

**RIYAD BANK  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2022  
AND  
AUDITORS' REPORT**



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

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

**To: THE SHAREHOLDERS OF RIYAD BANK  
(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyadh Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2022, and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and other explanatory notes (collectively referred to as the "interim condensed consolidated financial statements").

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 as 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 the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (18) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (18) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**PricewaterhouseCoopers**

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Certified Public Accountant  
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**For Ernst & Young Professional Services**

**Waleed G. Tawfiq**  
Certified Public Accountant  
License No. 437

9 Shawwal 1443H  
(10 May 2022)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
	Notes	SAR'000	SAR'000	SAR'000
<b>ASSETS</b>				
Cash and balances with Saudi Central Bank (SAMA), net		25,046,092	25,587,478	34,089,471
Due from banks and other financial institutions, net		22,683,359	17,644,832	14,280,345
Positive fair value of derivatives	6	1,594,765	1,414,515	1,288,803
Investments, net	7	59,034,605	58,637,186	56,934,289
Loans and advances, net	8	234,792,987	217,290,235	196,442,769
Other assets		1,581,156	1,492,186	1,532,192
Investment in associates		580,327	649,720	687,827
Other real estate		308,425	313,564	314,776
Property, equipment and right of use assets, net		2,846,599	2,706,102	2,465,808
<b>Total assets</b>		<b>348,468,315</b>	<b>325,735,818</b>	<b>308,036,280</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		42,496,558	43,134,140	40,412,130
Negative fair value of derivatives	6	1,273,098	1,460,144	1,271,586
Customers' deposits	9	232,415,870	211,678,297	198,598,285
Debt securities in issue		8,650,540	8,716,577	8,647,581
Other liabilities		12,767,352	13,446,889	14,878,955
<b>Total liabilities</b>		<b>297,603,418</b>	<b>278,436,047</b>	<b>263,808,537</b>
<b>Equity</b>				
Share capital		30,000,000	30,000,000	30,000,000
Statutory reserve		9,187,224	9,187,224	7,680,879
Other reserves		838,521	1,637,436	1,764,677
Retained earnings		6,405,527	4,855,111	4,782,187
Proposed dividends		1,620,000	1,620,000	-
<b>Equity attributable to the shareholders of the Bank</b>		<b>48,051,272</b>	<b>47,299,771</b>	<b>44,227,743</b>
Tier 1 Sukuk	10	2,813,625	-	-
<b>Total equity</b>		<b>50,864,897</b>	<b>47,299,771</b>	<b>44,227,743</b>
<b>Total liabilities and equity</b>		<b>348,468,315</b>	<b>325,735,818</b>	<b>308,036,280</b>

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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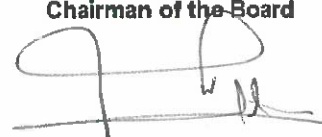
Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	For the three month period ended 31 March	
		2022	2021
		SAR'000	SAR'000
Special commission income		2,421,318	2,300,062
Special commission expense		289,441	204,258
<b>Net special commission income</b>		<b>2,131,877</b>	<b>2,095,804</b>
Fee and commission income		876,575	694,706
Fee and commission expense		259,076	240,283
<b>Fee and commission income, net</b>		<b>617,499</b>	<b>454,423</b>
Exchange income, net		124,201	86,406
Trading income, net		68,445	28,204
Dividend income		28,275	29,531
Gains on disposal of non-trading investments, net		123,705	120,005
Other operating income		7,532	9,457
<b>Total operating income, net</b>		<b>3,101,534</b>	<b>2,823,830</b>
Salaries and employee-related expenses		547,282	509,286
Rent and premises-related expenses		52,897	43,234
Depreciation of property, equipment and right of use assets		132,215	123,857
Other general and administrative expenses		296,237	265,130
Other operating expenses		5,017	40,678
<b>Total operating expenses before impairment charge</b>		<b>1,033,648</b>	<b>982,185</b>
Impairment charge for credit losses and other financial assets, net	8.3	186,384	246,782
Impairment charge for investments, net		68,413	55,470
<b>Total operating expenses, net</b>		<b>1,288,445</b>	<b>1,284,437</b>
<b>Net operating income</b>		<b>1,813,089</b>	<b>1,539,393</b>
Share in losses of associates, net		(68,607)	(10,776)
<b>Income for the period before zakat</b>		<b>1,744,482</b>	<b>1,528,617</b>
Zakat for the period		191,893	175,000
<b>Net income for the period</b>		<b>1,552,589</b>	<b>1,353,617</b>
<b>Basic and diluted earnings per share (in SAR)</b>	17	<b>0.52</b>	<b>0.45</b>

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	For the three month period ended 31 March	
	2022	2021
	SAR'000	SAR'000
Net income for the period	1,552,589	1,353,617
Other comprehensive income (OCI):		
<u>a) Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods</u>		
- Fair value through other comprehensive income (FVOCI- debt instruments)		
- Net change in fair value	(927,275)	(257,150)
- Net amounts transferred to interim condensed consolidated statement of income	(101,762)	(91,260)
- Net changes in allowance for expected credit losses (ECL) of debt instruments	70,387	60,105
- Effective portion of net change in fair value of cash flow hedge	(57,975)	(13,019)
<u>b) Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods</u>		
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments)	217,710	320,352
Other comprehensive (loss) / income for the period	(798,915)	19,028
Total comprehensive income for the period	753,674	1,372,645

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



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



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
For the three month period ended 31 March 2022 & 2021

<b>SAR'000</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Proposed dividends</b>	<b>Equity attributable to the shareholders of the Bank</b>	<b>Tier 1 sukuk</b>	<b>Total equity</b>
<b>31 March 2022</b>								
Balance at the beginning of the period	30,000,000	9,187,224	1,637,436	4,855,111	1,620,000	47,299,771	-	47,299,771
<b>Total comprehensive income</b>								
Net changes in fair values of								
- FVOCI -equity instruments	-	-	217,710	-	-	217,710	-	217,710
- FVOCI -debt instruments	-	-	(927,275)	-	-	(927,275)	-	(927,275)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments	-	-	(101,762)	-	-	(101,762)	-	(101,762)
Net changes in allowance for expected losses on FVOCI -debt instruments	-	-	70,387	-	-	70,387	-	70,387
Net change in fair value of cash flow hedge	-	-	(57,975)	-	-	(57,975)	-	(57,975)
Net income for the period	-	-	-	1,552,589	-	1,552,589	-	1,552,589
Total comprehensive income	-	-	(798,915)	1,552,589	-	753,674	-	753,674
Tier 1 sukuk issued							2,813,625	2,813,625
Tier 1 sukuk costs				(2,173)		(2,173)		(2,173)
Balance at the end of the period	<u>30,000,000</u>	<u>9,187,224</u>	<u>838,521</u>	<u>6,405,527</u>	<u>1,620,000</u>	<u>48,051,272</u>	<u>2,813,625</u>	<u>50,664,897</u>
<b>31 March 2021</b>								
Balance at the beginning of the period	30,000,000	7,680,879	1,745,649	4,928,570	-	44,355,098	-	44,355,098
<b>Total comprehensive income</b>								
Net changes in fair values of								
- FVOCI -equity instruments	-	-	320,352	-	-	320,352	-	320,352
- FVOCI -debt instruments	-	-	(257,150)	-	-	(257,150)	-	(257,150)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments	-	-	(91,260)	-	-	(91,260)	-	(91,260)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	60,105	-	-	60,105	-	60,105
Net change in fair value of cash flow hedge	-	-	(13,019)	-	-	(13,019)	-	(13,019)
Net income for the period	-	-	-	1,353,617	-	1,353,617	-	1,353,617
Total comprehensive income	-	-	19,028	1,353,617	-	1,372,645	-	1,372,645
Final proposed dividends - 2020				(1,500,000)	1,500,000	-	-	-
Final dividends declared - 2020	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Balance at the end of the period	<u>30,000,000</u>	<u>7,680,879</u>	<u>1,764,677</u>	<u>4,782,187</u>	<u>-</u>	<u>44,227,743</u>	<u>-</u>	<u>44,227,743</u>

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The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Abdullah A. Al-Oraini  
Chief Financial Officer

Tareq A. Al-Sadhan  
Chief Executive Officer

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Note	For the three month period ended 31 March	
		2022	2021
		SAR'000	SAR'000
<b>OPERATING ACTIVITIES</b>			
Income for the period before zakat		1,744,482	1,528,617
Adjustments to reconcile net income for the period to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-FVIS instruments, net		(6,058)	(2,133)
Gains on disposal of non-trading investments, net		(123,705)	(120,005)
Gains on trading investments, net		(10,812)	(697)
Losses/(gains) on sale of property and equipment		1	(40)
Dividend income		(28,275)	(29,531)
Depreciation of property, equipment and right of use assets		132,215	123,857
Share in losses of associates, net		68,607	10,776
Impairment charge for investments, net		68,413	55,470
Impairment charge for credit losses and other financial assets, net	8.3	186,384	246,782
		<u>2,031,252</u>	<u>1,813,096</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(1,298,118)	177,651
Due from banks and other financial institutions maturing after three months from date of acquisition		-	209,000
Positive fair value of derivatives		(180,250)	270,154
Investments at FVIS		57,022	81,060
Loans and advances, net		(17,650,411)	(5,345,529)
Other real estate		5,139	9,278
Other assets		(88,970)	170,701
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(637,582)	(1,376,773)
Negative fair value of derivatives		(187,046)	(369,348)
Customer deposits		20,737,573	(4,441,051)
Principal and interest on lease liabilities		(39,952)	(38,896)
Other liabilities		(237,591)	(346,468)
		<u>2,511,066</u>	<u>(9,187,125)</u>
Zakat paid		(692,682)	-
Net cash from (used in) operating activities		<u>1,818,384</u>	<u>(9,187,125)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments not held as FVIS instruments		58,282,366	12,075,451
Purchase of investments not held as FVIS instruments		(59,434,499)	(12,524,998)
Purchase of property and equipment, net		(211,733)	(131,195)
Proceeds from sale of property and equipment		295	81
Net cash used in investing activities		<u>(1,363,571)</u>	<u>(580,661)</u>
<b>FINANCING ACTIVITIES</b>			
Debt securities in issue, net		(66,037)	2,963,573
Tier 1 sukuk issuance	10	2,813,625	-
Dividend paid		(1,102)	(821)
Tier 1 sukuk related costs		(2,173)	-
Net cash used in financing activities		<u>2,744,313</u>	<u>2,962,752</u>
Net increase (decrease) in cash and cash equivalents		<u>3,199,126</u>	<u>(6,805,034)</u>
Cash and cash equivalents at beginning of the period		<u>32,406,686</u>	<u>44,965,596</u>
Cash and cash equivalents at end of the period	12	<u>35,605,812</u>	<u>38,160,562</u>
Special commission received during the period		<u>2,468,036</u>	<u>2,165,703</u>
Special commission paid during the period		<u>308,534</u>	<u>404,273</u>
<b>Supplemental non-cash information</b>			
Net changes in fair value and transfers to interim condensed consolidated statement of income		(869,302)	(41,077)
Right of use (ROU) assets		(41,352)	(18,756)
Right of use (ROU) lease liabilities		31,457	2,734

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Abdullah A. Al-Oraini  
Chief Financial Officer

Tareq A. Al-Sadhan  
Chief Executive Officer

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

For the three month periods ended 31 March 2022 & 2021

**1. GENERAL**

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 339 licensed branches (31 March 2021: 341 licensed branches) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The registered address of the Bank's Head Office is as follows:

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

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers Islamic (non-interest based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

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

- a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), incorporated in the Kingdom of Saudi Arabia;
- b) Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities), incorporated in the Kingdom of Saudi Arabia;
- c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia;
- d) Esnad Al-Riyadh - a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group, incorporated in the Kingdom of Saudi Arabia;
- e) Curzon Street Properties Limited incorporated in the Isle of Man; and
- f) Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group as at and for the three months period ended 31 March 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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

**3. BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements include the financial statements of the subsidiaries which are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

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.

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

**4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments, given below, apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three month periods ended 31 March 2022 & 2021

**4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**

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 elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs

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

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.

- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

**Accounting standards issued but not yet effective**

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

<u>Standard</u>	<u>Description</u>	<u>Effective date</u>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 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
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	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets	Annual periods beginning on or after 1 January 2023.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

For the three month periods ended 31 March 2022 & 2021

**5. SIGNIFICANT ACCOUNTING POLICIES**

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 as at and for the year ended 31 December 2021.

**6. DERIVATIVES**

The table below sets out the positive and negative fair values of derivative financial instruments, 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, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	31 March 2022 (Unaudited)			31 December 2021 (Audited)			31 March 2021 (Unaudited)		
	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000
<b>Held for trading:</b>									
Special commission rate swaps	1,239,989	(1,111,292)	76,268,417	1,291,830	(1,176,314)	60,865,983	1,207,170	(979,175)	47,285,795
Forward foreign exchange contracts	101,642	(34,501)	24,305,387	96,035	(92,017)	24,057,318	77,388	(32,041)	29,378,446
Currency options	4,251	(3,944)	192,641	191	(191)	113,149	-	-	-
<b>Held as fair value hedges:</b>									
Special commission rate swaps	248,883	(43,751)	7,184,287	26,459	(169,987)	5,283,720	4,245	(250,752)	3,108,297
<b>Held as cash flow hedges:</b>									
Special commission rate swaps	-	(79,610)	1,375,000	-	(21,635)	1,375,000	-	(9,618)	925,000
<b>Total</b>	<b>1,594,765</b>	<b>(1,273,098)</b>	<b>109,325,732</b>	<b>1,414,515</b>	<b>(1,460,144)</b>	<b>91,695,170</b>	<b>1,288,803</b>	<b>(1,271,586)</b>	<b>80,697,538</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month periods ended 31 March 2022 & 2021**

**7. INVESTMENTS, NET**

**Investments by type of securities**

<u>SAR'000</u>	<b>Domestic</b>			<b>International</b>			<b>Total</b>		
	31 March 2022	31 December 2021	31 March 2021	31 March 2022	31 December 2021	31 March 2021	31 March 2022	31 December 2021	31 March 2021
<b>i) Investment at FVIS</b>									
Mutual Funds	1,127,098	1,176,774	991,778	-	-	-	1,127,098	1,176,774	991,778
<b>Total</b>	<b>1,127,098</b>	<b>1,176,774</b>	<b>991,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,127,098</b>	<b>1,176,774</b>	<b>991,778</b>
<b>ii) Investment at amortised cost, net</b>									
Fixed rate securities	32,568,323	28,866,331	24,974,319	1,161,536	699,258	412,167	33,729,859	29,565,589	25,386,486
Floating rate securities	3,154,799	6,354,823	7,190,990	-	-	250,753	3,154,799	6,354,823	7,441,743
<b>Total</b>	<b>35,723,122</b>	<b>35,221,154</b>	<b>32,165,309</b>	<b>1,161,536</b>	<b>699,258</b>	<b>662,920</b>	<b>36,884,658</b>	<b>35,920,412</b>	<b>32,828,229</b>
<b>iii) Investments at FVOCI, net</b>									
Fixed rate securities	-	-	-	16,733,824	17,466,355	19,258,784	16,733,824	17,466,355	19,258,784
Equities	3,524,415	3,316,559	3,192,306	764,610	757,086	663,192	4,289,025	4,073,645	3,855,498
<b>Total</b>	<b>3,524,415</b>	<b>3,316,559</b>	<b>3,192,306</b>	<b>17,498,434</b>	<b>18,223,441</b>	<b>19,921,976</b>	<b>21,022,849</b>	<b>21,540,000</b>	<b>23,114,282</b>
<b>Total</b>	<b>40,374,635</b>	<b>39,714,487</b>	<b>36,349,393</b>	<b>18,659,970</b>	<b>18,922,699</b>	<b>20,584,896</b>	<b>59,034,605</b>	<b>58,637,186</b>	<b>56,934,289</b>

Above investments include sukuks amounting to SAR 19.5 billion as at 31 March 2022 (31 December 2021: SAR 18.2 billion and 31 March 2021: SAR 16.0 billion).

As at 31 March 2022, the loss allowance on the investments held at amortised cost, amounted to SAR 3.6 million (31 December 2021: SAR 5.6 million and 31 March 2021: SAR 11.4 million) and these relate to stage 1 & stage 2 exposures. During the three month period ended 31 March 2022, the stage 1 provisions increased by SAR 0.5 million and stage 2 decreased by SAR 2.5 million.

As at 31 March 2022, the loss allowance on the investments at FVOCI, net, amounted to SAR 183.1 million (31 December 2021: SAR 112.7 million and 31 March 2021: SAR 160.5 million). During the three month period ended 31 March 2022, the loss allowance decreased by SAR 11.9 million in stage 1, increased by SAR 34.2 million in stage 2 and SAR 48.1 million in stage 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three month periods ended 31 March 2022 & 2021

8. LOANS AND ADVANCES, NET

8.1 Loans and advances held at amortised cost

These comprise the following:

31 March 2022 (Unaudited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	5,012,277	909,858	79,284,368	149,491,874	957,819	235,656,196
Non-performing loans and advances	343,922	38,125	990,258	2,463,382	1,015	3,836,702
<b>Total loans and advances</b>	<b>5,356,199</b>	<b>947,983</b>	<b>80,274,626</b>	<b>151,955,256</b>	<b>958,834</b>	<b>239,492,898</b>
Allowance for impairment	(243,314)	(28,881)	(843,930)	(3,580,182)	(3,604)	(4,699,911)
<b>Loans and advances, net</b>	<b>5,112,885</b>	<b>919,102</b>	<b>79,430,696</b>	<b>148,375,074</b>	<b>955,230</b>	<b>234,792,987</b>
31 December 2021 (Audited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	5,277,415	823,626	75,604,907	135,611,522	831,957	218,149,427
Non-performing loans and advances	344,293	29,989	872,493	2,407,175	1,015	3,654,965
<b>Total loans and advances</b>	<b>5,621,708</b>	<b>853,615</b>	<b>76,477,400</b>	<b>138,018,697</b>	<b>832,972</b>	<b>221,804,392</b>
Allowance for impairment	(201,286)	(25,479)	(825,289)	(3,460,949)	(1,154)	(4,514,157)
<b>Loans and advances, net</b>	<b>5,420,422</b>	<b>828,136</b>	<b>75,652,111</b>	<b>134,557,748</b>	<b>831,818</b>	<b>217,290,235</b>
31 March 2021 (Unaudited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	5,609,698	665,788	65,818,196	124,783,844	492,819	197,370,345
Non-performing loans and advances	323,544	19,340	801,076	2,787,102	2,675	3,933,737
<b>Total loans and advances</b>	<b>5,933,242</b>	<b>685,128</b>	<b>66,619,272</b>	<b>127,570,946</b>	<b>495,494</b>	<b>201,304,082</b>
Allowance for impairment	(202,942)	(30,644)	(868,501)	(3,757,568)	(1,658)	(4,861,313)
<b>Loans and advances, net</b>	<b>5,730,300</b>	<b>654,484</b>	<b>65,750,771</b>	<b>123,813,378</b>	<b>493,836</b>	<b>196,442,769</b>

Loans and advances, net, include non-conventional banking products of SAR 157.9 billion as at 31 March 2022 (31 December 2021: SAR 146.1 billion and 31 March 2021: SAR 129.0 billion).

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

ECL on total loans and advances (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	628,944	1,472,071	2,413,141	4,514,156
Transfer to 12-month ECL	20,557	(6,639)	(13,918)	-
Transfer to lifetime ECL - not credit impaired	(16,583)	24,708	(8,125)	-
Transfer to lifetime ECL - credit impaired	(1,106)	(40,624)	41,730	-
Net re-measurement of loss allowance*	(64,330)	91,132	158,953	185,755
<b>Balance as at 31 March 2022</b>	<b>567,482</b>	<b>1,540,648</b>	<b>2,591,781</b>	<b>4,699,911</b>
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	1,026,381	945,452	2,562,180	4,534,013
Transfer to 12-month ECL	138,727	(29,288)	(109,439)	-
Transfer to lifetime ECL - not credit impaired	(7,480)	52,149	(44,669)	-
Transfer to lifetime ECL - credit impaired	(411)	(76,658)	77,069	-
Net re-measurement of loss allowance*	(39,971)	229,245	138,026	327,300
<b>Balance as at 31 March 2021</b>	<b>1,117,246</b>	<b>1,120,900</b>	<b>2,623,167</b>	<b>4,861,313</b>

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

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For the three month periods ended 31 March 2022 & 2021

8. LOANS AND ADVANCES, NET (continued)

8.3 Impairment charges for credit losses and other financial assets, net as reflected in the interim condensed consolidated statement of income are detailed as follows:

SAR'000	For the three month period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Impairment charge for credit losses, net	147,659	249,395
Impairment (reversal)/ charge for other financial assets, net	38,725	(2,613)
<b>Total</b>	<b>186,384</b>	<b>246,782</b>

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

SAR'000	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Demand	125,183,900	116,255,002	126,653,489
Saving	1,405,435	1,348,523	1,162,515
Time	81,210,600	75,032,396	45,386,101
Others	24,615,935	19,042,376	25,396,180
<b>Total</b>	<b>232,415,870</b>	<b>211,678,297</b>	<b>198,598,285</b>

Customer time deposits include non-conventional banking deposits of SAR 35,692 million as at 31 March 2022 (31 December 2021: SAR 31,352 million and 31 March 2021: SAR 24,788 million).

10. TIER 1 SUKUK

During February 2022, the Bank successfully issued through a Shariah compliant arrangement, USD denominated additional tier 1, 'Green Sukuk' amounting to USD 750 million (SAR 2.8 billion). These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sukuk 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 starting February 16, 2027, subject to the terms and conditions stipulated in the Sukuk agreement. The applicable profit rate on the Sukuks is payable on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

a) The Group's credit related commitments and contingencies are as follows:

SAR'000	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Letters of credit	10,186,780	9,067,781	9,021,657
Letters of guarantee	73,893,653	71,270,076	62,935,345
Acceptances	3,145,626	3,226,822	2,396,113
Irrevocable commitments to extend credit	23,129,315	21,507,829	14,288,616
<b>Total</b>	<b>110,355,374</b>	<b>105,072,508</b>	<b>88,641,731</b>

b) The breakdown of allowance for impairment of credit related commitments and contingencies by stages is as follows:

SAR'000	12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
<b>Balance at 31 March 2022 (Unaudited)</b>	<b>48,099</b>	<b>22,280</b>	<b>207,643</b>	<b>278,022</b>
Balance at 31 December 2021 (Audited)	38,779	19,975	197,384	256,138
Balance at 31 March 2021 (Unaudited)	54,214	14,343	197,723	266,280

Other liabilities as at 31 March 2022, include write-off reserves amounting to SAR 574 million (31 December 2021: SAR 558 million and 31 March 2021: SAR 569 million).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three month periods ended 31 March 2022 & 2021

12. CASH AND CASH EQUIVALENTS

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

	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000	31 March 2021 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	13,419,900	15,259,413	23,857,700
Due from banks and other financial institutions maturing within three months from date of acquisition	22,185,912	17,147,273	14,302,862
<b>Total</b>	<b>35,605,812</b>	<b>32,406,686</b>	<b>38,160,562</b>

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Following are the financial instruments carried at fair value in the interim condensed consolidated financial statements.

Fair value and fair value hierarchy

<u>31 March 2022</u> SAR'000 (Unaudited)	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
- Positive fair value of derivatives	-	1,594,765	-	1,594,765
- Investments held at FVIS	1,127,098	-	-	1,127,098
- Investments held at FVOCI	20,486,475	-	536,374	21,022,849
<b>Financial liabilities measured at fair value</b>				
- Negative fair value of derivatives	-	1,273,098	-	1,273,098
<u>31 December 2021</u> SAR'000 (Audited)	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
- Positive fair value of derivatives	-	1,414,515	-	1,414,515
- Investments held at FVIS	1,176,774	-	-	1,176,774
- Investments held at FVOCI	21,002,466	-	537,534	21,540,000
<b>Financial liabilities measured at fair value</b>				
- Negative fair value of derivatives	-	1,460,144	-	1,460,144
<u>31 March 2021</u> SAR'000 (Unaudited)	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
- Positive fair value of derivatives	-	1,288,803	-	1,288,803
- Investments held at FVIS	991,778	-	-	991,778
- Investments held at FVOCI	22,660,115	-	454,167	23,114,282
<b>Financial liabilities measured at fair value</b>				
- Negative fair value of derivatives	-	1,271,586	-	1,271,586

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

For the three month periods ended 31 March 2022 & 2021

**13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**

	For the three month period ended 31 March 2022 (Unaudited) SAR'000	For the year ended 31 December 2021 (Audited) SAR'000	For the three month period ended 31 March 2021 (Unaudited) SAR'000
<b>Reconciliation of movement in Level 3</b>			
Opening balance	537,534	454,710	454,710
Total gains or losses, net:			
- recognised in interim condensed consolidated statement of income	(850)	(1,028)	(543)
- recognised in interim condensed consolidated statement of other comprehensive income	(310)	(34,998)	-
Purchases	-	118,850	-
<b>Closing balance</b>	<b>536,374</b>	<b>537,534</b>	<b>454,167</b>

There were no transfers between the fair value hierarchy levels during the current or prior period.

The fair values of on-balance sheet financial instruments, except for loans and advances and investments held at amortised cost are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of customer deposits, debt securities in issue, cash and balances with SAMA, due from and due to banks and other financial institutions, other assets and other liabilities which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks and other financial institutions, other assets and other liabilities.

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances, which are categorised within level 3 of fair value hierarchy. The estimated fair values of loans and advances was SAR 240.5 billion as at 31 March 2022 (31 December 2021: SAR 222.7 billion and 31 March 2021: SAR 207.1 billion).

The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The estimated fair values of these investments was SAR 36.7 billion as at 31 March 2022 (31 December 2021: SAR 36.1 billion and 31 March 2021 : SAR 33.5 billion).

**14. OPERATING SEGMENTS**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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14. OPERATING SEGMENTS (continued)

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

**Retail banking**

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

**Investment banking and brokerage**

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

**Corporate banking**

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

**Treasury and investment**

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

The Group's total assets and liabilities at 31 March 2022 and 2021 and its total operating income, total operating expenses and income before zakat for the three months periods then ended, by operating segments, are as follows:

31 March 2022

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	94,137,502	3,070,895	160,826,019	90,433,899	348,468,315
Total liabilities	101,585,836	959,152	166,958,685	28,099,745	297,603,418
Total operating income, net of which	1,010,113	272,802	1,186,246	632,373	3,101,534
- Net special commission income	975,277	67,381	801,314	287,905	2,131,877
- Fee and commission income, net	46,104	191,168	375,996	4,231	617,499
Inter segment revenues	13,166	61,923	(66,911)	(8,178)	-
Total operating expenses, net of which	727,810	67,627	390,607	102,401	1,288,445
- Depreciation of property, equipment and right of use assets	98,056	7,142	20,388	6,629	132,215
- Impairment (reversal) charge for credit losses and other financial assets, net	47,647	-	138,634	103	186,384
- Impairment charge for investments, net	-	-	-	68,413	68,413
Share in losses of associates, net	-	-	-	(68,607)	(68,607)
Income for the period before zakat	282,303	205,175	795,639	461,365	1,744,482

31 March 2021

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	78,806,660	2,085,312	135,106,184	92,038,124	308,036,280
Total liabilities	97,090,298	644,442	142,214,614	23,859,183	263,808,537
Total operating income, net of which	928,739	207,561	1,103,134	584,396	2,823,830
- Net special commission income	914,210	39,135	826,020	316,439	2,095,804
- Fee and commission income, net	19,592	164,287	268,737	1,807	454,423
Inter segment revenues	2,724	37,910	(77,008)	36,374	-
Total operating expenses, net of which	511,176	52,041	608,724	112,496	1,284,437
- Depreciation of property, equipment and right of use assets	93,272	5,825	17,860	6,900	123,857
- Impairment charge for credit losses and other financial assets, net	(157,354)	-	386,562	17,574	246,782
- Impairment charge for investment, net	-	-	-	55,470	55,470
Share in earnings of associates, net	-	-	-	(10,776)	(10,776)
Income for the period before zakat	417,563	155,520	494,410	461,124	1,528,617

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15. FINANCIAL RISK MANAGEMENT

**Credit risk**

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable.

The Group attempts to control credit risk by appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

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

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

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**16. DIVIDENDS**

Final dividends of SAR 1,620 million ( SAR 0.54 per share) have been proposed for 2021 and were approved by the Extraordinary General Assembly meeting on 12 April 2022. The distribution date for the dividend was 25 April 2022.

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

**17. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share for the period ended 31 March 2022 and 2021 are calculated by dividing the net income for the period by 3,000 million outstanding shares.

**18. CAPITAL ADEQUACY**

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

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

The Group 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 amounts of derivatives at a weighted amount to reflect their relative risk.

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

	31 March 2022	31 December 2021	31 March 2021
	(Unaudited)	(Audited)	(Unaudited)
	SAR Millions	SAR Millions	SAR Millions
<b>Risk weighted assets</b>			
Credit	288,454	274,628	251,040
Operational	19,813	19,649	18,732
Market	4,947	4,197	4,838
Total Pillar-I Risk Weighted Assets	<u>313,214</u>	<u>298,475</u>	<u>274,610</u>
<b>Eligible capital</b>			
Tier I Capital	50,930	47,306	44,238
Tier II Capital	9,271	9,389	9,853
Total Tier I and II Capital	<u>60,201</u>	<u>56,695</u>	<u>54,091</u>
Tier I Capital Adequacy Ratio %	16.3%	15.8%	16.1%
Total Capital Adequacy Ratio %	19.2%	19.0%	19.7%



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three month periods ended 31 March 2022 & 2021

**19 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS**

During 2020 and 2021, the Coronavirus ("COVID-19") pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of this infections. Significant improvement have been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures to date, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. 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 deferred payment program has ended on March 31, 2022.

In order to compensate the related cost that the Group had incurred under the SAMA and other public authorities program, during 2020 and 2021, the Group received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

During the period ended March 31, 2022, SAR 29 million (March 31, 2021: SAR 41 million) has been recognized in the statement of income with respect to the net amortization of grant income on related deposits with an aggregate of SAR 234.2 million deferred grant income as at March 31, 2022 (December 31, 2021: SAR 263.2 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the three month periods ended 31 March 2022 & 2021

**20. 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 a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

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

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

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

As at 31 March 2022, Bank's exposure to LIBOR -USD maturing after 30 June 2023 amounted to SAR 13.9 billion for loans and advances and SAR 38.9 billion for notional amount of derivatives.

**21. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period presentation.

**22. BOARD OF DIRECTORS APPROVAL**

These interim condensed consolidated financial statements were approved by Board of Directors on 25 Ramadan 1443H (corresponding to 26 April 2022).

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Abdullah A. Al-Oraini  
Chief Financial Officer



Tareq A. Al-Sadhan  
Chief Executive Officer



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



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