

البنك
السعودي
الفرنسي
Banque
Saudi
Fransi



BANQUE SAUDI FRANSI
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2024



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

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Headquarters in Riyadh

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

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Banque Saudi Fransi (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2024, and the related condensed interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim 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 condensed interim 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 condensed interim 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 of the accompanying condensed interim 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

Nasser Ahmed Alshutairy
Certified Public Accountant
License Number: 454



23 Shawwal 1445
2 May 2024

KPMG Professional Services, a professional services company registered in the Kingdom of Saudi Arabia with a paid-up capital of SR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and 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, 2024 (Unaudited)	Dec 31, 2023 (Audited)	Mar 31, 2023 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	10,700,366	10,558,759	14,682,706
Due from banks and other financial institutions, net	6	6,509,326	4,113,165	4,056,131
Investments, net	7	52,922,613	48,467,289	44,807,122
Positive fair value of derivatives	11	6,057,482	5,658,824	5,820,206
Loans and advances, net	8	185,408,282	179,391,223	164,779,327
Investment in associate, net		9,695	9,695	9,695
Property, equipment and right of use assets, net		2,054,882	2,038,231	1,828,767
Other real estate, net		342,050	343,359	342,050
Other assets, net		4,370,856	2,802,304	3,909,518
Total assets		268,375,552	253,382,849	240,235,522
LIABILITIES AND EQUITY				
Liabilities				
Due to SAMA	9	11,591,507	5,065,895	9,927,027
Due to banks and other financial institutions	10	13,298,544	13,879,375	4,347,904
Customers' deposits	12	174,828,157	172,208,983	167,413,580
Negative fair value of derivatives	11	6,728,011	5,985,332	6,574,208
Debt securities and term loans	13	12,208,494	8,634,026	4,532,774
Other liabilities		7,793,078	6,488,017	7,504,090
Total liabilities		226,447,791	212,261,628	200,299,583
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		(1,704,786)	(1,423,083)	(1,912,317)
Retained earnings		12,522,014	11,428,181	10,788,280
Proposed dividend		1,197,738	1,197,738	1,079,633
Treasury shares		(177,206)	(171,616)	(109,658)
Equity attributable to the shareholders of the Bank		36,927,761	36,121,221	34,935,939
Tier 1 Sukuk	16	5,000,000	5,000,000	5,000,000
Total equity		41,927,761	41,121,221	39,935,939
Total liabilities and equity		268,375,552	253,382,849	240,235,522

The accompanying notes 1 to 24 form an integral part of these condensed interim consolidated financial statements.

Ramzy Darwish



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazin AlRomaih



Chairman of the Board




SAR '000	For the three months ended	
	Mar 31, 2024	Mar 31, 2023
Special commission income	3,821,574	2,996,501
Special commission expense	1,903,043	1,072,543
Net special commission income	1,918,531	1,923,958
Fee and commission income	364,755	355,414
Fee and commission expense	117,488	120,096
Net fee and commission income	247,267	235,318
Exchange income, net	100,007	123,629
Trading income, net	59,619	30,907
Dividend income	3,632	3,379
Gains on FVOCI / non-trading investments, net	2,024	449
Other operating income	205	440
Total operating income	2,331,285	2,318,080
Salaries and employee related expenses	467,400	421,975
Rent and premises related expenses	15,552	15,031
Depreciation and amortization	66,802	58,636
Other operating and general and administrative expenses	223,217	216,524
Total operating expenses before impairment charge	772,971	712,166
Impairment charge for expected credit losses on loans and advances, net	278,635	485,052
Impairment reversal for investments, financial assets and others, net	(2,771)	(79,142)
Total operating expenses, net	1,048,835	1,118,076
Net income for the period before Zakat	1,282,450	1,200,004
Zakat for the period	132,485	123,601
Net income for the period	1,149,965	1,076,403
Basic and diluted earnings per share (SAR)	0.91	0.85

The accompanying notes 1 to 24 form an integral part of these condensed interim consolidated financial statements.

Ramzy Darwish



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazin AlRomaih



Chairman of the Board




SAR '000	For the three months ended	
	Mar 31, 2024	Mar 31, 2023
Net income for the period	1,149,965	1,076,403
Other comprehensive income / (loss):		
Items that cannot be recycled back to condensed interim 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	13,440	10,920
Items that can be recycled back to condensed interim consolidated statement of income in subsequent periods		
<u>Debt instruments at fair value through other comprehensive income</u>		
Net change in the fair value	25,614	65,053
Net change in ECL	(1,559)	(2,098)
Income transferred to condensed interim consolidated statement of income	(1,806)	(449)
<u>Cash flow hedge</u>		
Net change in the fair value	(568,057)	(45,703)
Loss transferred to condensed interim consolidated statement of income	250,665	150,027
Total other comprehensive (loss) / income for the period	(281,703)	177,750
Total comprehensive income for the period	868,262	1,254,153

The accompanying notes 1 to 24 form an integral part of these condensed interim consolidated financial statements.

Ramzy Darwish



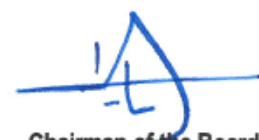
Chief Financial Officer

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Chief Executive Officer

Mazin AlRomaih



Chairman of the Board

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BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
CONDENSED INTERIM 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, 2024												
Balance at the beginning of the period	12,053,572	12,053,572	982,857	11,428,181	(633,619)	6,418	(795,882)	1,197,738	(171,616)	36,121,221	5,000,000	41,121,221
Net income for the period	-	-	-	1,149,965	-	-	-	-	-	1,149,965	-	1,149,965
Net change in the fair value	-	-	-	-	37,495	-	(568,057)	-	-	(530,562)	-	(530,562)
Net amount transferred to condensed interim consolidated statement of income	-	-	-	-	(1,806)	-	250,665	-	-	248,859	-	248,859
Total comprehensive income for the period	-	-	-	1,149,965	35,689	-	(317,392)	-	-	868,262	-	868,262
Tier 1 Sukuk related cost	-	-	-	(56,132)	-	-	-	-	-	(56,132)	-	(56,132)
Net change in treasury shares	-	-	-	-	-	-	-	-	(5,590)	(5,590)	-	(5,590)
Balance at the end of the period	12,053,572	12,053,572	982,857	12,522,014	(597,930)	6,418	(1,113,274)	1,197,738	(177,206)	36,927,761	5,000,000	41,927,761
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 condensed interim 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

The accompanying notes 1 to 24 form an integral part of these condensed interim consolidated financial statements.

Ramzy Darwish



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazin AlRomaih



Chairman of the Board

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SAR '000	Notes	For the three months ended	
		Mar 31, 2024	Mar 31, 2023
OPERATING ACTIVITIES			
Net income for the period before zakat		1,282,450	1,200,004
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		14,911	33,305
Gains on FVOCI		(2,024)	(449)
Depreciation and amortization		66,802	58,636
Gains on disposal of property, equipment, net		(189)	(43)
Impairment charge for expected credit losses, net	8	313,276	530,580
Impairment reversal for investments, financial assets and others, net		(2,771)	(79,142)
Long term incentive scheme provision		17,782	6,368
Operating income before changes in operating assets and liabilities		1,690,237	1,749,259
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(63,878)	451,207
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(136,632)	93,750
Investments held as FVSI, trading		(102,809)	(48,761)
Loans and advances		(6,330,335)	(6,280,493)
Other assets		(2,282,902)	711,896
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		5,944,781	(2,518,765)
Customers' deposits		2,619,174	9,821,260
Other liabilities		1,839,250	(395,958)
Net cash generated from operating activities		3,176,886	3,583,395
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVSI		1,656,467	2,489,132
Purchase of investments not held as FVSI		(5,982,015)	(2,700,454)
Purchases of property and equipment		(83,454)	(109,332)
Proceeds from sale of property and equipment		190	50
Net cash used in investing activities		(4,408,812)	(320,604)
FINANCING ACTIVITIES			
Issuance of debt securities and term loans		3,675,000	-
Tier I Sukuk related cost		(56,132)	(56,128)
Payment of lease liability		(26,017)	(29,787)
Purchase of Treasury Shares		(23,372)	(13,779)
Net cash from / (used) in financing activities		3,569,479	(99,694)
Increase in cash and cash equivalents		2,337,553	3,163,097
Cash and cash equivalents at the beginning of the period		3,118,898	5,797,919
Cash and cash equivalents at the end of the period	15	5,456,451	8,961,016
Special commission received during the period		3,478,487	2,551,485
Special commission paid during the period		1,978,686	954,412
Supplemental non-cash information			
RoU assets		21,129	21,189
Lease liability		6,474	6,786
Movement in other reserve and transfers to the condensed interim consolidated statement of income		(281,703)	177,750

The accompanying notes 1 to 24 form an integral part of these condensed interim consolidated financial statements.

Ramzy Darwish



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazin AlRomaih



Chairman of the Board

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**For the three months ended March 31, 2024 and 2023****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, 2023: 82 branches) in the Kingdom of Saudi Arabia, employing 3,189 people (March 31, 2023: 3,065 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 (rebranded from SFL to JB), Sofinco Saudi Fransi and Saudi Fransi Digital Ventures 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 & 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 formed a subsidiary Sur Multi Family Office Limited registered in United Kingdom having 100% share in equity. The objective of this subsidiary is to provide a wide range of wealth management services to BSF's high net worth clients and their families.

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

2. Basis of preparation

The condensed interim consolidated financial statements of the Group as at and for the period ended March 31, 2024 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 condensed interim 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, 2023.

The consolidated financial statements of the Group as at and for the year ended December 31, 2023, 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 condensed interim consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand.

3. Basis of consolidation

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 the General Assembly meeting for their ratification.

The condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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. Accounting Policies and Estimates

The accounting policies, estimates and assumptions used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2023.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed interim 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, 2023, except for the adoption of new standards effective as of January 01, 2024. 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 2024, but do not have a significant impact on the condensed interim consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	01 January 2024

4. Accounting Policies and Estimates (continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	01 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	01 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	01 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	01 January 2024 subject to endorsement from SOCPA

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 condensed interim consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	01 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

5. Cash and balances with SAMA

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Cash on hand	1,085,501	1,068,081	1,102,739
Current account	-	19,690	-
Statutory deposit	9,534,866	9,470,988	8,715,643
Money market placements with SAMA	79,999	-	4,864,324
Total	10,700,366	10,558,759	14,682,706

6. Due from banks and other financial institutions, net

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Current accounts	3,875,167	1,637,224	2,044,523
Money market placements	2,635,359	2,476,846	2,012,771
	6,510,526	4,114,070	4,057,294
Less: impairment	(1,200)	(905)	(1,163)
Total	6,509,326	4,113,165	4,056,131

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	590	315	-	905
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net charge / (reversal) for the period	525	(230)	-	295
Balance at the end of the period	1,115	85	-	1,200

SAR '000	December 31, 2023 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01, 2023	353	1,951	-	2,304
Net charge / (reversal) for the year	237	(1,636)	-	(1,399)
Balance as at December 31, 2023	590	315	-	905

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

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

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

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01	4,106,233	7,837	-	4,114,070
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the period	2,399,819	(3,363)	-	2,396,456
Write-offs	-	-	-	-
Balance at the end of the period	6,506,052	4,474	-	6,510,526

SAR '000	December 31, 2023 (Audited)			
	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 year	(647,947)	(35,398)	-	(683,345)
Write-offs	-	-	-	-
Balance at the end of the year	4,106,233	7,837	-	4,114,070

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

7. Investments, net

a) Investment securities are classified as follows:

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Investment at amortized cost - gross	27,020,271	24,656,529	25,909,390
Less: impairment	(13,705)	(16,311)	(7,423)
Investment at amortized cost, net	27,006,566	24,640,218	25,901,967
Investments at FVOCI – Debt instruments	25,203,893	23,249,397	18,456,234
Investments at FVOCI – Equity/other investments	387,407	355,737	331,416
Total FVOCI	25,591,300	23,605,134	18,787,650
Investment at FVSI – Debt/equity instruments	324,747	221,937	117,505
Total	52,922,613	48,467,289	44,807,122

Gross Investments include Shariah based investments amounting to SAR 34,787 million (December 31, 2023: SAR 32,627 million; March 31, 2023: SAR 29,173 million).

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

Investments by type of securities

SAR '000	March 31, 2024 (Unaudited)			December 31, 2023 (Audited)			March 31, 2023 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	271,076	53,671	324,747	168,181	53,756	221,937	95,264	18,819	114,083
Floating-rate securities	-	-	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	3,422	-	3,422
Total	271,076	53,671	324,747	168,181	53,756	221,937	98,686	18,819	117,505

c) Investments held at fair value through other comprehensive income (FVOCI)

Investments by type of securities

SAR '000	March 31, 2024 (Unaudited)			December 31, 2023 (Audited)			March 31, 2023 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	14,923,435	6,287,550	21,210,985	13,107,310	6,008,807	19,116,117	9,009,610	4,803,589	13,813,199
Floating-rate securities	3,036,324	956,583	3,992,907	3,322,080	811,200	4,133,280	3,414,670	1,228,365	4,643,035
Equities and others	377,170	10,238	387,408	345,482	10,255	355,737	321,172	10,244	331,416
Total	18,336,929	7,254,371	25,591,300	16,774,872	6,830,262	23,605,134	12,745,452	6,042,198	18,787,650

7. Investments, net (continued)

d) Investments held at amortised cost

Investments by type of securities

SAR '000	March 31, 2024 (Unaudited)			December 31, 2023 (Audited)			March 31, 2023 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	25,675,759	-	25,675,759	23,800,132	-	23,800,132	20,928,238	-	20,928,238
Floating-rate securities	835,534	-	835,534	840,086	-	840,086	4,489,622	-	4,489,622
Other	495,273	-	495,273	-	-	-	484,107	-	484,107
Total	27,006,566	-	27,006,566	24,640,218	-	24,640,218	25,901,967	-	25,901,967

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	33,739	-	-	33,739
Net reversal for the period	(4,165)	-	-	(4,165)
Balance at the end of the period	29,574	-	-	29,574

SAR '000	December 31, 2023 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	25,422	-	-	25,422
Net charge for the year	8,317	-	-	8,317
Balance at the end of the year	33,739	-	-	33,739

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

7. Investments, net (continued)

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	47,905,926	-	-	47,905,926
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the period	4,318,238	-	-	4,318,238
Write-offs	-	-	-	-
Balance at the end of the period	52,224,164	-	-	52,224,164

SAR '000	December 31, 2023 (Audited)			
	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 year	3,769,619	-	-	3,769,619
Write-offs	-	-	-	-
Balance at the end of the year	47,905,926	-	-	47,905,926

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

8. Loans and advances, net

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

SAR '000	March 31, 2024 (Unaudited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	152,128,446	647,375	33,606,920	186,382,741
Non-performing loans and advances, net	1,518,936	24,831	217,343	1,761,110
Total loans and advances	153,647,382	672,206	33,824,263	188,143,851
Allowance for impairment	(2,392,296)	(44,383)	(298,890)	(2,735,569)
Loans and advances held at amortised cost, net	151,255,086	627,823	33,525,373	185,408,282

SAR '000	December 31, 2023 (Audited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	147,636,954	668,238	31,809,240	180,114,432
Non-performing loans and advances, net	1,727,150	19,094	174,537	1,920,781
Total loans and advances	149,364,104	687,332	31,983,777	182,035,213
Allowance for impairment	(2,368,159)	(35,612)	(240,219)	(2,643,990)
Loans and advances held at amortised cost, net	146,995,945	651,720	31,743,558	179,391,223

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

Gross Loans and advances include Shariah based loans and advances amounting to SAR 134,359 million (December 31, 2023: SAR 132,705 million; March 31, 2023: SAR 118,307 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, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Opening loss allowance as at January 01	2,643,990	5,000,542	5,000,542
Charge for the period / year, net	313,276	1,798,293	530,580
Bad debts written off against provision	(221,697)	(4,154,845)	(104,949)
Balance at the end of the period / year	2,735,569	2,643,990	5,426,173

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

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, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	509,846	849,666	1,284,478	2,643,990
Transfer from 12-month ECL	(7,764)	7,260	504	-
Transfer from lifetime ECL not credit impaired	13,479	(27,216)	13,737	-
Transfer from Lifetime ECL credit impaired	7,503	4,421	(11,924)	-
Net charge for the period	58,093	74,262	180,921	313,276
Write-offs	-	-	(221,697)	(221,697)
Balance at the end of the period	581,157	908,393	1,246,019	2,735,569

SAR '000	December 31, 2023 (Audited)			
	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	(27,475)	15,660	11,815	-
Transfer from lifetime ECL not credit impaired	36,103	(917,834)	881,731	-
Transfer from Lifetime ECL credit impaired	5,762	7,443	(13,205)	-
Net charge / (reversal) for the year	74,251	(55,274)	1,779,316	1,798,293
Write-offs	-	-	(4,154,845)	(4,154,845)
Balance at the end of the year	509,846	849,666	1,284,478	2,643,990

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

8. Loans and advances, net (continued)

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	138,658,430	13,454,778	1,534,174	153,647,382
Credit Card	603,816	37,834	30,556	672,206
Consumer	33,182,193	399,170	242,900	33,824,263
Balance at the end of the period	172,444,439	13,891,782	1,807,630	188,143,851

SAR '000	December 31, 2023 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	135,708,078	11,917,850	1,738,176	149,364,104
Credit Card	637,900	23,226	26,206	687,332
Consumer	31,442,463	336,150	205,164	31,983,777
Balance at the end of the year	167,788,441	12,277,226	1,969,546	182,035,213

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

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	167,788,441	12,277,226	1,969,546	182,035,213
Transfer from 12-month ECL	(1,933,843)	1,896,456	37,387	-
Transfer from lifetime ECL not credit impaired	140,455	(223,428)	82,973	-
Transfer from Lifetime ECL credit impaired	14,474	7,171	(21,645)	-
Net change for the period	6,434,912	(65,643)	(38,934)	6,330,335
Write-offs	-	-	(221,697)	(221,697)
Balance at the end of the period	172,444,439	13,891,782	1,807,630	188,143,851

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

8. Loans and advances, net (continued)

SAR '000	December 31, 2023 (Audited)			
	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	(4,844,809)	4,475,694	369,115	-
Transfer from lifetime ECL not credit impaired	1,960,344	(3,689,920)	1,729,576	-
Transfer from Lifetime ECL credit impaired	80,020	18,362	(98,382)	-
Net change for the year	23,044,432	(712,549)	(153,892)	22,177,991
Write-offs	-	-	(4,154,845)	(4,154,845)
Balance at the end of the year	167,788,441	12,277,226	1,969,546	182,035,213

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

9. Due to SAMA

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Current accounts	119,570	-	352,683
Repo	7,484,006	-	1,999,086
Deposits	1,423,788	1,070,850	3,649,837
Government grant	2,618,276	4,066,531	4,066,679
Modification impact, net	(54,133)	(71,486)	(141,258)
Total	11,591,507	5,065,895	9,927,027

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

10. Due to banks and other financial institutions

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Current accounts	1,903,164	466,229	375,456
Money market placements	3,094,682	4,389,864	3,972,448
Repos	8,300,698	9,023,282	-
Total	13,298,544	13,879,375	4,347,904

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 derivatives which are fully back to back in accordance with the Bank's risk management strategy.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

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 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.

SAR '000	March 31, 2024 (Unaudited)			December 31, 2023 (Audited)			March 31, 2023 (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	5,588,257	5,410,790	235,290,583	5,003,368	4,896,728	226,574,092	5,401,234	5,158,740	211,021,989
Commission rate futures and options	143,376	143,376	11,572,041	137,000	137,000	14,150,831	191,955	191,955	18,104,610
Forward foreign exchange contracts & currency swaps	86,428	66,603	17,806,349	123,405	32,134	18,807,236	131,308	60,639	18,548,898
Currency options	13,820	13,820	2,049,740	11,850	11,850	1,896,012	10,273	10,273	743,459
Others	11,701	11,701	622,811	17,752	17,752	833,428	30,893	30,893	1,048,574
Held as fair value hedges:									
Commission rate swaps	3,057	192,206	11,000,000	4,021	117,017	8,375,000	19,873	56,311	4,921,313
Held as cash flow hedges:									
Commission rate swaps	210,843	889,515	36,244,500	361,428	772,851	36,186,500	34,670	1,065,397	26,784,000
Total	6,057,482	6,728,011	314,586,024	5,658,824	5,985,332	306,823,099	5,820,206	6,574,208	281,172,843

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12. Customers' deposits

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Demand	77,459,853	76,411,540	90,129,793
Saving	918,529	878,229	954,251
Time	90,703,078	90,199,493	71,047,149
Other	5,746,697	4,719,721	5,282,387
Total	174,828,157	172,208,983	167,413,580

Time deposits include Shariah based deposits amounting to SAR 43,822 million (December 31, 2023: SAR 38,812 million; March 31, 2023: SAR 35,062 million).

13. Debt securities and term loans

During 2022 the Bank has established a USD 4 Billion Euro Medium term Note (MTN) Programme. The issuer under the programme is BSF Finance Limited, operating as a special purpose entity for the guarantor Banque Saudi Fransi. In 2023 the Bank established a USD 4 Billion Trust Certificate Issuance Programme. The issuer under the programme is BSF Sukuk Company, which operates as a special purpose entity for the guarantor Banque Saudi Fransi. During Q1 2024 the Bank has established a SAR 8 Billion Tier 1 Sukuk Programme, the issuer under the programme is Banque Saudi Fransi.

Debt Securities and term loans issued by the Bank under its various programs include:

Issue Date	Type	Market	Tenure	Currency	Value	Term	Maturity
Nov 23 2022	Bond	London stock exchange	5 Years	USD	700 Million	5.5% Semi Annual	Nov 23 2027
Dec 22 2022	Term loan facility	Syndicated facility - International FI Lenders	3 years	USD	500 Million	SOFR + 70 bps Quarterly	Dec 22 2025
May 31 2023	Sukuk	London stock exchange	5 years	USD	900 Million	4.75% Semi Annual	May 31 2028
Jun 21 2023	Term loan facility	Syndicated facility - International FI Lenders	2.5 years	USD	50 Million	SOFR + 70 bps Quarterly	Dec 22 2025
Jul 18 2023	Sukuk	Private placement	4 years	USD	100 Million	5.47% Semi Annual	Jul 18 2027
Nov 09 2023	Bond	Private placement	3 years	USD	50 Million	SOFR + 115 bps Quarterly	Nov 09 2026
Jan 25 2024	Sukuk	London stock exchange	5 years	USD	700 Million	5.00% Semi Annual	Jan 25 2029
Feb 29 2024	Bond	Private placement	7 years	USD	30 Million	SOFR + 155 bps Quarterly	Feb 28 2031
Mar 26 2024	Term loan facility	Syndicated facility - International FI Lenders	3 Years	USD	250 Million	SOFR + 90 bps Quarterly	Mar 26 2027

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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14. Commitments and contingencies

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

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Letters of credit	8,996,924	8,351,739	9,233,541
Letters of guarantee	47,892,720	46,634,872	41,609,914
Acceptances	4,069,263	4,825,739	2,659,230
Irrevocable commitments to extend credit	13,342,518	10,918,887	11,356,017
Total	74,301,425	70,731,237	64,858,702

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

SAR '000	March 31, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	14,639	6,637	174,825	196,101
Transfer from 12-month ECL	(361)	361	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net charge for the period	1,146	343	-	1,489
Write-offs	-	-	-	-
Balance at the end of the period	15,424	7,341	174,825	197,590

SAR '000	December 31, 2023 (Audited)			
	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	(155)	155	-	-
Transfer from lifetime ECL not credit impaired	4,632	(4,871)	239	-
Transfer from lifetime ECL credit impaired	203	-	(203)	-
Net reversal for the year	(4,098)	(1,104)	(76,331)	(81,533)
Write-offs	-	-	-	-
Balance as at December 31, 2023	14,639	6,637	174,825	196,101

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 charge / (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

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For the three months ended March 31, 2024 and 2023

14. Commitments and contingencies (continued)

- 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, 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	37,806,408	1,594,543	574,953	39,975,904
Transfer from 12-month ECL	(756,237)	756,100	137	-
Transfer from lifetime ECL not credit impaired	50,362	(54,850)	4,488	-
Transfer from Lifetime ECL credit impaired	-	-	-	-
Net change for the period	1,659,529	(161,174)	(66,735)	1,431,620
Write-offs	-	-	-	-
Balance at the end of the period	38,760,062	2,134,619	512,843	41,407,524

SAR '000	December 31, 2023 (Audited)			
	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	(497,634)	489,472	8,162	-
Transfer from lifetime ECL not credit impaired	712,292	(914,607)	202,315	-
Transfer from Lifetime ECL credit impaired	767	7,047	(7,814)	-
Net change for the year	5,652,408	(313,219)	(184,390)	5,154,799
Write-offs	-	-	-	-
Balance at the end of the year	37,806,408	1,594,543	574,953	39,975,904

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

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, 2023.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

15. Cash and cash equivalents

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

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5)	1,165,500	1,087,771	5,967,063
Due from banks and other financial institutions maturing within three months from the date of acquisition	4,290,951	2,031,127	2,993,953
Total	5,456,451	3,118,898	8,961,016

16. 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.

17. 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.

The Bank submitted its zakat return for the year ended 31 December 2022, and obtained the unrestricted zakat certificate. The assessments in respect to the Bank's zakat returns for the financial years up to 2018 have been finalized. The assessments for the financial years 2019 to 2022 are under the review of ZATCA.

Zakat for the period ended March 31, 2024 amounted to approximately SAR 132 million (March 31, 2023: SAR 124 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, 2024.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

18. 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.

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

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

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	Carrying Value	Level 1	Level 2	Level 3	Total
March 31, 2024 (Unaudited)					
Financial assets					
Derivative financial instruments positive fair value	6,057,482	-	6,057,482	-	6,057,482
Financial investments designated at FVSI	324,747	147,837	176,910	-	324,747
Financial investments at FVOCI	25,591,300	16,893,000	8,469,653	228,647	25,591,300
Total	31,973,529	17,040,837	14,704,045	228,647	31,973,529
Financial Liabilities					
Derivative financial instruments negative fair value	6,728,011	-	6,728,011	-	6,728,011
Total	6,728,011	-	6,728,011	-	6,728,011

SAR '000	Carrying Value	Level 1	Level 2	Level 3	Total
December 31, 2023 (Audited)					
Financial assets					
Derivative financial instruments positive fair value	5,658,824	-	5,658,824	-	5,658,824
Financial investments designated at FVSI	221,937	72,877	149,060	-	221,937
Financial investments at FVOCI	23,605,134	14,668,660	8,726,057	210,417	23,605,134
Total	29,485,895	14,741,537	14,533,941	210,417	29,485,895
Financial Liabilities					
Derivative financial instruments negative fair value	5,985,332	-	5,985,332	-	5,985,332
Total	5,985,332	-	5,985,332	-	5,985,332

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

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

The fair values of investments held at amortized cost are SAR 25,933 million (December 31, 2023: SAR 23,988 million and March 31, 2023: SAR 24,998 million) against carrying value of SAR 27,007 million (December 31, 2023: SAR 24,640 million and March 31, 2023: SAR 25,902 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 condensed interim 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 184,420 (December 31, 2023: SAR 179,455 million and March 31, 2023: SAR 166,781 million). The carrying values of those loans and advances are SAR 185,408 million (December 31, 2023: SAR 179,391 million and March 31, 2023: SAR 164,779 million).

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, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Balance at the beginning of the period / year	210,417	210,353	210,353
Transfer from level 2	-	-	-
Additions during the period / year	18,000	6,247	-
Change in value	230	(6,183)	103
Balance at the end of period / year	228,647	210,417	210,456

19. 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 condensed interim 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, 2023.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

19. Segment information (continued)

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:

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>March 31, 2024 (Unaudited)</u>					
Total assets	47,533,447	141,659,086	77,110,562	2,072,457	268,375,552
Loans and advances, net	45,322,333	138,723,934	-	1,362,015	185,408,282
Total liabilities	64,290,836	113,176,083	48,058,588	922,284	226,447,791
Customers' deposits	63,084,949	111,743,208	-	-	174,828,157
Total operating income	1,040,496	1,163,669	7,645	119,475	2,331,285
Total operating expenses before impairment charge	386,583	224,954	93,080	68,354	772,971
Impairment charges for financial assets & others, net	77,910	201,878	(3,924)	-	275,864
Net income for the period before zakat	576,003	736,837	(81,511)	51,121	1,282,450
Net special commission income	978,059	1,034,431	(136,935)	42,976	1,918,531
Fee and commission income, net	49,986	128,588	-	68,693	247,267
Exchange income, net	12,262	651	87,094	-	100,007
Trading income, net	-	-	57,377	2,242	59,619
Inter-segment revenue	758,742	501,698	(1,260,440)	-	-
Depreciation and amortization	43,039	14,491	7,556	1,716	66,802

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>December 31, 2023 (Audited)</u>					
Total assets	44,030,393	136,408,923	70,830,279	2,113,254	253,382,849
Total liabilities	70,428,713	104,477,499	36,594,817	760,599	212,261,628

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19. 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

20. 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, 2023: 1,205 million shares of SAR 10 each and March 31, 2023: 1,205 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended March 31, 2024 and 2023 are calculated on a weighted average basis by dividing the net income adjusted for Tier I Sukuk costs for the period by 1,205 million shares after excluding treasury shares consisting of 8.2 million shares as of March 31, 2023 (December 31, 2023: 7.6 million shares and March 31, 2023: 5.5 million shares).

The Board of Directors have proposed final net dividend of SAR 1.00 net per share for the year 2023 which is subject to the approval of the shareholders at the Annual General Assembly Meeting and the regulatory agencies.

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 with related parties have been defined as per regulatory guidelines which also include relationships with entities with common directorships or common key management personal.

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For the three months ended March 31, 2024 and 2023

21. Related party balances (continued)

The balances as at March 31, 2024, December 31, 2023 and March 31, 2023 resulting from such transactions included in the consolidated financial statements are as follows:

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Associates			
Investments	9,695	9,695	9,695
Due to banks and other financial institutions	8,544	8,462	8,265
Directors, senior management, shariah members and their affiliates (key management personal)			
Loans and advances	8,148,783	7,442,827	9,544,186
Investments	838,998	1,021,721	972,336
Due from banks and other financial institutions	395,625	395,625	-
Other assets	46,650	25,736	21,116
Customers' deposits	7,115,732	10,020,831	9,067,386
Due to banks and other financial institutions	900,000	2,822,190	900,000
Other liabilities	3,558	4,550	6,618
Derivatives at fair value, net	(95,490)	(13,772)	(41,138)
Commitments and contingencies	2,901,111	3,055,299	3,308,425
Major shareholders' and their affiliates			
Loans and advances	968,249	671,978	2,777,185
Customers' deposits	5,689,119	6,284,014	925,297
Derivatives at fair value, net	165	-	(137)

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.

The numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from January 01, 2023.

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For the three months ended March 31, 2024 and 2023

22. Capital Adequacy (continued)

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

SAR '000	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	March 31, 2023 (Unaudited)
Credit Risk RWA	222,126,266	212,627,655	200,506,951
Operational Risk RWA	8,902,202	7,594,969	7,923,562
Market Risk RWA	3,226,993	2,800,566	1,203,648
Total RWA	234,255,461	223,023,190	209,634,161
Common Equity Tier I Capital	38,041,035	37,204,728	36,370,128
Additional Tier I Capital	5,000,000	5,000,000	5,000,000
Tier I Capital	43,041,035	42,204,728	41,370,128
Tier II Capital	1,507,725	1,363,733	2,097,455
Total Tier I & II Capital	44,548,760	43,568,461	43,467,583
Capital Adequacy Ratio %			
Common Equity Tier I ratio	16.24%	16.68%	17.35%
Tier I ratio	18.37%	18.92%	19.73%
Tier I + Tier II ratio	19.02%	19.54%	20.73%

23. Comparative figures

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

24. Board of Directors Approval

The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on April 24, 2024 corresponding to Shawwal 15, 1445H.