

البنك
السعودي
الفرنسي
Banque
Saudi
Fransi



BANQUE SAUDI FRANSI

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED

MARCH 31, 2023



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

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

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

Introduction

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

Scope of review

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

Conclusion

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

Other regulatory matters

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 22 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 22 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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



24 Shawwal 1444
14 May 2023

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (40,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

SAR '000	Notes	Mar 31, 2023 (Unaudited)	Dec 31, 2022 (Audited)	Mar 31, 2022 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	14,682,706	11,325,586	10,372,513
Due from banks and other financial institutions, net	6	4,056,131	4,795,111	6,658,871
Investments, net	7	44,807,122	44,517,549	42,942,418
Positive fair value of derivatives	12	5,820,206	6,582,980	4,060,758
Loans and advances, net	8	164,779,327	159,011,525	152,689,611
Investment in associate, net		9,695	9,695	9,695
Property, equipment and right of use assets, net		1,828,767	1,739,307	1,594,180
Other real estate, net		342,050	342,050	362,234
Other assets, net		3,909,518	3,754,316	3,520,246
Total assets		240,235,522	232,078,119	222,210,526
LIABILITIES AND EQUITY				
Liabilities				
Due to SAMA	9	9,927,027	8,004,403	9,315,478
Due to banks and other financial institutions	10	4,347,904	8,766,039	11,142,715
Customers' deposits	11	167,413,580	157,592,320	150,758,518
Negative fair value of derivatives	12	6,574,208	7,383,707	4,011,015
Debt securities and term loans	20	4,532,774	4,515,254	-
Other liabilities		7,504,090	7,071,071	7,555,271
Total liabilities		200,299,583	193,332,794	182,782,997
Equity				
Share capital		12,053,572	12,053,572	12,053,572
Statutory reserve		12,053,572	12,053,572	12,053,572
General reserve		982,857	982,857	982,857
Other reserves		(1,912,317)	(2,090,067)	(854,302)
Retained earnings		10,788,280	9,768,005	9,217,032
Proposed dividend		1,079,633	1,079,633	1,019,956
Treasury shares		(109,658)	(102,247)	(45,158)
Equity attributable to the shareholders of the Bank		34,935,939	33,745,325	34,427,529
Tier 1 Sukuk	15	5,000,000	5,000,000	5,000,000
Total equity		39,935,939	38,745,325	39,427,529
Total liabilities and equity		240,235,522	232,078,119	222,210,526

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Ramzy Darwish



Chief Financial Officer

Bader AlSallloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the Board



SAR '000	For the three months ended	
	Mar 31, 2023	Mar 31, 2022
Special commission income	2,996,501	1,564,018
Special commission expense	1,072,543	149,172
Net special commission income	1,923,958	1,414,846
Fee and commission income	355,414	355,264
Fee and commission expense	120,096	121,134
Net fee and commission income	235,318	234,130
Exchange income, net	123,629	99,383
Trading income, net	30,907	66,398
Dividend income	3,379	2,745
Gains on FVOCI / non-trading investments, net	449	2,719
Other operating income	440	822
Total operating income	2,318,080	1,821,043
Salaries and employee related expenses	421,975	329,088
Rent and premises related expenses	15,031	13,389
Depreciation and amortization	58,636	54,954
Other operating and general and administrative expenses	216,524	207,058
Total operating expenses before impairment charge	712,166	604,489
Impairment charge for expected credit losses, net	485,052	244,890
Impairment reversal for investments, financial assets and others, net	(79,142)	(3,470)
Total operating expenses, net	1,118,076	845,909
Net income for the period before Zakat	1,200,004	975,134
Zakat for the period	123,601	100,562
Net income for the period	1,076,403	874,572
Basic and diluted earnings per share (SAR)	0.85	0.68

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

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Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the Board



SAR '000	For the three months ended	
	Mar 31, 2023	Mar 31, 2022
Net income for the period	1,076,403	874,572
Other comprehensive income / (loss):		
Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods		
<u>Movement in equity instruments at fair value through other comprehensive income</u>		
Net change in the fair value	10,920	(4,620)
Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods		
<u>Debt instruments at fair value through other comprehensive income</u>		
Net change in the fair value	65,053	(366,583)
Net change in ECL	(2,098)	(1,255)
Income transferred to interim condensed consolidated statement of income	(449)	(2,719)
<u>Cash flow hedge</u>		
Net change in the fair value	(45,703)	(585,048)
Loss / (income) transferred to interim condensed consolidated statement of income	150,027	(122,784)
Total other comprehensive income / (loss) for the period	177,750	(1,083,009)
Total comprehensive income / (loss) for the period	1,254,153	(208,437)

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

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Chairman of the Board



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

SAR '000-*	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves			Proposed dividend	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total Equity
					FVOCI	Actuarial gain / (loss) on defined benefit plans	Cash flow hedge					
For the three months period ended March 31, 2023												
Balance at the beginning of the period	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
Net income for the period	-	-	-	1,076,403	-	-	-	-	-	1,076,403	-	1,076,403
Net change in the fair value	-	-	-	-	73,875	-	(45,703)	-	-	28,172	-	28,172
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(449)	-	150,027	-	-	149,578	-	149,578
Total comprehensive income for the period	-	-	-	1,076,403	73,426	-	104,324	-	-	1,254,153	-	1,254,153
Tier 1 Sukuk related cost	-	-	-	(56,128)	-	-	-	-	-	(56,128)	-	(56,128)
Net change in treasury shares	-	-	-	-	-	-	-	-	(7,411)	(7,411)	-	(7,411)
Balance at the end of the period	12,053,572	12,053,572	982,857	10,788,280	(776,833)	11,080	(1,146,564)	1,079,633	(109,658)	34,935,939	5,000,000	39,935,939
For the three months period ended March 31, 2022												
Balance at the beginning of the period	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 period	-	-	-	874,572	-	-	-	-	-	874,572	-	874,572
Net change in the fair value	-	-	-	-	(372,458)	-	(585,048)	-	-	(957,506)	-	(957,506)
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(2,719)	-	(122,784)	-	-	(125,503)	-	(125,503)
Total comprehensive income for the period	-	-	-	874,572	(375,177)	-	(707,832)	-	-	(208,437)	-	(208,437)
Tier 1 Sukuk related cost	-	-	-	(56,427)	-	-	-	-	-	(56,427)	-	(56,427)
Net change in treasury shares	-	-	-	-	-	-	-	-	6,723	6,723	-	6,723
Balance at the end of the period	12,053,572	12,053,572	982,857	9,217,032	(367,465)	1,731	(488,568)	1,019,956	(45,158)	34,427,529	5,000,000	39,427,529

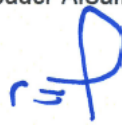
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Ramzy Darwish



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the Board



SAR '000	Note	For the three months ended	
		Mar 31, 2023	Mar 31, 2022
OPERATING ACTIVITIES			
Net income for the period before zakat		1,200,004	975,134
Adjustments to reconcile net income before zakat to net cash from / (used in) operating activities:			
Accretion of discounts on investments not held as FVSI, net		33,305	59,183
Gains on FVOCI		(449)	(2,719)
Depreciation and amortization		58,636	54,954
Gains on disposal of property, equipment, net		(43)	(20)
Impairment charge for expected credit losses, net	8	530,580	275,276
Impairment reversal for investments, financial assets and others, net		(79,142)	(3,470)
Long term incentive scheme provision		6,368	6,723
Operating income before changes in operating assets and liabilities		1,749,259	1,365,061
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		451,207	(169,515)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		93,750	(200,000)
Investments held as FVSI, trading		(48,761)	12,410
Loans and advances		(6,280,493)	(5,129,504)
Other assets		711,896	(1,195,075)
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		(2,518,765)	(3,438,721)
Customers' deposits		9,821,260	8,808,309
Other liabilities		(395,958)	891,620
		3,583,395	944,585
Zakat paid		-	241,707
Net cash generated from operating activities		3,583,395	1,186,292
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVSI		2,489,132	2,138,052
Purchase of investments not held as FVSI		(2,700,454)	(1,650,228)
Purchases of property and equipment		(109,332)	(63,471)
Proceeds from sale of property and equipment		50	75
Net cash (used in) / generated from investing activities		(320,604)	424,428
FINANCING ACTIVITIES			
Tier I Sukuk related cost		(56,128)	(56,427)
Payment of lease liability		(29,787)	(11,456)
Purchase of Treasury Shares		(13,779)	-
Net cash used in financing activities		(99,694)	(67,883)
Increase in cash and cash equivalents		3,163,097	1,542,837
Cash and cash equivalents at the beginning of the period		5,797,919	6,627,104
Cash and cash equivalents at the end of the period	14	8,961,016	8,169,941
Special commission received during the period		2,551,485	1,346,595
Special commission paid during the period		954,412	123,447
Supplemental non-cash information			
RoU assets		21,189	19,832
Lease liability		6,786	7,329
Movement in other reserve and transfers to the interim condensed consolidated statement of income		177,750	(1,083,009)

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Ramzy Darwish



Chief Financial Officer

Bader AISalloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three months ended March 31, 2023 and 2022****1. General**

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 04, 1977). The Bank formally commenced its activities on Muharram 01, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 04, 1410H (corresponding to September 05, 1989), through its 82 branches (March 31, 2022: 82 branches) in the Kingdom of Saudi Arabia, employing 3,065 people (March 31, 2022: 2,973 people).

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

The Bank is regulated by the Saudi Central Bank (SAMA).

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

The Bank also formed subsidiaries BSF Markets Limited and BSF Finance Limited registered in Cayman Islands having 100% share in equity. The objective of BSF Markets Limited Company 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

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

The consolidated financial statements of the Group as at and for the year ended December 31, 2022, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA. The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Bank shall present the amended Articles of Association / By-Laws to the shareholders in their Extraordinary / Annual General Assembly meeting for their ratification.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

3. Basis of consolidation

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed during the period, if any, are consolidated in the interim condensed consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

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

4. Significant Accounting Policies and Estimates

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2022.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 01, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

4. Significant Accounting Policies and Estimates (continued)

Standard, interpretation, amendments	Description	Effective date
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.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 01, 2024. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than January 01, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	January 01, 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	January 01, 2024

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

5. Cash and balances with SAMA

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Cash on hand	1,102,739	973,736	1,059,258
Statutory deposit	8,715,643	9,166,850	8,861,443
Money market placements with SAMA	4,864,324	1,185,000	451,812
Total	14,682,706	11,325,586	10,372,513

6. Due from banks and other financial institutions, net

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Current accounts	2,044,523	2,795,573	2,677,348
Money market placements	2,012,771	2,001,842	3,981,749
	4,057,294	4,797,415	6,659,097
Less: impairment	(1,163)	(2,304)	(226)
Total	4,056,131	4,795,111	6,658,871

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	353	1,951	-	2,304
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net charge / (reversal) for the period	552	(1,693)	-	(1,141)
Balance at the end of the period	905	258	-	1,163

SAR '000	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	114	66	-	180
Net charge for the year	239	1,885	-	2,124
Balance at the end of the year	353	1,951	-	2,304

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

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

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

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01	4,754,180	43,235	-	4,797,415
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the period	(718,585)	(21,536)	-	(740,121)
Write-offs	-	-	-	-
Balance at the end of the period	4,035,595	21,699	-	4,057,294

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

7. Investments, net

a) Investment securities are classified as follows:

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Investment at amortized cost - gross	25,909,390	26,051,032	26,550,140
Less: impairment	(7,423)	(7,895)	(5,790)
Investment at amortized cost, net	25,901,967	26,043,137	26,544,350
Investments at FVOCI – Debt instruments	18,456,234	18,085,275	15,862,725
Investments at FVOCI – Equity/other investments	331,416	320,393	337,758
Total FVOCI	18,787,650	18,405,668	16,200,483
Investment at FVSI – Debt/equity instruments	117,505	68,744	197,585
Total	44,807,122	44,517,549	42,942,418

Gross Investments include Shariah based investments amounting to SAR 29,173 million (December 31, 2022: SAR 29,818 million; March 31, 2022: SAR 29,743 million).

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

Investments by type of securities

SAR '000	March 31, 2023 (Unaudited)			December 31, 2022 (Audited)			March 31, 2022 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	95,264	18,819	114,083	60,459	3,800	64,259	135,567	8,734	144,301
Floating-rate securities	-	-	-	-	-	-	-	-	-
Equities	3,422	-	3,422	4,485	-	4,485	53,284	-	53,284
Total	98,686	18,819	117,505	64,944	3,800	68,744	188,851	8,734	197,585

c) Investments held at fair value through other comprehensive income

Investments by type of securities

SAR '000	March 31, 2023 (Unaudited)			December 31, 2022 (Audited)			March 31, 2022 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	9,009,610	4,803,589	13,813,199	8,893,525	4,915,935	13,809,460	7,886,944	3,505,291	11,392,235
Floating-rate securities	3,414,670	1,228,365	4,643,035	3,204,689	1,071,126	4,275,815	3,744,703	725,787	4,470,490
Equities and others	321,172	10,244	331,416	310,162	10,231	320,393	327,505	10,253	337,758
Total	12,745,452	6,042,198	18,787,650	12,408,376	5,997,292	18,405,668	11,959,152	4,241,331	16,200,483

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

7. Investments, net (continued)

d) Investments held at amortised cost

Investments by type of securities

SAR '000	March 31, 2023 (Unaudited)			December 31, 2022 (Audited)			March 31, 2022 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	20,928,238	-	20,928,238	20,686,727	-	20,686,727	22,845,526	-	22,845,526
Floating-rate securities	4,489,622	-	4,489,622	4,778,807	-	4,778,807	3,073,495	-	3,073,495
Other	484,107	-	484,107	577,603	-	577,603	625,329	-	625,329
Total	25,901,967	-	25,901,967	26,043,137	-	26,043,137	26,544,350	-	26,544,350

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	25,422	-	-	25,422
Net reversal for the period	(2,569)	-	-	(2,569)
Balance at the end of the period	22,853	-	-	22,853

SAR '000	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	20,730	-	-	20,730
Net charge for the year	4,692	-	-	4,692
Balance at the end of the year	25,422	-	-	25,422

SAR '000	March 31, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	20,730	-	-	20,730
Net reversal for the period	(1,874)	-	-	(1,874)
Balance at the end of the period	18,856	-	-	18,856

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

7. Investments, net (continued)

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	44,136,307	-	-	44,136,307
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the period	229,317	-	-	229,317
Write-offs	-	-	-	-
Balance at the end of the period	44,365,624	-	-	44,365,624

SAR '000	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	43,316,349	-	-	43,316,349
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the year	819,958	-	-	819,958
Write-offs	-	-	-	-
Balance at the end of the year	44,136,307	-	-	44,136,307

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

8. Loans and advances, net

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

SAR '000	March 31, 2023 (Unaudited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	135,521,693	621,434	29,648,912	165,792,039
Non-performing loans and advances, net	4,289,034	21,525	102,902	4,413,461
Total loans and advances	139,810,727	642,959	29,751,814	170,205,500
Allowance for impairment	(5,180,383)	(37,946)	(207,844)	(5,426,173)
Loans and advances held at amortised cost, net	134,630,344	605,013	29,543,970	164,779,327

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

Gross Loans and advances include Shariah based loans and advances amounting to SAR 118,307 million (December 31, 2022: SAR 115,207 million; March 31, 2022: SAR 108,750 million).

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

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Opening loss allowance as at January 01	5,000,542	4,732,824	4,732,824
Charge for the period / year, net	530,580	1,548,321	275,276
Bad debts written off against provision	(104,949)	(1,280,603)	(135,292)
Balance at the end of the period / year	5,426,173	5,000,542	4,872,808

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

8. Loans and advances, net (continued)

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	421,205	1,799,671	2,779,666	5,000,542
Transfer from 12-month ECL	(4,976)	4,631	345	-
Transfer from lifetime ECL not credit impaired	13,677	(62,972)	49,295	-
Transfer from Lifetime ECL credit impaired	4,872	1,979	(6,851)	-
Net charge / (reversal) for the period	(66,944)	120,405	477,119	530,580
Write-offs	-	-	(104,949)	(104,949)
Balance at the end of the period	367,834	1,863,714	3,194,625	5,426,173

SAR '000	December 31, 2022 (Audited)			
	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 at the end of the year	421,205	1,799,671	2,779,666	5,000,542

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

8. Loans and advances, net (continued)

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	122,878,105	12,623,047	4,309,575	139,810,727
Credit Card	598,667	19,110	25,182	642,959
Consumer	29,402,406	229,076	120,332	29,751,814
Balance at the end of the period	152,879,178	12,871,233	4,455,089	170,205,500

SAR '000	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	118,193,805	11,932,997	4,068,227	134,195,029
Credit Card	562,135	18,953	25,734	606,822
Consumer	28,792,514	233,689	184,013	29,210,216
Balance at the end of the year	147,548,454	12,185,639	4,277,974	164,012,067

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

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	147,548,454	12,185,639	4,277,974	164,012,067
Transfer from 12-month ECL	(1,308,166)	1,294,687	13,479	-
Transfer from lifetime ECL not credit impaired	228,749	(394,758)	166,009	-
Transfer from Lifetime ECL credit impaired	8,617	3,938	(12,555)	-
Net change for the period	6,401,524	(218,273)	115,131	6,298,382
Write-offs	-	-	(104,949)	(104,949)
Balance at the end of the period	152,879,178	12,871,233	4,455,089	170,205,500

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

8. Loans and advances, net (continued)

SAR '000	December 31, 2022 (Audited)			
	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 at the end of the year	147,548,454	12,185,639	4,277,974	164,012,067

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

9. Due to SAMA

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Current accounts	352,683	19,134	-
Repo	1,999,086	-	1,455,392
Deposits	3,649,837	3,557,904	-
Government grant	4,066,679	4,591,880	8,107,930
Modification impact, net	(141,258)	(164,515)	(247,844)
Total	9,927,027	8,004,403	9,315,478

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

10. Due to banks and other financial institutions

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Current accounts	375,456	243,553	938,692
Money market placements	3,972,448	8,522,486	10,204,023
Total	4,347,904	8,766,039	11,142,715

11. Customers' deposits

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Demand	90,129,793	91,181,332	90,505,172
Saving	954,251	1,053,846	944,585
Time	71,047,149	60,275,249	53,990,938
Other	5,282,387	5,081,893	5,317,823
Total	167,413,580	157,592,320	150,758,518

Time deposits include Shariah based deposits amounting to SAR 35,062 million (December 31, 2022: SAR 28,648 million; March 31, 2022: SAR 24,802 million).

12. Derivatives

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

a) Swaps

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

b) Forwards and futures

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

c) Forward rate agreements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

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

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

Held for trading purposes

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

Held for hedging purposes

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

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

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

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

Cash flow hedges

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

12. Derivatives (continued)

SAR '000	March 31, 2023 (Unaudited)			December 31, 2022 (Audited)			March 31, 2022 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate swaps	5,401,234	5,158,740	211,021,989	6,134,158	5,859,651	207,931,197	3,480,105	3,273,079	240,216,787
Forward rate agreements and commission rate futures and options	191,955	191,955	18,104,610	229,298	229,298	25,127,912	185,412	185,412	29,914,625
Forward foreign exchange contracts	131,308	60,639	18,548,898	110,907	81,096	25,157,176	126,965	43,312	28,090,483
Currency options	10,273	10,273	743,459	20,568	20,568	1,905,281	8,058	8,058	563,995
Others	30,893	30,893	1,048,574	37,039	37,039	1,262,606	20,604	20,604	180,290
Held as fair value hedges:									
Commission rate swaps	19,873	56,311	4,921,313	20,638	43,146	4,130,063	3,923	-	105,000
Held as cash flow hedges:									
Commission rate swaps	34,670	1,065,397	26,784,000	30,372	1,112,909	25,570,000	235,691	480,550	25,672,000
Total	5,820,206	6,574,208	281,172,843	6,582,980	7,383,707	291,084,235	4,060,758	4,011,015	324,743,180

13. Commitments and contingencies

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

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Letters of credit	9,233,541	9,794,419	9,932,755
Letters of guarantee	41,609,914	40,195,932	37,119,464
Acceptances	2,659,230	2,412,633	2,165,384
Irrevocable commitments to extend credit	11,356,017	11,443,665	8,960,683
Total	64,858,702	63,846,649	58,178,286

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	14,057	12,457	251,120	277,634
Transfer from 12-month ECL	(12)	12	-	-
Transfer from lifetime ECL not credit impaired	627	(653)	26	-
Net reversal for the period	3,124	(2,587)	(75,897)	(75,360)
Write-offs	-	-	-	-
Balance at the end of the period	17,796	9,229	175,249	202,274

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

13. Commitments and contingencies (continued)

SAR '000	December 31, 2022 (Audited)			
	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 charge / (reversal) for the year	(4,169)	(881)	(5,595)	(10,645)
Write-offs	-	-	-	-
Balance at the end of the year	14,057	12,457	251,120	277,634

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

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

SAR '000	March 31, 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	31,938,575	2,325,850	556,680	34,821,105
Transfer from 12-month ECL	(50,226)	50,226	-	-
Transfer from lifetime ECL not credit impaired	250,737	(263,548)	12,811	-
Transfer from Lifetime ECL credit impaired	3,504	5,303	(8,807)	-
Net change for the period	725,492	(63,316)	(70,422)	591,754
Write-offs	-	-	-	-
Balance at the end of the period	32,868,082	2,054,515	490,262	35,412,859

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For the three months ended March 31, 2023 and 2022

13. Commitments and contingencies (continued)

SAR '000	December 31, 2022 (Audited)			
	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 at the end of the year	31,938,575	2,325,850	556,680	34,821,105

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

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings filed against the Bank as disclosed at December 31, 2022.

14. Cash and cash equivalents

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

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5)	5,967,063	2,158,736	1,511,070
Due from banks and other financial institutions maturing within three months from the date of acquisition	2,993,953	3,639,183	6,658,871
Total	8,961,016	5,797,919	8,169,941

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15. Tier 1 Sukuk

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

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

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

16. Zakat

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

Zakat for the period ended March 31, 2023 amounted to approximately SAR 124 million (March 31, 2022: SAR 101 million). The provision of Zakat is estimated based on the results of operations of the Bank for the three months period ended and the consolidated financial position at March 31, 2023.

17. Fair values of financial assets and liabilities

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

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

Valuation models

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

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

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

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

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

Valuation Framework

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

SAR '000	Level 1	Level 2	Level 3	Total
<u>March 31, 2023 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	5,820,206	-	5,820,206
Financial investments designated at FVSI	56,517	60,988	-	117,505
Financial investments at FVOCI	13,206,784	5,370,410	210,456	18,787,650
Total	13,263,301	11,251,604	210,456	24,725,361
Financial Liabilities				
Derivative financial instruments negative fair value	-	6,574,208	-	6,574,208
Total	-	6,574,208	-	6,574,208

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For the three months ended March 31, 2023 and 2022

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

SAR '000	Level 1	Level 2	Level 3	Total
<u>December 31, 2022 (Audited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	6,582,980	-	6,582,980
Financial investments designated at FVSI	8,285	60,459	-	68,744
Financial investments at FVOCI	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

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

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

The fair values of investments held at amortized cost are SAR 24,998 million (December 31, 2022: SAR 25,217 million and March 31, 2022: SAR 26,211 million) against carrying value of SAR 25,902 million (December 31, 2022: SAR 26,043 million and March 31, 2022: SAR 26,544 million). The fair values of commission bearing customers' deposits, debt securities, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique. The Bank uses the discounted cash flow method using current yield curve to arrive at the fair value of loans and advances after adjusting internal credit spread which is SAR 166,781 (December 31, 2022: SAR 160,823 million and March 31, 2022: SAR 155,473 million). The carrying values of those loans and advances are SAR 164,779 million (December 31, 2022: SAR 159,012 million and March 31, 2022: SAR 152,690 million).

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For the three months ended March 31, 2023 and 2022

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

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:

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Balance at the beginning of the period / year	210,353	121,167	121,167
Transfer from level 2	-	-	-
Additions during the period / year	-	90,413	4,071
Change in value	103	(1,227)	-
Balance at the end of period / year	210,456	210,353	125,238

18. Segment information

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2022.

The Bank is organised into the following main operating segments:

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

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

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

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

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

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For the three months ended March 31, 2023 and 2022

18. Segment information (continued)

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>March 31, 2023 (Unaudited)</u>					
Total assets	39,496,524	127,900,799	70,767,426	2,070,773	240,235,522
Loans and advances, net	37,909,014	125,552,892	-	1,317,421	164,779,327
Total liabilities	78,034,371	92,550,242	28,146,233	1,568,737	200,299,583
Customers' deposits	76,767,342	90,646,238	-	-	167,413,580
Total operating income	804,065	1,047,591	370,011	96,413	2,318,080
Total operating expenses before impairment charge	400,072	192,578	66,047	53,469	712,166
Impairment charges for financial assets & others, net	(53,557)	470,008	(10,541)	-	405,910
Net income for the period before zakat	457,550	385,005	314,505	42,944	1,200,004
Net special commission income	739,804	921,201	230,313	32,640	1,923,958
Fee and commission income, net	51,610	124,683	-	59,025	235,318
Exchange income, net	12,651	1,267	109,711	-	123,629
Trading income, net	-	-	29,846	1,061	30,907
Inter-segment revenue	548,804	300,191	(848,995)	-	-
Depreciation and amortization	41,629	10,218	5,815	974	58,636

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>December 31, 2022 (Audited)</u>					
Total assets	38,411,305	122,840,810	68,634,685	2,191,319	232,078,119
Total liabilities	78,542,043	81,980,544	31,204,920	1,605,287	193,332,794

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>March 31, 2022 (Unaudited)</u>					
Total assets	35,551,951	118,448,508	65,739,838	2,470,229	222,210,526
Loans and advances, net	34,282,350	116,503,542	-	1,903,719	152,689,611
Total liabilities	79,576,784	73,959,789	26,943,453	2,302,971	182,782,997
Customers' deposits	78,274,033	72,484,485	-	-	150,758,518
Total operating income	464,790	724,533	513,220	118,500	1,821,043
Total operating expenses before impairment charge	324,654	156,327	72,438	51,070	604,489
Impairment charges for financial assets & others, net	(444)	245,707	(3,843)	-	241,420
Net income for the period before zakat	140,580	322,499	444,625	67,430	975,134
Net special commission income	402,747	633,407	350,351	28,341	1,414,846
Fee and commission income, net	49,639	89,935	4,847	89,709	234,130
Exchange income, net	12,404	1,191	85,788	-	99,383
Trading income, net	-	-	65,949	449	66,398
Inter-segment revenue	201,230	50,908	(252,138)	-	-
Depreciation and amortization	34,503	11,944	7,667	840	54,954

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19. Share capital and Earnings per share

The authorised, issued and fully paid share capital of the Bank consists of 1,205 million shares of SAR 10 each (December 31, 2022: 1,205 million shares of SAR 10 each and March 31, 2022: 1,205 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended March 31, 2023 and 2022 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Sukuk costs for the period by 1,201 million shares after excluding treasury shares consisting of 5.5 million shares as of March 31, 2023 (December 31, 2022: 5.4 million shares and March 31, 2022: 5.4 million shares).

The Board of Directors have proposed final net dividend of SAR 0.90 net per share for the year 2022 which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies.

20. 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.

21. Related party 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.

The balances as at March 31, 2023, December 31, 2022 and March 31, 2022 resulting from such transactions included in the consolidated financial statements are as follows:

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Associates			
Investments	9,695	9,695	9,695
Due to banks and other financial institutions	8,265	8,204	8,187
Directors, senior management, shariah members and major shareholders' and their affiliates			
Loans and advances	12,321,371	11,813,189	11,081,757
Investments	972,336	957,941	1,083,703
Due from banks and other financial institutions	-	-	500,000
Other assets	21,116	17,783	10,296
Customers' deposits	9,992,683	12,112,335	14,263,178
Due to banks and other financial institutions	900,000	900,000	-
Other liabilities	6,618	6,542	6,542
Derivatives at fair value, net	(41,275)	(45,733)	11,045
Commitments and contingencies	3,308,425	3,224,229	2,176,086

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22. Capital Adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management.

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

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

SAMA through its circular number 391000029731 dated 15/03/1439H, which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9 – financial instruments, has directed Banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

The current period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from January 01, 2023, while the prior period is based on Basel III regulations.

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

SAR '000	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
Credit Risk RWA	200,506,951	199,328,125	191,028,492
Operational Risk RWA	7,923,562	13,681,882	13,594,276
Market Risk RWA	1,203,648	1,662,442	3,203,649
Total RWA	209,634,161	214,672,449	207,826,417
Tier I Capital	41,370,128	40,571,463	40,491,347
Tier II Capital	2,097,455	2,200,323	2,290,405
Total Tier I & II Capital	43,467,583	42,771,786	42,781,752
Capital Adequacy Ratio %			
Tier I ratio	19.73%	18.90%	19.48%
Tier I + Tier II ratio	20.73%	19.92%	20.59%

23. IBOR Transition (Interest Rate Benchmark Reforms)

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

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

24. Comparative figures

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

25. Board of Directors Approval

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on May 03, 2023 corresponding to Shawwal 13, 1444H.