



**Arab National Bank**  
(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial Statements**  
**For the period ended March 31, 2022**

**(Unaudited)**



**KPMG Professional Services**

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

C.R. No. 1010425494



**Deloitte and Touche & Co.  
Chartered Accountants**

Head office - Riyadh  
License #323/11/96  
Date 10/3/1419  
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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To: The Shareholders of Arab National Bank  
(A Saudi Joint Stock Company)

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as of March 31, 2022, and the related interim consolidated statements of income, comprehensive income, changes in 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 the 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" 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 the 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 (20) to the accompanying interim condensed consolidated financial statements. As part of our review, we traced the information in note (20) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**KPMG Professional Services**

**Deloitte and Touche & Co.  
Chartered Accountants**

P.O. Box 213  
Riyadh 11411  
Kingdom of Saudi Arabia

**Dr. Abdullah Hamad Al Fozan**  
Certified Public Accountant  
License No. 348



**Mazen A. Al-Omari**  
Certified Public Accountant  
License No. 480



Shawwal 21, 1443H  
(May 22, 2022)

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**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**Amounts in SAR '000**

	Notes	March 31 2022 (Unaudited)	December 31 2021 (Audited)	March 31 2021 (Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA	6	11,021,557	11,463,581	8,577,427
Due from banks and other financial institutions, net	7	4,013,029	2,283,200	1,841,767
Positive fair value of derivatives	13	2,021,764	967,485	1,211,833
Investments, net	8	42,731,453	44,168,178	43,308,753
Loans and advances, net	9	138,642,428	126,674,105	115,559,145
Investments in associates		949,194	1,155,655	1,292,882
Other real estate owned		154,870	179,063	219,977
Property, equipment and right of use assets, net		2,216,022	2,207,411	2,285,466
Other assets		2,869,771	3,402,981	3,138,083
<b>Total assets</b>		<b>204,620,088</b>	<b>192,501,659</b>	<b>177,435,333</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks, SAMA and other financial institutions	11	14,040,600	14,207,108	11,360,186
Negative fair value of derivatives	13	1,656,740	2,217,213	2,395,310
Customers' deposits	12	148,138,429	135,713,885	125,160,759
Sukuk		2,852,402	2,829,100	2,852,783
Other liabilities		5,870,258	6,406,616	5,661,295
<b>Total liabilities</b>		<b>172,558,429</b>	<b>161,373,922</b>	<b>147,430,333</b>
<b>Equity</b>				
<b>Equity attributable to equity holders of the Bank</b>				
Share capital	18	15,000,000	15,000,000	15,000,000
Statutory reserve		8,862,000	8,862,000	8,317,000
Other reserves		825,973	542,868	504,486
Retained earnings		6,697,257	6,046,534	6,152,276
Proposed dividends	18	649,692	649,692	-
<b>Total equity attributable to equity holders of the Bank</b>		<b>32,034,922</b>	<b>31,101,094</b>	<b>29,973,762</b>
Non-controlling interests		26,737	26,643	31,238
<b>Total equity</b>		<b>32,061,659</b>	<b>31,127,737</b>	<b>30,005,000</b>
<b>Total liabilities and equity</b>		<b>204,620,088</b>	<b>192,501,659</b>	<b>177,435,333</b>

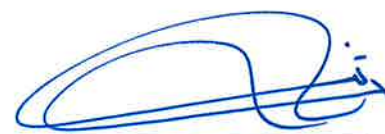
The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.



Latifa Al-Sabhan  
Chief Financial Officer



Obaid Al-Rasheed  
Managing Director

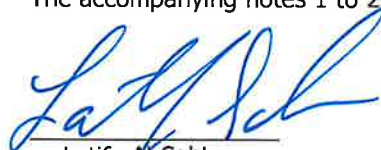


Hesham Al-Jabr  
Authorized Board Member

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**Amounts in SAR '000**  
**(Unaudited)**

	<u>For the three months period ended 31 March</u>	
<b>Notes</b>	<b>2022</b>	2021
Special commission income	<b>1,334,182</b>	1,262,600
Special commission expense	<b>149,676</b>	83,046
<b>Net special commission income</b>	<b>1,184,506</b>	1,179,554
Fees and commission income	<b>336,393</b>	302,242
Fees and commission expense	<b>208,799</b>	173,480
<b>Fees and commission income, net</b>	<b>127,594</b>	128,762
Exchange income, net	<b>71,335</b>	51,224
Gain on FVSI financial instruments, net	<b>10,870</b>	21,551
Trading income, net	<b>19,697</b>	9,080
Dividend income	<b>17,892</b>	16,162
Gain on sale of non-trading investments, net	-	133,204
Other operating income, net	<b>22,636</b>	16,821
<b>Total operating income</b>	<b>1,454,530</b>	1,556,358
Salaries and employee related expenses	<b>329,399</b>	300,393
Rent and premises related expenses	<b>12,240</b>	10,923
Depreciation and amortisation	<b>54,123</b>	53,034
Other general and administrative expenses	<b>178,883</b>	171,261
<b>Total operating expenses before impairment charges</b>	<b>574,645</b>	535,611
Impairment charge for expected credit losses (ECL), net	9 <b>155,458</b>	332,740
<b>Total operating expenses</b>	<b>730,103</b>	868,351
<b>Net operating income</b>	<b>724,427</b>	688,007
Share in earnings of associates, net	<b>12,515</b>	20,353
Gain on disposal of investment in associate	10 <b>36,050</b>	-
<b>Net income before zakat and income tax</b>	<b>772,992</b>	708,360
Zakat	16 <b>63,982</b>	72,015
Income tax	16 <b>60,599</b>	55,626
Reversal of deferred tax	<b>(2,406)</b>	(933)
<b>Net income for the period</b>	<b>650,817</b>	581,652
<b>Attributable to:</b>		
Equity holders of the Bank	<b>650,723</b>	582,231
Non-controlling interests	<b>94</b>	(579)
<b>Net income for the period</b>	<b>650,817</b>	581,652
<b>Basic and diluted earnings per share (expressed in SAR per share)</b>	18 <b>0.43</b>	0.39

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



Latifa Al-Sabhan  
Chief Financial Officer



Obaid Al-Rasheed  
Managing Director




Hesham Al-Jabr  
Authorized Board Member

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Amounts in SAR `000**  
**(Unaudited)**

**For the three months period**  
**ended 31 March**

	<b>2022</b>	2021
<b>Net income for the period</b>	<b>650,817</b>	581,652
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to interim consolidated statement of income in subsequent periods</i>		
<b>Equity instruments at FVOCI:</b>		
- Net changes in fair value	<b>327,418</b>	206,321
<i>Items that may be reclassified to interim consolidated statement of income in subsequent periods</i>		
<b>Debt instruments at FVOCI:</b>		
- Net changes in fair value	<b>3,959</b>	18,705
<b>Cash flow hedge:</b>		
- Effective portion of change in the fair value	<b>(48,272)</b>	-
<b>Total other comprehensive income for the period</b>	<b>283,105</b>	225,026
<b>Total comprehensive income for the period</b>	<b>933,922</b>	806,678
<b>Attributable to:</b>		
Equity holders of the Bank	<b>933,828</b>	807,257
Non-controlling interests	<b>94</b>	(579)
<b>Total comprehensive income for the period</b>	<b>933,922</b>	806,678

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



Latifa Al-Sabhan  
Chief Financial Officer



Qhaid Al-Rasheed  
Managing Director



Hesham Al-Jabr  
Authorized Board Member

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
**Amounts in SAR '000 (Unaudited)**

Attributable to equity holders of the Bank												
2022	Notes	Share capital	Statutory reserve	Instruments at FVOCI	Other Reserves			Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
					Cash flow hedge reserve	Actuarial losses on defined benefit plan	Total					
		15,000,000	8,862,000	644,360	(423)	(101,069)	6,046,534	649,692	31,101,094	26,643	31,127,737	
<b>Changes in equity for the period:</b>												
		-	-	327,418	-	-	-	-	327,418	-	327,418	
		-	-	3,959	-	-	-	-	3,959	-	3,959	
		-	-	(48,272)	-	-	-	-	(48,272)	-	(48,272)	
		-	-	-	-	-	650,723	-	650,723	94	650,817	
		-	-	331,377	(48,272)	-	650,723	-	933,828	94	933,922	
		<b>15,000,000</b>	<b>8,862,000</b>	<b>975,737</b>	<b>(48,695)</b>	<b>(101,069)</b>	<b>6,697,257</b>	<b>649,692</b>	<b>32,034,922</b>	<b>26,737</b>	<b>32,061,659</b>	
<b>Balance at the end of the period</b>												
Attributable to equity holders of the Bank												
2021	Notes	Share capital	Statutory reserve	Instruments at FVOCI	Cash flow hedge reserve	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity	
		15,000,000	8,317,000	336,126	-	(56,666)	6,137,867	-	29,734,327	31,817	29,766,144	
<b>Changes in equity for the period:</b>												
		-	-	206,321	-	-	-	-	206,321	-	206,321	
		-	-	18,705	-	-	-	-	18,705	-	18,705	
		-	-	-	-	-	582,231	-	582,231	(579)	581,652	
		-	-	225,026	-	-	582,231	-	807,257	(579)	806,678	
	18	-	-	-	-	-	(567,822)	-	(567,822)	-	(567,822)	
		15,000,000	8,317,000	561,152	-	(56,666)	6,152,276	-	29,973,762	31,238	30,005,000	
		<b>15,000,000</b>	<b>8,317,000</b>	<b>561,152</b>	<b>-</b>	<b>(56,666)</b>	<b>6,152,276</b>	<b>-</b>	<b>29,973,762</b>	<b>31,238</b>	<b>30,005,000</b>	
		<b>15,000,000</b>	<b>8,317,000</b>	<b>561,152</b>	<b>-</b>	<b>(56,666)</b>	<b>6,152,276</b>	<b>-</b>	<b>29,973,762</b>	<b>31,238</b>	<b>30,005,000</b>	

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

  
 Latifa Al-Sabhan  
 Chief Financial Officer

  
 Obaid Al-Rasheed  
 Managing Director

  
 Hesham Al-Jabr  
 Authorized Board Member




**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Amounts in SAR '000**  
**(Unaudited)**

	<u>For the three months period ended 31 March</u>	
Notes	2022	2021
<b>OPERATING ACTIVITIES</b>		
<b>Net income before zakat and income tax</b>	<b>772,992</b>	708,360
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Amortisation of premium on investments not held as FVSI, net	9,542	4,361
Special commission expense on Sukuk	23,385	23,386
Gain on sale of non-trading investments, net	-	(133,204)
Gain on FVSI financial instruments, net	(10,870)	(21,551)
Dividend income	(17,892)	(16,162)
Depreciation and amortisation	54,123	53,034
(Gain)/ loss on disposal of property and equipment, net	(1,098)	11
Impairment charges for expected credit losses (ECL), net	155,458	332,740
Share in earnings of associates, net	(12,515)	(20,353)
Gain on disposal of investment in associate	(36,050)	-
	<b>937,075</b>	930,622
<b>Net (increase)/ decrease in operating assets:</b>		
Statutory deposit with SAMA	(439,711)	240,761
Investments held at FVSI	78,867	988
Positive fair value of derivatives	(1,054,279)	(217,004)
Loans and advances	(12,105,922)	(2,733,462)
Other real estate owned	24,193	-
Other assets	773,210	1,550,328
<b>Net increase/ (decrease) in operating liabilities:</b>		
Due to banks, SAMA and other financial institutions	(166,508)	1,562,442
Negative fair value of derivatives	(560,473)	(1,051,595)
Customers' deposits	12,424,544	(4,191,417)
Other liabilities	(319,234)	96,309
Zakat and income tax paid	(55,390)	-
<b>Net cash used in operating activities</b>	<b>(463,628)</b>	<b>(3,812,028)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments not held as FVSI	1,989,623	2,273,534
Purchase of investments not held as FVSI	(635,415)	(1,470,644)
Dividends received from associates	15,026	17,203
Proceeds from sale of property and equipment	2,619	12
Purchase of property and equipment	(56,246)	(15,184)
Dividends received	17,892	16,162
<b>Net cash from investing activities</b>	<b>1,333,499</b>	821,083
<b>FINANCING ACTIVITIES</b>		
Dividends paid	-	(96,315)
Special commission paid on Sukuk	(23,302)	(20,241)
<b>Net cash used in financing activities</b>	<b>(23,302)</b>	<b>(116,556)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>846,569</b>	<b>(3,107,501)</b>
Cash and cash equivalents at the beginning of the period	6,572,336	6,476,956
<b>Cash and cash equivalents at the end of the period</b>	<b>7,418,905</b>	3,369,455
	15	
<b>Supplemental non-cash information</b>		
Net changes in fair value of investments held at FVOCI	331,377	225,026

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

  
 Latifa Al-Sabhan  
 Chief Financial Officer

  
 Obaid Al-Rasheed  
 Managing Director

  
 Hesham Al-Jabr  
 Authorized Board Member

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2022 and 2021**

**1. General**

Arab National Bank (a Saudi Joint Stock Company) (the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 130 branches (2021: 136 branches), 84 remittance centres (2021: 86 remittance centres) in the Kingdom of Saudi Arabia (the Kingdom) and one branch in the United Kingdom. The address of the Bank's head office is as follows:

Arab National Bank  
P.O. Box 56921  
Riyadh 11564  
Kingdom of Saudi Arabia

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

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

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and the following subsidiaries (collectively referred to as the Group):

**Arab National Investment Company (ANB Invest)**

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary and a Saudi closed joint stock company registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities consisting of dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above-mentioned subsidiary on Muharram 3, 1429H (corresponding to January 12, 2008). On Muharram 19, 1436H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha'ban 26, 1437H (corresponding to June 2, 2016) to provide loans to the subsidiary's customers to trade in financial papers as per the Saudi Central Bank (SAMA) circular No. 371000014867 dated Safar 5, 1437H, and the CMA's circular No. S/6/16287/15 dated Rabih Al-Awal 10, 1437H.

**Arabian Heavy Equipment Leasing Company (AHEL)**

An 87.5% owned subsidiary (2021: 87.5%) incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations.

**ANB Insurance Agency**

A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from SAMA to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014).

In reference to the Article No (75) of the Insurance Company Control Law, the company requested to discontinue its operation on July 19, 2020 (corresponding to Dhul Qadah 28, 1441H). The request was approved by SAMA on Rabih Al-Akhar 4, 1442H (corresponding to November 19, 2020). The same was communicated to the Ministry of Commerce. The Company is currently in the process of completing the closure procedures with the relevant regulatory bodies.



**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Consolidated Financial Statements (continued)**  
**For the three months ended March 31, 2022 and 2021**

**1. General (continued)**

**Al-Manzil Al-Mubarak Real Estate Financing Limited**

A wholly owned limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase of land and real estate and invest them through sale or rent in favor of the company, maintenance and management of owners and others' assets as guarantee, sale and purchase of real estates for financing purposes as per SAMA approval No. 361000109161 dated Shaban 10, 1436H.

**ANB Global Markets Limited**

The Bank established ANB Global Markets Limited on on Jumada I 3, 1438H (corresponding to January 31, 2017), as a limited liability company registered in the Cayman Islands. The Bank has 100% (2021: 100%) ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

**2. Basis of preparation**

The interim condensed consolidated financial statements of the Group as at and for the three months ended March 31, 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom and other standards and announcements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand, except where indicated otherwise.

**3. Basis of consolidation**

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries where necessary to align them with the Bank's interim condensed consolidated financial statements.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

**ARAB NATIONAL BANK**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Consolidated Financial Statements (continued)**  
**For the three months ended March 31, 2022 and 2021**

**3. Basis of consolidation (continued)**

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the interim consolidated statement of income and separately from equity holders of the Bank within equity in the interim consolidated statement of financial position. Any losses related to the non-controlling interest in a subsidiary are allocated to non-controlling interest even if doing so causes non-controlling interest to have a deficit balance.

Acquisitions of non-controlling interests are accounted for using the purchase method of accounting, whereby, the difference between the cost of acquisition and the fair value of the share of the net assets acquired is recognised as goodwill.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interest is subsequently adjusted for the Group's share of changes in the equity of the consolidated subsidiary after the date of acquisition.

All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

**4. Impact of changes in accounting policies due to adoption of new standards**

**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 1, 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.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient: As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Effective annual periods beginning on or after April 1, 2021.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16: Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, 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.

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**4. Impact of changes in accounting policies due to adoption of new standards (continued)**

**New standards, interpretations and amendments adopted by the Group (continued)**

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'. Effective annual periods beginning on or after January 1, 2022.

**Accounting standards issued but not yet effective**

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities: These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Note that the IASB has issued a new exposure draft proposing changes to this amendment. Effective date is deferred until accounting periods starting not earlier than January 1, 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. Effective annual periods beginning on or after January 1, 2023.
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction: These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. Effective annual periods beginning on or after January 1, 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. Effective annual periods beginning on or after January 1, 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. Effective annual periods beginning on or after January 1, 2023.

**5. 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 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 1, 2022 as disclosed in note 4 above.

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**6. Cash and balances with SAMA**

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Cash in hand	<b>1,399,174</b>	1,251,731	1,345,263
Cash held with others*	<b>354,615</b>	322,144	65,515
Statutory deposit	<b>7,618,836</b>	7,179,125	7,053,934
Reverse repo with SAMA	<b>1,648,932</b>	2,697,963	111,000
Current account with SAMA	<b>-</b>	12,618	1,715
<b>Total</b>	<b><u>11,021,557</u></b>	<u>11,463,581</u>	<u>8,577,427</u>

\* Cash held in custody with others.

**7. Due from banks and other financial institutions, net**

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Current accounts	<b>541,232</b>	974,639	720,207
Money market placements	<b>3,474,952</b>	1,313,241	1,125,755
Less: ECL allowance	<b>(3,155)</b>	(4,680)	(4,195)
<b>Total</b>	<b><u>4,013,029</u></b>	<u>2,283,200</u>	<u>1,841,767</u>

**8. Investments, net**

Investment securities are classified as follows:

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Investments at amortised cost	<b>38,198,246</b>	40,169,517	38,628,441
Investments at FVOCI - equity	<b>2,743,300</b>	2,415,892	2,304,768
Investments at FVOCI - debt	<b>1,261,174</b>	988,850	1,809,844
Investments at FVSI	<b>545,732</b>	613,729	578,977
Less: ECL allowance	<b>(16,999)</b>	(19,810)	(13,277)
<b>Total</b>	<b><u>42,731,453</u></b>	<u>44,168,178</u>	<u>43,308,753</u>

**Equity investment securities designated as at FVOCI**

Dividend income recognised in the interim consolidated statement of income amounted to SAR 17,577 thousand for the three months ended March 31, 2022 (March 31, 2021: SAR 15,922 thousand).

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**9. Loans and advances, net**

Loans and advances are held at amortised cost and comprise the following:

	<b>Overdrafts</b>	<b>Credit cards</b>	<b>Consumer loans</b>	<b>Commercial loans and others</b>	<b>Total</b>
<b>March 31, 2022 (Unaudited)</b>					
Performing loans and advances, gross	<b>3,512,979</b>	<b>559,873</b>	<b>33,725,130</b>	<b>101,881,228</b>	<b>139,679,210</b>
Non-performing loans and advances, net	<b>11,582</b>	<b>8,293</b>	<b>48,055</b>	<b>2,146,343</b>	<b>2,214,273</b>
Total loans and advances	<b>3,524,561</b>	<b>568,166</b>	<b>33,773,185</b>	<b>104,027,571</b>	<b>141,893,483</b>
Less: ECL allowance	<b>(92,073)</b>	<b>(51,096)</b>	<b>(346,683)</b>	<b>(2,761,203)</b>	<b>(3,251,055)</b>
<b>Loans and advances, net</b>	<b>3,432,488</b>	<b>517,070</b>	<b>33,426,502</b>	<b>101,266,368</b>	<b>138,642,428</b>
December 31, 2021 (Audited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	2,950,612	516,757	32,962,349	91,166,208	127,595,926
Non-performing loans and advances, net	12,060	7,185	61,591	2,110,800	2,191,636
Total loans and advances	2,962,672	523,942	33,023,940	93,277,008	129,787,562
Less: ECL allowance	(110,072)	(56,746)	(370,582)	(2,576,057)	(3,113,457)
Loans and advances, net	2,852,600	467,196	32,653,358	90,700,951	126,674,105
March 31, 2021 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	2,924,188	388,195	30,088,510	82,429,556	115,830,449
Non-performing loans and advances, net	41,566	8,214	64,466	3,948,024	4,062,270
Total loans and advances	2,965,754	396,409	30,152,976	86,377,580	119,892,719
Less: ECL allowance	(173,287)	(43,986)	(357,171)	(3,759,130)	(4,333,574)
Loans and advances, net	2,792,467	352,423	29,795,805	82,618,450	115,559,145

The movement in the expected credit losses of loans and advances to customers is as follows:

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Balance at the beginning of the period	<b>3,113,457</b>	4,025,061	4,025,061
Charge for the period/ year, net	<b>259,962</b>	1,262,319	389,016
Bad debts written off against impairment allowance	<b>(122,364)</b>	(2,173,923)	(80,503)
<b>Balance at the end of the period</b>	<b>3,251,055</b>	3,113,457	4,333,574

The net impairment charge for credit losses for the period ended March 31, 2022 amounted to SAR 212,381 thousand (December 31, 2021: SAR 1,109,719 thousand; March 31, 2021: SAR 353,205 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 1,785 thousand (December 31, 2021: SAR 23,167 thousand; March 31, 2021: SAR 1,176 thousand) and net of recoveries amounting to SAR 49,366 thousand (December 31, 2021: SAR 175,767 thousand; March 31, 2021: SAR 36,987 thousand).

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**9. Loans and advances, net (continued)**

An analysis of changes in the ECL allowance of loans and advances held at amortised cost is as follows:

	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>March 31, 2022 (Unaudited)</b>				
Balance at January 1, 2022	1,014,039	948,641	1,150,777	3,113,457
Transfer to 12-month ECL	54,869	(54,082)	(787)	-
Transfer to lifetime ECL not credit impaired	(12,712)	17,013	(4,301)	-
Transfer to lifetime ECL credit impaired	(227)	(26,725)	26,952	-
Net (reversal)/ charge for the period, net	(110,042)	245,421	124,583	259,962
Write-offs	-	-	(122,364)	(122,364)
<b>Balance at March 31, 2022</b>	<b>945,927</b>	<b>1,130,268</b>	<b>1,174,860</b>	<b>3,251,055</b>
March 31, 2021 (Unaudited)	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost				
Balance at January 1, 2021	1,013,107	962,831	2,049,123	4,025,061
Transfer to 12-month ECL	16,388	(10,580)	(5,808)	-
Transfer to lifetime ECL not credit impaired	(8,869)	18,420	(9,551)	-
Transfer to lifetime ECL credit impaired	(4)	(5,304)	5,308	-
Net (reversal)/ charge for the period, net	(72,145)	37,536	423,625	389,016
Write-offs	-	-	(80,503)	(80,503)
Balance at March 31, 2021	948,477	1,002,903	2,382,194	4,333,574

Life time ECL credit impaired (Stage 3) loans and advances includes loss allowance for the non-performing loans portfolio along with the impact of other factors of IFRS 9.

Net allowance charges for expected credit losses as reflected in the interim consolidated statement of income are detailed as follows:

	<b>For the three months period ended</b>	
	<b>March 31 2022 (Unaudited)</b>	March 31 2021 (Unaudited)
Allowance charges for expected credit losses (ECL) for loans and advances, net	<b>212,381</b>	353,205
Other allowance charges/ (reversal) for expected credit losses (ECL), net	<b>3,451</b>	(2,274)
Reversal of provisions for credit-related commitments and contingencies, net	<b>(60,374)</b>	(18,191)
<b>Total</b>	<b>155,458</b>	332,740



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**10. Investments in associates**

***Saudi Home Loans Company***

The Bank participated in the setting up of Saudi Home Loans Company (SHL). The associate's authorised capital was SAR 1 billion and its issued and paid-up capital was SAR 1 billion. The Bank's share of the paid-up capital amounted to SAR 400 million, (40 million shares at SAR 10 per share), representing 40% of the issued share capital of the associate.

The associate is a specialised Islamic home and real estate finance company with all its products and services being fully Shariah compliant. The associate was launched at the end of the fourth quarter of 2007 and is accounted for under the equity method.

During the period, the Group offered 30% of its shareholding (12 million shares) as part of the company's initial public offering (IPO) for a gain of SAR 36.05 million, which was recognised as a realised gain on partial disposal of an investment in an associate in the interim consolidated statement of income. The Group continues to classify its remaining interest in the company of 28% (28 million shares) as an Associate as the Bank still exercises significant influence over the company. Details of the Group's other investments in associates can be found in the annual financial statements for the year ended December 31, 2021.

**11. Due to banks, SAMA and other financial institutions**

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Current accounts	<b>143,952</b>	80,116	77,079
Money market deposits	<b>2,111,135</b>	3,170,674	2,255,482
Repo with SAMA	<b>3,489,627</b>	2,693,491	347,000
Deposits from SAMA*	<b>8,295,886</b>	8,262,827	8,680,625
<b>Total</b>	<b>14,040,600</b>	14,207,108	11,360,186

\* Deposits from SAMA includes commission free deposits amounting to SAR 5.04 billion as of March 31, 2022 (December 31, 2021: SAR 5.04 billion; March 31, 2021: SAR 5.04 billion).

**12. Customers' deposits**

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Demand	<b>76,406,034</b>	77,006,510	70,920,365
Time	<b>63,286,809</b>	51,657,650	48,581,223
Saving	<b>309,805</b>	283,681	235,487
Others	<b>8,135,781</b>	6,766,044	5,423,684
<b>Total</b>	<b>148,138,429</b>	135,713,885	125,160,759

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**13. Derivatives**

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by the term to maturity. The notional amounts provide an indication of the volumes of transactions outstanding at the end of the period. It does 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 derivatives, nor to market risk.

	<b>March 31, 2022 (Unaudited)</b>			<b>December 31, 2021 (Audited)</b>			<b>March 31, 2021 (Unaudited)</b>		
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Notional amount</b>	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
<b>Held for trading:</b>									
Commission rate and cross currency swaps	<b>592,311</b>	<b>560,045</b>	<b>30,270,543</b>	424,731	394,080	20,794,734	546,330	510,699	20,969,405
Commission rate futures and options	<b>747,697</b>	<b>748,237</b>	<b>14,598,868</b>	464,564	465,236	12,715,298	555,417	555,983	12,604,568
Forward foreign exchange and commodity contracts	<b>52,270</b>	<b>34,464</b>	<b>7,591,836</b>	44,375	20,624	8,095,565	40,844	16,957	10,653,951
Currency and commodity options	<b>602</b>	<b>429</b>	<b>425,698</b>	-	-	-	5,950	5,382	629,702
<b>Held as fair value hedges:</b>									
Commission rate swaps	<b>628,884</b>	<b>264,870</b>	<b>23,106,850</b>	33,815	1,336,850	25,106,771	63,292	1,306,289	21,960,708
<b>Held as cash flow hedges:</b>									
Commission rate swaps	-	<b>48,695</b>	<b>1,600,000</b>	-	423	350,000	-	-	-
<b>Total</b>	<b><u>2,021,764</u></b>	<b><u>1,656,740</u></b>	<b><u>77,593,795</u></b>	<u>967,485</u>	<u>2,217,213</u>	<u>67,062,368</u>	<u>1,211,833</u>	<u>2,395,310</u>	<u>66,818,334</u>

Derivatives have been disclosed at gross amounts as at March 31, 2022 and have not been netted off by cash margins placed or received, amounting to SAR 1,307 million (December 31, 2021: SAR 2,682 million; March 31, 2021: SAR 2,221 million).

**14. Commitments and contingencies**

**a) Legal proceedings**

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed at December 31, 2021.

**b) Credit related commitments and contingencies**

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

	<b>March 31 2022 (Unaudited)</b>	<b>December 31 2021 (Audited)</b>	<b>March 31 2021 (Unaudited)</b>
Letters of credit	<b>4,593,226</b>	5,117,138	4,321,628
Letters of guarantee	<b>16,987,448</b>	16,864,900	17,056,617
Acceptances	<b>984,251</b>	827,316	2,018,374
Irrevocable commitments to extend credit	<b>2,153,658</b>	2,902,408	2,097,356
Others	<b>13,499</b>	13,500	13,551
<b>Total</b>	<b><u>24,732,082</u></b>	<u>25,725,262</u>	<u>25,507,526</u>

The unutilised portion of non-firm commitments as at March 31, 2022 that can be revoked unilaterally at any time by the Bank, amounted to SAR 18,786 million (December 31, 2021: SAR 14,993 million; March 31, 2021: SAR 15,047 million).

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**15. Cash and cash equivalents**

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

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	<b>3,402,721</b>	4,284,456	1,523,493
Due from banks and other financial institutions maturing within 90 days from the acquisition date	<b>4,016,184</b>	2,287,880	1,845,962
<b>Total</b>	<b>7,418,905</b>	6,572,336	3,369,455

**16. Zakat and Income Tax**

Zakat attributable to Saudi Shareholders for the period ended March 31, 2022 amounted to approximately SAR 64 million (March 31, 2021: SAR 72 million). Income tax attributable to the non-Saudi Shareholder on the current period's share of net income is SAR 60.6 million (March 31, 2021: SAR 55.6 million). The provision of Zakat and income tax is estimated based on the respective interim consolidated financial position as at March 31, 2022 and the results of the operations of the Bank for the three months then ended. No significant changes in the Bank's Zakat and income tax assessments to those discussed in the Group's annual financial statements for the year ended December 31, 2021.

**17. Operating segments**

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to segments and to assess their performance.

For management purposes, the Group is organised into the following major operating segments:

**Retail banking**

Deposit, credit and investment products for individuals and the Bank's London Branch.

**Corporate banking**

Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses.

**Treasury**

Manages the Group's trading and investment portfolios and the Group's funding, liquidity, currency and commission rate risks.

**Investment and brokerage services**

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

**Other**

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head Office and other supporting departments.

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/(expense) for the current period are consistent with the basis used for the year ended December 31, 2021. Segment assets and liabilities comprise mainly operating assets and liabilities.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in United Kingdom. However, the total assets, liabilities, commitments and results of operations of this Branch are not material to the Group's overall interim condensed consolidated financial statements.

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**17. Operating segments (continued)**

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

<b>March 31, 2022 (Unaudited)</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	<b>52,618,218</b>	<b>90,301,137</b>	<b>59,411,466</b>	<b>518,411</b>	<b>1,770,856</b>	<b>204,620,088</b>
Investments in associates	-	-	-	<b>354,868</b>	<b>594,326</b>	<b>949,194</b>
Total liabilities	<b>68,977,106</b>	<b>83,005,142</b>	<b>19,082,939</b>	<b>102,034</b>	<b>1,391,208</b>	<b>172,558,429</b>
Operating income from external customers	<b>538,498</b>	<b>745,454</b>	<b>150,044</b>	<b>56,275</b>	<b>(35,741)</b>	<b>1,454,530</b>
Intersegment operating income/(expense)	<b>(54,262)</b>	<b>(235,849)</b>	<b>237,152</b>	-	<b>52,959</b>	-
Total operating income	<b>484,236</b>	<b>509,605</b>	<b>387,196</b>	<b>56,275</b>	<b>17,218</b>	<b>1,454,530</b>
Of which:						
Net special commission income	<b>471,427</b>	<b>359,253</b>	<b>299,254</b>	<b>13,806</b>	<b>40,766</b>	<b>1,184,506</b>
Impairment charge for expected credit losses (ECL), net	<b>(18,810)</b>	<b>170,817</b>	<b>3,451</b>	-	-	<b>155,458</b>
Depreciation and amortization	<b>37,906</b>	<b>7,485</b>	<b>164</b>	<b>1,042</b>	<b>7,526</b>	<b>54,123</b>
Total operating expenses	<b>299,557</b>	<b>379,782</b>	<b>28,824</b>	<b>21,330</b>	<b>610</b>	<b>730,103</b>
Share in earnings of associates, net	-	-	-	-	<b>48,565</b>	<b>48,565</b>
Net income before zakat and income tax	<b>184,679</b>	<b>129,823</b>	<b>358,372</b>	<b>34,945</b>	<b>65,173</b>	<b>772,992</b>
<b>March 31, 2021 (Unaudited)</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury</b>	<b>Investment and brokerage services</b>	<b>Other</b>	<b>Total</b>
Total assets	43,526,553	76,157,184	55,505,102	776,189	1,470,305	177,435,333
Investments in associates	-	-	-	510,868	782,014	1,292,882
Total liabilities	67,802,751	60,614,844	16,625,697	96,993	2,290,048	147,430,333
Operating income from external customers	561,006	644,911	258,354	40,367	51,720	1,556,358
Intersegment operating income/(expense)	(110,955)	(185,718)	271,140	-	25,533	-
Total operating income	450,051	459,193	529,494	40,367	77,253	1,556,358
Of which:						
Net special commission income	420,555	357,727	319,447	6,830	74,995	1,179,554
Impairment charge for expected credit losses (ECL), net	23,833	311,181	(2,274)	-	-	332,740
Depreciation and amortization	41,630	2,274	319	1,329	7,482	53,034
Total operating expenses	349,066	478,797	21,258	17,905	1,325	868,351
Share in earnings of associates, net	-	-	-	-	20,353	20,353
Net income before zakat and income tax	100,985	(19,604)	508,236	22,462	96,281	708,360

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**18. Share capital, dividends and basic and diluted earnings per share**

**Share capital**

As at March 31, 2022, the authorised, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (March 31, 2021 and Decemebr 31, 2021: 1,500 million shares of SAR 10 each).

**Dividends**

- (a)** On March 3, 2021 the Board recommended to pay cash dividends of SAR 600 million from net income for the year. After deducting zakat this proposed final dividend will result in a net payment of SAR 0.40 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) will be deducted from their share of the dividend. This cash dividends distribution has been approved in the Ordinary General Assembly Meeting dated March 30, 2021.
- (b)** An interim dividend of SAR 525 million has been recommended by the Board of Directors on June 24, 2021, which has been paid to shareholders by July 14, 2021. After deducting zakat, this interim dividend resulted in a net payment of SAR 0.35 per share to the Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) was deducted from their share of the dividend. This cash dividend distribution has been approved in the Extraordinary General Assembly meeting dated April 12, 2022.
- (c)** On December 12, 2021 the Board recommended to pay cash dividends of SAR 675 million for the second half of 2021. After deducting zakat this proposed final dividend will result in a net payment of SAR 0.45 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period (if any) will be deducted from their share of the dividend. This cash dividend distribution has been approved in the Extraordinary General Assembly meeting dated April 12, 2022.

**Basic and diluted earnings per share**

Basic and diluted earnings per share for the years ended March 31, 2022 and 2021 is calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares. The diluted earnings per share is the same as the basic earnings per share.

**19. 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:

- i) In the accessible principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

The Group 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 repacking);
- 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.

**a. Carrying amounts and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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**19. Fair values of financial assets and liabilities (continued)**

**a. Carrying amounts and fair value (continued)**

**Financial assets**

<b>March 31, 2022 (Unaudited)</b>	<b>Carrying value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>					
Investments at FVSI	<b>545,732</b>	-	<b>102,871</b>	<b>442,861</b>	<b>545,732</b>
Investments at FVOCI	<b>4,004,474</b>	<b>2,877,688</b>	<b>1,125,893</b>	<b>893</b>	<b>4,004,474</b>
Positive fair value of derivatives	<b>2,021,764</b>	-	<b>2,021,764</b>	-	<b>2,021,764</b>
<b>Financial assets not measured at fair value</b>					
Investments at amortised cost, net	<b>38,181,247</b>	-	<b>38,087,352</b>	-	<b>38,087,352</b>
Loans and advances, net	<b>138,642,428</b>	-	-	<b>141,532,911</b>	<b>141,532,911</b>
<b>December 31, 2021 (Audited)</b>					
<b>Financial assets measured at fair value</b>					
Investments at FVSI	613,729	-	182,016	431,713	613,729
Investments at FVOCI	3,404,742	2,414,999	988,850	893	3,404,742
Positive fair value of derivatives	967,485	-	967,485	-	967,485
<b>Financial assets not measured at fair value</b>					
Investments at amortised cost, net	40,149,707	-	40,838,133	-	40,838,133
Loans and advances, net	126,674,105	-	-	131,343,981	131,343,981
<b>March 31, 2021 (Unaudited)</b>					
<b>Financial assets measured at fair value</b>					
Investments at FVSI	578,977	-	185,539	393,438	578,977
Investments at FVOCI	4,114,612	2,303,456	1,810,263	893	4,114,612
Positive fair value of derivatives	1,211,833	-	1,211,833	-	1,211,833
<b>Financial assets not measured at fair value</b>					
Investments at amortised cost, net	38,615,164	-	40,143,265	-	40,143,265
Loans and advances, net	115,559,145	-	-	120,708,633	120,919,133



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**19. Fair values of financial assets and liabilities (continued)**

**a. Carrying amounts and fair value (continued)**

**Financial Liabilities**

March 31, 2022 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>					
Negative fair value of derivatives	<b>1,656,740</b>	-	<b>1,656,740</b>	-	<b>1,656,740</b>
<b>Financial liabilities not measured at fair value</b>					
Sukuk	<b>2,852,402</b>	-	<b>2,746,378</b>	-	<b>2,746,378</b>
December 31, 2021 (Audited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,217,213	-	2,217,213	-	2,217,213
Financial liabilities not measured at fair value					
Sukuk	2,829,100	-	2,881,013	-	2,881,013
March 31, 2021 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,395,310	-	2,395,310	-	2,395,310
Financial liabilities not measured at fair value					
Sukuk	2,852,783	-	2,887,453	-	2,887,453

**b. Measurement of fair values**

**i. Transfer between levels of the fair value hierarchy**

There have been no transfers within levels of the fair value hierarchy during the three months period ended March 31, 2022 and 2021.

**ii. Level 3 fair values**

The following table shows the movement of Level 3 fair values.

	March 31, 2022		March 31, 2021	
	Investments at FVSI	Investments at FVOCI	Investments at FVSI	Investments at FVOCI
Balance at the beginning of the period	<b>431,713</b>	<b>893</b>	372,997	893
Total unrealised gain in the interim consolidated statement of income	<b>10,364</b>	-	15,920	-
Purchases/ settlements	<b>784</b>	-	4,521	-
Balance at the end of the period	<b>442,861</b>	<b>893</b>	393,438	893

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**19. Fair values of financial assets and liabilities (continued)**

**b. Measurement of fair values (continued)**

**iii. Valuation technique and significant unobservable inputs**

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at March 31, 2022 and 2021 and December 31, 2021 as well as the significant unobservable inputs used.

<b>Type</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
FVSI investments	Fair value is determined based on the investee fund's most recent reported net assets value.	None	Not applicable
FVOCI investments classified as Level 2 include plain vanilla bonds for which market quotes are not available	Fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	None	Not applicable
FVOCI investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net assets value.	None	Not applicable
Derivatives classified as Level 2 are comprised of over the counter special commission rate swaps, currency swaps, special commission rate futures and options, spot and forward foreign exchange contracts, currency and commodity options and other derivative financial instruments	These instruments are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.	None	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 2 include investments held at amortized cost	These instruments are fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include loans and advances and debt issuances	These instruments are fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to the credit spreads to account for any potential model discrepancy or any stressed market conditions.	The higher the credit spread, the lower is the valuation; vice versa.

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**20. 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. During the period, the Group has fully complied with regulatory capital requirements.

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

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III. Accordingly, the Group's Pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	<b>March 31 2022 (Unaudited)</b>	December 31 2021 (Audited)	March 31 2021 (Unaudited)
Credit Risk RWA	<b>158,999,382</b>	147,861,398	140,080,553
Operational Risk RWA	<b>14,247,577</b>	14,504,194	14,201,087
Market Risk RWA	<b>2,862,307</b>	1,639,885	1,168,094
<b>Total Pillar-I RWA</b>	<b>176,109,266</b>	164,005,477	155,449,734
Tier I Capital	<b>31,752,755</b>	31,002,690	30,525,050
Tier II Capital	<b>3,874,569</b>	4,017,642	3,862,472
<b>Total Tier I &amp; II Capital</b>	<b>35,627,324</b>	35,020,332	34,387,522
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	<b>18.03%</b>	18.90%	19.64%
Tier I + Tier II ratio	<b>20.23%</b>	21.35%	22.12%

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the SAMA in supervising the Bank.

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**21. Impact of Covid-19 on Expected Credit Losses (ECL) and SAMA programs**

During 2021 and 2020, the Coronavirus ("COVID-19") pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of these infections. Significant improvement has 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 Jumada II 16, 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 2021 and 2020, 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 33.1 million (March 31, 2021: SAR 10.2 million) was recognised in the interim consolidated statement of income with respect to the unwinding of grant income on related deposits with no deferred grant income as at March 31, 2022 (December 31, 2021: nil; March 31, 2021: 4.4 million).

**22. 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").

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes. The Group has complied with the regulatory deadline of the LIBOR transition i.e., 31 December 2021 and is now offering products based on overnight SOFR and Term SOFR.

**23. Comparative figures**

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

**24. Board of Directors' approval**

The interim condensed consolidated financial statements were approved by the Board on Ramadan 23, 1443 (corresponding to April 24, 2022).