



RIYAD BANK
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2022



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

Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road, P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
ey.ksa@sa.ey.com
ey.com

**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 Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 its submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License No. 447



For Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. 523

29 Rabi Al-Awwal 1444H
(25 October 2022)





INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2022 Note	31 December 2021 (Audited)	30 September 2021 (Unaudited)
	(Unaudited)	(Audited)	(Unaudited)
ASSETS	SAR'000	SAR'000	SAR'000
Cash and balances with Saudi Central Bank (SAMA), net	23,782,388	25,587,478	27,112,159
Due from banks and other financial institutions, net	20,202,195	17,644,832	17,301,727
Positive fair value of derivatives	6 3,699,840	1,414,515	1,478,552
Investments, net	7 53,245,812	58,637,186	57,450,841
Loans and advances, net	8.1 241,585,644	217,290,235	210,482,066
Other assets	1,309,013	1,492,186	1,392,879
Investment in associates	569,210	649,720	649,816
Other real estate	324,030	313,564	287,734
Property, equipment and right of use assets, net	3,162,786	2,706,102	2,500,817
Total assets	347,880,918	325,735,818	318,656,591
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	38,346,511	43,134,140	42,933,640
Negative fair value of derivatives	6 2,888,396	1,460,144	1,529,066
Customer deposits	9 235,891,686	211,678,297	203,995,613
Debt securities in issue	8,672,495	8,716,577	8,648,055
Other liabilities	12,486,646	13,446,889	15,500,352
Total liabilities	298,285,734	278,436,047	272,606,726
Shareholders' equity			
Share capital	30,000,000	30,000,000	30,000,000
Statutory reserve	9,187,224	9,187,224	7,680,879
Other reserves	(1,708,070)	1,637,436	2,017,538
Retained earnings	9,296,630	4,855,111	6,351,448
Proposed dividends	-	1,620,000	-
Equity attributable to the shareholders of the Bank	46,775,784	47,299,771	46,049,865
Tier 1 Sukuk	10 2,819,400	-	-
Total equity	49,595,184	47,299,771	46,049,865
Total liabilities and equity	347,880,918	325,735,818	318,656,591

The accompanying notes 1 to 23 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 INCOME (Unaudited)

	Note	For the three month		For the nine month	
		period ended 30 September		period ended 30 September	
		2022	2021	2022	2021
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		3,527,247	2,175,226	8,815,253	6,802,384
Special commission expense		855,058	193,515	1,614,459	578,845
Net special commission income		2,672,189	1,981,711	7,200,794	6,223,539
Fee and commission income		860,283	772,545	2,640,268	2,219,622
Fee and commission expense		267,899	235,898	802,285	711,647
Fee and commission income, net		592,384	536,647	1,837,983	1,507,975
Exchange income, net		168,124	97,245	415,389	273,129
Trading income, net		42,376	76,476	151,535	185,268
Dividend income		11,637	45,705	71,117	109,016
Gains on disposal of non-trading investments, net		1,640	71,307	133,776	281,104
Other operating income		36,775	7,492	46,530	38,473
Total operating income, net		3,525,125	2,816,583	9,857,124	8,618,504
Salaries and employee-related expenses		584,259	533,138	1,687,560	1,551,539
Rent and premises-related expenses		49,189	48,472	148,779	137,839
Depreciation of property, equipment and right of use assets		137,420	122,607	399,793	365,981
Other general and administrative expenses		341,470	286,242	933,770	875,803
Other operating expenses		62,140	17,637	102,597	70,660
Total operating expenses before impairment charge		1,174,478	1,008,096	3,272,499	3,001,822
Impairment charge for credit losses and other financial assets, net	8.3	227,760	107,584	658,396	591,992
Impairment charge for investments, net		80,670	(38,919)	258,132	27,117
Total operating expenses, net		1,482,908	1,076,761	4,189,027	3,620,931
Net operating income		2,042,217	1,739,822	5,668,097	4,997,573
Share in losses of associates, net		(2,548)	(13,017)	(75,013)	(32,552)
Income for the period before zakat		2,039,669	1,726,805	5,593,084	4,965,021
Zakat for the period		212,000	184,000	601,593	557,000
Net income for the period		1,827,669	1,542,805	4,991,491	4,408,021
Basic and diluted earnings per share (in SAR)	17	0.59	0.51	1.64	1.47

The accompanying notes 1 to 23 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 COMPREHENSIVE INCOME (Unaudited)

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2022 SAR'000	2021 SAR'000	2022 SAR'000	2021 SAR'000
Net income for the period	1,827,669	1,542,805	4,991,491	4,408,021
Other comprehensive income (OCI):				
a) Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Fair value through other comprehensive income (FVOCI- debt instruments)				
- Net change in fair value	(389,435)	6,259	(2,611,860)	(142,866)
- Net amounts transferred to interim condensed consolidated statement of income	(2,977)	(70,544)	(98,145)	(241,371)
- Net changes in allowance for expected credit losses (ECL) of debt instruments	81,448	(28,075)	257,573	37,689
- Effective portion of net change in fair value of cash flow hedge	201,139	(2,972)	130,474	(13,049)
b) Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments)	(21,150)	51,595	(12,129)	646,343
Other comprehensive (loss) income for the period	(130,975)	(43,737)	(2,334,087)	286,746
Total comprehensive income for the period	1,696,694	1,499,068	2,657,404	4,694,767

The accompanying notes 1 to 23 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 CHANGES IN EQUITY (Unaudited)
For the nine month period ended 30 September 2022 & 2021

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders of the Bank	Tier 1 sukuk	Total equity
30 September 2022								
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
Total comprehensive income								
Net changes in fair values of								
- FVOCI -equity instruments	-	-	(12,129)	-	-	(12,129)	-	(12,129)
- FVOCI -debt instruments	-	-	(2,611,860)	-	-	(2,611,860)	-	(2,611,860)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments								
	-	-	(98,145)	-	-	(98,145)	-	(98,145)
Net changes in allowance for expected losses on FVOCI -debt instruments								
	-	-	257,573	-	-	257,573	-	257,573
Net change in fair value of cash flow hedge								
	-	-	130,474	-	-	130,474	-	130,474
Net income for the period								
	-	-	-	4,991,491	-	4,991,491	-	4,991,491
Total comprehensive (loss) income								
	-	-	(2,334,087)	4,991,491	-	2,657,404	-	2,657,404
Disposal of FVOCI-equity instruments								
	-	-	(1,011,419)	1,011,419	-	-	-	-
Final dividends paid - 2021(note 16)								
	-	-	-	-	(1,620,000)	(1,620,000)	-	(1,620,000)
Tier 1 sukuk issued								
	-	-	-	-	-	-	2,813,625	2,813,625
Tier 1 sukuk costs								
	-	-	-	(61,391)	-	(61,391)	5,775	(55,616)
Interim dividend - 2022 (note 16)								
	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Balance at the end of the period	30,000,000	9,187,224	(1,708,070)	9,296,630	-	46,775,784	2,819,400	49,595,184
30 September 2021								
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
Total comprehensive income								
Net changes in fair values of								
- FVOCI -equity instruments	-	-	646,343	-	-	646,343	-	646,343
- FVOCI -debt instruments	-	-	(142,866)	-	-	(142,866)	-	(142,866)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments								
	-	-	(241,371)	-	-	(241,371)	-	(241,371)
Net changes in allowance for expected credit losses on FVOCI -debt instruments								
	-	-	37,689	-	-	37,689	-	37,689
Net change in fair value of cash flow hedge								
	-	-	(13,049)	-	-	(13,049)	-	(13,049)
Net income for the period								
	-	-	-	4,408,021	-	4,408,021	-	4,408,021
Total comprehensive income								
	-	-	286,746	4,408,021	-	4,694,767	-	4,694,767
Disposal of FVOCI-equity instruments								
	-	-	(14,857)	14,857	-	-	-	-
Final proposed dividends - 2020								
	-	-	-	(1,500,000)	1,500,000	-	-	-
Final dividends declared - 2020								
	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Interim dividend - 2021								
	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Balance at the end of the period	30,000,000	7,680,879	2,017,538	6,351,448	-	46,049,865	-	46,049,865

The accompanying notes 1 to 23 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 nine month period ended 30 September	
		2022 SAR'000	2021 SAR'000
OPERATING ACTIVITIES			
Income for the period before zakat		5,593,084	4,965,021
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		(51,843)	(16,075)
Gains on disposal of non-trading investments, net		(133,776)	(281,104)
Gains on trading investments, net		(16,553)	(7,064)
Losses/(Gains) on sale of property and equipment, net		(20,370)	4,284
Dividend income		(71,117)	(109,016)
Depreciation of property, equipment and right of use assets		399,793	365,981
Share in losses of associates, net		75,013	32,552
Impairment charge for credit losses and other financial assets, net	8.3	658,396	591,992
Impairment charge for investments, net		258,132	27,117
		<u>6,690,759</u>	<u>5,573,688</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(2,421,260)	154,173
Due from banks and other financial institutions maturing after three months from date of acquisition		500,000	(791,000)
Positive fair value of derivatives		(2,285,325)	80,405
Investments at FVIS		(150,718)	388,870
Loans and advances, net		(24,948,121)	(19,752,768)
Other real estate		(10,466)	36,320
Other assets		183,173	442,000
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,787,629)	1,144,737
Negative fair value of derivatives		1,428,252	(111,868)
Customer deposits		24,213,389	956,277
Principal and interest on lease liabilities		(186,873)	(178,373)
Other liabilities		(855,734)	2,144,237
		<u>(2,630,553)</u>	<u>(9,913,302)</u>
Zakat paid		(692,682)	(686,565)
Net cash used in operating activities		<u>(3,323,235)</u>	<u>(10,599,867)</u>
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		132,301,748	62,243,358
Purchase of investments not held as FVIS instruments		(129,073,054)	(62,944,068)
Purchase of property and equipment		(727,322)	(355,212)
Proceeds from sale of property and equipment		45,001	-
Advance against purchase of property and equipment		-	(125,000)
Net cash from (used in) investing activities		<u>2,546,373</u>	<u>(1,180,922)</u>
FINANCING ACTIVITIES			
Debt securities in issue, net		(44,082)	2,964,047
Tier 1 sukuk issuance	10	2,819,400	-
Dividend paid		(3,108,155)	(2,988,740)
Tier 1 sukuk related costs		(61,391)	0
Net cash used in financing activities		<u>(394,228)</u>	<u>(24,693)</u>
Decrease in cash and cash equivalents		<u>(1,171,090)</u>	<u>(11,805,482)</u>
Cash and cash equivalents at beginning of the period		32,406,686	44,965,596
Cash and cash equivalents at end of the period	12	<u>31,235,596</u>	<u>33,160,114</u>
Special commission received during the period		8,508,456	6,645,507
Special commission paid during the period		1,307,662	794,023
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated statement of income		(2,591,660)	249,057
Right of use (ROU) assets		20,274	88,059
Lease liabilities		(2,401)	(15,671)

The accompanying notes 1 to 23 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**For the nine month periods ended 30 September 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 (30 September 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 nine months period ended 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 2022 & 2021
4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

During the period, 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.

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 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.

- 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 1 January 2023. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group

Standard	Description	Effective date
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 nine month periods ended 30 September 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.

	30 September 2022			31 December 2021			30 September 2021		
	(Unaudited)			(Audited)			(Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Held for trading:									
Special commission rate swaps	2,635,473	(2,479,673)	94,017,782	1,291,830	(1,176,314)	60,865,983	1,361,909	(1,248,070)	59,470,141
Forward foreign exchange contracts	153,202	(210,206)	42,245,162	96,035	(92,017)	24,057,318	95,732	(50,112)	23,690,650
Currency options	7,923	(2,686)	106,249	191	(191)	113,149	251	(251)	91,696
Commodity swaps	66,499	(65,568)	1,100,724	-	-	-	-	-	-
Held as fair value hedges:									
Special commission rate swaps	609,059	-	6,634,085	26,459	(169,987)	5,283,720	20,660	(220,986)	4,825,171
Held as cash flow hedges:									
Special commission rate swaps	227,684	(130,263)	5,256,440	-	(21,635)	1,375,000	-	(9,647)	1,375,000
Total	3,699,840	(2,888,396)	149,360,442	1,414,515	(1,460,144)	91,695,170	1,478,552	(1,529,066)	89,452,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the nine month periods ended 30 September 2022 & 2021
7. INVESTMENTS, NET
Investments by type of securities

SAR'000	Domestic			International			Total		
	30 September 2022	31 December 2021	30 September 2021	30 September 2022	31 December 2021	30 September 2021	30 September 2022	31 December 2021	30 September 2021
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
i) Investment at FVIS									
Mutual Funds	1,344,045	1,176,774	877,259	-	-	-	1,344,045	1,176,774	877,259
Total	1,344,045	1,176,774	877,259	-	-	-	1,344,045	1,176,774	877,259
ii) Investment at amortised cost, net									
Fixed rate securities	32,091,885	28,866,331	27,435,324	461,381	699,258	245,420	32,553,266	29,565,589	27,680,744
Floating rate securities	2,752,683	6,354,823	6,484,755	-	-	-	2,752,683	6,354,823	6,484,755
Total	34,844,568	35,221,154	33,920,079	461,381	699,258	245,420	35,305,949	35,920,412	34,165,499
iii) Investments at FVOCI, net									
Fixed rate securities	-	-	-	15,437,279	17,466,355	18,269,230	15,437,279	17,466,355	18,269,230
Equities	499,995	3,316,559	3,402,896	658,544	757,086	735,957	1,158,539	4,073,645	4,138,853
Total	499,995	3,316,559	3,402,896	16,095,823	18,223,441	19,005,187	16,595,818	21,540,000	22,408,083
Total	36,688,608	39,714,487	38,200,234	16,557,204	18,922,699	19,250,607	53,245,812	58,637,186	57,450,841

Above investments include sukuks amounting to SAR 25.8 billion as at 30 September 2022 (31 December 2021: SAR 18.2 billion and 30 September 2021: SAR 16.0 billion).

As at 30 September 2022, the loss allowance on the investments held at amortised cost, amounted to SAR 6.2 million (31 December 2021: SAR 5.6 million and 30 September 2021: SAR 5.5 million) and these relate to stage 1 and stage 2 exposures. During the nine month period ended 30 September 2022, the stage 1 provisions increased by SAR 3.0 million and stage 2 decreased by SAR 2.4 million. During the nine month period ended 30 September 2021 the stage 1 provisions decreased by SAR 12.0 million while stage 2 provisions increased by SAR 1.5 million.

As at 30 September 2022, the loss allowance on the investments at FVOCI, net, amounted to SAR 370.3 million (31 December 2021: SAR 112.7 million and 30 September 2021: SAR 138 million). During the nine month period ended 30 September 2022 there was a SAR 257.6 million increase in the total loss allowance comprising of stage 3 and stage 2 provisions, of SAR 275.1 million and SAR 1.5 million respectively, while stage 1 provisions decreased by SAR 19.0 million. During the nine month period ended 30 September 2021, the loss allowance increased by SAR 13.9 million in stage 1, SAR 15.1 million in stage 2 and SAR 8.7 million in stage 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 2022 & 2021
8. LOANS AND ADVANCES, NET
8.1 Loans and advances held at amortised cost

These comprise the following:

30 September 2022 (Unaudited)	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
SAR'000						
Performing loans and advances-gross	4,529,266	1,103,788	84,026,378	151,739,896	777,520	242,176,848
Non-performing loans and advances	295,159	37,552	1,102,961	2,381,743	1,711	3,819,126
Total loans and advances	4,824,425	1,141,340	85,129,339	154,121,639	779,231	245,995,974
Allowance for impairment	(183,572)	(44,433)	(911,050)	(3,268,154)	(3,121)	(4,410,330)
Loans and advances, net	4,640,853	1,096,907	84,218,289	150,853,485	776,110	241,585,644
31 December 2021 (Audited)	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
SAR'000						
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
Total loans and advances	5,621,708	853,615	76,477,400	138,018,697	832,972	221,804,392
Allowance for impairment	(201,286)	(25,479)	(825,289)	(3,460,949)	(1,154)	(4,514,157)
Loans and advances, net	5,420,422	828,136	75,652,111	134,557,748	831,818	217,290,235
30 September 2021 (Unaudited)	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
SAR'000						
Performing loans and advances-gross	5,314,749	763,756	71,783,387	132,855,417	656,709	211,374,018
Non-performing loans and advances	359,891	27,879	739,816	2,267,105	1,015	3,395,706
Total loans and advances	5,674,640	791,635	72,523,203	135,122,522	657,724	214,769,724
Allowance for impairment	(208,882)	(23,337)	(748,511)	(3,306,044)	(884)	(4,287,658)
Loans and advances, net	5,465,758	768,298	71,774,692	131,816,478	656,840	210,482,066

Loans and advances, net, include non-conventional banking products of SAR 165.0 billion as at 30 September 2022 (31 December 2021: SAR 146.1 billion and 30 September 2021: SAR 137.8 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
(Unaudited)				
Balance at 1 January 2022	628,944	1,472,072	2,413,141	4,514,157
Transfer to 12-month ECL (from Stage 2 & Stage 3 to Stage 1)	85,855	(48,371)	(37,484)	-
Transfer to lifetime ECL -not credit impaired (from Stage 1 & Stage 3 to Stage 2)	(14,408)	86,815	(72,407)	-
Transfer to lifetime ECL -credit impaired (from Stage 1 & Stage 2 to Stage 3)	(2,569)	(43,881)	46,450	-
Net re-measurement of loss allowance*	(106,870)	41,690	(38,647)	(103,827)
Balance as at 30 September 2022	590,952	1,508,325	2,311,053	4,410,330
	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 (from Stage 2 & Stage 3 to Stage 1)	165,932	(31,747)	(134,185)	-
Transfer to lifetime ECL -not credit impaired (from Stage 1 & Stage 3 to Stage 2)	(6,500)	42,168	(35,668)	-
Transfer to lifetime ECL -credit impaired (from Stage 1 & Stage 2 to Stage 3)	(1,403)	(37,582)	38,985	-
Net re-measurement of loss allowance*	(444,434)	295,028	(96,949)	(246,355)
Balance as at 30 September 2021	739,976	1,213,319	2,334,363	4,287,658

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 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:

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<u>SAR'000</u>				
Impairment charge for credit losses, net	203,528	138,622	652,712	617,338
Impairment charge /(reversal) for other financial assets, net	24,232	(31,038)	5,684	(25,346)
Total	227,760	107,584	658,396	591,992

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

<u>SAR'000</u>	30 September 2022 (Unaudited)	31 December 2021 (Audited)	30 September 2021 (Unaudited)
Demand	123,710,036	116,255,002	111,989,233
Saving	1,281,682	1,348,523	1,248,279
Time	88,577,371	75,032,396	71,432,245
Others	22,322,597	19,042,376	19,325,856
Total	235,891,686	211,678,297	203,995,613

Customer time deposits include non-conventional banking deposits of SAR 25,109 million as at 30 September 2022 (31 December 2021: SAR 31,352 million and 30 September 2021: SAR 31,660 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 16 February 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 2022 & 2021
11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

SAR'000	30 September 2022 (Unaudited)	31 December 2021 (Audited)	30 September 2021 (Unaudited)
Letters of credit	8,840,523	9,067,781	9,517,291
Letters of guarantee	73,421,990	71,270,076	67,118,759
Acceptances	3,722,804	3,226,822	2,358,336
Irrevocable commitments to extend credit	23,705,102	21,507,829	16,347,020
Total	<u>109,690,419</u>	<u>105,072,508</u>	<u>95,341,406</u>

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
Balance at 30 September 2022 (Unaudited)	30,972	15,152	182,540	228,664
Balance at 31 December 2021 (Audited)	38,779	19,975	197,384	256,138
Balance at 30 September 2021(Unaudited)	36,441	9,017	207,539	252,997

Other liabilities as at 30 September 2022, include write-off reserves amounting to SAR 574 million (31 December 2021: SAR 558 million and 30 September 2021: SAR 559 million).

12. CASH AND CASH EQUIVALENTS

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

SAR'000	30 September 2022 (Unaudited)	31 December 2021 (Audited)	30 September 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	11,033,063	15,259,413	16,856,651
Due from banks and other financial institutions maturing within three months from date of acquisition	20,202,533	17,147,273	16,303,463
Total	<u>31,235,596</u>	<u>32,406,686</u>	<u>33,160,114</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 2022 & 2021
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

30 September 2022	Level 1	Level 2	Level 3	Total
SAR'000 (Unaudited)				
<u>Financial assets measured at fair value</u>				
- Positive fair value of derivatives	-	3,699,840	-	3,699,840
- Investments held at FVIS	1,344,045	-	-	1,344,045
- Investments held at FVOCI	16,058,120	-	537,698	16,595,818
<u>Financial liabilities measured at fair value</u>				
- Negative fair value of derivatives	-	2,888,396	-	2,888,396
31 December 2021	Level 1	Level 2	Level 3	Total
SAR'000 (Audited)				
<u>Financial assets measured at fair value</u>				
- 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
<u>Financial liabilities measured at fair value</u>				
- Negative fair value of derivatives	-	1,460,144	-	1,460,144
30 September 2021	Level 1	Level 2	Level 3	Total
SAR'000 (Unaudited)				
<u>Financial assets measured at fair value</u>				
- Positive fair value of derivatives	-	1,478,552	-	1,478,552
- Investments held at FVIS	877,259	-	-	877,259
- Investments held at FVOCI	21,921,875	-	486,208	22,408,083
<u>Financial liabilities measured at fair value</u>				
- Negative fair value of derivatives	-	1,529,066	-	1,529,066

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 2022 & 2021
13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

	For the nine month period ended 30 September 2022 (Unaudited) SAR'000	For the year ended 31 December 2021 (Audited) SAR'000	For the nine month period ended 30 September 2021 (Unaudited) SAR'000
Reconciliation of movement in Level 3			
Opening balance	537,534	454,710	454,710
Total gains or losses, net:			
- recognised in interim condensed consolidated statement of income	9,201	(1,028)	(804)
- recognised in interim condensed consolidated statement of other comprehensive income	(9,037)	(34,998)	(50,438)
Purchases	-	118,850	82,740
Closing balance	537,698	537,534	486,208

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 240.1 billion as at 30 September 2022 (31 December 2021: SAR 222.7 billion and 30 September 2021: SAR 219.7 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 33.1 billion as at 30 September 2022 (31 December 2021: SAR 36.1 billion and 30 September 2021 : SAR 33.9 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)
For the nine month periods ended 30 September 2022 & 2021
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 30 September 2022 and 2021 and its total operating income, total operating expenses and income before zakat for the nine months periods then ended, by operating segments, are as follows:

30 September 2022

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	99,321,840	2,834,063	162,197,079	83,527,936	347,880,918
Total liabilities	99,321,648	800,533	172,897,314	25,266,239	298,285,734
Total operating income, net of which	3,088,359	718,664	4,122,852	1,927,249	9,857,124
- Net special commission income	2,934,111	186,232	2,935,102	1,145,349	7,200,794
- Fee and commission income, net	174,472	498,276	1,151,494	13,741	1,837,983
Inter segment income/(expense)	10,564	168,875	(192,519)	13,080	-
Total operating expenses, net of which	2,399,289	214,966	1,216,937	357,835	4,189,027
- Depreciation of property, equipment and right of use assets	295,106	22,366	61,224	21,097	399,793
- Impairment charge/ (reversal) for credit losses and other financial assets, net	194,856	5,700	459,940	(2,100)	658,396
- Impairment charge for investments, net	-	-	-	258,132	258,132
Share in losses of associates, net	-	-	-	(75,013)	(75,013)
Income for the period before zakat	689,070	503,698	2,905,915	1,494,401	5,593,084

30 September 2021

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	81,714,085	3,259,243	147,177,573	86,505,690	318,656,591
Total liabilities	94,567,864	825,992	152,384,529	24,828,341	272,606,726
Total operating income, net of which	2,860,845	606,410	3,203,834	1,947,415	8,618,504
- Net special commission income	2,762,582	92,554	2,289,460	1,078,943	6,223,539
- Fee and commission income, net	118,073	498,684	879,968	11,250	1,507,975
Inter segment income/(expense)	(14,432)	84,888	(293,513)	223,057	-
Total operating expenses, net of which	1,806,277	187,270	1,477,652	149,732	3,620,931
- Depreciation of property, equipment and right of use assets	280,060	19,991	55,742	10,188	365,981
- Impairment (reversal)/ charge for credit losses and other financial assets, net	(156,774)	-	752,232	(3,466)	591,992
- Impairment charge for investment, net	-	-	-	27,117	27,117
Share in losses of associates, net	-	-	-	(32,552)	(32,552)
Income for the period before zakat	1,054,568	419,140	1,726,182	1,765,131	4,965,021

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**For the nine month periods ended 30 September 2022 & 2021**

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the nine month periods ended 30 September 2022 & 2021
16. DIVIDENDS

During July 2022, interim dividends of SAR 1,500 million at SAR 0.50 per share (2021: SAR 1,500 million at SAR 0.50 per share) were declared by the Bank and the distribution date for the dividend was 11 August 2022.

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 periods ended 30 September 2022 are calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the periods by 3,000 million outstanding shares.

Basic and diluted earnings per share for the periods ended 30 September 2021 are calculated by dividing the net income for the periods 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.

	30 September 2022	31 December 2021	30 September 2021
	(Unaudited)	(Audited)	(Unaudited)
	SAR Millions	<u>SAR Millions</u>	<u>SAR Millions</u>
Risk weighted assets			
Credit	281,155	274,629	264,331
Operational	20,671	19,649	19,420
Market	6,564	4,197	3,465
Total Pillar-I Risk Weighted Assets	<u>308,390</u>	<u>298,475</u>	<u>287,216</u>
Eligible capital			
Tier I Capital	49,476	47,306	46,045
Tier II Capital	9,300	9,389	9,430
Total Tier I and II Capital	<u>58,776</u>	<u>56,695</u>	<u>55,475</u>
Tier I Capital Adequacy Ratio %	16.0%	15.8%	16.0%
Total Capital Adequacy Ratio %	19.1%	19.0%	19.3%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**For the nine month periods ended 30 September 2022 & 2021****19. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS**

The Private Sector Financing Support Program ("PSFSP") launched by SAMA 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, has ended on 31 March 2022.

During the nine month period ended 30 September 2022, SAR 87.6 million (30 September 2021: SAR 453.4 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 175.6 million deferred grant income as at 30 September 2022 (30 December 2021: SAR 263.2 million). During the three month period ended 30 September 2022, SAR 29.2 million (30 September 2021: SAR 56.3 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

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 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 30 September 2022, Bank's exposure to LIBOR -USD maturing after 30 September 2023 amounted to SAR 14.2 billion for loans and advances and SAR 46.0 billion for notional amount of derivatives.

21. EVENTS AFTER REPORTING DATE

On 5 October 2022, the Bank successfully, by way of a private placement in the Kingdom of Saudi Arabia, issued through a Shariah compliant arrangement, SAR denominated additional tier 1 sukuk, amounting to SAR 3.75 billion. These Sukuks are perpetual securities in respect of which there is no fixed redemption dates. However, the Bank shall have the exclusive right to redeem or call the Sukuk in a specific period of time, 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. The offering of the sukuk started on 8 September 2022 and was completed on 5 October 2022.

22. COMPARATIVE FIGURES

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

23. BOARD OF DIRECTORS APPROVAL

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 24 Rabi' al-awwal 1444H (corresponding to 20 October 2022).



Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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

