

البنك
السعودي
الفرنسي
Banque
Saudi
Fransi



BANQUE SAUDI FRANSI

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED

SEPTEMBER 30, 2022



Ernst & Young Professional Services
(Professional LLC)
Paid-up capital (SAR 5,500,000 – Five million and five hundred thousand Saudi Riyal)
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Headquarters in Riyadh

**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 consolidated statement of financial position of Banque Saudi Fransi ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2022, and the related interim consolidated statements of income, comprehensive income for the three and nine months period then ended, changes in equity and cash flows for the nine months 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 21 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 21 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

For Ernst & Young Professional Services

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12 Rabi Al-Thani 1444H
6 November 2022



KPMG Professional Services
(Professional Closed Joint Stock Company)
Paid-up capital SAR 25,000,000
C.R. No. 1010425494



BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at

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SAR '000	Notes	Sep 30, 2022 (Unaudited)	Dec 31, 2021 (Audited)	Sep 30, 2021 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	12,427,738	9,795,068	9,635,157
Due from banks and other financial institutions, net	6	4,507,303	5,323,964	5,388,935
Investments, net	7	43,341,480	43,858,241	43,586,621
Positive fair value of derivatives	12	6,743,596	4,061,987	4,826,350
Loans and advances, net	8	158,481,354	147,812,759	144,392,943
Investment in associate, net		9,695	9,695	9,695
Property, equipment and right of use assets, net		1,720,117	1,585,763	1,541,739
Other real estate, net		382,234	384,181	384,181
Other assets, net		4,045,182	2,970,368	3,569,471
Total assets		231,658,699	215,802,026	213,335,092
LIABILITIES AND EQUITY				
Liabilities				
Due to SAMA	9	13,598,014	10,868,499	8,333,894
Due to banks and other financial institutions	10	6,496,146	12,985,358	11,709,124
Customers' deposits	11	157,820,917	141,950,208	143,322,098
Negative fair value of derivatives	12	7,463,672	3,246,098	3,818,108
Other liabilities		8,475,240	7,066,193	6,909,914
Total liabilities		193,853,989	176,116,356	174,093,138
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		(2,194,487)	228,707	720,701
Retained earnings		10,001,114	8,398,887	8,481,826
Proposed dividend		-	1,019,956	-
Treasury shares		(91,918)	(51,881)	(50,574)
Equity attributable to the shareholders of the Bank		32,804,710	34,685,670	34,241,954
Tier 1 Sukuk	15	5,000,000	5,000,000	5,000,000
Total equity		37,804,710	39,685,670	39,241,954
Total liabilities and equity		231,658,699	215,802,026	213,335,092

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Mazen Azoony



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the Board

SAR '000	For the three months ended		For the nine months ended	
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Special commission income	2,187,826	1,542,278	5,447,015	4,408,763
Special commission expense	542,170	118,676	1,009,775	367,412
Net special commission income	1,645,656	1,423,602	4,437,240	4,041,351
Fee and commission income	409,003	409,990	1,256,680	1,316,773
Fee and commission expense	131,273	115,206	394,957	390,460
Net fee and commission income	277,730	294,784	861,723	926,313
Exchange income, net	135,734	86,679	333,866	243,360
Trading income, net	19,720	83,832	127,489	183,649
Dividend income	3,292	310	10,372	930
Gains on FVOCI / non-trading investments, net	816	8,012	3,600	22,464
Other operating income	52,173	16,754	107,954	45,078
Total operating income	2,135,121	1,913,973	5,882,244	5,463,145
Salaries and employee related expenses	390,931	355,033	1,081,905	1,050,262
Rent and premises related expenses	17,893	16,977	49,629	48,049
Depreciation and amortization	58,316	54,125	170,955	160,215
Other operating and general and administrative expenses	210,811	181,929	627,986	568,168
Total operating expenses before impairment charge	677,951	608,064	1,930,475	1,826,694
Impairment charge for expected credit losses, net	401,580	296,342	997,011	853,393
Impairment (reversal) / charge for investments, financial assets and others, net	(1,292)	(7,250)	(5,489)	4,640
Total operating expenses, net	1,078,239	897,156	2,921,997	2,684,727
Net income for the period before Zakat	1,056,882	1,016,817	2,960,247	2,778,418
Zakat for the period	96,016	109,568	287,794	321,808
Net income for the period	960,866	907,249	2,672,453	2,456,610
Basic and diluted earnings per share (SAR)	0.75	0.71	2.08	1.92

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Mazen Azoony



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the Board

SAR '000	For the three months ended		For the nine months ended	
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2022	Sep 30, 2021
Net income for the period	960,866	907,249	2,672,453	2,456,610
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	(23,352)	(28,980)	(102,732)	5,490
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	(302,638)	68,827	(901,811)	44,247
Income transferred to interim condensed consolidated statement of income	(816)	(5,012)	(3,600)	(19,464)
<u>Cash flow hedge</u>				
Net change in the fair value	(477,943)	27,910	(1,237,737)	36,448
Loss / (income) transferred to interim condensed consolidated statement of income	4,062	(160,587)	(177,314)	(534,135)
Total other comprehensive loss for the period	(800,687)	(97,842)	(2,423,194)	(467,414)
Total comprehensive income for the period	160,179	809,407	249,259	1,989,196

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Mazen Azoony

Chief Financial Officer

Bader AlSalloom

Chief Executive Officer

Mazen AlRomaih

Chairman of the Board

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

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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 nine months period ended September 30, 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	-	-	-	2,672,453	-	-	-	-	-	2,672,453	-	2,672,453
Net change in the fair value	-	-	-	-	(1,004,543)	-	(1,237,737)	-	-	(2,242,280)	-	(2,242,280)
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(3,600)	-	(177,314)	-	-	(180,914)	-	(180,914)
Total comprehensive income for the period	-	-	-	2,672,453	(1,008,143)	-	(1,415,051)	-	-	249,259	-	249,259
Final dividend paid for 2021	-	-	-	-	-	-	-	(1,019,956)	-	(1,019,956)	-	(1,019,956)
Interim dividend for 2022	-	-	-	(901,488)	-	-	-	-	-	(901,488)	-	(901,488)
Tier 1 Sukuk related cost	-	-	-	(168,738)	-	-	-	-	-	(168,738)	-	(168,738)
Net change in treasury shares	-	-	-	-	-	-	-	-	(40,037)	(40,037)	-	(40,037)
Balance at the end of the period	12,053,572	12,053,572	982,857	10,001,114	(1,000,431)	1,731	(1,195,787)	-	(91,918)	32,804,710	5,000,000	37,804,710
For the nine months period ended September 30, 2021												
Balance at the beginning of the period	12,053,572	12,053,572	982,857	7,433,263	178,744	(272)	1,009,643	-	(75,434)	33,635,945	5,000,000	38,635,945
Net income for the period	-	-	-	2,456,610	-	-	-	-	-	2,456,610	-	2,456,610
Net change in the fair value	-	-	-	-	49,737	-	36,448	-	-	86,185	-	86,185
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(19,464)	-	(534,135)	-	-	(553,599)	-	(553,599)
Total comprehensive income for the period	-	-	-	2,456,610	30,273	-	(497,687)	-	-	1,989,196	-	1,989,196
Final dividend paid for 2020	-	-	-	(479,979)	-	-	-	-	-	(479,979)	-	(479,979)
Interim dividend paid for 2021	-	-	-	(779,966)	-	-	-	-	-	(779,966)	-	(779,966)
Tier 1 Sukuk related cost	-	-	-	(148,102)	-	-	-	-	-	(148,102)	-	(148,102)
Net change in treasury shares	-	-	-	-	-	-	-	-	24,860	24,860	-	24,860
Balance at the end of the period	12,053,572	12,053,572	982,857	8,481,826	209,017	(272)	511,956	-	(50,574)	34,241,954	5,000,000	39,241,954

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.

Mazen Azoony



Chief Financial Officer

Bader AlSalloom



Chief Executive Officer

Mazen AlRomaih



Chairman of the Board

BANQUE SAUDI FRANSI (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

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SAR '000	Note	For the nine months ended	
		Sep 30, 2022	Sep 30, 2021
OPERATING ACTIVITIES			
Net income for the period before zakat		2,960,247	2,778,418
Adjustments to reconcile net income before zakat to net cash from / (used in) operating activities:			
Accretion of discounts on investments not held as FVTPL, net		172,800	149,251
Gains on FVOCI		(3,600)	(22,464)
Depreciation and amortization		170,955	160,215
Gains on disposal of property, equipment, net		(47)	(284)
Impairment charge for expected credit losses, net	8	997,011	853,393
Impairment (reversal) / charge for investments, financial assets and others, net		(5,489)	4,640
Long term incentive scheme provision		13,183	24,860
Operating income before changes in operating assets and liabilities		4,305,060	3,948,029
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(930,495)	(593,275)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(200,000)	-
Investments held as FVTPL, trading		140,454	(64,487)
Loans and advances		(11,605,190)	(14,878,577)
Other assets		(5,169,527)	518,807
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions, net		(3,858,276)	3,424,047
Customers' deposits		15,870,709	16,210,454
Other liabilities		5,953,859	(750,626)
Zakat paid		4,506,594	7,814,372
Net cash generated from operating activities		(616,683)	(400,477)
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment not held as FVTPL		4,029,842	3,057,498
Purchase of investments not held as FVTPL		(4,814,826)	(8,997,505)
Purchases of property and equipment		(276,234)	(210,903)
Proceeds from sale of property and equipment		223	483
Net cash used in investing activities		(1,060,995)	(6,150,427)
FINANCING ACTIVITIES			
Dividends paid		(1,921,444)	(1,259,945)
Tier I Sukuk related cost		(168,738)	(148,102)
Purchase of Treasury Shares		(53,220)	-
Net cash used in financing activities		(2,143,402)	(1,408,047)
Increase / (decrease) in cash and cash equivalents		685,514	(144,579)
Cash and cash equivalents at the beginning of the period		6,627,104	6,609,409
Cash and cash equivalents at the end of the period	14	7,312,618	6,464,830
Special commission received during the period		4,759,393	4,292,330
Special commission paid during the period		729,406	402,163
Supplemental non-cash information			
Movement in other reserve and transfers to the interim condensed consolidated statement of income		(2,423,194)	(467,414)

The accompanying notes 1 to 26 form an integral part of these interim condensed consolidated financial statements.


Mazen Azoony
Chief Financial Officer


Bader AlSalloom
Chief Executive Officer


Mazen AlRomaih
Chairman of the Board

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine months ended September 30, 2022 and 2021****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 (September 30, 2021: 85 branches) in the Kingdom of Saudi Arabia, employing 3,042 people (September 30, 2021: 2,995 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, BSF Sukuk 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 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 September 30, 2022 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, 2021.

The consolidated financial statements of the Group as at and for the year ended December 31, 2021, 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

3. Basis of consolidation (continued)

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, 2021.

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, 2021, except for the adoption of new standards effective as of January 01, 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

4. Significant Accounting Policies and Estimates (continued)

Standard, interpretation, amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.

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, 2022. 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. Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

4. Significant Accounting Policies and Estimates (continued)

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets</p>	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	<p>The amendment will help to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p> <p>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.</p>	Annual periods beginning on or after 1 January 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

5. Cash and balances with SAMA

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Cash on hand	1,126,467	1,023,141	1,075,895
Statutory deposit	9,622,423	8,691,928	8,559,262
Money market placements with SAMA	1,678,848	79,999	-
Total	12,427,738	9,795,068	9,635,157

6. Due from banks and other financial institutions, net

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Current accounts	2,595,891	3,798,508	2,916,628
Money market placements	1,912,767	1,525,636	2,472,532
Less: impairment	(1,355)	(180)	(225)
Total	4,507,303	5,323,964	5,388,935

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

SAR '000	September 30, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	114	66	-	180
Transfer from 12-month ECL	(1)	1	-	-
Transfer from lifetime ECL not credit impaired	5	(5)	-	-
Net charge for the period	801	374	-	1,175
Balance at the end of the period	919	436	-	1,355

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	379	60	-	439
Net reversal for the period	(209)	(5)	-	(214)
Balance at the end of the period	170	55	-	225

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

SAR '000	September 30, 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	(646)	646	-	-
Transfer from lifetime ECL not credit impaired	37	(37)	-	-
Net change for the period	(823,368)	7,882	-	(815,486)
Write-offs	-	-	-	-
Balance at the end of the period	4,492,282	16,376	-	4,508,658

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 01	4,017,172	10,264	-	4,027,436
Transfer from 12-month ECL	1,037	(1,037)	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Net change for the period	1,362,365	(641)	-	1,361,724
Write-offs	-	-	-	-
Balance at the end of the period	5,380,574	8,586	-	5,389,160

7. Investments, net

a) Investment securities are classified as follows:

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Investment at amortized cost	26,164,987	28,705,446	28,821,561
Investments at FVOCI – Debt instruments	16,865,422	14,604,493	14,329,548
Investments at FVOCI – Equity/other investments	241,530	338,307	226,422
Investment at FVTPL – Debt/equity instruments	69,541	209,995	209,090
Total	43,341,480	43,858,241	43,586,621

Gross Investments include Shariah based investments amounting to SAR 29,054 million (December 31, 2021: SAR 31,502 million; September 30, 2021: SAR 31,033 million).

b) Investments held at fair value through profit or loss

Investments by type of securities

SAR '000	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)			September 30, 2021 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	60,882	8,659	69,541	144,385	11,102	155,487	139,515	11,164	150,679
Floating-rate securities	-	-	-	54,508	-	54,508	54,573	-	54,573
Equities	-	-	-	-	-	-	3,838	-	3,838
Total	60,882	8,659	69,541	198,893	11,102	209,995	197,926	11,164	209,090

c) Investments held at fair value through other comprehensive income

Investments by type of securities

SAR '000	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)			September 30, 2021 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	8,137,861	4,445,814	12,583,675	7,760,291	2,847,479	10,607,770	7,748,521	2,369,676	10,118,197
Floating-rate securities	3,214,480	1,067,267	4,281,747	3,604,681	392,042	3,996,723	3,834,931	376,420	4,211,351
Equities and others	231,348	10,182	241,530	328,041	10,266	338,307	216,143	10,279	226,422
Total	11,583,689	5,523,263	17,106,952	11,693,013	3,249,787	14,942,800	11,799,595	2,756,375	14,555,970

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

7. Investments, net (continued)

d) Investments held at amortised cost

Investments by type of securities

SAR '000	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)			September 30, 2021 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Fixed-rate securities	22,219,521	-	22,219,521	24,939,934	-	24,939,934	25,211,201	-	25,211,201
Floating-rate securities	3,306,907	-	3,306,907	3,072,632	-	3,072,632	3,072,496	-	3,072,496
Other	638,559	-	638,559	692,880	-	692,880	537,864	-	537,864
Total	26,164,987	-	26,164,987	28,705,446	-	28,705,446	28,821,561	-	28,821,561

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

SAR '000	September 30, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	20,640	-	-	20,640
Net charge for the period	3,286	-	-	3,286
Balance at the end of the period	23,926	-	-	23,926

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	15,392	-	-	15,392
Net charge for the year	5,248	-	-	5,248
Balance at the end of the year	20,640	-	-	20,640

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	15,392	-	-	15,392
Net charge for the period	2,758	-	-	2,758
Balance at the end of the period	18,150	-	-	18,150

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

7. Investments, net (continued)

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

SAR '000	September 30, 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	(278,032)	-	-	(278,032)
Write-offs	-	-	-	-
Balance at the end of the period	43,038,317	-	-	43,038,317

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	37,328,462	-	-	37,328,462
Transfer from 12-month ECL	-	-	-	-
Transfer from lifetime ECL not credit impaired	-	-	-	-
Transfer from lifetime ECL credit impaired	-	-	-	-
Net change for the period	5,840,797	-	-	5,840,797
Write-offs	-	-	-	-
Balance at the end of the period	43,169,259	-	-	43,169,259

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

8. Loans and advances, net

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

SAR '000	September 30, 2022 (Unaudited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	129,596,305	583,188	29,053,559	159,233,052
Non-performing loans and advances, net	4,343,229	20,576	107,067	4,470,872
Total loans and advances	133,939,534	603,764	29,160,626	163,703,924
Allowance for impairment	(4,921,974)	(43,725)	(256,871)	(5,222,570)
Loans and advances held at amortised cost, net	129,017,560	560,039	28,903,755	158,481,354

SAR '000	December 31, 2021 (Audited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	121,282,954	527,408	26,876,972	148,687,334
Non-performing loans and advances, net	3,685,252	34,509	138,488	3,858,249
Total loans and advances	124,968,206	561,917	27,015,460	152,545,583
Allowance for impairment	(4,380,256)	(61,999)	(290,569)	(4,732,824)
Loans and advances held at amortised cost, net	120,587,950	499,918	26,724,891	147,812,759

SAR '000	September 30, 2021 (Unaudited)			
	Overdraft & Commercial Loans	Credit Cards	Consumer Loans	Total
Performing loans and advances – gross	118,615,293	502,126	26,617,831	145,735,250
Non-performing loans and advances, net	3,592,487	27,958	175,614	3,796,059
Total loans and advances	122,207,780	530,084	26,793,445	149,531,309
Allowance for impairment	(4,816,349)	(47,352)	(274,665)	(5,138,366)
Loans and advances held at amortised cost, net	117,391,431	482,732	26,518,780	144,392,943

Gross Loans and advances include Shariah based loans and advances amounting to SAR 114,417 million (December 31, 2021: SAR 108,298 million; September 30, 2021: SAR 104,508 million).

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

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Opening loss allowance as at January 01	4,732,824	4,693,010	4,693,010
Charge for the period / year, net	997,011	1,021,349	853,393
Bad debts written off against provision	(507,265)	(981,535)	(408,037)
Balance at the end of the period / year	5,222,570	4,732,824	5,138,366

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

8. Loans and advances, net (continued)

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

SAR '000	September 30, 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	(11,643)	10,038	1,605	-
Transfer from lifetime ECL not credit impaired	30,714	(619,759)	589,045	-
Transfer from Lifetime ECL credit impaired	11,415	420,789	(432,204)	-
Net charge / (reversal) for the period	(215,873)	325,687	887,197	997,011
Write-offs	-	-	(507,265)	(507,265)
Balance at the end of the period	341,063	1,965,738	2,915,769	5,222,570

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	579,357	1,375,529	2,738,124	4,693,010
Transfer from 12-month ECL	(33,610)	31,698	1,912	-
Transfer from lifetime ECL not credit impaired	13,652	(25,550)	11,898	-
Transfer from Lifetime ECL credit impaired	30,480	36,469	(66,949)	-
Net charge / (reversal) for the period	(74,682)	641,597	286,478	853,393
Write-offs	-	-	(408,037)	(408,037)
Balance at the end of the period	515,197	2,059,743	2,563,426	5,138,366

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

8. Loans and advances, net (continued)

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

SAR '000	September 30, 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	116,283,614	13,237,567	4,418,353	133,939,534
Credit Card	559,401	18,717	25,646	603,764
Consumer	28,802,920	235,349	122,357	29,160,626
Balance at the end of the period	145,645,935	13,491,633	4,566,356	163,703,924

SAR '000	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	107,440,769	13,792,995	3,734,442	124,968,206
Credit Card	479,227	43,508	39,182	561,917
Consumer	26,669,049	185,933	160,478	27,015,460
Balance at the end of the year	134,589,045	14,022,436	3,934,102	152,545,583

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Overdraft & commercial loans	103,670,649	14,843,402	3,693,729	122,207,780
Credit Card	483,626	14,535	31,923	530,084
Consumer	26,427,046	194,724	171,675	26,793,445
Balance at the end of the period	130,581,321	15,052,661	3,897,327	149,531,309

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

SAR '000	September 30, 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	(2,449,994)	2,351,790	98,204	-
Transfer from lifetime ECL not credit impaired	975,173	(2,917,894)	1,942,721	-
Transfer from Lifetime ECL credit impaired	20,739	879,262	(900,001)	-
Net change for the period	12,510,972	(843,961)	(1,405)	11,665,606
Write-offs	-	-	(507,265)	(507,265)
Balance at the end of the period	145,645,935	13,491,633	4,566,356	163,703,924

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For the nine months ended September 30, 2022 and 2021

8. Loans and advances, net (continued)

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	118,827,712	12,444,159	3,985,974	135,257,845
Transfer from 12-month ECL	(4,587,983)	4,490,424	97,559	-
Transfer from lifetime ECL not credit impaired	1,303,857	(1,545,347)	241,490	-
Transfer from Lifetime ECL credit impaired	53,773	78,512	(132,285)	-
Net change for the period	14,983,962	(415,087)	112,626	14,681,501
Write-offs	-	-	(408,037)	(408,037)
Balance at the end of the period	130,581,321	15,052,661	3,897,327	149,531,309

9. Due to SAMA

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Current accounts	130,324	13,046	493,107
Time deposits	9,060,016	2,999,549	-
Government grant	4,599,968	8,146,759	8,165,857
Modification impact, net	(192,294)	(290,855)	(325,070)
Total	13,598,014	10,868,499	8,333,894

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

10. Due to banks and other financial institutions

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Current accounts	557,846	481,425	665,852
Money market placements	5,938,300	12,503,933	11,043,272
Total	6,496,146	12,985,358	11,709,124

11. Customers' deposits

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Demand	97,354,653	88,999,785	85,310,615
Saving	931,258	905,762	866,046
Time	54,398,686	46,066,480	51,942,689
Other	5,136,320	5,978,181	5,202,748
Total	157,820,917	141,950,208	143,322,098

Time deposits include Shariah based deposits amounting to SAR 23,686 million (December 31, 2021: SAR 16,656 million; September 30, 2021: SAR 18,978 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.

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For the nine months ended September 30, 2022 and 2021

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 derivative 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 year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

12. Derivatives (continued)

SAR '000	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)			September 30, 2021 (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	6,216,004	5,873,251	244,737,696	2,941,054	2,768,256	205,917,331	3,451,171	3,269,102	206,592,769
Forward rate agreements and commission rate futures and options	190,322	190,322	30,189,872	318,802	318,802	28,278,081	465,202	465,202	29,465,614
Forward foreign exchange contracts	178,420	231,691	24,944,179	155,750	51,587	29,313,456	131,498	66,612	35,105,824
Currency options	45,308	45,308	1,523,295	7,749	7,749	699,392	6,444	6,444	712,634
Others	54,433	54,433	1,289,796	4,446	4,446	133,527	2,595	2,595	24,140
Held as fair value hedges:									
Commission rate swaps	22,869	-	327,563	1,269	6	142,500	-	19	37,500
Held as cash flow hedges:									
Commission rate swaps	36,240	1,068,667	24,895,000	632,917	95,252	27,519,500	769,440	8,134	26,911,500
Total	6,743,596	7,463,672	327,907,401	4,061,987	3,246,098	292,003,787	4,826,350	3,818,108	298,849,981

13. Commitments and contingencies

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

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Letters of credit	8,365,002	11,183,710	8,706,778
Letters of guarantee	38,876,994	36,677,538	36,121,591
Acceptances	2,571,182	2,021,025	1,775,473
Irrevocable commitments to extend credit	9,137,209	7,587,489	7,449,476
Total	58,950,387	57,469,762	54,053,318

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

SAR '000	September 30, 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	(304)	304	-	-
Transfer from lifetime ECL not credit impaired	495	(733)	238	-
Net reversal for the period	(3,038)	(5,163)	(1,679)	(9,880)
Write-offs	-	-	-	-
Balance at the end of the period	14,414	9,501	254,484	278,399

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

13. Commitments and contingencies (continued)

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	25,569	11,027	374,275	410,871
Transfer from 12-month ECL	(1,076)	1,076	-	-
Transfer from lifetime ECL not credit impaired	210	(210)	-	-
Transfer from Lifetime ECL credit impaired	-	-	-	-
Net charge / (reversal) for the period	(6,386)	1,671	7,128	2,413
Write-offs	-	-	-	-
Balance at the end of the period	18,317	13,564	381,403	413,284

- ii) The following table shows the stage wise gross exposure of commitments and contingencies based on the credit conversion factor:

SAR '000	September 30, 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	(433,280)	433,048	232	-
Transfer from lifetime ECL not credit impaired	16,955	(34,997)	18,042	-
Transfer from Lifetime ECL credit impaired	-	-	-	-
Net change for the period	1,796,697	(674,862)	19,795	1,141,630
Write-offs	-	-	-	-
Balance at the end of the period	29,638,095	1,901,266	512,313	32,051,674

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For the nine months ended September 30, 2022 and 2021

13. Commitments and contingencies (continued)

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

SAR '000	September 30, 2021 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 01	31,040,764	1,520,215	937,803	33,498,782
Transfer from 12-month ECL	(1,343,984)	1,340,547	3,437	-
Transfer from lifetime ECL not credit impaired	587,191	(587,705)	514	-
Transfer from Lifetime ECL credit impaired	-	3,344	(3,344)	-
Net change for the period	(2,570,173)	(184,463)	(394,911)	(3,149,547)
Write-offs	-	-	-	-
Balance at the end of the period	27,713,798	2,091,938	543,499	30,349,235

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, 2021.

14. Cash and cash equivalents

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

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5)	2,805,315	1,103,140	1,075,895
Due from banks and other financial institutions maturing within three months from the date of acquisition	4,507,303	5,123,964	5,388,935
Total	7,312,618	6,227,104	6,464,830

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

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 September 30, 2022 amounted to approximately SAR 288 million (September 30, 2021: SAR 322 million). The provision of Zakat is estimated based on the results of operations of the Bank for the nine months period ended and the consolidated financial position at September 30, 2022.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

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

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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

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

SAR '000	Level 1	Level 2	Level 3	Total
<u>September 30, 2022 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	6,743,596	-	6,743,596
Financial investments designated at FVTPL	69,541	-	-	69,541
Financial investments at FVOCI	14,182,165	2,797,665	127,122	17,106,952
Total	14,251,706	9,541,261	127,122	23,920,089
Financial Liabilities				
Derivative financial instruments negative fair value	-	7,463,672	-	7,463,672
Total	-	7,463,672	-	7,463,672

SAR '000	Level 1	Level 2	Level 3	Total
<u>December 31, 2021 (Audited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	4,061,987	-	4,061,987
Financial investments designated at FVTPL	16,000	193,995	-	209,995
Financial investments at FVOCI	8,716,306	6,105,327	121,167	14,942,800
Total	8,732,306	10,361,309	121,167	19,214,782
Financial Liabilities				
Derivative financial instruments negative fair value	-	3,246,098	-	3,246,098
Total	-	3,246,098	-	3,246,098

SAR '000	Level 1	Level 2	Level 3	Total
<u>September 30, 2021 (Unaudited)</u>				
Financial assets				
Derivative financial instruments positive fair value	-	4,826,350	-	4,826,350
Financial investments designated at FVTPL	15,002	194,088	-	209,090
Financial investments at FVOCI	8,409,618	6,130,349	16,003	14,555,970
Total	8,424,620	11,150,787	16,003	19,591,410
Financial Liabilities				
Derivative financial instruments negative fair value	-	3,818,108	-	3,818,108
Total	-	3,818,108	-	3,818,108

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

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

The fair values of investments held at amortized cost are SAR 25,338 million (December 31, 2021: SAR 28,808 million and September 30, 2021: SAR 29,108 million) against carrying value of SAR 26,165 million (December 31, 2021: SAR 28,705 million and September 30, 2021: SAR 28,822 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 160,160 (December 31, 2021: SAR 151,172 million and September 30, 2021: SAR 148,432 million). The carrying values of those loans and advances are SAR 158,481 million (December 31, 2021: SAR 147,813 million and September 30, 2021: SAR 144,606 million).

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, 2021.

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 nine months then ended, by operating segments, are as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

18. Segment information (continued)

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>September 30, 2022 (Unaudited)</u>					
Total assets	38,342,726	122,273,340	68,657,856	2,384,777	231,658,699
Loans and advances, net	36,984,341	119,823,608	-	1,673,405	158,481,354
Total liabilities	76,073,845	84,540,497	31,200,761	2,038,886	193,853,989
Customers' deposits	74,872,317	82,948,600	-	-	157,820,917
Total operating income	1,625,877	2,531,940	1,394,244	330,183	5,882,244
Total operating expenses before impairment charge	1,025,207	499,479	248,178	157,611	1,930,475
Impairment charges for financial assets & others, net	46,775	950,236	(5,489)	-	991,522
Net income for the period before zakat	553,895	1,082,225	1,151,555	172,572	2,960,247
Net special commission income	1,372,673	2,006,126	974,434	84,007	4,437,240
Fee and commission income, net	146,667	479,433	799	234,824	861,723
Exchange income, net	41,784	3,180	288,902	-	333,866
Trading income, net	-	-	126,346	1,143	127,489
Inter-segment revenue	798,879	385,268	(1,184,147)	-	-
Depreciation and amortization	107,919	40,196	20,629	2,211	170,955

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>December 31, 2021 (Audited)</u>					
Total assets	34,195,496	114,226,146	65,296,420	2,083,964	215,802,026
Total liabilities	81,535,610	62,773,053	29,663,189	2,144,504	176,116,356

SAR '000	Retail banking	Corporate banking	Treasury	Investment banking & brokerage	Total
<u>September 30, 2021 (Unaudited)</u>					
Total assets	34,372,453	110,834,923	66,267,050	1,860,666	213,335,092
Loans and advances, net	33,089,527	109,675,486	-	1,627,930	144,392,943
Total liabilities	80,334,098	65,582,335	26,439,664	1,737,041	174,093,138
Customers' deposits	79,190,976	64,131,122	-	-	143,322,098
Total operating income	1,446,256	2,235,242	1,426,611	355,036	5,463,145
Total operating expenses before impairment charge	962,084	474,802	240,628	149,180	1,826,694
Impairment charges for financial assets & others, net	20,247	832,333	5,453	-	858,033
Net income for the period before zakat	463,925	928,107	1,180,530	205,856	2,778,418
Net special commission income	1,193,463	1,802,723	988,443	56,722	4,041,351
Fee and commission income, net	187,033	427,616	13,351	298,313	926,313
Exchange income, net	25,321	2,825	215,214	-	243,360
Trading income, net	-	-	183,649	-	183,649
Inter-segment revenue	618,635	386,588	(1,005,223)	-	-
Depreciation and amortization	113,064	25,857	18,909	2,385	160,215

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For the nine months ended September 30, 2022 and 2021

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, 2021: 1,205 million shares of SAR 10 each and September 30, 2021: 1,205 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended September 30, 2022 and 2021 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 September 30, 2022 (December 31, 2021: 5.4 million shares and September 30, 2021: 5.4 million shares).

The final net dividend of SAR 0.85 per share for the year ended 2021 has been approved by the shareholders at the General Assembly Meeting held on June 12, 2022.

20. Interim Dividend

The Board of Directors of the Bank approved on June 29, 2022 to distribute an interim cash dividend of SAR 901 million, being SAR 0.75 per share.

21. 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.

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

SAR '000	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Credit Risk RWA	195,936,821	185,159,270	182,313,679
Operational Risk RWA	13,655,990	13,224,774	12,958,582
Market Risk RWA	2,214,413	3,835,772	4,616,824
Total RWA	211,807,224	202,219,816	199,889,085
Tier I Capital	39,575,747	40,329,281	39,592,873
Tier II Capital	2,278,575	2,314,491	2,278,921
Total Tier I & II Capital	41,854,322	42,643,772	41,871,794
Capital Adequacy Ratio %			
Tier I ratio	18.68%	19.94%	19.81%
Tier I + Tier II ratio	19.76%	21.09%	20.95%

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22. Impact of SAMA programs

Deferred Payments Program (“DPP”):

In response to COVID-19, SAMA launched the Deferred Payments Program (“DPP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers’ potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The DPP program has ended on March 31, 2022.

During the period ended September 30, 2022, SAR 99 million (September 30, 2021: SAR 90 million) has been recognized in the interim condensed consolidated statement of income with respect to the unwinding of modification income on related deposits with an aggregate of SAR 192 million deferred grant income as at September 30, 2022 (December 31, 2021: SAR 291 million and September 30, 2021: SAR 325 million).

During the nine months period ended September 30, 2022, SAR 60 million (September 30, 2021: SAR 115 million) has been charged to the interim condensed consolidated statement of income relating to unwinding of modification losses.

23. IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of an interest rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk-Free Rate (“RFR”).

Management has put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project has considered changes to contract templates of impacted products, systems, processes, risk management policies and models, as well as accounting implications. Further, the customer communications of the aspects of the transition have also been considered. As of September 30, 2022, changes required to systems, processes and models have been identified and implemented while some changes are in the final stage of testing and implementation.

The Bank has exposure to IBOR rates that are subject to reform through the structural interest rate position, holdings of investment securities, financial products denominated in foreign currencies and, where applicable associated hedging.

24. Medium Term Note (MTN) Programme

During Q2 2022 the Bank established a USD 4 Billion Medium Term Note (MTN) Programme. The issuer under the programme is a Banque Saudi Fransi subsidiary, BSF Finance Limited and Banque Saudi Fransi is a guarantor under the programme.

25. 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.

26. Board of Directors Approval

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on October 30, 2022 corresponding to Rabi Al-Thani 05, 1444H.