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its deposit liabilities calculated on monthly averages at the end of reporting period. The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

5. Due from banks and other financial institutions, net

SAR '000	2022	2021
Current accounts	**2,795,573**	3,798,508
Money market placements	**2,001,842**	1,525,636
	4,797,415	5,324,144
Less: impairment	**(2,304)**	(180)
Total	**4,795,111**	5,323,964

The credit quality of due from banks and other financial institutions is managed using reputable external credit rating agencies.

Due from banks and other financial institutions include Islamic related products of SAR Nil million (2021: SAR Nil million).

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

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01, 2022	**5,316,259**	**7,885**	**-**	**5,324,144**
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	**(562,079)**	**35,350**	-	**(526,729)**
Write-offs	-	-	-	-
Balance as at December 31, 2022	**4,754,180**	**43,235**	**-**	**4,797,415**

5. Due from banks and other financial institutions, net (continued)

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

The following table shows reconciliations from the opening to the closing balance of impairment on due from banks and other financial institutions.

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance as at January 01, 2022	**114**	**66**		**180**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net charge / (reversal) for the year	**239**	**1,885**	**-**	**2,124**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**353**	**1,951**	**-**	**2,304**

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

6. Investments, net

a) Investment securities are classified as follows:

SAR '000	2022	2021
Investment at amortized cost – gross	**26,051,032**	28,711,856
Less: impairment	**(7,895)**	(6,410)
Investment at amortized cost, net	**26,043,137**	28,705,446
Investments at FVOCI – Debt instruments	**18,085,275**	14,604,493
Investments at FVOCI – Equity/ other investments	**320,393**	338,307
Total FVOCI	**18,405,668**	14,942,800
Investment at FVSI – Debt instruments and equity	**68,744**	209,995
Total	**44,517,549**	43,858,241

b) Investments held at fair value through statement of income (FVSI)

Investments by type of securities

SAR '000	Domestic		International		Total	
	2022	2021	**2022**	2021	**2022**	2021
Fixed-rate securities	**60,459**	144,385	**3,800**	11,102	**64,259**	155,487
Floating-rate securities	**-**	54,508	**-**	-	**-**	54,508
Equities	**4,485**	-	**-**	-	**4,485**	-
Total	**64,944**	198,893	**3,800**	11,102	**68,744**	209,995

The analysis of the composition of investments is as follows:

SAR '000	2022			2021		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**64,259**	**-**	**64,259**	155,487	-	155,487
Floating-rate securities	**-**	**-**	**-**	54,508	-	54,508
Equities	**4,485**	**-**	**4,485**	-	-	-
Total	**68,744**	**-**	**68,744**	209,995	-	209,995

c) Investments held at fair value through other comprehensive income

Investments by type of securities

SAR '000	Domestic		International		Total	
	2022	2021	**2022**	2021	**2022**	2021
Fixed-rate securities	**8,893,525**	7,760,291	**4,915,935**	2,847,479	**13,809,460**	10,607,770
Floating-rate securities	**3,204,689**	3,604,681	**1,071,126**	392,042	**4,275,815**	3,996,723
Equities	**310,162**	328,041	**10,231**	10,266	**320,393**	338,307
Total	**12,408,376**	11,693,013	**5,997,292**	3,249,787	**18,405,668**	14,942,800

6. Investments, net (continued)

The analysis of the composition of investments is as follows:

SAR '000	**2022**			2021		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**13,447,995**	**361,465**	**13,809,460**	10,210,484	397,286	10,607,770
Floating-rate securities	**1,763,143**	**2,512,672**	**4,275,815**	1,216,401	2,780,322	3,996,723
Equities	**110,040**	**210,353**	**320,393**	217,140	121,167	338,307
Investments at FVOCI, net	**15,321,178**	**3,084,490**	**18,405,668**	11,644,025	3,298,775	14,942,800

The following table shows the type of assets:

SAR '000	**Domestic**		**International**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
Debt instruments	**12,098,214**	11,364,972	**5,987,061**	3,239,521	**18,085,275**	14,604,493
Equity investments	**310,162**	328,041	**10,231**	10,266	**320,393**	338,307
Total	**12,408,376**	11,693,013	**5,997,292**	3,249,787	**18,405,668**	14,942,800

The Group designated investments disclosed in the above table as equity securities at FVOCI on initial recognition. The FVOCI designation was made because the equity investments are expected to be held for strategic purposes rather than with a view to profit on a subsequent sale and there are no plans to dispose of these investments in the short or medium term. This designation is irrevocable.

d) Investments held at amortised cost

Investments by type of securities

SAR '000	**Domestic**		**International**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
Fixed-rate securities	**20,686,727**	24,939,934	**-**	-	**20,686,727**	24,939,934
Floating-rate securities	**4,778,807**	3,072,632	**-**	-	**4,778,807**	3,072,632
Other	**577,603**	692,880	**-**	-	**577,603**	692,880
Total	**26,043,137**	28,705,446	**-**	-	**26,043,137**	28,705,446

The analysis of the composition of investments is as follows:

SAR '000	**2022**			2021		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**17,942,612**	**2,744,115**	**20,686,727**	20,957,194	3,982,740	24,939,934
Floating-rate securities	**4,549,325**	**229,482**	**4,778,807**	3,072,632	-	3,072,632
Other	**-**	**577,603**	**577,603**	-	692,880	692,880
Investments held at amortized cost, net	**22,491,937**	**3,551,200**	**26,043,137**	24,029,826	4,675,620	28,705,446

6. Investments, net (continued)

e) The reconciliations from the opening to the closing balance of gross carrying value of Debt instrument

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt instrument investments				
Balance at January 01	**43,316,349**	**-**	**-**	**43,316,349**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Transfer from lifetime ECL credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**819,958**	**-**	**-**	**819,958**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**44,136,307**	**-**	**-**	**44,136,307**

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

Amortized cost

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**28,711,856**	**-**	**-**	**28,711,856**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**(2,660,824)**	**-**	**-**	**(2,660,824)**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**26,051,032**	**-**	**-**	**26,051,032**

6. **Investments, net (continued)**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	25,807,423	-	-	25,807,423
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	2,904,433	-	-	2,904,433
Write-offs	-	-	-	-
Balance as at December 31, 2021	28,711,856	-	-	28,711,856

FVOCI – Debt instrumens

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**14,604,493**	**-**	**-**	**14,604,493**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net change for the year	**3,480,782**	**-**	**-**	**3,480,782**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**18,085,275**	**-**	**-**	**18,085,275**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	11,521,039	-	-	11,521,039
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the year	3,083,454	-	-	3,083,454
Write-offs	-	-	-	-
Balance as at December 31, 2021	14,604,493	-	-	14,604,493

6. Investments, net (continued)

f) The reconciliations from the opening to the closing balance of ECL on Debt instruments:

An analysis of changes is loss allowance for Debt instruments is as follows:

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**20,730**	**-**	**-**	**20,730**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Transfer from lifetime ECL credit impaired	**-**	**-**	**-**	**-**
Net charge for the year	**4,692**	**-**	**-**	**4,692**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**25,422**	**-**	**-**	**25,422**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	15,392	-	-	15,392
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net charge for the year	5,338	-	-	5,338
Write-offs	-	-	-	-
Balance as at December 31, 2021	20,730	-	-	20,730

An analysis of changes in loss allowance by each class of Debt instruments is as follows:

Amortized cost

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**6,410**	**-**	**-**	**6,410**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net charge for the year	**1,485**	**-**	**-**	**1,485**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**7,895**	**-**	**-**	**7,895**

6. Investments, net (continued)

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	6,543	-	-	6,543
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net reversal for the year	(133)	-	-	(133)
Write-offs	-	-	-	-
Balance as at December 31, 2021	6,410	-	-	6,410

FVOCI

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**14,320**	**-**	**-**	**14,320**
Transfer from 12-month ECL	**-**	**-**	**-**	**-**
Transfer from lifetime ECL not credit impaired	**-**	**-**	**-**	**-**
Net charge for the year	**3,207**	**-**	**-**	**3,207**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**17,527**	**-**	**-**	**17,527**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	8,849	-	-	8,849
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net charge for the year	5,471	-	-	5,471
Write-offs	-	-	-	-
Balance as at December 31, 2021	14,320	-	-	14,320

6. Investments, net (continued)

The provision balance of FVOCI is accounted under other reserve – FVOCI.

g) Investments by type of securities

SAR '000	Domestic		International		Total	
	2022	2021	**2022**	2021	**2022**	2021
Fixed-rate securities	**29,644,789**	32,847,243	**4,919,735**	2,858,580	**34,564,524**	35,705,823
Floating-rate securities	**7,984,412**	6,732,119	**1,071,126**	392,042	**9,055,538**	7,124,161
Equities	**314,647**	328,041	**10,231**	10,266	**324,878**	338,307
Other	**580,504**	696,360	**-**	-	**580,504**	696,360
Allowance for impairment	**(7,895)**	(6,410)	**-**	-	**(7,895)**	(6,410)
Total	**38,516,457**	40,597,353	**6,001,092**	3,260,888	**44,517,549**	43,858,241

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

SAR '000	2022			2021		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed-rate securities	**31,456,330**	**3,108,194**	**34,564,524**	31,367,357	4,338,466	35,705,823
Floating-rate securities	**6,312,870**	**2,742,668**	**9,055,538**	4,343,838	2,780,323	7,124,161
Equities	**114,525**	**210,353**	**324,878**	217,140	121,167	338,307
Other	**-**	**580,504**	**580,504**	-	696,360	696,360
	37,883,725	**6,641,719**	**44,525,444**	35,928,335	7,936,316	43,864,651
Allowance for impairment	**(1,866)**	**(6,029)**	**(7,895)**	(2,145)	(4,265)	(6,410)
Total	**37,881,859**	**6,635,690**	**44,517,549**	35,926,190	7,932,051	43,858,241

i) The analysis of investments by counterparty is as follows:

SAR '000	2022	2021
Government and quasi government	**30,286,351**	33,112,811
Corporate	**6,519,826**	5,762,206
Banks and other financial institutions	**7,711,372**	4,983,224
Total	**44,517,549**	43,858,241

j) Shariah based investments:

Investment securities designated as at FVOCI:

SAR '000	2022	2021
Debt instruments		
Sukuk	**8,753,366**	8,724,129
Total	**8,753,366**	8,724,129

6. Investments, net (continued)

Investments held at amortised cost:

SAR '000	2022	2021
Debt instruments		
Sukuk	**20,491,497**	22,098,362
Other	**580,504**	696,360
Allowance for impairment	**(7,473)**	(5,868)
Total	**21,064,528**	22,788,854

Trading Investment securities include Islamic related products of SAR 64 million (2021: SAR 200 million).

7. Loans and advances, net

a) Loans and advances are classified as follows:

Held at Amortized cost

SAR '000	2022			
	Overdraft & Commercial Loans	**Credit Cards**	**Consumer Loans**	**Total**
Performing loans and advances – gross	**130,156,440**	**586,647**	**29,099,056**	**159,842,143**
Non performing loans and advances, net	**4,038,589**	**20,175**	**111,160**	**4,169,924**
Total loans and advances	**134,195,029**	**606,822**	**29,210,216**	**164,012,067**
Allowance for impairment	**(4,696,609)**	**(38,798)**	**(265,135)**	**(5,000,542)**
Loans and advances held at amortised cost, net	**129,498,420**	**568,024**	**28,945,081**	**159,011,525**

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

An unwinding modification loss of SAR 171 million (2021: SAR 245 million) is included as part of loan and advances.

7. Loans and advances, net (continued)

The above includes Shariah based loans and advances as below:

SAR '000	2022	2021
Overdraft & Commercial Loans		
Tawaraq	**63,226,625**	56,786,694
Murabaha	**19,639,867**	18,908,432
Others	**5,268,270**	5,783,117
Allowance for impairment	**(1,782,243)**	(2,375,731)
Total	**86,352,519**	79,102,512

SAR '000	2022	2021
Credit Card & Consumer Loans		
Tawaraq	**16,097,452**	15,475,397
Murabaha	**8,156,378**	7,414,854
Others	**4,858,388**	3,929,535
Allowance for impairment	**(257,491)**	(281,872)
Total	**28,854,727**	26,537,914

b) The reconciliations from the opening to the closing balance of gross carrying value of Loans and advances

An analysis of changes in gross carrying value for Loans and Advances is, as follows:

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**134,589,045**	**14,022,436**	**3,934,102**	**152,545,583**
Transfer from 12-month ECL	**(3,307,476)**	**3,141,115**	**166,361**	**-**
Transfer from lifetime ECL not credit impaired	**2,174,569**	**(4,490,566)**	**2,315,997**	**-**
Transfer from Lifetime ECL credit impaired	**20,875**	**884,010**	**(904,885)**	**-**
Net change for the year	**14,071,441**	**(1,371,356)**	**47,002**	**12,747,087**
Write-offs	**-**	**-**	**(1,280,603)**	**(1,280,603)**
Balance as at December 31, 2022	**147,548,454**	**12,185,639**	**4,277,974**	**164,012,067**

7. Loans and advances, net (continued)

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

An analysis of changes in gross carrying value by each class of financial instrument is, as follows:

Overdraft & Commercial Loans

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**107,440,769**	**13,792,995**	**3,734,442**	**124,968,206**
Transfer from 12-month ECL	**(3,065,920)**	**2,966,997**	**98,923**	**-**
Transfer from lifetime ECL not credit impaired	**2,069,087**	**(4,355,728)**	**2,286,641**	**-**
Transfer from Lifetime ECL credit impaired	**15**	**878,382**	**(878,397)**	**-**
Net change for the year	**11,749,854**	**(1,349,649)**	**(1,515)**	**10,398,690**
Write-offs	**-**	**-**	**(1,171,867)**	**(1,171,867)**
Balance as at December 31, 2022	**118,193,805**	**11,932,997**	**4,068,227**	**134,195,029**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	96,155,315	12,185,330	3,712,490	112,053,135
Transfer from 12-month ECL	(5,015,357)	4,987,075	28,282	-
Transfer from lifetime ECL not credit impaired	2,143,794	(2,911,540)	767,746	-
Transfer from Lifetime ECL credit impaired	18,159	50,853	(69,012)	-
Net change for the year	14,138,858	(518,723)	133,728	13,753,863
Write-offs	-	-	(838,792)	(838,792)
Balance as at December 31, 2021	107,440,769	13,792,995	3,734,442	124,968,206

7. Loans and advances, net (continued)

Credit Cards

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**479,227**	**43,508**	**39,182**	**561,917**
Transfer from 12-month ECL	**(19,485)**	**9,520**	**9,965**	**-**
Transfer from lifetime ECL not credit impaired	**25,545**	**(34,916)**	**9,371**	**-**
Transfer from Lifetime ECL credit impaired	**2,371**	**731**	**(3,102)**	**-**
Net change for the year	**74,477**	**110**	**3,796**	**78,383**
Write-offs	**-**	**-**	**(33,478)**	**(33,478)**
Balance as at December 31, 2022	**562,135**	**18,953**	**25,734**	**606,822**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	415,084	20,390	60,962	496,436
Transfer from 12-month ECL	(43,746)	30,151	13,595	-
Transfer from lifetime ECL not credit impaired	5,379	(10,432)	5,053	-
Transfer from Lifetime ECL credit impaired	3,160	2,247	(5,407)	-
Net change for the year	99,350	1,152	(6,792)	93,710
Write-offs	-	-	(28,229)	(28,229)
Balance as at December 31, 2021	479,227	43,508	39,182	561,917

Consumer Loans

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**26,669,049**	**185,933**	**160,478**	**27,015,460**
Transfer from 12-month ECL	**(222,071)**	**164,598**	**57,473**	**-**
Transfer from lifetime ECL not credit impaired	**79,937**	**(99,922)**	**19,985**	**-**
Transfer from Lifetime ECL credit impaired	**18,489**	**4,897**	**(23,386)**	**-**
Net change for the year	**2,247,110**	**(21,817)**	**44,721**	**2,270,014**
Write-offs	**-**	**-**	**(75,258)**	**(75,258)**
Balance as at December 31, 2022	**28,792,514**	**233,689**	**184,013**	**29,210,216**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	22,257,313	238,439	212,522	22,708,274
Transfer from 12-month ECL	(223,217)	134,973	88,244	-
Transfer from lifetime ECL not credit impaired	76,232	(97,075)	20,843	-
Transfer from Lifetime ECL credit impaired	48,361	7,943	(56,304)	-
Net change for the year	4,510,360	(98,347)	9,687	4,421,700
Write-offs	-	-	(114,514)	(114,514)
Balance as at December 31, 2021	26,669,049	185,933	160,478	27,015,460

7. Loans and advances, net (continued)

c) Movement in allowance for impairment of credit losses are classified as follows:

An analysis of changes in loss allowance for Loans and Advances is, as follows:

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	526,450	1,828,983	2,377,391	4,732,824
Transfer from 12-month ECL	(19,274)	16,816	2,458	-
Transfer from lifetime ECL not credit impaired	51,113	(740,238)	689,125	-
Transfer from Lifetime ECL credit impaired	11,445	422,939	(434,384)	-
Net charge / (reversal) for the year	(148,529)	271,171	1,425,679	1,548,321
Write-offs	-	-	(1,280,603)	(1,280,603)
Balance as at December 31, 2022	**421,205**	**1,799,671**	**2,779,666**	**5,000,542**

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

An analysis of changes in loss allowance by each class of financial instrument is, as follows:

Overdraft & Commercial Loans

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	345,680	1,796,224	2,238,352	4,380,256
Transfer from 12-month ECL	(14,824)	13,938	886	-
Transfer from lifetime ECL not credit impaired	36,243	(720,300)	684,057	-
Transfer from Lifetime ECL credit impaired	4	419,742	(419,746)	-
Net charge / (reversal) for the year	(97,759)	249,697	1,336,282	1,488,220
Write-offs	-	-	(1,171,867)	(1,171,867)
Balance as at December 31, 2022	**269,344**	**1,759,301**	**2,667,964**	**4,696,609**

7. Loans and advances, net (continued)

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	426,939	1,360,194	2,490,288	4,277,421
Transfer from 12-month ECL	(36,572)	36,023	549	-
Transfer from lifetime ECL not credit impaired	47,665	(144,549)	96,884	-
Transfer from Lifetime ECL credit impaired	5,818	25,217	(31,035)	-
Net charge / (reversal) for the year	(98,170)	519,339	520,458	941,627
Write-offs	-	-	(838,792)	(838,792)
Balance as at December 31, 2021	345,680	1,796,224	2,238,352	4,380,256

Credit Cards

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**15,354**	**14,072**	**32,573**	**61,999**
Transfer from 12-month ECL	**(1,794)**	**751**	**1,043**	**-**
Transfer from lifetime ECL not credit impaired	**7,891**	**(11,325)**	**3,434**	**-**
Transfer from Lifetime ECL credit impaired	**1,342**	**449**	**(1,791)**	**-**
Net charge / (reversal) for the year	**(7,576)**	**547**	**17,306**	**10,277**
Write-offs	**-**	**-**	**(33,478)**	**(33,478)**
Balance as at December 31, 2022	**15,217**	**4,494**	**19,087**	**38,798**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	19,057	5,141	60,926	85,124
Transfer from 12-month ECL	(5,163)	3,429	1,734	-
Transfer from lifetime ECL not credit impaired	1,508	(3,495)	1,987	-
Transfer from Lifetime ECL credit impaired	1,855	1,304	(3,159)	-
Net charge / (reversal) for the year	(1,903)	7,693	(686)	5,104
Write-offs	-	-	(28,229)	(28,229)
Balance as at December 31, 2021	15,354	14,072	32,573	61,999

7. Loans and advances, net (continued)

Consumer Loans

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**165,416**	**18,687**	**106,466**	**290,569**
Transfer from 12-month ECL	**(2,656)**	**2,127**	**529**	**-**
Transfer from lifetime ECL not credit impaired	**6,979**	**(8,613)**	**1,634**	**-**
Transfer from Lifetime ECL credit impaired	**10,099**	**2,748**	**(12,847)**	**-**
Net charge / (reversal) for the year	**(43,194)**	**20,927**	**72,091**	**49,824**
Write-offs	**-**	**-**	**(75,258)**	**(75,258)**
Balance as at December 31, 2022	**136,644**	**35,876**	**92,615**	**265,135**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	133,361	10,194	186,910	330,465
Transfer from 12-month ECL	(2,691)	1,785	906	-
Transfer from lifetime ECL not credit impaired	2,912	(3,679)	767	-
Transfer from Lifetime ECL credit impaired	27,817	4,704	(32,521)	-
Net charge / (reversal) for the year	4,017	5,683	64,918	74,618
Write-offs	-	-	(114,514)	(114,514)
Balance as at December 31, 2021	165,416	18,687	106,466	290,569

d) The movement in the allowance for impairment charge for expected credit on loans and advances losses for the year ended December 31, is as follows:

SAR '000	**Note**	**2022**	2021
Impairment charge for expected credit losses on loans and advances, net	**7c**	**1,548,321**	1,021,349
Recoveries of written off loans, net		**(184,377)**	(59,919)
Total charge for the year		**1,363,944**	961,430

7. Loans and advances, net (continued)

e) The movement in the allowance for impairment reversal for investments financial assets and others for the year ended December 31, is as follows:

SAR '000	Note	2022	2021
Impairment charge/(reversal) on due from banks, net	5	2,124	(259)
Impairment reversal on off statement of financial position, net	16	(10,645)	(122,592)
Impairment charge/(reversal) on amortized cost, net	6 (f)	1,485	(133)
Impairment charge on FVOCI, net	6 (f)	3,207	5,471
Impairment reversal on other assets, net		(318)	(312)
Total reversal for the year		(4,147)	(117,825)

f) Loans and advances include finance lease receivables (Ijarah products), which are analyzed as follows:

SAR '000	2022	2021
Gross receivable from finance leases		
Less than 1 year	2,083,481	1,249,837
1 to 5 years	4,834,588	4,277,701
More than 5 years	3,513,461	4,268,246
Unearned future finance income on finance lease	(925,514)	(673,385)
Net receivable from finance leases	9,506,016	9,122,399
Allowance for impairment	(176,553)	(140,303)
Total	9,329,463	8,982,096

8. Investment in associate, net

SAR '000	2022	2021
Balance at January 01	9,695	9,695
Share of earnings	-	-
Allowance for impairment	-	-
Balance as at December 31	9,695	9,695

Investment in associate represents 27% shareholding (2021: 27%) in the Banque BEMO Saudi Fransi incorporated in Syria.

8. Investment in associate, net (continued)

The Bank's share of Banque Bemo Saudi Fransi - Syria financial statements:

SAR '000	Banque Bemo Saudi Fransi - Syria	
	2022	2021
Total assets	**636,471**	442,312
Total liabilities	**534,629**	369,586
Total equity	**101,842**	72,726
Total income	**59,202**	65,095
Total expenses	**39,141**	21,090

9. Property, equipment and right of use assets, net

Property and equipment

SAR '000	Land and buildings	Leasehold improvements	Furniture, equipment & vehicles	Computer and Software	Total
Cost					
Balance as at January 01, 2021	765,236	590,535	458,676	1,410,038	3,224,485
Additions during the year	6,382	11,534	179,416	62,525	259,857
Disposals and retirements	(84,032)	(505,602)	(312,645)	(789,587)	(1,691,866)
Balance as at December 31, 2021	687,586	96,467	325,447	682,976	1,792,476
Additions during the year	**38,157**	**15,115**	**17,918**	**271,143**	**342,333**
Disposals and retirements	**-**	**(731)**	**(3,737)**	**(2,882)**	**(7,350)**
Balance as at December 31, 2022	**725,743**	**110,851**	**339,628**	**951,237**	**2,127,459**
Accumulated depreciation and impairment losses					
Balance as at January 01, 2021	385,796	559,931	512,981	967,043	2,425,751
Depreciation and amortization charge	25,145	16,291	23,209	82,589	147,234
Disposals and retirements	(83,998)	(505,637)	(312,915)	(786,163)	(1,688,713)
Balance as at December 31, 2021	326,943	70,585	223,275	263,469	884,272
Depreciation and amortization charge	**25,250**	**9,305**	**18,486**	**97,773**	**150,814**
Disposals and retirements	**-**	**(731)**	**(3,041)**	**(2,851)**	**(6,623)**
Balance as at December 31, 2022	**352,193**	**79,159**	**238,720**	**358,391**	**1,028,463**
Net book value					
As at December 31, 2022	**373,550**	**31,692**	**100,908**	**592,846**	**1,098,996**
As at December 31, 2021	360,643	25,882	102,172	419,507	908,204

9. Property, equipment and right of use assets, net (continued)

Property and equipment as at December 31, 2022 include work in progress amounting to SAR 308 million (2021: SAR 153 million). Computer and software include software having a net book value of SAR 553 million (2021: SAR 387 million).

Right-of-use assets

SAR '000	**2022**		
	Land & Building	**Furniture, equipment & vehicles**	**Total**
Balance at January 01	**674,757**	**2,802**	**677,559**
Additions during the year	**44,419**	**3,776**	**48,195**
Disposals and retirements	**(14,239)**	**(590)**	**(14,829)**
Depreciation and amortization	**(66,721)**	**(3,893)**	**(70,614)**
Balance as at December 31, 2022	**638,216**	**2,095**	**640,311**

SAR '000	2021		
	Land & Building	Furniture, equipment & vehicles	Total
Balance at January 01	639,049	2,387	641,436
Additions during the year	113,472	9,971	123,443
Disposals and retirements	(3,822)	(5,760)	(9,582)
Depreciation and amortization	(73,942)	(3,796)	(77,738)
Balance as at December 31, 2021	674,757	2,802	677,559

The following table shows the net book value of property, equipment and right of use assets:

SAR '000	**2022**	2021
Net book value		
Property and equipment	**1,098,996**	908,204
Right-of-use assets	**640,311**	677,559
Total	**1,739,307**	1,585,763

The following table shows depreciation and amortization of property, equipment and right of use assets:

SAR '000	**2022**	2021
Depreciation and amortization		
Property and equipment	**150,814**	147,234
Right-of-use assets	**70,614**	77,738
Total	**221,428**	224,972

10. Other assets

SAR '000	2022	2021
Accounts receivable	**1,122,840**	1,726,991
Collateral posted on derivatives and repo margin	**2,375,976**	1,032,661
Others	**255,500**	210,716
Total	**3,754,316**	2,970,368

The Group maintains an ECL provision amounting to SAR 0.2 million (2021: SAR 0.5 million) for the exposure related to other assets.

11. Derivatives

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

a) Swaps

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

b) Forwards and futures

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

c) Forward rate agreements

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

d) Options

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

Held for trading purposes

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

11. Derivatives (continued)

Held for hedging purposes

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

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

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

The Bank uses forward foreign exchange contracts and currency rate swaps to hedge against currency risks. In addition, the Bank uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures.

The Bank also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Cash flow hedges

The Bank is exposed to variability in future special commission income cash flows on non-trading assets and liabilities which bear variable commission rate. The Bank uses commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps. Below is the schedule indicating as at December 31, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

SAR '000	Within 1 year	1-3 years	3-5 years	Over 5 years
2022				
Cash inflows (assets)	**689,797**	**937,354**	**208,509**	**-**
Cash out flows (liabilities)	**(1,309,297)**	**(1,428,521)**	**(251,929)**	**-**
Net cash outflow	**(619,500)**	**(491,167)**	**(43,420)**	**-**
2021				
Cash inflows (assets)	742,908	753,956	270,062	-
Cash out flows (liabilities)	(259,835)	(631,925)	(336,039)	-
Net cash inflow / (outflow)	483,073	122,031	(65,977)	-

The net gain / (loss) on cash flow hedges transferred to the consolidated statement of income during the year was as follows:

SAR '000	2022	2021
Special commission income	**733,587**	961,485
Special commission expense	**(635,730)**	(273,582)
Net gain on cash flow hedges transferred to consolidated statement of income	**97,857**	687,903

11. Derivatives (continued)

The following tables show the positive and negative fair values of derivative financial instruments held, together with their notional amounts analyzed 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 necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk. The net hedging gain resulted from loans and advances amounting to SAR 99 million (2021: SAR 643 million) and investments amounting to SAR (1) million (2021: SAR 45 million).

Derivative financial instruments SAR '000			**Notional amounts by term to maturity**					
	Positive fair value	**Negative fair value**	**Notional amount total**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Monthly average**
2022								
Held for trading								
Commission rate swaps	**6,134,158**	**5,859,651**	**207,931,197**	**12,288,359**	**30,552,758**	**112,962,911**	**52,127,169**	**233,759,207**
Commission rate futures and options	**229,298**	**229,298**	**25,127,912**	**102,300**	**9,118,574**	**12,121,175**	**3,785,863**	**29,230,996**
Forward foreign exchange contracts & currency swaps	**110,907**	**81,096**	**25,157,176**	**13,006,942**	**6,353,579**	**5,195,635**	**601,020**	**26,924,339**
Currency options	**20,568**	**20,568**	**1,905,281**	**811,468**	**345,937**	**747,876**	**-**	**1,129,089**
Others	**37,039**	**37,039**	**1,262,606**	**560,861**	**701,745**	**-**	**-**	**1,073,008**
Held as fair value hedges								
Commission rate swaps	**20,638**	**43,146**	**4,130,063**	**-**	**-**	**2,907,563**	**1,222,500**	**906,687**
Held as cash flow hedges								
Commission rate swaps	**30,372**	**1,112,909**	**25,570,000**	**1,486,000**	**1,440,000**	**22,644,000**	**-**	**25,688,854**
Total	**6,582,980**	**7,383,707**	**291,084,235**	**28,255,930**	**48,512,593**	**156,579,160**	**57,736,552**	**318,712,180**

Derivative financial instruments SAR '000			Notional amounts by term to maturity					
	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
2021								
Held for trading								
Commission rate swaps	2,941,054	2,768,256	205,917,331	3,417,756	32,832,595	118,474,705	51,192,275	202,126,013
Commission rate futures and options	318,802	318,802	28,278,081	494,475	2,042,040	24,741,566	1,000,000	31,347,232
Forward foreign exchange contracts & currency swaps	155,750	51,587	29,313,456	12,613,751	8,802,438	5,564,984	2,332,283	31,683,176
Currency options	7,749	7,749	699,392	230,614	387,188	81,590	-	253,241
Others	4,446	4,446	133,527	21,040	112,487	-	-	46,592
Held as fair value hedges								
Commission rate swaps	1,269	6	142,500	-	37,500	75,000	30,000	51,250
Held as cash flow hedges								
Commission rate swaps	632,917	95,252	27,519,500	3,375,000	6,942,000	17,202,500	-	28,495,250
Total	4,061,987	3,246,098	292,003,787	20,152,636	51,156,248	166,140,345	54,554,558	294,002,754

Derivative portfolio include Shariah based derivatives with notional amount of SAR 27,387 million (2021: SAR 21,647 million).

The following table shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value.

11. Derivatives (continued)

SAR '000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
2022						
Floating commission rate investments	**1,348,945**	**1,392,000**	**Cash flow**	**Commission rate swap**	**1,678**	**44,733**
Floating commission rate loans	**23,138,518**	**24,178,000**	**Cash flow**	**Commission rate swap**	**28,694**	**1,068,176**
Fixed commission rate investments	**1,508,996**	**1,505,063**	**Fair value**	**Commission rate swap**	**20,638**	**16,705**
Fixed commission rate debt securities	**2,499,559**	**2,625,000**	**Fair value**	**Commission rate swap**	**-**	**26,441**
2021						
Floating commission rate investments	1,254,239	1,242,000	Cash flow	Commission rate swap	19,574	7,335
Floating commission rate loans	26,802,926	26,277,500	Cash flow	Commission rate swap	613,343	87,917
Fixed commission rate investments	143,763	142,500	Fair value	Commission rate swap	1,269	6

The Bank has posted SAR 2,081 million (2021: SAR 1,033 million) and received SAR 1,052 million (2021: SAR 464 million) collaterals under Credit Support Annex (CSA) agreements and European Market Infrastructure Regulation (EMIR).

The Bank does not have ineffective portion of hedges that have been transferred to consolidated statement of income during 2022 & 2021.

The Bank has calculated the Credit Valuation Adjustment (CVA) based on an internal model to derive the difference between the risk-free portfolio and the true portfolio value that takes into account the possibility of a counterparty's default. CVA represents the market value of the counterparty credit risk. CVA is an adjustment to the fair value (or price) of derivative instruments to account for counterparty credit risk (CCR). Thus, CVA is viewed as the price of CCR. This price depends on counterparty credit spreads as well as on the market risk factors that drive derivatives' values and, therefore, exposure. The impact on the CVA is not material in nature to the consolidated financial statements.

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. 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 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 derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

12. Due to SAMA

SAR '000	2022	2021
Current accounts	**19,134**	13,046
Repo	**-**	2,999,549
Deposit	**3,557,904**	-
Government grant	**4,591,880**	8,146,759
Modification impact, net	**(164,515)**	(290,855)
Total	**8,004,403**	10,868,499

12. Due to SAMA (continued)

The table below shows a summary of government grant along with the maturity dates:

2022			2021		
Date of Receipt	**Final Maturity Date**	**Principal Amount (SAR '000)**	Date of Receipt	Final Maturity Date	Principal Amount (SAR '000)
Sep 30, 2020	**Jan 04, 2024**	**1,448,255**	Sep 06, 2021	Apr 03, 2022	3,500,000
Mar 29, 2020	**Mar 29, 2023**	**525,127**	Jun 22, 2021	Jun 22, 2022	27,000
May 11, 2020	**Feb 11, 2025**	**785,000**	Jul 15, 2021	Jul 17, 2022	12,000
May 21, 2020	**Feb 20, 2025**	**869,000**	Sep 30, 2020	Jan 04, 2024	1,448,255
Jul 16, 2020	**Apr 16, 2025**	**489,403**	Mar 29, 2020	Mar 29, 2023	525,127
Mar 29, 2020	**Dec 29, 2024**	**474,873**	May 11, 2020	Feb 11, 2025	785,000
Dec 25, 2020	**Mar 30, 2023**	**222**	May 21, 2020	Feb 20, 2025	869,000
			Jul 16, 2020	Apr 16, 2025	489,403
			Mar 29, 2020	Dec 29, 2024	474,873
			Dec 25, 2020	Mar 30, 2023	16,101
Total		**4,591,880**	Total		8,146,759

13. Due to banks and other financial institutions

SAR '000	**2022**	2021
Current accounts	**243,553**	481,425
Money market deposits	**8,522,486**	12,503,933
Total	**8,766,039**	12,985,358

Due to banks and other financial institutions include Islamic related products of SAR Nil million (2021: SAR 1,050 million).

14. Customers' deposits

SAR '000	**2022**	2021
Demand	**91,181,332**	88,999,785
Saving	**1,053,846**	905,762
Time	**60,275,249**	46,066,480
Other	**5,081,893**	5,978,181
Total	**157,592,320**	141,950,208

Other customers' deposits include SAR 3,322 million (2021: SAR 3,442 million) related to margins held for irrevocable commitments.

Time deposits include Shariah approved customer deposits as below:

SAR '000	**2022**	2021
Murabaha and other islamic deposit	**28,648,099**	16,656,350
Total	**28,648,099**	16,656,350

14. Customers' deposits (continued)

Customers' deposits include foreign currency deposits as follows:

SAR '000	2022	2021
Demand	**9,628,628**	9,823,782
Saving	**41,279**	34,923
Time	**11,559,890**	13,530,907
Other	**2,151,305**	2,436,834
Total	**23,381,102**	25,826,446

Foreign currency deposits mainly include deposits in USD amounting to SAR 18,788 million (2021: SAR 21,191 million).

15. Debt securities and term loans

During Q4 2022, the Bank issued USD 700 million in 5 year non-convertible and unsecured senior fixed rate bonds, under its USD 4 Billion Euro Medium Term Note programme which is listed on the London Stock Exchange. The bonds pay a semi-annual coupon of 5.50% in arrears and are to be used for general banking purposes. In addition, the Bank also issued a privately placed USD 500 million unsecured term loan facility in December 2022 for a period of 3 years for general banking purposes. The term loan facility pays a three months coupon of SOFR + margin of 0.70% in arrears.

16. Other liabilities

SAR '000	2022	2021
Accounts payable and accrued expenses	**3,153,507**	3,356,750
Collateral received on derivatives	**1,051,516**	463,502
Settlement of zakat liability for prior years	**241,707**	725,121
Lease liability	**719,119**	755,869
ECL provision on off statement of financial position	**277,634**	288,279
Others	**1,627,588**	1,476,672
Total	**7,071,071**	7,066,193

17. Share capital

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

The ownership of the Bank's share capital is as follows:

SAR '000	2022 (%)	2021 (%)	2022	2021
Saudi shareholders	**100**	100	**12,053,572**	12,053,572
Total	**100**	100	**12,053,572**	12,053,572

18. Statutory and general reserve

In accordance with Saudi Arabian Banking Control Law and the By-Laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, the Bank has reached the required limits and no further transfers are required from the net income for the year ended December 31, 2022 (2021: SAR Nil). The statutory reserve is not available for distribution.

The Bank had appropriated SAR 983 million to general reserve from retained earnings in the prior years.

19. Other reserves

SAR '000	Cash flow hedges	FVOCI investments	Actuarial gains /(losses) on defined benefit plans	Total
2022				
Balance at January 01	**219,264**	**7,712**	**1,731**	**228,707**
Net change in fair value	**(1,372,295)**	**(857,654)**	**-**	**(2,229,949)**
Transfer to consolidated statement of income	**(97,857)**	**(3,524)**	**-**	**(101,381)**
Impairment charge for expected credit losses	**-**	**3,207**	**-**	**3,207**
Actuarial gain on defined benefit plans	**-**	**-**	**9,349**	**9,349**
Net movement during the year	**(1,470,152)**	**(857,971)**	**9,349**	**(2,318,774)**
Balance as at December 31, 2022	**(1,250,888)**	**(850,259)**	**11,080**	**(2,090,067)**
2021				
Balance at January 01	1,009,643	178,744	(272)	1,188,115
Net change in fair value	(102,476)	(155,839)	-	(258,315)
Transfer to consolidated statement of income	(687,903)	(20,574)	-	(708,477)
Impairment charge for expected credit losses		5,381		5,381
Actuarial gain on defined benefit plans	-	-	2,003	2,003
Net movement during the year	(790,379)	(171,032)	2,003	(959,408)
Balance as at December 31, 2021	219,264	7,712	1,731	228,707

Other reserves represent the net unrealized revaluation gains / (losses) of cash flow hedges, FVOCI and actuarial gains/losses on defined benefit plans. These reserves are not available for distribution.

20. Tier 1 Sukuk

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

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

20. Tier 1 Sukuk (continued)

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

21. Commitments and contingencies

a) Legal proceedings

As at December 31, 2022, there were 102 (2021: 80) legal proceedings outstanding against the Bank. The Bank has made adequate provision against these legal cases. The related legal advice indicates that it is unlikely that any significant loss will arise. As at December 31, 2022, the Bank maintains a legal provision amounting to SAR 23 million (2021: SAR 23 million) for legal proceedings outstanding against the Bank.

b) Capital commitments

As at December 31, 2022 the Bank had capital commitments of SAR 39 million (2021: SAR 47 million) in respect of property 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.

Guarantees and standby letters of credit, which represent irrecoverable assurances that the Bank 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 Bank does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorisations 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 Bank 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.

21. Commitments and contingencies (continued)

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

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
2022					
Letters of credit	**6,287,304**	**2,838,840**	**608,680**	**59,595**	**9,794,419**
Letters of guarantee	**12,876,001**	**16,557,457**	**10,579,734**	**182,740**	**40,195,932**
Acceptances	**1,311,216**	**996,810**	**104,607**	**-**	**2,412,633**
Irrevocable commitments to extend credit	**2,536,884**	**476,324**	**5,415,064**	**3,015,393**	**11,443,665**
Total	**23,011,405**	**20,869,431**	**16,708,085**	**3,257,728**	**63,846,649**
2021					
Letters of credit	7,870,612	2,230,834	1,082,264	-	11,183,710
Letters of guarantee	11,085,736	17,226,429	7,945,081	420,292	36,677,538
Acceptances	1,540,238	439,632	41,155	-	2,021,025
Irrevocable commitments to extend credit	1,500,000	1,909,855	3,118,384	1,059,250	7,587,489
Total	21,996,586	21,806,750	12,186,884	1,479,542	57,469,762

The outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Bank was SAR 63,570 million (2021: SAR 73,355 million).

Commitment and contingencies balance related to Shariah based products were SAR 8,007 million (2021: SAR 6,682 million).

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

SAR '000	2022	2021
Government and quasi government	**-**	7,649
Corporate	**58,084,541**	50,348,557
Banks and other financial institutions	**5,747,406**	7,076,992
Other	**14,702**	36,564
Total	**63,846,649**	57,469,762

iii) The following table shows the CCF (credit conversion factor) adjusted credit exposure amount of off statement of financial position items:

SAR '000	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	**28,257,723**	**2,178,077**	**474,244**	**30,910,044**
Transfer from 12-month ECL	**(946,020)**	**925,650**	**20,370**	**-**
Transfer from lifetime ECL not credit impaired	**392,709**	**(526,669)**	**133,960**	**-**
Transfer from lifetime ECL credit impaired	**-**	**686**	**(686)**	**-**
Net change for the year	**4,234,163**	**(251,894)**	**(71,208)**	**3,911,061**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**31,938,575**	**2,325,850**	**556,680**	**34,821,105**

21. Commitments and contingencies (continued)

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

iv) Movement of ECL provision on off statement of financial position:

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 01	**17,261**	**15,093**	**255,925**	**288,279**
Transfer from 12-month ECL	**(337)**	**335**	**2**	**-**
Transfer from lifetime ECL not credit impaired	**1,302**	**(2,090)**	**788**	**-**
Net reversal for the year	**(4,169)**	**(881)**	**(5,595)**	**(10,645)**
Write-offs	**-**	**-**	**-**	**-**
Balance as at December 31, 2022	**14,057**	**12,457**	**251,120**	**277,634**

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

d) Assets pledged

Securities pledged under repurchase agreements with other banks are government bonds. Other non-government bonds are also pledged under repurchase agreements. Assets pledged as collateral with other financial institutions for security are as follows:

SAR '000	**2022**		2021	
	Assets	**Related liabilities**	Assets	Related liabilities
FVOCI	**9,190,112**	**8,411,716**	5,430,664	5,414,146
Amortised Cost	**-**	**-**	-	-
Total	**9,190,112**	**8,411,716**	5,430,664	5,414,146

22. Special commission income and expense

SAR '000	2022	2021
Special commission income		
Investments		
- FVOCI	**420,560**	274,296
- Amortised Cost	**626,449**	562,188
	1,047,009	836,484
Loans and advances		
- Overdraft and Commercial Loans	**5,777,196**	3,983,250
- Consumer Loans and Credit Cards	**1,361,203**	1,354,191
	7,138,399	5,337,441
Due from SAMA, banks and other financial institutions	**121,791**	19,786
Total	**8,307,199**	6,193,711
Special commission expense		
Due to SAMA, banks and other financial institutions	**370,564**	41,766
Customers' deposits	**1,504,411**	453,300
Debt securities and term loans	**5,671**	-
Total	**1,880,646**	495,066
Net special commission income	**6,426,553**	5,698,645

Fee amortization of SAR 291 million (2021: SAR 325 million) has been included in Special commission income being integral part of the effective interest rate on financial assets.

Net Special commission income related to Islamic related products were SAR 2,498 million (2021: SAR 1,873 million).

23. Fees and commission income, net

SAR '000	2022	2021
Fees and commission income		
- Share trading, brokerage, fund management and corporate finance	**392,843**	499,046
- Trade finance	**417,900**	378,020
- Card products	**426,912**	368,783
- Other banking services	**185,385**	157,547
Total fees and commission income	**1,423,040**	1,403,396
Fees and commission expense		
- Share trading and brokerage	**78,604**	119,053
- Card products	**416,163**	367,051
- Other banking services	**31,412**	29,363
Total fees and commission expense	**526,179**	515,467
Fees and commission income, net	**896,861**	887,929

Unamortized balance of commission received in advance SAR 593 million (2021: SAR 568 million) out of which loan processing fees will be recognized in special commission income.

24. Trading income, net

SAR '000	2022	2021
Derivatives, net	**200,823**	162,393
Securities, net	**925**	9,448
Total	**201,748**	171,841

25. Other operating income

SAR '000	2022	2021
Gains on disposal of property and equipment	**166**	926
Other	**342**	3,149
Total	**508**	4,075

26. Other operating and general and administrative expenses

SAR '000	2022	2021
Non-claimable tax and penalties	**83,380**	150,396
Repair & maintenance, utilities and IT cost	**270,108**	225,534
Insurance and legal cost	**112,996**	63,397
Professional and consultancy fees	**141,428**	118,169
Communication, publication and advertisement charges	**146,925**	116,339
Stationery and supplies	**10,948**	11,297
Travel and entertainment	**15,374**	6,919
Others and other operating expenses	**82,906**	66,408
Total	**864,065**	758,459

Auditor's remuneration

SAR '000	2022	2021
Audit fee and other certification of the Bank	**5,935**	4,285
Audit fee and other certification of the subsidiaries	**774**	724
Total	**6,709**	5,009

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27. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2022 and 2021 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Sukuk costs for the year by 1,200 million shares after excluding treasury shares consisting of 5.8 million shares as of December 31, 2022 (December 31, 2021: 5.4 million shares).

28. Interim and final net dividend

The Board of Directors have proposed final net dividend of SAR 1,080 million (2021: SAR 1,020 million) i.e. SAR 0.90 (2021: SAR 0.85) net per share for the year which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies. The Board of Directors has declared interim net dividend of SAR 901 million (2021: SAR 780 million) i.e. SAR 0.75 (2021: SAR 0.65) net per share.

SAR '000	2022
Interim net dividend 2022	**901,488**
Final proposed net dividend 2022	**1,079,633**
Total	**1,981,121**

28. Interim and final net dividend (continued)

SAR '000	2021
Final net dividend 2020	479,979
Interim net dividend 2021	779,966
Final proposed net dividend 2021	1,019,956
Total	2,279,901

29. Zakat

The dividends are paid to the Saudi shareholders after deduction of Zakat as follows:

Saudi shareholders

Zakat attributable to Saudi Shareholders for the year amounted to SAR 429 million (2021: SAR 388 million) which is deducted from their share of dividend.

Zakat Settlement

The Bank has calculated Zakat accruals for the year 2022 based on the new Zakat rules for financing activities in accordance with MR 2215 dated March 14, 2019 corresponding to Rajab 07, 1440H.

As a major event, in the year 2018, the Bank reached a settlement agreement with ZATCA, to settle the Zakat Liability amounting to SAR 1,510.67 million for previous years and until the end of the financial year 2017. The settlement agreement requires the Bank to settle 20% of the agreed Zakat Liability in 2018 and the remaining to be settled over the period of five years, accordingly the Bank has adjusted Zakat for the previous years and until the end of financial year 2017, through its Retained Earnings. The Bank has settled SAR 1,269 million up to December 31, 2022.

As a result of the settlement agreement, the Bank has agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to Zakat.

Zakat Reconciliation

SAR '000	**2022**	2021
Zakat provision for the current year	**412,697**	430,772
Shortage or (excess) provision for the prior years	**16,076**	(43,272)
Zakat charge for the current year	**428,773**	387,500

30. Cash and cash equivalents

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

SAR '000	**2022**	2021
Cash and balances with SAMA excluding statutory deposit (note 4)	**2,158,736**	1,103,140
Due from banks and other financial institutions with a maturity of three months or less from the date of acquisition	**3,639,183**	5,123,964
Total	**5,797,919**	6,227,104

Due from banks and other financial institutions maturing after three months from the date of acquisition were SAR 1,156 million (2021: SAR 200 million).

31. Employees compensation practices

SAR '000	**2022**				
Categories of employees	**Number of employees**	**Fixed compensation**	**Variable compensation**	**Total compensation**	**Forms of payment**
Senior executives requiring SAMA no objection	**13**	**33,625**	**31,896**	**65,521**	**Cash**
Employees engaged in risk taking activities	**392**	**231,133**	**112,592**	**343,725**	**Cash**
Employees engaged in control functions	**435**	**148,146**	**23,986**	**172,132**	**Cash**
Other employees	**2,265**	**528,733**	**99,272**	**628,005**	**Cash**
Total	**3,105**	**941,637**	**267,746**	**1,209,383**	

SAR '000	2021				
Categories of employees	Number of employees	Fixed compensation	Variable compensation	Total compensation	Forms of payment
Senior executives requiring SAMA no objection	15	36,287	25,134	61,421	Cash
Employees engaged in risk taking activities	419	224,319	103,807	328,126	Cash
Employees engaged in control functions	393	128,263	23,135	151,398	Cash
Other employees	2,170	435,461	91,719	527,180	Cash
Total	2,997	824,330	243,795	1,068,125	

Number of employees represents only the closing balance.

SAR '000	**2022**	2021
Total compensation	**1,209,383**	1,068,125
Other employee related costs	**285,577**	329,327
Total salaries and employee related costs	**1,494,960**	1,397,452

The above table includes deferred variable compensation of SAR 23.6 million (2021: SAR 19.6 million).

Senior executives:

This comprises senior management having responsibility and authority for formulating strategies, directing and controlling the activities of the Bank including Chief Executive Officer.

31. Employees compensation practices (continued)

Employees engaged in risk taking activities:

This comprises managerial staff within the business lines (Corporate, Retail, Treasury and Investment banking and Brokerage), who are responsible for executing and implementing the business strategy on behalf of the Bank. This includes those involved in recommending and evaluating credit limits and credit worthiness, pricing of loans, undertaking and executing business proposals, treasury dealing activities, investment management and brokerage services.

Employees engaged in control functions:

This refers to employees working in divisions that are not involved in risk taking activities but engaged in review functions (Risk Management, Compliance, Corporate Governance, Legal, Internal Audit, Finance and Accounting). These functions are fully independent from risk taking units.

Other employees:

This includes all other employees of the Bank, excluding those already reported under the above categories.

Governance of Compensation

The Board of Directors of the Bank, through the Nomination and Compensation Committee (NCCOM) is responsible for the overall design and oversight of the compensation and performance management system.

NCCOM: Terms of Reference

a) Overseeing the compensation system's design and operation on behalf of the Board of Directors;
b) Preparing the Compensation Policy and placing it before the Board for approval;
c) Periodically reviewing the Compensation Policy on its own or when advised by the Board, and making recommendations to the Board for amending/updating the Policy;
d) Periodically evaluating the adequacy and effectiveness of the Compensation Policy to ensure that its stated objectives are achieved;
e) Evaluating practices by which compensation is paid for potential future revenues whose timing and likelihood remain uncertain;
f) Making recommendations to the Board on the level and composition of remuneration of key executives of the Bank. The key executives for this purpose will include all those executives whose appointment is subject to no objection by SAMA;
g) Determination of bonus pool based on risk-adjusted profit of the Bank for payment of performance bonus;
h) Reviewing compliance of the Compensation Policy with these Rules and the FSB principles and Standards;
i) Performing any other related tasks to comply with the regulatory requirements.
j) Considering the suitability of candidates for membership of the Board in accordance with the By-Laws of the Bank and approved policies and standards;
k) Undertaking an annual review of the requirement of suitable skills and qualifications for the membership of the Board;
l) Recommending to the Board criteria for the composition of the Board and its Committees, including the number of Board members, and independence of directors;
m) Conducting an annual evaluation of the independent status of each candidate proposed for election at the General Assembly meeting and reporting the results of such evaluation to the Board;
n) Satisfying itself to the Board and its committees, as applicable, are in compliance with all regulatory requirements, including its composition;

31. Employees compensation practices (continued)

o) Assisting the Board in reviewing the adequacy of the succession planning process and oversee its implementation;
p) Reviewing the performance and making recommendations to the Board regarding the compensation of the Senior Management of the Bank;
q) Reviewing and assessing the adequacy of this Charter every three years and submitting this Charter and any amendments to the Board for approval;
r) Conducting self-evaluation to assess the Committee's contribution and effectiveness in fulfilling its mandate and present it to the Board every three years.

Incentives Oversight Committee (IOC): Terms of Reference

a) The IOC ensures that all incentive plans are properly balanced for risk and reflective of the Bank's compensation philosophy, policy, strategic objectives and incentive system as determined by the NRC and business unit goals;

b) The IOC is responsible for making recommendations to the NRC on all changes to the existing incentive plans in the Bank as well as the addition or removal of any incentive plan. The Board is ultimately responsible for the approval of all incentive plans in the Bank which will be based on the recommendation of the NRC;

c) The IOC is responsible for establishing the processes for incentive plan administration and payments; and

d) The IOC monitors incentive plan results against a set defined KPI's on a quarterly basis and alerts management in case of potential disconnects between performance results and planned incentive payments.

Salient Features of the Banks Compensation Policy

The Bank utilizes 4 key Reward Principles which are aligned to the Bank's overall strategic direction. The 4 Rewards Principles underpin the design and execution of the Bank's compensation policy and practices:

1st Reward Principle: Pay for Performance:
The Bank's policy ensures, through fixed and variable forms of compensation, the recognition of high performance and the differentiation between varying levels of performance at the Bank's different levels: individual, group/division and bank-wide, based on the seniority of the role within the Bank, whilst also ensuring the independency of the control functions.

2nd Reward Principle: Flexibility:
The Bank's compensation policy is flexible enough in order to facilitate an internal job market, and flexible enough in order to cater to the evolving requirements of the Bank in an evolving banking industry.

3rd Reward Principle: Competitiveness:
The Bank monitors market trends closely and reviews its compensation against a selected peer group of banks. This is to ensure that the Bank remains able to attract, engage and retain the required talent.

4th Reward Principle: Risk Alignment:
The Bank's compensation policy ensures that the correct risk mitigation measures are applied, such as variable compensation deferral and clawback arrangements, as appropriate.

General description

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation conducted by an independent actuary, taking into accounts the provision of the Saudi Arabian Labor Law. The actuarial gains/losses for the year ended December 31, 2022, are not material to the consolidated financial statements taken as a whole.

31. Employees compensation practices (continued)

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

SAR '000	2022	2021
Defined benefit obligation at the beginning of the year	**507,694**	504,044
Current service cost charge for the year	**49,596**	50,921
Interest cost	**13,771**	12,229
Benefits paid	**(61,997)**	(57,497)
Unrecognized actuarial gain	**(9,349)**	(2,003)
Defined benefit obligation at the end of the year	**499,715**	507,694

SAR '000	2022	2021
Charge for the year		
Current service cost	**49,596**	50,921
Interest cost	**13,771**	12,229
Total	**63,367**	63,150

Principal actuarial assumptions (in respect of the employee benefit scheme)	2022	2021
Discount rate	**5.3% p.a**	2.9% p.a
Expected rate of salary increase	**5.0% p.a**	3.0% p.a
Normal retirement age	**58 years**	58 years

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

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2022 and 2021 to the discount rate, salary escalation rate, withdrawal assumptions and mortality rates.

SAR '000	2022	2021
Discount rate – decrease by 0.5%	**524,715**	518,509
Future salary growth – increase by 0.5%	**524,522**	518,317
Retirement age – increase by one year	**498,992**	494,484

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions are correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

31. Employees compensation practices (continued)

The Bank makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its employees. The total amount expensed during the year in respect of this plan was SAR 57 million (2021 SAR 53 million).

Expected maturity analysis of discounted defined benefit obligation for the end of service plan is as follows:

SAR '000	**2022**	2021
Below 1 year	**44,510**	57,558
Above 1 year	**455,205**	450,136
Total	**499,715**	507,694

32. Operating segments

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss. The Bank's primary business is conducted in the Kingdom of Saudi Arabia.

a) The Bank's reportable segments under IFRS 8 are as follows:

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

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

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

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit as included in the internal management reports that are reviewed by chief decision maker. Segment profit is used to measure performance, as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The Bank's total assets and liabilities as at December 31, 2022 and 2021, its total operating income and expenses and its net income attributable to equity holders of the Bank for the years then ended by operating segments, are as follows:

32. Operating segments (continued)

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
2022					
Total assets	**38,411,305**	**122,840,810**	**68,634,685**	**2,191,319**	**232,078,119**
Loans and advances, net	**37,047,708**	**120,539,784**	**-**	**1,424,033**	**159,011,525**
Total liabilities	**78,542,043**	**81,980,544**	**31,204,920**	**1,605,287**	**193,332,794**
Customers' deposits	**77,321,225**	**80,271,095**	**-**	**-**	**157,592,320**
Total operating income	**2,256,868**	**3,543,948**	**1,765,791**	**450,668**	**8,017,275**
Total operating expenses before impairment charge	**1,459,660**	**673,774**	**305,893**	**214,248**	**2,653,575**
Impairment charges for financial assets, net	**(6,061)**	**1,370,005**	**(4,367)**	**220**	**1,359,797**
Net income for the year before zakat	**803,269**	**1,500,169**	**1,464,265**	**236,200**	**4,003,903**
Net special commission income	**2,058,847**	**3,080,134**	**1,167,044**	**120,528**	**6,426,553**
Fees and commission income, net	**123,895**	**458,727**	**-**	**314,239**	**896,861**
Exchange income, net	**53,799**	**4,736**	**416,149**	**-**	**474,684**
Trading income, net	**20,170**	**-**	**179,890**	**1,688**	**201,748**
Inter-segment revenue	**1,273,626**	**662,119**	**(1,935,745)**	**-**	**-**
Depreciation and amortization	**157,774**	**38,566**	**21,949**	**3,139**	**221,428**
2021					
Total assets	34,195,496	114,226,146	65,296,420	2,083,964	215,802,026
Loans and advances, net	33,005,031	113,041,486	-	1,766,242	147,812,759
Total liabilities	81,535,610	62,773,053	29,663,189	2,144,504	176,116,356
Customers' deposits	80,467,252	61,482,956	-	-	141,950,208
Total operating income	1,865,864	2,944,021	1,858,687	459,354	7,127,926
Total operating expenses before impairment charge	1,301,986	675,021	268,555	201,382	2,446,944
Impairment charges for financial assets, net	34,715	807,130	1,669	91	843,605
Net income for the year before zakat	529,163	1,461,870	1,588,463	257,881	3,837,377
Net special commission income	1,703,999	2,578,495	1,336,791	79,360	5,698,645
Fees and commission income, net	124,230	361,246	22,460	379,993	887,929
Exchange income, net	37,637	4,259	294,235	-	336,131
Trading income, net	-	-	171,841	-	171,841
Inter-segment revenue	827,817	539,270	(1,367,087)	-	-
Depreciation and amortization	158,214	40,567	22,534	3,657	224,972

32. Operating segments (continued)

b) The Bank's credit exposure by operating segments is as follows:

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
2022					
Statement of financial position assets	**37,113,373**	**121,124,736**	**58,478,330**	**1,969,291**	**218,685,730**
Commitments and contingencies	**338,924**	**34,482,181**	**-**	**-**	**34,821,105**
Derivatives	**-**	**-**	**3,979,804**	**-**	**3,979,804**
2021					
Statement of financial position assets	33,071,142	113,737,847	57,003,301	1,964,296	205,776,586
Commitments and contingencies	284,514	30,625,530	-	-	30,910,044
Derivatives	-	-	5,658,140	-	5,658,140

Credit exposure comprises the carrying value of statement of financial position assets excluding cash, property and equipment, positive fair value of derivative, other assets & other real estate. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure.

33. Financial Risk Management

Credit Risk

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Committee, which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Bank manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off statement of financial position financial instruments, such as loan commitments.

The Bank assesses the probability of default of counterparties using internal rating tools with an overlay of credit assessment, where necessary. In addition, the Bank also uses external ratings from major rating agencies where available.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify, 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 Bank 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 Bank may also close out transactions or assign them to other counterparties to mitigate credit risk. The Bank's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

33. Financial Risk Management (continued)

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank 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 collateral / security when appropriate. The Bank 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, 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 Bank regularly reviews its risk management policies and systems to reflect changes in market conditions and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. For analysis of investments by counterparty and the details of the composition of investments, and loans and advances, refer to notes 6 and 7, respectively. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 21. The information on Banks maximum credit exposure by business segment is given in note 32.

The Bank's internal credit rating grades:

Rating Grade	Description	PD-Range	Mid-Point
Performing			
A+	Exceptional	0-0.02%	0.0030%
A	Excellent	0-0.02%	0.0100%
B+	Very Good	0.02%-0.04%	0.0221%
B	Good	0.04%-0.08%	0.0585%
C+	Very Satisfactory	0.08%-0.16%	0.1464%
C	Satisfactory	0.16%-0.32%	0.3047%
C-	Fairly Satisfactory	0.32%-0.64%	0.5333%
D+	Pass	0.64%-0.85%	0.8059%
D	Mediocre	0.85%-1.28%	1.2213%
D-	Very Mediocre	1.28%-2.56%	2.1793%
E+	Weak	2.56%-5.12%	4.8860%
E	Special Mention	5.12%-15.0%	10.9544%
E-	Special Mention	15.0%-40.0%	24.8933%
Non-Performing			
F	Standard	100.00%	100.00%
Z	Doubtful	100.00%	100.00%
Y	Loss	100.00%	100.00%

33. Financial Risk Management (continued)

Geographical concentration

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

SAR '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	973,736	-	-	-	-	973,736
Balances with SAMA	10,351,850	-	-	-	-	10,351,850
Due from banks and other financial institutions						
Current account	-	149,564	590,263	2,034,945	18,797	2,793,569
Money market placements	406,064	845,337	750,141	-	-	2,001,542
Investments, net						
Held as FVSI	64,944	3,800	-	-	-	68,744
FVOCI	12,408,375	4,221,850	1,111,275	664,168	-	18,405,668
Investments held at amortised cost	26,043,137	-	-	-	-	26,043,137
Investment in associate	-	9,695	-	-	-	9,695
Positive fair value of derivatives						
Held for trading	1,353,005	6,273	4,966,797	205,895	-	6,531,970
Held as fair value hedges	-	-	20,638	-	-	20,638
Held as cash flow hedges	1,169	2,445	25,070	1,688	-	30,372
Loans and advances, net						
Overdraft and commercial loans	127,868,564	1,629,856	-	-	-	129,498,420
Credit cards	568,017	7	-	-	-	568,024
Consumer loans	28,945,081	-	-	-	-	28,945,081
Property, equipment and right of use assets , net	1,739,307	-	-	-	-	1,739,307
Other assets and other real estate	2,075,012	11,433	1,663,221	346,700	-	4,096,366
Total assets	212,798,261	6,880,260	9,127,405	3,253,396	18,797	232,078,119

33. Financial Risk Management (continued)

SAR '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2022						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	19,133	203,812	19,870	12,943	6,929	262,687
Money market deposits	8,892,899	7,956	5,998,339	-	1,608,561	16,507,755
Customers' deposits						
Demand	91,020,097	69,091	4,835	28	87,281	91,181,332
Time	60,275,249	-	-	-	-	60,275,249
Saving	1,053,846	-	-	-	-	1,053,846
Other	5,076,923	-	73	-	4,897	5,081,893
Negative fair value of derivatives						
Held for trading	1,077,631	290,487	4,461,507	398,027	-	6,227,652
Held as fair value hedges	-	-	43,146	-	-	43,146
Held as cash flow hedges	286,697	-	716,682	109,530	-	1,112,909
Debt securities and term loans	-	1,876,094	-	2,639,160	-	4,515,254
Other liabilities	6,021,365	13,355	1,014,155	22,196	-	7,071,071
Total liabilities	173,723,840	2,460,795	12,258,607	3,181,884	1,707,668	193,332,794
Commitments and contingencies						
Letters of credit	8,155,349	198,137	281,792	-	1,159,141	9,794,419
Letters of guarantee	36,144,811	564,833	3,191,224	230,352	64,712	40,195,932
Acceptances	2,412,480	153	-	-	-	2,412,633
Irrevocable commitments to extend credit	11,158,028	285,637	-	-	-	11,443,665
Total	57,870,668	1,048,760	3,473,016	230,352	1,223,853	63,846,649
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	1,901,057	166,954	1,778,010	133,783	-	3,979,804
Total	1,901,057	166,954	1,778,010	133,783	-	3,979,804
Commitments and contingencies exposure						
Letters of credit	3,089,264	39,628	56,358	-	231,828	3,417,078
Letters of guarantee	22,102,191	311,967	1,632,067	115,176	41,373	24,202,774
Acceptances	2,412,480	153	-	-	-	2,412,633
Irrevocable commitments to extend credit	4,731,493	57,127	-	-	-	4,788,620
Total	32,335,428	408,875	1,688,425	115,176	273,201	34,821,105

33. Financial Risk Management (continued)

SAR '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	1,023,141	-	-	-	-	1,023,141
Balances with SAMA	8,771,927	-	-	-	-	8,771,927
Due from banks and other financial institutions						
Current account	-	136,716	860,963	2,755,891	44,810	3,798,380
Money market placements	400,619	-	375,000	749,965	-	1,525,584
Investments, net						
Held as FVSI	198,893	11,102	-	-	-	209,995
FVOCI	11,693,013	2,952,058	143,031	-	154,698	14,942,800
Investments held at amortised cost	28,705,446	-	-	-	-	28,705,446
Investment in associate	-	9,695	-	-	-	9,695
Positive fair value of derivatives						
Held for trading	304,165	417,988	2,610,732	882	94,034	3,427,801
Held as fair value hedges	-	-	1,269	-	-	1,269
Held as cash flow hedges	90,353	14,616	480,191	-	47,757	632,917
Loans and advances, net						
Overdraft and commercial loans	118,992,074	1,595,876	-	-	-	120,587,950
Credit cards	499,908	-	-	-	10	499,918
Consumer loans	26,724,891	-	-	-	-	26,724,891
Property, equipment and right of use assets , net	1,585,763	-	-	-	-	1,585,763
Other assets and other real estate	2,322,451	1	960,200	-	71,897	3,354,549
Total assets	201,312,644	5,138,052	5,431,386	3,506,738	413,206	215,802,026

33. Financial Risk Management (continued)

SAR '000	Saudi Arabia	Middle East	Europe	North America	Other Countries	Total
2021						
Liabilities						
Due to SAMA, banks and other financial institutions						
Current accounts	13,046	157,681	251,615	68,177	3,952	494,471
Money market deposits	16,293,083	1,147,381	4,389,481	-	1,529,441	23,359,386
Customers' deposits						
Demand	88,801,313	69,709	12,667	28	116,068	88,999,785
Time	45,803,980	262,500	-	-	-	46,066,480
Saving	905,762	-	-	-	-	905,762
Other	5,973,145	920	73	-	4,043	5,978,181
Negative fair value of derivatives						
Held for trading	1,452,045	18,011	1,609,331	-	71,453	3,150,840
Held as fair value hedges	-	-	6	-	-	6
Held as cash flow hedges	37,853	-	48,659	-	8,740	95,252
Other liabilities	6,683,511	11,483	342,515	-	28,684	7,066,193
Total liabilities	165,963,738	1,667,685	6,654,347	68,205	1,762,381	176,116,356
Commitments and contingencies						
Letters of credit	9,307,526	4,922	119,674	-	1,751,588	11,183,710
Letters of guarantee	32,505,136	436,169	3,414,418	245,759	76,056	36,677,538
Acceptances	1,525,174	1,127	126,623	130,763	237,338	2,021,025
Irrevocable commitments to extend credit	7,316,602	270,887	-	-	-	7,587,489
Total	50,654,438	713,105	3,660,715	376,522	2,064,982	57,469,762
Maximum Credit exposure (stated at credit equivalent amounts)						
Derivatives	2,088,705	689,398	2,433,467	2,660	443,910	5,658,140
Total	2,088,705	689,398	2,433,467	2,660	443,910	5,658,140
Commitments and contingencies exposure						
Letters of credit	3,969,987	778	23,935	-	350,318	4,345,018
Letters of guarantee	19,586,126	252,478	1,755,383	127,210	52,016	21,773,213
Acceptances	1,525,174	1,127	126,623	130,763	237,338	2,021,025
Irrevocable commitments to extend credit	2,641,977	128,811	-	-	-	2,770,788
Total	27,723,264	383,194	1,905,941	257,973	639,672	30,910,044

33. Financial Risk Management (continued)

b) The distributions by geographical concentration of impaired loans and advances and impairment for credit losses are as follows:

SAR '000	Saudi Arabia	
	2022	2021
Non performing loans and advances, net		
Overdraft & Commercial Loans	**4,038,589**	3,685,252
Credit Cards	**20,175**	34,509
Consumer Loans	**111,160**	138,488
Total	**4,169,924**	3,858,249
Lifetime ECL credit impaired		
Overdraft & Commercial Loans	**2,667,964**	2,238,352
Credit Cards	**19,087**	32,573
Consumer Loans	**92,615**	106,466
Total	**2,779,666**	2,377,391

c) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

1. Due from banks and other financial institutions

SAR '000	December 31, 2022			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Investment grade	**4,753,267**	**-**	**-**	**4,753,267**
Non-investment grade	**913**	**43,235**	**-**	**44,148**
Unrated	**-**	**-**	**-**	**-**
Carrying amount	**4,754,180**	**43,235**	**-**	**4,797,415**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	5,314,471	-	-	5,314,471
Non-investment grade	164	7,885	-	8,049
Unrated	1,624	-	-	1,624
Carrying amount	5,316,259	7,885	-	5,324,144

33. Financial Risk Management (continued)

2. Loans and advances to customers at amortized cost

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	**29,551,867**	**27**	**-**	**29,551,894**
Good quality (C+ to C)	**45,062,080**	**791,152**	**3,742**	**45,856,974**
Satisfactory quality (C- to E+)	**43,579,858**	**5,831,672**	**10,592**	**49,422,122**
Unrated (consumer loans and credit cards)	**29,354,173**	**216,589**	**15,980**	**29,586,742**
Special mention (E to E-)	**476**	**5,346,199**	**77,736**	**5,424,411**
Impaired	**-**	**-**	**4,169,924**	**4,169,924**
Carrying amount	**147,548,454**	**12,185,639**	**4,277,974**	**164,012,067**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost				
Very strong quality including sovereign (A+ to B)	23,029,172	600	-	23,029,772
Good quality (C+ to C)	40,385,634	670,174	3,282	41,059,090
Satisfactory quality (C- to E+)	44,025,963	6,271,171	27,497	50,324,631
Unrated (consumer loans and credit cards)	27,146,983	207,926	21,161	27,376,070
Special mention (E to E-)	1,293	6,872,565	23,913	6,897,771
Impaired	-	-	3,858,249	3,858,249
Carrying amount	134,589,045	14,022,436	3,934,102	152,545,583

33. Financial Risk Management (continued)

The following table sets out information about the credit quality of Loans and advances to customers at amortized cost on a product basis.

I. Overdraft & Commercial Loans

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortized cost : Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	**29,551,867**	**27**	**-**	**29,551,894**
Good quality (C+ to C)	**45,062,080**	**791,152**	**3,742**	**45,856,974**
Satisfactory quality (C- to E+)	**43,579,858**	**5,831,672**	**10,592**	**49,422,122**
Special mention (E to E-)	**-**	**5,310,146**	**15,304**	**5,325,450**
Impaired	**-**	**-**	**4,038,589**	**4,038,589**
Carrying amount	**118,193,805**	**11,932,997**	**4,068,227**	**134,195,029**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost : Overdraft & Commercial Loans				
Very strong quality including sovereign (A+ to B)	23,029,172	600	-	23,029,772
Good quality (C+ to C)	40,385,634	670,174	3,282	41,059,090
Satisfactory quality (C- to E+)	44,025,963	6,271,171	27,497	50,324,631
Special mention (E to E-)	-	6,851,050	18,411	6,869,461
Impaired	-	-	3,685,252	3,685,252
Carrying amount	107,440,769	13,792,995	3,734,442	124,968,206

33. Financial Risk Management (continued)

II. Credit Cards

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortized cost : Credit Cards				
Unrated	**562,074**	**16,430**	**3,046**	**581,550**
Special mention	**61**	**2,523**	**2,513**	**5,097**
Impaired	**-**	**-**	**20,175**	**20,175**
Carrying amount	**562,135**	**18,953**	**25,734**	**606,822**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost : Credit Cards				
Unrated	478,933	39,876	3,422	522,231
Special mention	294	3,632	1,251	5,177
Impaired	-	-	34,509	34,509
Carrying amount	479,227	43,508	39,182	561,917

33. Financial Risk Management (continued)

III. Consumer Loans

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loans and advances to customers at amortized cost : **Consumer Loans**				
Unrated	**28,792,099**	**200,159**	**12,934**	**29,005,192**
Special mention (E to E-)	**415**	**33,530**	**59,919**	**93,864**
Impaired	**-**	**-**	**111,160**	**111,160**
Carrying amount	**28,792,514**	**233,689**	**184,013**	**29,210,216**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost : Consumer Loans				
Unrated	26,668,050	168,050	17,739	26,853,839
Special mention (E to E-)	999	17,883	4,251	23,133
Impaired	-	-	138,488	138,488
Carrying amount	26,669,049	185,933	160,478	27,015,460

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Good quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Facilities require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

Special mention: Facilities require close attention of management due to deterioration in the borrowers' financial condition. However, repayment is currently protected.

33. Financial Risk Management (continued)

3. Investments

- **Amortized cost**

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt investment securities at amortized cost				
Investment grade	**22,493,803**	**-**	**-**	**22,493,803**
Unrated	**3,557,229**	**-**	**-**	**3,557,229**
Carrying amount	**26,051,032**	**-**	**-**	**26,051,032**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	24,031,972	-	-	24,031,972
Unrated	4,679,884	-	-	4,679,884
Carrying amount	28,711,856	-	-	28,711,856

- **FVOCI**

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt investment securities at FVOCI				
Investment grade	**14,851,201**	**-**	**-**	**14,851,201**
Unrated	**3,234,074**	**-**	**-**	**3,234,074**
Carrying amount	**18,085,275**	**-**	**-**	**18,085,275**

33. Financial Risk Management (continued)

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	10,927,717	-	-	10,927,717
Unrated	3,676,776	-	-	3,676,776
Carrying amount	14,604,493	-	-	14,604,493

Investment grade refers to the external credit ratings of debt instruments with low default risk (from AAA to BBB-).

4. Commitment and contingencies

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	**8,861,093**	**923**	**2,732**	**8,864,748**
Good quality (C+ to C)	**10,758,375**	**115,622**	**-**	**10,873,997**
Satisfactory quality (C- to E+)	**12,319,106**	**1,410,318**	**2,404**	**13,731,828**
Special mention (E to E-)	**-**	**798,988**	**13,336**	**812,324**
Impaired	**-**	**-**	**538,208**	**538,208**
Carrying amount	**31,938,574**	**2,325,851**	**556,680**	**34,821,105**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Commitments and contingencies				
Very strong quality including sovereign (A+ to B)	7,774,217	-	-	7,774,217
Good quality (C+ to C)	9,045,300	83,160	-	9,128,460
Satisfactory quality (C- to E+)	11,438,206	1,202,373	3,536	12,644,115
Special mention (E to E-)	-	892,544	1,994	894,538
Impaired	-	-	468,714	468,714
Carrying amount	28,257,723	2,178,077	474,244	30,910,044

33. Financial Risk Management (continued)

The following table sets out the credit analysis for trading financial assets measured at FVSI.

SAR '000	**2022**	2021
Investment securities		
Investment grade	**68,744**	209,995
Total carrying amount	**68,744**	209,995

d) 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 Bank 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 Bank's historical experience and expert credit assessment 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:

- defining an absolute threshold rating for stage 2 assets
- days past due count
- slippage in rating notches

The Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Bank 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.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank 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 Bank 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.

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 Bank's quantitative modeling, the PD is determined to have increased significantly.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank 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.

33. Financial Risk Management (continued)

Such qualitative indicators include forbearance, covenant breaches and deterioration in credit quality of guarantors.

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

The Bank 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).

Credit risk grades

The Bank 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.

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. • Data from credit reference agencies, press articles, changes in external credit ratings • Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data and customer behavior – e.g. utilization of credit card facilities • Affordability metrics • External data from credit reference agencies including industry-standard credit scores	• Payment record – this includes overdue status as well as a range of variables about payment ratios • Utilization of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions

33. Financial Risk Management (continued)

i) Generating the term structure of PD

Credit Risk grades mapped to probabilities, Credit transition probabilities and Macroeconomic inputs determine the term structure of Probability of Default. The Bank 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 derived from external credit reference agencies is also used.

The Bank employs analytical 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. Forward looking predictions of key macro-economic indicators e.g. GDP growth, inflation, unemployment or CDS spreads are translated analytically into the impact on Risk Factors, especially PD. For most of corporate portfolio exposures, key macro-economic indicators include: Government debt to GDP ratio, expectation of stock market return / volatility and interest rate forecast. While for retail portfolio, key macro-economic indicators include: unemployment rate, export of goods and services and banking claims on private sector.

Based on advice from the Bank's Classification and Impairment Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank 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 Bank then uses these forecasts to adjust its estimates of PDs.

ii) Definition of 'Default'

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank 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 Bank. 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 exceptional cases, this criteria may be rebutted based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

In assessing whether a borrower is in default. The Bank 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 Bank; 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.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

33. Financial Risk Management (continued)

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. 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.

The Bank computes the gross carrying amounts using Cash flows for both the pre-modified Terms and post-modification terms with original Interest Rate as EIR. If the difference in the gross carrying amounts is more than the set threshold, the asset will be de-recognised and will be re-recognised as POCI (assuming that the modification is being undertaken in connection with forbearance or a defaulted exposure).

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:

- rating as at reporting date and the modified terms;
- rating at initial origination and the original contract terms

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect special commission income and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank 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 in case of assets with significant increase in credit risk.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Bank'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 may include granting concession in interest rate and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank’s special department for distressed assets continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognised.

The table below includes Stage 2 and 3 corporate financial assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

SAR '000	**2022**
Amortized cost of financial assets modified during the period	**138,128**
Net modification loss	**(5,469)**

33. Financial Risk Management (continued)

The table below shows the gross carrying amount of previously modified corporate financial assets for which loss allowance has changed to 12 month ECL measurement during the period:

December 31, 2022	**Post and Pre modification**	
SAR '000	**Gross amount**	**ECL**
Facilities that have cured and now measured as 12 months ECL (stage 1)	-	-
Facilities that reverted to (Stage 2 and 3) Life-Time ECL having once cured	-	-

Forbearance in retail financial assets does not have a material bearing on the consolidated financial statements.

iv) 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.

This is assessed by defining an absolute threshold rating for stage 2 assets, days past due count, slippage in rating notches and qualitative measures specific to each exposure class, which is enshrined in the Board approved Staging Policy.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank 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.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due though technical rebuttals on a case by case basis is possible exceptionally. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank 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).

v) Incorporation of forward looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly by its view on the future evolving macroeconomic environment. Based on advice from Classification and Impairment Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

33. Financial Risk Management (continued)

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and losses. The values of macroeconomic variables under the three scenarios employed in ECL computation for the corporate portfolio are presented below. The other portfolios constitute a relatively smaller share of the ECL allowance.

Economic Indicators	**2022**	2021
General government debt to GDP ratio	**Upside 23.32** **Base case 23.75** **Downside 30.87**	Upside 40.78 Base case 45.19 Downside 64.83
Tadawul All Share Index	**Upside 11,337** **Base case 11,144** **Downside 10,305**	Upside 11,744 Base case 10,880 Downside 8,097
Government Bond Yields 1 Year	**Upside 3.29** **Base case 3.21** **Downside 1.71**	Upside 1.48 Base case 1.37 Downside 0.82

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years. The Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	**Forecast calendar years used in 2022 ECL model**			Forecast calendar years used in 2021 ECL model		
	2023	**2024**	**2025**	2022	2023	2024
General government debt to GDP ratio	**23.75**	**23.28**	**23.14**	45.19	47.97	49.46
Tadawul All Share Index	**11,144**	**11,580**	**11,768**	10,880	11,293	11,516
Government Bond Yields 1 Year	**3.21**	**2.88**	**2.86**	1.37	2.08	3.03

The table below shows the ECL computed under each of the three different economic scenarios employed for credit provisioning under IFRS 9:

SAR '000	**Due from banks and other financial institutions**	**Debt instrument at AC**	**Debt instrument at FVOCI**	**Loans and advances**	**Off statement of financial position**	**Total**
2022						
Most likely (base case)	**2,304**	**7,895**	**17,527**	**4,988,245**	**277,557**	**5,293,528**
More optimistic (upside)	**2,304**	**7,895**	**17,527**	**4,980,411**	**277,497**	**5,285,634**
More pessimistic (downside)	**2,304**	**7,895**	**17,527**	**5,037,071**	**277,874**	**5,342,671**
Closing provision	**2,304**	**7,895**	**17,527**	**5,000,542**	**277,634**	**5,305,902**
2021						
Most likely (base case)	180	6,410	14,320	4,720,530	287,797	5,029,237
More optimistic (upside)	180	6,410	14,320	4,705,411	287,143	5,013,464
More pessimistic (downside)	180	6,410	14,320	4,776,739	290,058	5,087,707
Closing provision	180	6,410	14,320	4,732,824	288,279	5,042,013

33. Financial Risk Management (continued)

ECL is calculated as the probability-weighted amount after application of 40%, 30% and 30% weights to the outcome of Base Case, Upside and Downside scenarios respectively.

vi) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

a. probability of default (PD);
b. loss given default (LGD);
c. exposure at default (EAD).

These parameters are generally derived from internally developed statistical models, regulatory inputs (e.g. in case of LGD) 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 analytical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These analytical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PD's are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank 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 and recovery costs of any collateral that is integral to the financial asset. The estimates are also sensitive to forward looking macroeconomic information.

EAD represents the expected exposure in the event of a default. The Bank 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 and financial guarantees, 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 or Regulatory guidelines. 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 Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options for indeterminate maturity products) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits. Cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

33. Financial Risk Management (continued)

Sensitivity of ECL allowance:

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the yearend:

Assumptions sensitized	
SAR '000	**ECL Impact (2022)**
Macro-economic factors:	
Increase in Debt to GDP by 15%	**71,804**
Decrease in TADAWUL STOCK INDEX by 15%	**54,685**
Scenario weightages:	
Base scenario sensitized by +/- 5% with corresponding change in downside	**2,457**
Base scenario increase by +/- 5% with corresponding change in upside	**395**

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The Banking sector is subject to regular review to ensure that exposures within a particular Bank 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.

33. Financial Risk Management (continued)

Ageing of loans and advances (past due but not impaired)

SAR '000	December 31, 2022			
	Overdraft & Commercial Loans	**Credit Cards**	**Consumer Loans**	**Total**
From 1 day to 30 days	**3,381,331**	**8,502**	**557,774**	**3,947,607**
From 31 days to 90 days	**607,004**	**7,024**	**161,280**	**775,308**
From 91 days to 180 days	**5,520**	**-**	**-**	**5,520**
More than 180 days	**122,152**	**-**	**-**	**122,152**
Loans and advances held at amortised cost, net	**4,116,007**	**15,526**	**719,054**	**4,850,587**

SAR '000	December 31, 2021			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
From 1 day to 30 days	135,828	33,464	405,305	574,597
From 31 days to 90 days	76,125	11,154	122,983	210,262
From 91 days to 180 days	72,573	-	-	72,573
More than 180 days	519,832	-	-	519,832
Loans and advances held at amortised cost, net	804,358	44,618	528,288	1,377,264

In exceptional cases financial assets past due more than 90 days are considered performing based on reasonable and supportable information (e.g. administrative oversight, delay in receipt of receivables from entities with strong credit standing) after following a rigorous review and governance process.

33. Financial Risk Management (continued)

e) Economic sector risk concentrations for the loans and advances and allowance for impairment losses are as follows:

SAR '000	Performing	Non Performing, net	Allowance for impairment losses	Loans and advances, net
2022				
Government and quasi Government	**-**	**-**	**-**	**-**
Banks and other financial institutions	**1,580,868**	**-**	**(3,971)**	**1,576,897**
Agriculture and fishing	**3,038,352**	**11**	**(39,249)**	**2,999,114**
Manufacturing	**18,979,754**	**1,611,487**	**(1,257,700)**	**19,333,541**
Mining and quarrying	**4,590,966**	**-**	**(6,973)**	**4,583,993**
Electricity, water, gas and health services	**13,991,157**	**21,665**	**(17,963)**	**13,994,859**
Building and construction	**17,359,469**	**798,582**	**(1,377,850)**	**16,780,201**
Commerce	**29,228,621**	**562,494**	**(735,176)**	**29,055,939**
Transportation and communication	**6,054,357**	**3,887**	**(13,268)**	**6,044,976**
Services	**19,822,168**	**853,425**	**(1,032,060)**	**19,643,533**
Consumer loans and credit cards	**29,685,704**	**131,335**	**(303,934)**	**29,513,105**
Others	**15,510,727**	**187,038**	**(212,398)**	**15,485,367**
Total	**159,842,143**	**4,169,924**	**(5,000,542)**	**159,011,525**
2021				
Government and quasi Government	-	-	-	-
Banks and other financial institutions	1,615,089	-	(14,115)	1,600,974
Agriculture and fishing	3,236,755	77,926	(71,610)	3,243,071
Manufacturing	21,796,439	991,961	(1,000,512)	21,787,888
Mining and quarrying	1,726,171	-	(3,372)	1,722,799
Electricity, water, gas and health services	14,324,551	21,665	(25,018)	14,321,198
Building and construction	12,688,556	793,812	(1,291,248)	12,191,120
Commerce	26,846,763	1,461,085	(1,231,673)	27,076,175
Transportation and communication	5,696,043	3,637	(13,402)	5,686,278
Services	19,617,933	56,390	(479,564)	19,194,759
Consumer loans and credit cards	27,404,380	172,997	(352,568)	27,224,809
Others	13,734,654	278,776	(249,742)	13,763,688
Total	148,687,334	3,858,249	(4,732,824)	147,812,759

33. Financial Risk Management (continued)

f) Collateral

The Bank in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in loans and advances. These collaterals mostly include time, demand, 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 realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for loans that are credit-impaired as at December 31, are as follows:

SAR '000	**2022**	2021
Collateral coverage - less than 50%	**3,501,447**	2,284,157
Collateral coverage - 51 to 70%	**-**	181,371
Collateral coverage - more than 70%	**668,477**	1,392,721
Total	**4,169,924**	3,858,249

34. 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 Interest rates, Foreign Exchange rates and Equity prices. The Bank classifies Market Risk exposures into either Trading or non-trading or Banking Book.

Market Risk within Trading & Banking Book is managed and monitored using various indicators such as Value at Risk, Stress Testing and Sensitivities analysis.

a) Market Risk - Trading book

The Board has set limits for the acceptable level of risks in managing the Trading Book. In order to manage the Market Risk in Trading Book, the Bank applies on a daily basis a VaR methodology in order 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 Bank uses simulation models to assess the possible changes in the market value of the trading book based on historical data. 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 VaR that the Bank 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 one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days. A specific process of daily VaR back testing is performed to identify any exception.

34. Market Risk (continued)

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 Bank also carries out Stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under Stress test conditions are reported regularly to the Bank's ALM and Market Risk committees for their review.

The Bank's VaR related information for the year ended December 31, 2022 and 2021 are follows:

SAR '000	Foreign exchange rate	Special commission rate risk	Overall Trading
2022			
VaR as at December 31, 2022	**58**	**5,728**	**5,747**
Average VaR for 2022	**210**	**6,116**	**6,048**
Maximum VaR for 2022	**555**	**10,876**	**10,007**
Minimum VaR for 2022	**8**	**1,571**	**1,571**
2021			
VaR as at December 31, 2021	14	1,607	1,605
Average VaR for 2021	115	2,114	2,125
Maximum VaR for 2021	623	4,664	4,691
Minimum VaR for 2021	8	1,190	1,162

Overall Trading VaR incorporates compensation effect of positions coming from realized P&L in foreign currencies.

b) Market risk non- trading book

Market risk on non-trading book mainly arises from the special commission rate, foreign currency exposures and equity price changes.

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 Board has established special commission rate gap limits for stipulated periods. The Bank 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 Bank's consolidated statement of income or equity. The sensitivity of the special commission income is the effect of the assumed changes in special commission rates with a lowest level at 0%, on the net special commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2022 and 2021, 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, 2022 and 2021 for the effect of assumed changes in special commission rate. The sensitivity of equity is analyzed by maturity of the asset or swap. All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in SAR thousands.

34. Market Risk (continued)

SAR '000	**December 31, 2022**						
Currency	**BPS change**	**Sensitivity of special commission income**	**Sensitivity of Equity**				
			6 months or less	**Over 6 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
USD	**+100**	**60,692**	**(948)**	**(5,212)**	**(62,245)**	**(19,281)**	**(87,686)**
	-100	**(60,692)**	**948**	**5,212**	**62,245**	**19,281**	**87,686**
SAR	**+100**	**658,920**	**(11,875)**	**(54,377)**	**(320,844)**	**(177,303)**	**(564,399)**
	-100	**(658,543)**	**11,875**	**54,377**	**320,844**	**177,303**	**564,399**

SAR '000	December 31, 2021						
Currency	BPS change	Sensitivity of special commission income	Sensitivity of Equity				
			6 months or less	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
USD	+100	45,078	(635)	(2,869)	(60,499)	(7,577)	(71,580)
	-100	(47,337)	635	2,869	60,499	7,577	71,580
SAR	+100	531,820	(11,761)	(38,632)	(414,016)	(197,020)	(661,429)
	-100	(540,605)	11,761	38,632	414,016	197,020	661,429

Special commission rate sensitivity of assets, liabilities and derivatives

The Bank 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 Board sets limits on the level of mismatch of special commission rate re-pricing that may be undertaken, which is monitored daily by the Bank's Treasury.

The following table summarises the Bank's exposure to special commission rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

The Bank is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets, liabilities, and derivative instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

34. Market Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	-	-	-	-	973,736	973,736
Balances with SAMA	1,185,000	-	-	-	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account	-	-	-	-	2,793,569	2,793,569
Money market placements	2,001,542	-	-	-	-	2,001,542
Investments, net						
Held as FVSI	3,800	-	-	60,459	4,485	68,744
Held as FVOCI, net	2,424,346	3,439,160	10,094,217	2,127,552	320,393	18,405,668
Held at amortised cost, net	4,940,711	5,563,342	9,332,581	6,206,503	-	26,043,137
Investment in associate	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	4,444,308	441,845	339,564	1,186,585	119,668	6,531,970
Held as fair value hedges	20,638	-	-	-	-	20,638
Held as cash flow hedges	25,331	-	5,041	-	-	30,372
Loans and advances, net						
Credit cards and consumer loans	625,255	739,556	13,140,213	14,999,963	8,118	29,513,105
Overdraft and commercial loans	84,844,212	40,256,643	2,113,860	789	2,282,916	129,498,420
Property, equipment and right of use assets, net	-	-	-	-	1,739,307	1,739,307
Other assets and other real estate	-	-	-	-	4,096,366	4,096,366
Total assets	100,515,143	50,440,546	35,025,476	24,581,851	21,515,103	232,078,119

34. Market Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2022						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	-	-	-	-	262,687	262,687
Money market deposits	4,947,449	6,225,310	907,631	-	4,427,365	16,507,755
Customers' deposits						
Demand	10,060,318	-	-	-	81,121,014	91,181,332
Saving	1,053,846	-	-	-	-	1,053,846
Time	48,526,479	11,484,544	264,226	-	-	60,275,249
Other	-	-	-	-	5,081,893	5,081,893
Negative fair value of derivatives						
Held for trading	67,572	303,998	3,095,877	2,674,043	86,162	6,227,652
Held as fair value hedges	16,705	-	26,441	-	-	43,146
Held as cash flow hedges	-	15,924	1,096,985	-	-	1,112,909
Debt securities and term loans	1,876,094	2,639,160	-	-	-	4,515,254
Other liabilities	-	-	-	-	7,071,071	7,071,071
Total equity	-	-	-	-	38,745,325	38,745,325
Total liabilities and equity	66,548,463	20,668,936	5,391,160	2,674,043	136,795,517	232,078,119
commission rate sensitivity - On statement of financial position	33,966,680	29,771,610	29,634,316	21,907,808	(115,280,414)	-
commission rate sensitivity - Off statement of financial position	(15,544,463)	(8,660,265)	26,016,178	(1,811,450)	-	-
Total commission rate sensitivity gap	18,422,217	21,111,345	55,650,494	20,096,358	(115,280,414)	-
Cumulative commission rate sensitivity gap	18,422,217	39,533,562	95,184,056	115,280,414	-	-

34. Market Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	-	-	-	-	1,023,141	1,023,141
Balances with SAMA	79,999	-	-	-	8,691,928	8,771,927
Due from banks and other financial institutions						
Current account	-	-	-	-	3,798,380	3,798,380
Money market placements	1,325,295	200,289	-	-	-	1,525,584
Investments, net						
Held as FVSI	7,155	59,476	3,877	139,487	-	209,995
Held as FVOCI, net	1,140,465	3,171,327	8,763,041	1,529,660	338,307	14,942,800
Held at amortised cost, net	2,060,623	7,517,227	14,892,093	4,235,503	-	28,705,446
Investment in associate	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	528,332	201,535	1,491,575	1,057,216	149,143	3,427,801
Held as fair value hedges	91	-	1,178	-	-	1,269
Held as cash flow hedges	103,847	168,282	360,788	-	-	632,917
Loans and advances, net						
Credit cards and consumer loans	470,602	604,714	12,391,808	13,689,341	68,344	27,224,809
Overdraft and commercial loans	75,129,826	40,117,453	3,810,193	873	1,529,605	120,587,950
Property, equipment and right of use assets, net	-	-	-	-	1,585,763	1,585,763
Other assets and other real estate	-	-	-	-	3,354,549	3,354,549
Total assets	80,846,235	52,040,303	41,714,553	20,652,080	20,548,855	215,802,026

34. Market Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission	Total
2021						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	-	-	-	-	494,471	494,471
Money market deposits	13,103,852	2,399,629	-	-	7,855,905	23,359,386
Customers' deposits						
Demand	11,123,369	-	-	-	77,876,416	88,999,785
Saving	905,762	-	-	-	-	905,762
Time	36,476,373	9,426,989	163,118	-	-	46,066,480
Other	-	-	-	-	5,978,181	5,978,181
Negative fair value of derivatives						
Held for trading	948,399	350,366	971,606	835,489	44,980	3,150,840
Held as fair value hedges	6	-	-	-	-	6
Held as cash flow hedges	-	-	95,252	-	-	95,252
Other liabilities	-	-	-	-	7,066,193	7,066,193
Total equity	-	-	-	-	39,685,670	39,685,670
Total liabilities and equity	62,557,761	12,176,984	1,229,976	835,489	139,001,816	215,802,026
commission rate sensitivity - On statement of financial position	18,288,474	39,863,319	40,484,577	19,816,591	(118,452,961)	-
commission rate sensitivity - Off statement of financial position	(21,795,045)	5,105,485	16,574,062	115,498	-	-
Total commission rate sensitivity gap	(3,506,571)	44,968,804	57,058,639	19,932,089	(118,452,961)	-
Cumulative commission rate sensitivity gap	(3,506,571)	41,462,233	98,520,872	118,452,961	-	-

34. Market Risk (continued)

The off statement of financial position gap represents the net notional amounts of these financial instruments, which are used to manage the special commission rate risk.

The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

ii) 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 Bank has a significant exposure as at December 31, 2022 and 2021 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 commission rate swaps used as cash flow hedges). A positive effect shows a potential increase in the consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in the consolidated statement of income or equity.

SAR '000	**2022**			2021		
Currency exposures	**Change in currency rate in %**	**Effect on net income**	**Effect on equity**	Change in currency rate in %	Effect on net income	Effect on equity
USD	**+5**	**(1,874)**	**-**	+5	38,166	-
EUR	**-3**	**(84)**	**-**	-3	(122)	-

There is no material impact on equity and net income due to change in other foreign currencies.

iii) Currency Position

The Bank 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 both overnight and intra-day positions, which are monitored daily. At the end of the year, the Bank had the following significant net exposures denominated in foreign currencies:

SAR '000	**2022 Long / (short)**	2021 Long / (short)
US Dollar	**(56,250)**	780,584
Euro	**2,813**	4,083
Pound Sterling	**20,271**	(590)
Other	**32,774**	18,949
Total	**(392)**	803,026

34. Market Risk (continued)

iv) Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of equities in the Bank'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 Bank's equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant is as follows:

SAR '000	**2022**		2021	
Market Indices	**Change in equity Price %**	**Effect on market value**	Change in equity Price %	Effect on market value
Tadawul	**+5**	**5,726**	+5	10,857
Tadawul	**-5**	**(5,726)**	-5	(10,857)

There is no material impact on market value due to change in prices of listed international securities.

35. Liquidity Risk

Liquidity risk is the risk that the Bank 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 become unavailable immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents, and readily marketable securities.

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 both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with the Banking Control Law and the Regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total customers' demand deposits, and 4% of due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), saving deposits, time deposits, margins of letters of credit and guarantee, excluding all type of repo 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, Saudi Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Bank can also raise additional funds through repo facilities available with SAMA against its holding of Saudi Government securities.

a) Maturity analysis of assets and liabilities

The following table summarizes the maturity profile of the Bank's assets and liabilities. The expected maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the final contractual maturity date and do not take into account the effective maturities as indicated by the Bank's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained. For presentation purposes all demand, saving and other deposit balances have been shown in no fixed maturity.

35. Liquidity Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2022						
Assets						
Cash and balances with SAMA						
Cash in hand	-	-	-	-	973,736	973,736
Balances with SAMA	1,185,000	-	-	-	9,166,850	10,351,850
Due from banks and other financial institutions						
Current account	-	-	-	-	2,793,569	2,793,569
Money market placements	836,950	308,514	856,078	-	-	2,001,542
Investments, net						
Held as FVSI	3,800	-	-	60,459	4,485	68,744
Held as FVOCI, net	717,073	870,618	13,519,627	2,977,957	320,393	18,405,668
Held at amortised cost, net	1,749,354	5,333,861	12,523,937	6,435,985	-	26,043,137
Investment in associate	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	111,404	364,288	3,241,926	2,814,352	-	6,531,970
Held as fair value hedges	-	-	7,825	12,813	-	20,638
Held as cash flow hedges	25,331	-	5,041	-	-	30,372
Loans and advances, net						
Credit cards and consumer loans	241,054	699,551	13,182,776	15,022,058	367,666	29,513,105
Overdraft and commercial loans	21,299,145	29,163,057	42,155,354	35,946,710	934,154	129,498,420
Property, equipment and right of use assets, net	-	-	-	-	1,739,307	1,739,307
Other assets and other real estate	-	-	-	-	4,096,366	4,096,366
Total assets	26,169,111	36,739,889	85,492,564	63,270,334	20,406,221	232,078,119

35. Liquidity Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2022						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	-	-	-	-	262,687	262,687
Money market deposits	5,472,651	6,225,457	4,809,647	-	-	16,507,755
Customers' deposits						
Demand	-	-	-	-	91,181,332	91,181,332
Saving	-	-	-	-	1,053,846	1,053,846
Time	48,572,004	8,550,894	3,152,351	-	-	60,275,249
Other	-	-	-	-	5,081,893	5,081,893
Negative fair value of derivatives						
Held for trading	89,159	354,096	3,109,251	2,675,146	-	6,227,652
Held as fair value hedges	-	-	27,240	15,906	-	43,146
Held as cash flow hedges	-	15,924	1,096,985	-	-	1,112,909
Debt securities and term loans	-	-	4,515,254	-	-	4,515,254
Other liabilities	34,577	293,980	268,228	395,500	6,078,786	7,071,071
Total equity	-	-	-	-	38,745,325	38,745,325
Total liabilities and equity	54,168,391	15,440,351	16,978,956	3,086,552	142,403,869	232,078,119

35. Liquidity Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2021						
Assets						
Cash and balances with SAMA						
Cash in hand	-	-	-	-	1,023,141	1,023,141
Balances with SAMA	79,999	-	-	-	8,691,928	8,771,927
Due from banks and other financial institutions						
Current account	-	-	-	-	3,798,380	3,798,380
Money market placements	1,325,295	200,289	-	-	-	1,525,584
Investments, net						
Held as FVSI	7,155	59,476	3,877	139,487	-	209,995
Held as FVOCI, net	38,116	669,834	11,480,285	2,416,258	338,307	14,942,800
Held at amortised cost, net	2,060,623	4,444,596	17,964,725	4,235,502	-	28,705,446
Investment in associate	-	-	-	-	9,695	9,695
Positive fair value of derivatives						
Held for trading	98,238	211,110	1,926,297	1,192,156	-	3,427,801
Held as fair value hedges	-	91	1,178	-	-	1,269
Held as cash flow hedges	103,847	168,282	360,788	-	-	632,917
Loans and advances, net						
Credit cards and consumer loans	212,560	583,648	12,441,931	13,577,000	409,670	27,224,809
Overdraft and commercial loans	15,198,689	30,187,471	37,842,018	36,489,202	870,570	120,587,950
Property, equipment and right of use assets, net	-	-	-	-	1,585,763	1,585,763
Other assets and other real estate	-	-	-	-	3,354,549	3,354,549
Total assets	19,124,522	36,524,797	82,021,099	58,049,605	20,082,003	215,802,026

35. Liquidity Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2021						
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Current accounts	-	-	-	-	494,471	494,471
Money market deposits	13,103,851	5,828,850	4,426,685	-	-	23,359,386
Customers' deposits						
Demand	-	-	-	-	88,999,785	88,999,785
Saving	-	-	-	-	905,762	905,762
Time	35,737,606	4,236,790	6,092,084	-	-	46,066,480
Other	-	-	-	-	5,978,181	5,978,181
Negative fair value of derivatives						
Held for trading	63,207	190,714	1,782,829	1,114,090	-	3,150,840
Held as fair value hedges	-	-	-	6	-	6
Held as cash flow hedges	-	-	95,252	-	-	95,252
Other liabilities	274,784	317,798	616,571	271,837	5,585,203	7,066,193
Total equity	-	-	-	-	39,685,670	39,685,670
Total liabilities and equity	49,179,448	10,574,152	13,013,421	1,385,933	141,649,072	215,802,026

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 & contingencies are given in note 21 (c-i) of the consolidated financial statements.

b) Analysis of financial liabilities by remaining undiscounted contractual maturities

The following table summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2022 and 2021 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 Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

35. Liquidity Risk (continued)

SAR '000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
2022						
Due to SAMA, banks and other financial institutions						
Current accounts	**-**	**-**	**-**	**-**	**262,687**	**262,687**
Money market deposits	**5,543,790**	**6,400,004**	**4,881,797**	**-**	**-**	**16,825,591**
Customers' deposits						
Demand	**-**	**-**	**-**	**-**	**91,181,332**	**91,181,332**
Saving	**-**	**-**	**-**	**-**	**1,053,846**	**1,053,846**
Time	**49,001,337**	**8,871,513**	**3,158,015**	**-**	**-**	**61,030,865**
Other	**-**	**-**	**-**	**-**	**5,081,893**	**5,081,893**
Debt securities and term loans	**22,930**	**144,375**	**5,077,500**	**-**	**-**	**5,244,805**
Total	**54,568,057**	**15,415,892**	**13,117,312**	**-**	**97,579,758**	**180,681,019**
2021						
Due to SAMA, banks and other financial institutions						
Current accounts	-	-	-	-	494,471	494,471
Money market deposits	13,110,740	5,834,521	4,426,685	-	-	23,371,946
Customers' deposits						
Demand	-	-	-	-	88,999,785	88,999,785
Saving	-	-	-	-	905,762	905,762
Time	35,781,262	4,267,681	6,122,090	-	-	46,171,033
Other	-	-	-	-	5,978,181	5,978,181
Total	48,892,002	10,102,202	10,548,775	-	96,378,199	165,921,178

36. Fair values of financial assets and liabilities

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

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability

The fair values of on statement of financial position financial instruments are not significantly different from their carrying amounts included in the consolidated financial statements.

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

Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognized valuation models for determining the fair value of common and simpler financial instruments.

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

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

Valuation Framework

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

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

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving Risk Division;
- back-testing of models against observed market transactions and analysis and investigation of significant daily valuation movements

When third party information, such as broker quotes or pricing services, is used to measure fair value, Market Risk Department assesses and documents the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes

Any significant valuation issue is reported at a regular frequency (in addition to whenever deemed necessary) to the Banks Market Risk Committee in order to take appropriate actions accordingly.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging) or identical instrument that an entity can access at the measurement date;

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

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

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

SAR '000	Level 1	Level 2	Level 3	Total
2022				
Financial assets				
Derivative financial instruments	**-**	**6,582,980**	**-**	**6,582,980**
Financial investments designated at FVSI				
-Fixed rate securities	**3,800**	**60,459**	**-**	**64,259**
-Equity	**4,485**	**-**	**-**	**4,485**
Total	**8,285**	**60,459**	**-**	**68,744**
Financial investments at FVOCI				
-Fixed rate securities	**11,724,170**	**2,085,290**	**-**	**13,809,460**
-Floating rate securities	**1,183,819**	**3,091,996**	**-**	**4,275,815**
-Equity	**110,040**	**-**	**210,353**	**320,393**
Total	**13,018,029**	**5,177,286**	**210,353**	**18,405,668**
Total	**13,026,314**	**11,820,725**	**210,353**	**25,057,392**
Financial Liabilities				
Derivative financial instruments negative fair value	**-**	**7,383,707**	**-**	**7,383,707**
Total	**-**	**7,383,707**	**-**	**7,383,707**
2021				
Financial assets				
Derivative financial instruments	-	4,061,987	-	4,061,987
Financial investments designated at FVSI				
-Fixed rate securities	16,000	139,487	-	155,487
-Floating rate securities	-	54,508	-	54,508
Total	16,000	193,995	-	209,995
Financial investments at FVOCI				
-Fixed rate securities	8,212,669	2,395,101	-	10,607,770
-Floating rate securities	286,497	3,710,226	-	3,996,723
-Equity	217,140	-	121,167	338,307
Total	8,716,306	6,105,327	121,167	14,942,800
Total	8,732,306	10,361,309	121,167	19,214,782
Financial Liabilities				
Derivative financial instruments negative fair value	-	3,246,098	-	3,246,098
Total	-	3,246,098	-	3,246,098

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

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

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

Financial investments classified as FVOCI

SAR '000	**2022**	2021
Balance at the beginning of the year	**121,167**	25,080
Transfer from level 2	**-**	-
Additions during the year	**90,413**	105,177
Change in the value	**(1,227)**	(9,090)
Balance at the end of the year	**210,353**	121,167

Level 3 investment instruments include private equity portfolio of SAR 91 million (2021: SAR 16 million) which has been valued at cost as their market value is not significantly different from the carrying values. The remaining level 3 portfolio of SAR 119 million (2021: SAR 105 million) invested in funds which were valued based on the valuation techniques using their latest financial statements. The acquisition value of those funds was SAR 121 million (2021: SAR 107 million).

The fair values of on-statement of financial position financial instruments, except for loans and advances and financial instruments held at amortized cost are not significantly different from the carrying values included in the consolidated financial statements. The fair values of commission bearing customers' deposits, debt securities, due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of the investments held at amortized cost are based on quoted market prices when available or pricing models when used in case of bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique.

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

The fair values of investments held at amortized cost are SAR 25,217 million (2021: SAR 28,808 million) against carrying value of SAR 26,043 million (2021: SAR 28,705 million).

The Bank uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances (level 3 instruments) after adjusting internal credit spread which is SAR 160,823 million (2021: SAR 151,172 million). The carrying values of those loans and advances are SAR 159,012 million (2021: SAR 147,813 million).

The value obtained from the relevant valuation model may differ, with the transaction price of a financial instrument. The difference between the transaction price and the model value commonly referred to as 'day one profit and loss'. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

37. Related party transactions and balances

In the ordinary course of its activities, the Bank transacts business with related parties. In the opinion of the management and the Board, the related party transactions are carried out on group's internal pricing framework. The related party transactions are governed by limits set by the Banking Control Law and Regulations issued by SAMA.

a) The balances as at December 31, 2022 and 2021 resulting from such transactions included in the consolidated financial statements are as follows:

SAR '000	2022	2021
Associates		
Investments	**9,695**	9,695
Due to banks and other financial institutions	**8,204**	8,171
Directors, senior management, shariah members and major shareholders' and their affiliates		
Loans and advances	**11,813,189**	12,586,365
Investments	**957,941**	1,004,953
Due from banks and other financial institutions	**-**	-
Other assets	**17,783**	-
Customers' deposits	**12,112,335**	4,799,882
Due to banks and other financial institutions	**900,000**	2,050,000
Other liabilities	**6,542**	7,172
Derivatives at fair value, net	**(45,733)**	(66,289)
Commitments and contingencies	**3,224,229**	2,096,059

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

SAR '000	2022	2021
Special commission income		
-Directors, senior management, shariah members and major shareholders' and their affiliates	**418,808**	274,800
Total Special commission income	**418,808**	274,800
Special commission expense		
-Directors, senior management, shariah members and major shareholders' and their affiliates	**109,197**	22,417
-Associates	**103**	35
Total Special commission expense	**109,300**	22,452
Fees, commission income and others, net	**32,181**	60,077
Directors' fees	**9,513**	9,186
Other general and administrative expenses	**193,175**	133,341

37. Related party transactions and balances (continued)

c) The credit exposure of related party balances by stage analysis

SAR '000	**December 31, 2022**			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Directors, senior management, shariah members and major shareholders' and their affiliates				
Loans and advances	**11,487,671**	**325,518**	**-**	**11,813,189**
Investments	**957,941**	**-**	**-**	**957,941**
Commitments and contingencies	**3,173,128**	**51,101**	**-**	**3,224,229**

SAR '000	December 31, 2021			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Directors, senior management, shariah members and major shareholders' and their affiliates				
Loans and advances	12,345,535	240,830	-	12,586,365
Investments	1,004,953	-	-	1,004,953
Commitments and contingencies	2,033,019	63,040	-	2,096,059

As at December 31, 2022, the bank maintains a ECL provision amounting to SAR 84 million (2021: SAR 27million) for related party exposure

The below table shows the total amount of salaries and employee related benefits to the Bank's senior management personnel are as follows:

SAR '000	**2022**	2021
Short term benefit	**56,793**	53,909
Long term benefit (deferral bonus)	**8,729**	7,512
Long term incentive plan	**16,750**	16,750
Termination benefit	**9,406**	-
Total	**91,678**	78,171

The senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

38. Treasury Shares

The long term incentive plan program that aligns the Bank's future performance with the individual personal success of the Bank's leadership team, key and high potential employees. The purpose of the Plan is to align the interests of the Bank's key employees with the interests of the shareholders of the Bank, enhance market competitiveness for key roles and retain key employees of the Bank. The Bank acquired treasury shares as authorised by the Board under its Long Term Incentive (LTI) plan, which will grant equity shares of the Bank to eligible employees as per LTI plan. The eligible employees will benefit from the value of the Bank shares over the vesting period. The LTI plan has been commenced on grant date. The Bank has offered eligible employees the option for equity ownership opportunities.

The significant features of these plans are as follows:

Nature of Plan	Long Term Incentive Plan	Long Term Incentive Plan	Long Term Incentive Plan
Number of outstanding plan	1	1	1
Grant date	March 31, 2020	March 31, 2021	March 31, 2022
Maturity date	April 01, 2023	April 01, 2024	April 01, 2025
Grant price - SAR	33.265	31.455	51.141
Vesting period	3 years	3 years	3 years
Vesting conditions	Employees remain in service , meets performance and service criteria	Employees remain in service , meets performance and service criteria	Employees remain in service , meets performance and service criteria
Method of settlement	Equity	Equity	Equity
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Fair value per share on grant date-SAR	23.297	29.318	46.745

The share performance will be granted under a service condition along with market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above plans for the year is SAR 26 million (2021: SAR 23.6 million).

	2022	2021
Number of shares allocated for LTI calculation at the beginning of the year	**4,162,042**	3,580,788
Vested / forfeited during the year	**(1,169,410)**	(1,222,920)
Allocated during the year, net	**1,241,708**	1,804,174
Number of shares allocated for LTI calculation at the year end	**4,234,340**	4,162,042

Total number of unallocated treasury shares under LTI plan as of December 31, 2022 was 1.5 million shares (December 31, 2021: 1.2 million shares).

39. Capital risk management

The Bank actively manages its capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Bank's regulator, SAMA. The Basel III capital ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("RWA") at or above agreed minimum level.

40. Capital Adequacy

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

SAMA through its Circular Number 391000029731 dated Rabi Al-Awwal 15, 1439H (December 03, 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2020 and 2021 effective from March 31, 2020 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

The RWAs, total capital and related ratios as at December 31, 2022 and 2021 are calculated using the framework and the methodologies defined under the Basel III framework.

SAR '000	**2022**	2021
Credit Risk RWA	**199,328,125**	185,159,270
Operational Risk RWA	**13,681,882**	13,224,774
Market Risk RWA	**1,662,442**	3,835,772
Total RWA	**214,672,449**	202,219,816
Tier I Capital	**40,571,463**	40,329,281
Tier II Capital	**2,200,323**	2,314,491
Total Tier I & II Capital	**42,771,786**	42,643,772
Capital Adequacy Ratio %		
Tier I ratio	**18.90%**	19.94%
Tier I + Tier II ratio	**19.92%**	21.09%

41. Investment management, brokerage and corporate finance services

The Bank offers investment services to its customers through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors as well as brokerage services. Income from the subsidiaries is included in the consolidated statement of income under fees and commission income, net. Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the Fund (comprising of its investments, any carried profit and expected management fees) and the investors' rights to remove the Fund Manager.

As a result of the above assessment, the Bank has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. However, the Bank's share of these funds is included in the FVOCI investments and fees earned are disclosed under related party transactions.

The Bank through its subsidiary offers investment management services to its customers, which include management of certain investment funds in consultation with professional investment advisors, having net asset value of SAR 26,727 million (2021: SAR 26,416 million). These include certain Islamic mutual funds with total assets under management of SAR 1,671 million (2021: SAR 2,171 million).

42. IBOR Transition (Interest Rate Benchmark Reforms)

Management is running a project on the Bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and is considering changes to systems, processes, risk management and valuation models as well as accounting implications (if any). The Bank has complied with the regulatory deadline of December 31, 2022 for the LIBOR transition and is now offering products based on the new benchmarks.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. As at December 31, 2022, the carrying value of non-derivative financial assets using LIBOR as benchmark rates amounted to SAR 3,953 million.

43. Climate Related Risk

The relevance and urgency of climate change, and its associated financial impact, have rapidly risen up companies' agendas over the past few years due to the increasingly prevalent risks over the short, medium, and long-term horizons. Addressing and mitigating climate change is a complex challenge, and one in which the banking sector will play a central role.

The banking sector will be increasingly impacted by climate risk through accelerating stakeholder expectations, regulatory development, and market pressures. Banks are exposed to climate-related risks through their lending and investment activities, which can be susceptible to heightened climate-sensitive sectors and assets.

Therefore, it is vital that BSF fully identify, assess and manage its climate-related risks and their impact on the Bank's principal risk categories, such as credit risk, reputational risk, and liquidity risk. BSF will achieve this by categorizing the crucial physical and transitional risks that may impact the business.

Physical risks

Physical risks are weather events and longer-term shifts in climate that are driven by climate change. These can be acute events, such as hurricanes, floods, wildfires, or chronic changes that result in sea level rise, increased ambient temperatures, and desertification. The nature, severity, and timing of extreme weather events are uncertain, but globally we are seeing a surge in their frequency and the impact on economies is becoming increasingly evident. Physical risks may impact a business through damage to property, stranded assets, and supply chain disruption .

Transitional risks

As countries commit to transitioning to a low-carbon economy around the globe, there are significant financial risks associated with this shift, which can depend on the nature, speed, uptake and significance of changes imposed. Transition risks can include accelerating regulatory expectations, technology advancements, reputational damage and market risks.

Although climate change presents challenges to BSF and the broader banking sector, there are also significant opportunities for the Bank to capitalize upon. The transition to a low-carbon economy will require new products and services (such as green and climate bonds), increased resource efficiency will lead to cost savings and access to new markets.

43. Climate Related Risk (continued)

BSF will extend its comprehensive risk management processes to embed climate-related risks within its core procedures. As part of future climate risks assessments, BSF will consider the following to measure, manage and monitor climate-related risks within the business:

- The key sectors and areas of business that will be impacted by climate change
- Associating and estimating the financial impact of the identified risks
- Possible mitigation measures the Bank can implement

BSF recognizes this is an evolving subject and will require the Bank to work holistically to contribute to its complexity. A better fundamental understanding of these risks will allow the Bank to make more informed financial decisions and engage with stakeholders more effectively on the topic.

44. Comparative figures

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

The following table shows the reclassification in the consolidated statement of income:

SAR '000	Previously presented as at December 31, 2021	Reclassification impact	Reclassified balance as at December 31, 2021
Fee and commission income	1,728,595	(325,199)	1,403,396
Special Commission income	5,868,512	325,199	6,193,711
Other operating income	63,994	(59,919)	4,075
Impairment charge for expected credit losses on loans and advances, net	1,021,349	(59,919)	961,430

Fee and commission income of SAR 325 million has been reclassified to special commission income, being an integral part of the effective interest rate in financial assets.

Recoveries of written off loans of SAR 60 million have been reclassified from other operating income to impairment charge for expected credit losses on loans and advances.

45. Board of Directors approval

The consolidated financial statements were approved by the Board of Directors on February 09, 2023 corresponding to Rajab 18, 1444H.