



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

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-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 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
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For Ernst & Young Professional Services

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11 Muharram 1444H
(9 August 2022)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|--|------|--------------------|---------------------|--------------------|
| | Note | (Unaudited) | (Audited) | (Unaudited) |
| | | SAR'000 | SAR'000 | SAR'000 |
| ASSETS | | | | |
| Cash and balances with Saudi Central Bank (SAMA), net | | 42,486,060 | 25,587,478 | 40,854,055 |
| Due from banks and other financial institutions, net | | 13,806,808 | 17,644,832 | 7,878,052 |
| Positive fair value of derivatives | 6 | 2,311,433 | 1,414,515 | 1,352,264 |
| Investments, net | 7 | 53,538,261 | 58,637,186 | 57,121,643 |
| Loans and advances, net | 8.1 | 239,650,459 | 217,290,235 | 204,742,536 |
| Other assets | | 2,299,393 | 1,492,186 | 1,924,371 |
| Investment in associates | | 576,084 | 649,720 | 663,110 |
| Other real estate | | 301,687 | 313,564 | 298,786 |
| Property, equipment and right of use assets, net | | 2,983,443 | 2,706,102 | 2,431,512 |
| Total assets | | 357,953,628 | 325,735,818 | 317,266,329 |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Due to banks and other financial institutions | | 46,838,323 | 43,134,140 | 43,122,772 |
| Negative fair value of derivatives | 6 | 1,954,314 | 1,460,144 | 1,463,207 |
| Customer deposits | 9 | 237,477,015 | 211,678,297 | 202,452,996 |
| Debt securities in issue | | 8,716,327 | 8,716,577 | 8,710,117 |
| Other liabilities | | 13,517,649 | 13,446,889 | 16,966,440 |
| Total liabilities | | 308,503,628 | 278,436,047 | 272,715,532 |
| 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 | | (1,579,874) | 1,637,436 | 2,069,230 |
| Retained earnings | | 9,028,575 | 4,855,111 | 4,800,688 |
| Proposed dividends | | - | 1,620,000 | - |
| Equity attributable to the shareholders of the Bank | | 46,635,925 | 47,299,771 | 44,550,797 |
| Tier 1 Sukuk | 10 | 2,814,075 | - | - |
| Total equity | | 49,450,000 | 47,299,771 | 44,550,797 |
| Total liabilities and equity | | 357,953,628 | 325,735,818 | 317,266,329 |

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

Abdullah A. Al-Oraini
Chief Financial Officer

Tareq A. Al-Sadhan
Chief Executive Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

| | Note | For the three month period ended 30 June | | For the six month period ended 30 June | |
|---|------|---|------------------|---|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| | | <u>SAR'000</u> | <u>SAR'000</u> | <u>SAR'000</u> | <u>SAR'000</u> |
| Special commission income | | 2,866,688 | 2,327,096 | 5,288,006 | 4,627,158 |
| Special commission expense | | 469,960 | 181,072 | 759,401 | 385,330 |
| Net special commission income | | 2,396,728 | 2,146,024 | 4,528,605 | 4,241,828 |
| Fee and commission income | | 903,410 | 752,371 | 1,779,985 | 1,447,077 |
| Fee and commission expense | | 275,310 | 235,466 | 534,386 | 475,749 |
| Fee and commission income, net | | 628,100 | 516,905 | 1,245,599 | 971,328 |
| Exchange income, net | | 123,064 | 89,479 | 247,265 | 175,884 |
| Trading income, net | | 40,714 | 80,587 | 109,159 | 108,792 |
| Dividend income | | 31,205 | 33,780 | 59,480 | 63,311 |
| Gains on disposal of non-trading investments, net | | 8,431 | 89,792 | 132,136 | 209,797 |
| Other operating income | | 2,223 | 21,524 | 9,755 | 30,981 |
| Total operating income, net | | 3,230,465 | 2,978,091 | 6,331,999 | 5,801,921 |
| Salaries and employee-related expenses | | 556,019 | 509,115 | 1,103,301 | 1,018,401 |
| Rent and premises-related expenses | | 46,693 | 46,133 | 99,590 | 89,367 |
| Depreciation of property, equipment and right of use assets | | 130,158 | 119,517 | 262,373 | 243,374 |
| Other general and administrative expenses | | 296,063 | 324,431 | 592,300 | 589,561 |
| Other operating expenses | | 35,440 | 12,345 | 40,457 | 53,023 |
| Total operating expenses before impairment charge | | 1,064,373 | 1,011,541 | 2,098,021 | 1,993,726 |
| Impairment charge for credit losses and other financial assets, net | 8.3 | 244,252 | 237,626 | 430,636 | 484,408 |
| Impairment charge for investments, net | | 109,049 | 10,566 | 177,462 | 66,036 |
| Total operating expenses, net | | 1,417,674 | 1,259,733 | 2,706,119 | 2,544,170 |
| Net operating income | | 1,812,791 | 1,718,358 | 3,625,880 | 3,257,751 |
| Share in losses of associates, net | | (3,858) | (8,759) | (72,465) | (19,535) |
| Income for the period before zakat | | 1,808,933 | 1,709,599 | 3,553,415 | 3,238,216 |
| Zakat for the period | | 197,700 | 198,000 | 389,593 | 373,000 |
| Net income for the period | | 1,611,233 | 1,511,599 | 3,163,822 | 2,865,216 |
| Basic and diluted earnings per share (in SAR) | 17 | 0.54 | 0.50 | 1.05 | 0.96 |

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

Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

| | For the three month period ended 30 June | | For the six month period ended 30 June | |
|---|--|-----------------|--|-----------------|
| | 2022 SAR'000 | 2021 SAR'000 | 2022 SAR'000 | 2021 SAR'000 |
| Net income for the period | 1,611,233 | 1,511,599 | 3,163,822 | 2,865,216 |
| 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 | (1,295,150) | 108,025 | (2,222,425) | (149,125) |
| - Net amounts transferred to interim condensed consolidated statement of income | 6,594 | (79,567) | (95,168) | (170,827) |
| - Net changes in allowance for expected credit losses (ECL) of debt instruments | 105,738 | 5,659 | 176,125 | 65,764 |
| - Effective portion of net change in fair value of cash flow hedge | (12,690) | 2,942 | (70,665) | (10,077) |
| 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) | (208,689) | 274,396 | 9,021 | 594,748 |
| Other comprehensive (loss) income for the period | (1,404,197) | 311,455 | (2,203,112) | 330,483 |
| Total comprehensive income for the period | 207,036 | 1,823,054 | 960,710 | 3,195,699 |

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

Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the six month period ended 30 June 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 June 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 | - | - | 9,021 | - | - | 9,021 | - | 9,021 |
| - FVOCI -debt instruments | - | - | (2,222,425) | - | - | (2,222,425) | - | (2,222,425) |
| Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments | - | - | (95,168) | - | - | (95,168) | - | (95,168) |
| Net changes in allowance for expected losses on FVOCI -debt instruments | - | - | 176,125 | - | - | 176,125 | - | 176,125 |
| Net change in fair value of cash flow hedge | - | - | (70,665) | - | - | (70,665) | - | (70,665) |
| Net income for the period | - | - | - | 3,163,822 | - | 3,163,822 | - | 3,163,822 |
| Total comprehensive income | - | - | (2,203,112) | 3,163,822 | - | 960,710 | - | 960,710 |
| Disposal of FVOCI-equity instruments | - | - | (1,014,198) | 1,014,198 | - | - | - | - |
| Final dividends paid - 2021 | - | - | - | - | (1,620,000) | (1,620,000) | - | (1,620,000) |
| Tier 1 sukuk issued | - | - | - | - | - | - | 2,813,625 | 2,813,625 |
| Tier 1 sukuk costs | - | - | - | (4,556) | - | (4,556) | 450 | (4,106) |
| Balance at the end of the period | 30,000,000 | 9,187,224 | (1,579,874) | 9,028,575 | - | 46,635,925 | 2,814,075 | 49,450,000 |
| 30 June 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 | - | - | 594,748 | - | - | 594,748 | - | 594,748 |
| - FVOCI -debt instruments | - | - | (149,125) | - | - | (149,125) | - | (149,125) |
| Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments | - | - | (170,827) | - | - | (170,827) | - | (170,827) |
| Net changes in allowance for expected credit losses on FVOCI -debt instruments | - | - | 65,764 | - | - | 65,764 | - | 65,764 |
| Net change in fair value of cash flow hedge | - | - | (10,077) | - | - | (10,077) | - | (10,077) |
| Net income for the period | - | - | - | 2,865,216 | - | 2,865,216 | - | 2,865,216 |
| Total comprehensive income | - | - | 330,483 | 2,865,216 | - | 3,195,699 | - | 3,195,699 |
| Disposal of FVOCI-equity instruments | - | - | (6,902) | 6,902 | - | - | - | - |
| 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 | 2,069,230 | 4,800,688 | - | 44,550,797 | - | 44,550,797 |

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

Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

| | For the six month period ended 30 June | |
|--|---|--------------------|
| | 2022 | 2021 |
| | SAR'000 | SAR'000 |
| OPERATING ACTIVITIES | | |
| Income for the period before zakat | 3,553,415 | 3,238,216 |
| 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 | (13,209) | (8,488) |
| Gains on disposal of non-trading investments, net | (132,136) | (209,797) |
| Gains on trading investments, net | (14,100) | (4,949) |
| Losses/(Gains) on sale of property and equipment | 239 | (47) |
| Dividend income | (59,480) | (63,311) |
| Depreciation of property, equipment and right of use assets | 262,373 | 243,374 |
| Share in losses of associates, net | 72,465 | 19,535 |
| Impairment charge for credit losses and other financial assets, net | 430,636 | 484,408 |
| Impairment charge for investments, net | 177,462 | 66,036 |
| | <u>4,277,665</u> | <u>3,764,977</u> |
| Net (increase) decrease in operating assets: | | |
| Statutory deposit with SAMA | (1,720,075) | (84,075) |
| Due from banks and other financial institutions maturing after three months from date of acquisition | 498,498 | (791,000) |
| Positive fair value of derivatives | (896,918) | 206,693 |
| Investments at FVIS | (82,079) | 342,053 |
| Loans and advances, net | (22,809,408) | (13,874,617) |
| Other real estate | 11,877 | 25,268 |
| Other assets | (807,207) | (97,907) |
| Net increase (decrease) in operating liabilities: | | |
| Due to banks and other financial institutions | 3,704,183 | 1,333,869 |
| Negative fair value of derivatives | 494,170 | (177,727) |
| Customer deposits | 25,798,718 | (586,340) |
| Principal and interest on lease liabilities | (125,793) | (129,825) |
| Other liabilities | 446,588 | 2,283,927 |
| | <u>8,790,219</u> | <u>(7,784,704)</u> |
| Zakat paid | (692,682) | (686,565) |
| Net cash generated from (used in) operating activities | <u>8,097,537</u> | <u>(8,471,269)</u> |
| INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments not held as FVIS instruments | 75,104,110 | 37,323,437 |
| Purchase of investments not held as FVIS instruments | (72,085,966) | (37,770,305) |
| Purchase of property and equipment, net | (473,483) | (205,401) |
| Proceeds from sale of property and equipment | 155 | 94 |
| Advance against purchase of property and equipment | - | (125,000) |
| Net cash from (used in) investing activities | <u>2,544,816</u> | <u>(777,175)</u> |
| FINANCING ACTIVITIES | | |
| Debt securities in issue, net | (250) | 3,026,109 |
| Tier 1 sukuk issuance | 2,814,075 | - |
| Dividend paid | (1,613,587) | (1,493,644) |
| Tier 1 sukuk related costs | (4,556) | - |
| Net cash from financing activities | <u>1,195,682</u> | <u>1,532,465</u> |
| Net increase (decrease) in cash and cash equivalents | <u>11,838,035</u> | <u>(7,715,979)</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 | <u>44,244,721</u> | <u>37,249,617</u> |
| Special commission received during the period | 5,198,000 | 4,305,055 |
| Special commission paid during the period | 578,106 | 547,643 |
| Supplemental non-cash information | | |
| Net changes in fair value and transfers to interim condensed consolidated statement of income | (2,379,237) | 264,719 |
| Right of use (ROU) assets | 143,988 | (96,417) |
| Lease liabilities | (44,632) | (62,725) |

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

Abdullah A. Al-Oraini
Chief Financial Officer

Tareq A. Al-Sadhan
Chief Executive Officer

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 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 June 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 six months period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

3. BASIS OF CONSOLIDATION

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

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

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

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 2022 & 2021

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

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient

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

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS

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

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

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

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

Accounting standards issued but not yet effective

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

| <u>Standard</u> | <u>Description</u> | <u>Effective date</u> |
|--|--|--|
| Amendments to IAS 1, Presentation of financial statements', on classification of liabilities | These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. | Deferred until accounting periods starting not earlier than 1 January 2024 |
| Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. | Annual periods beginning on or after 1 January 2023 |
| IFRS 17, 'Insurance contracts', as amended in June 2020 | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. | Annual periods beginning on or after 1 January 2023. |
| A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts | The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets | Annual periods beginning on or after 1 January 2023. |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 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 June 2022 (Unaudited) | | | 31 December 2021 (Audited) | | | 30 June 2021 (Unaudited) | | |
|------------------------------------|--|--|--------------------------------------|--|--|--------------------------------------|--|--|--------------------------------------|
| | Positive fair value <u>SAR'000</u> | Negative fair value <u>SAR'000</u> | Notional amount <u>SAR'000</u> | Positive fair value <u>SAR'000</u> | Negative fair value <u>SAR'000</u> | Notional amount <u>SAR'000</u> | Positive fair value <u>SAR'000</u> | Negative fair value <u>SAR'000</u> | Notional amount <u>SAR'000</u> |
| Held for trading: | | | | | | | | | |
| Special commission rate swaps | 1,781,662 | (1,636,292) | 85,431,184 | 1,291,830 | (1,176,314) | 60,865,983 | 1,277,156 | (1,171,999) | 54,015,537 |
| Forward foreign exchange contracts | 75,830 | (132,639) | 31,505,365 | 96,035 | (92,017) | 24,057,318 | 73,648 | (32,687) | 20,029,373 |
| Currency options | 3,853 | (1,140) | 108,648 | 191 | (191) | 113,149 | - | - | - |
| Commodity swaps | 33,209 | (32,541) | 818,539 | - | - | - | - | - | - |
| Held as fair value hedges: | | | | | | | | | |
| Special commission rate swaps | 385,897 | (28,420) | 6,929,888 | 26,459 | (169,987) | 5,283,720 | 1,460 | (251,845) | 3,108,297 |
| Held as cash flow hedges: | | | | | | | | | |
| Special commission rate swaps | 30,982 | (123,282) | 5,189,075 | - | (21,635) | 1,375,000 | - | (6,676) | 925,000 |
| Total | 2,311,433 | (1,954,314) | 129,982,699 | 1,414,515 | (1,460,144) | 91,695,170 | 1,352,264 | (1,463,207) | 78,078,207 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six month periods ended 30 June 2022 & 2021

7. INVESTMENTS, NET

Investments by type of securities

| SAR'000 | Domestic | | | International | | | Total | | |
|--|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|
| | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) | 30 June 2021 (Unaudited) | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) | 30 June 2021 (Unaudited) | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) | 30 June 2021 (Unaudited) |
| i) Investment at FVIS | | | | | | | | | |
| Mutual Funds | 1,258,853 | 1,176,774 | 747,665 | - | - | - | 1,258,853 | 1,176,774 | 747,665 |
| Total | 1,258,853 | 1,176,774 | 747,665 | - | - | - | 1,258,853 | 1,176,774 | 747,665 |
| ii) Investment at amortised cost, net | | | | | | | | | |
| Fixed rate securities | 31,956,868 | 28,866,331 | 26,426,931 | 141,106 | 699,258 | 334,613 | 32,097,974 | 29,565,589 | 26,761,544 |
| Floating rate securities | 3,135,951 | 6,354,823 | 6,682,910 | - | - | - | 3,135,951 | 6,354,823 | 6,682,910 |
| Total | 35,092,819 | 35,221,154 | 33,109,841 | 141,106 | 699,258 | 334,613 | 35,233,925 | 35,920,412 | 33,444,454 |
| iii) Investments at FVOCI, net | | | | | | | | | |
| Fixed rate securities | - | - | - | 15,863,765 | 17,466,355 | 18,872,121 | 15,863,765 | 17,466,355 | 18,872,121 |
| Equities | 486,567 | 3,316,559 | 3,354,890 | 695,151 | 757,086 | 702,513 | 1,181,718 | 4,073,645 | 4,057,403 |
| Total | 486,567 | 3,316,559 | 3,354,890 | 16,558,916 | 18,223,441 | 19,574,634 | 17,045,483 | 21,540,000 | 22,929,524 |
| Total | 36,838,239 | 39,714,487 | 37,212,396 | 16,700,022 | 18,922,699 | 19,909,247 | 53,538,261 | 58,637,186 | 57,121,643 |

Above investments include sukuks amounting to SAR 26.1 billion as at 30 June 2022 (31 December 2021: SAR 18.2 billion and 30 June 2021: SAR 15.6 billion).

As at 30 June 2022, the loss allowance on the investments held at amortised cost, amounted to SAR 7.0 million (31 December 2021: SAR 5.6 million and 30 June 2021: SAR 16.4 million) and these relate to stage 1 & stage 2 exposures. During the six month period ended 30 June 2022, the stage 1 provisions increased by SAR 4.4 million and stage 2 decreased by SAR 3.1 million. During the six month period ended 30 June 2021 the stage 2 provisions increased by SAR 8.0 million while stage 1 provisions decreased by SAR 7.8 million.

As at 30 June 2022, the loss allowance on the investments at FVOCI, net, amounted to SAR 288.9 million (31 December 2021: SAR 112.7 million and 30 June 2021: SAR 166.1 million). During the six month period ended 30 June 2022 there was a SAR 176.1 million increase in the total loss allowance comprising of stage 3 provisions, which increased by SAR 190.1 million and a decrease in stage 1 and stage 2 provisions by SAR 13.0 million and SAR 1.0 million respectively. During the six month period ended 30 June 2021, the loss allowance increased by SAR 65.8 million comprising of SAR 3.3 million in stage 1, SAR 57.9 million in stage 2 and SAR 4.5 million in stage 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 2022 & 2021

8. LOANS AND ADVANCES, NET

8.1 Loans and advances held at amortised cost

These comprise the following:

| 30 June 2022 (Unaudited) | Overdraft | Credit Cards | Consumer Loans | Commercial Loans | Others | Total |
|-------------------------------------|------------------|------------------|-------------------|--------------------|----------------|--------------------|
| SAR'000 | | | | | | |
| Performing loans and advances-gross | 5,081,095 | 991,126 | 82,223,067 | 151,239,218 | 908,334 | 240,442,840 |
| Non-performing loans and advances | 254,353 | 30,455 | 1,000,610 | 2,777,435 | 1,458 | 4,064,311 |
| Total loans and advances | 5,335,448 | 1,021,581 | 83,223,677 | 154,016,653 | 909,792 | 244,507,151 |
| Allowance for impairment | (189,415) | (39,649) | (900,317) | (3,724,740) | (2,571) | (4,856,692) |
| Loans and advances, net | 5,146,033 | 981,932 | 82,323,360 | 150,291,913 | 907,221 | 239,650,459 |
| 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 June 2021 (Unaudited) | Overdraft | Credit Cards | Consumer Loans | Commercial Loans | Others | Total |
| SAR'000 | | | | | | |
| Performing loans and advances-gross | 5,292,005 | 686,103 | 68,115,568 | 131,082,270 | 507,947 | 205,683,893 |
| Non-performing loans and advances | 316,434 | 21,157 | 728,519 | 2,786,545 | 1,663 | 3,854,318 |
| Total loans and advances | 5,608,439 | 707,260 | 68,844,087 | 133,868,815 | 509,610 | 209,538,211 |
| Allowance for impairment | (199,826) | (31,685) | (802,014) | (3,761,022) | (1,128) | (4,795,675) |
| Loans and advances, net | 5,408,613 | 675,575 | 68,042,073 | 130,107,793 | 508,482 | 204,742,536 |

Loans and advances, net, include non-conventional banking products of SAR 162.5 billion as at 30 June 2022 (31 December 2021: SAR 146.1 billion and 30 June 2021: SAR 133.8 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 |
|--|----------------|------------------|------------------|------------------|
| Balance at 1 January 2022 | 628,944 | 1,472,072 | 2,413,141 | 4,514,157 |
| Transfer to 12-month ECL | 116,619 | (65,557) | (51,062) | - |
| Transfer to lifetime ECL - not credit impaired | (20,728) | 90,147 | (69,419) | - |
| Transfer to lifetime ECL - credit impaired | (2,864) | (41,756) | 44,620 | - |
| Net re-measurement of loss allowance* | (158,863) | 84,736 | 416,662 | 342,535 |
| Balance as at 30 June 2022 | 563,108 | 1,539,642 | 2,753,942 | 4,856,692 |
| | 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 | 156,251 | (26,594) | (129,657) | - |
| Transfer to lifetime ECL - not credit impaired | (6,847) | 48,009 | (41,162) | - |
| Transfer to lifetime ECL - credit impaired | (1,240) | (38,227) | 39,467 | - |
| Net re-measurement of loss allowance* | (250,375) | 240,663 | 271,374 | 261,662 |
| Balance as at 30 June 2021 | 924,170 | 1,169,303 | 2,702,202 | 4,795,675 |

* 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 six month periods ended 30 June 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 June | | For the six month period ended 30 June | |
|---|---|---------------------|---|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| SAR'000 | | | | |
| Impairment charge for credit losses, net | 301,525 | 229,321 | 449,184 | 478,716 |
| Impairment (reversal)/ charge for other financial assets, net | (57,273) | 8,305 | (18,548) | 5,692 |
| Total | <u>244,252</u> | <u>237,626</u> | <u>430,636</u> | <u>484,408</u> |

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

| | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) | 30 June 2021 (Unaudited) |
|---------|-----------------------------|-------------------------------|-----------------------------|
| SAR'000 | | | |
| Demand | 126,822,949 | 116,255,002 | 109,943,693 |
| Saving | 1,338,256 | 1,348,523 | 1,222,480 |
| Time | 87,609,074 | 75,032,396 | 72,873,615 |
| Others | 21,706,736 | 19,042,376 | 18,413,208 |
| Total | <u>237,477,015</u> | <u>211,678,297</u> | <u>202,452,996</u> |

Customer time deposits include non-conventional banking deposits of SAR 29,851 million as at 30 June 2022 (31 December 2021: SAR 31,352 million and 30 June 2021: SAR 35,635 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.

11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

| | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) | 30 June 2021 (Unaudited) |
|--|-----------------------------|-------------------------------|-----------------------------|
| SAR'000 | | | |
| Letters of credit | 10,321,683 | 9,067,781 | 10,690,874 |
| Letters of guarantee | 73,701,319 | 71,270,076 | 65,259,728 |
| Acceptances | 3,168,226 | 3,226,822 | 2,296,024 |
| Irrevocable commitments to extend credit | 23,842,094 | 21,507,829 | 15,370,804 |
| Total | <u>111,033,322</u> | <u>105,072,508</u> | <u>93,617,430</u> |

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

| | 12 Months ECL | Life time ECL not credit impaired | Life time ECL credit impaired | Total |
|---------------------------------------|------------------|---|----------------------------------|---------|
| SAR'000 | | | | |
| Balance at 30 June 2022 (Unaudited) | 33,612 | 16,210 | 153,265 | 203,087 |
| Balance at 31 December 2021 (Audited) | 38,779 | 19,975 | 197,384 | 256,138 |
| Balance at 30 June 2021 (Unaudited) | 46,075 | 17,898 | 220,780 | 284,753 |

Other liabilities as at 30 June 2022, include write-off reserves amounting to SAR 575 million (31 December 2021: SAR 558 million and 30 June 2021: SAR 571 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 2022 & 2021

12. CASH AND CASH EQUIVALENTS

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

| | 30 June 2022 (Unaudited) SAR'000 | 31 December 2021 (Audited) SAR'000 | 30 June 2021 (Unaudited) SAR'000 |
|---|---|---|---|
| Cash and balances with SAMA excluding statutory deposit | 30,437,913 | 15,259,413 | 30,360,799 |
| Due from banks and other financial institutions maturing within three months from date of acquisition | 13,806,808 | 17,147,273 | 6,888,818 |
| Total | 44,244,721 | 32,406,686 | 37,249,617 |

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Fair value and fair value hierarchy

| <u>30 June 2022</u> SAR'000 (Unaudited) | Level 1 | Level 2 | Level 3 | Total |
|---|------------|-----------|---------|------------|
| <u>Financial assets measured at fair value</u> | | | | |
| - Positive fair value of derivatives | - | 2,311,433 | - | 2,311,433 |
| - Investments held at FVIS | 1,258,853 | - | - | 1,258,853 |
| - Investments held at FVOCI | 16,505,910 | - | 539,573 | 17,045,483 |
| <u>Financial liabilities measured at fair value</u> | | | | |
| - Negative fair value of derivatives | - | 1,954,314 | - | 1,954,314 |
| | | | | |
| <u>31 December 2021</u> SAR'000 (Audited) | Level 1 | Level 2 | Level 3 | Total |
| <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 |
| | | | | |
| <u>30 June 2021</u> SAR'000 (Unaudited) | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets measured at fair value</u> | | | | |
| - Positive fair value of derivatives | - | 1,352,264 | - | 1,352,264 |
| - Investments held at FVIS | 747,665 | - | - | 747,665 |
| - Investments held at FVOCI | 22,467,563 | - | 461,961 | 22,929,524 |
| <u>Financial liabilities measured at fair value</u> | | | | |
| - Negative fair value of derivatives | - | 1,463,207 | - | 1,463,207 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 2022 & 2021

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

| | For the six month period ended 30 June 2022 (Unaudited) SAR'000 | For the year ended 31 December 2021 (Audited) SAR'000 | For the six month period ended 30 June 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 | 10,601 | (1,028) | (543) |
| - recognised in interim condensed consolidated statement of other comprehensive income | (8,562) | (34,998) | - |
| Purchases | - | 118,850 | 7,794 |
| Closing balance | 539,573 | 537,534 | 461,961 |

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 237.3 billion as at 30 June 2022 (31 December 2021: SAR 222.7 billion and 30 June 2021: SAR 214.6 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 33.9 billion as at 30 June 2022 (31 December 2021: SAR 36.1 billion and 30 June 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 six month periods ended 30 June 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 June 2022 and 2021 and its total operating income, total operating expenses and income before zakat for the six months periods then ended, by operating segments, are as follows:

30 June 2022

| SAR'000 (Unaudited) | Retail banking | Investment banking and brokerage | Corporate banking | Treasury and investment | Total |
|--|-------------------|--|----------------------|-------------------------------|-------------|
| Total assets | 98,158,430 | 2,920,280 | 163,277,138 | 93,597,780 | 357,953,628 |
| Total liabilities | 102,966,488 | 732,342 | 171,981,099 | 32,823,699 | 308,503,628 |
| Total operating income, net of which | 2,115,054 | 495,057 | 2,554,310 | 1,167,578 | 6,331,999 |
| - Net special commission income | 2,012,016 | 130,017 | 1,778,032 | 608,540 | 4,528,605 |
| - Fee and commission income, net | 117,858 | 345,117 | 772,631 | 9,993 | 1,245,599 |
| Inter segment income/(expense) | 77,913 | 119,230 | (155,636) | (41,507) | - |
| Total operating expenses, net of which | 1,527,952 | 136,950 | 797,956 | 243,261 | 2,706,119 |
| - Depreciation of property, equipment and right of use assets | 193,472 | 14,652 | 39,243 | 15,006 | 262,373 |
| - Impairment (reversal) charge for credit losses and other financial assets, net | 120,084 | - | 311,492 | (940) | 430,636 |
| - Impairment charge for investments, net | - | - | - | 177,462 | 177,462 |
| Share in losses of associates, net | - | - | - | (72,465) | (72,465) |
| Income for the period before zakat | 587,102 | 358,107 | 1,756,354 | 851,852 | 3,553,415 |

30 June 2021

| SAR'000 (Unaudited) | Retail banking | Investment banking and brokerage | Corporate banking | Treasury and investment | Total |
|---|-------------------|--|----------------------|----------------------------|-------------|
| Total assets | 81,931,876 | 2,066,274 | 141,794,577 | 91,473,602 | 317,266,329 |
| Total liabilities | 97,470,286 | 788,923 | 151,116,731 | 23,339,592 | 272,715,532 |
| Total operating income, net of which | 1,901,800 | 426,360 | 2,249,356 | 1,224,405 | 5,801,921 |
| - Net special commission income | 1,839,672 | 87,975 | 1,652,105 | 662,076 | 4,241,828 |
| - Fee and commission income, net | 71,467 | 328,821 | 569,021 | 2,019 | 971,328 |
| Inter segment income/(expense) | 4,222 | 84,887 | (185,229) | 96,120 | - |
| Total operating expenses, net of which | 1,201,474 | 113,361 | 1,073,064 | 156,271 | 2,544,170 |
| - Depreciation of property, equipment and right of use assets | 185,127 | 12,297 | 36,058 | 9,892 | 243,374 |
| - Impairment charge for credit losses and other financial assets, net | (127,895) | - | 606,239 | 6,064 | 484,408 |
| - Impairment charge for investment, net | - | - | - | 66,036 | 66,036 |
| Share in earnings of associates, net | - | - | - | (19,535) | (19,535) |
| Income for the period before zakat | 700,326 | 312,999 | 1,176,292 | 1,048,599 | 3,238,216 |

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15. FINANCIAL RISK MANAGEMENT

Credit risk

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 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.

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

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

17. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 June 2022 and 2021 are calculated by dividing the net income for the period by 3,000 million outstanding shares.

18. CAPITAL ADEQUACY

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

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

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

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

| | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|-------------------------------------|---------------------|---------------------|---------------------|
| | (Unaudited) | (Audited) | (Unaudited) |
| | <u>SAR Millions</u> | <u>SAR Millions</u> | <u>SAR Millions</u> |
| Risk weighted assets | | | |
| Credit | 277,317 | 274,629 | 258,264 |
| Operational | 20,167 | 19,649 | 19,182 |
| Market | 4,151 | 4,197 | 3,071 |
| Total Pillar-I Risk Weighted Assets | <u>301,635</u> | <u>298,475</u> | <u>280,517</u> |
| Eligible capital | | | |
| Tier I Capital | 49,530 | 47,306 | 44,540 |
| Tier II Capital | 9,321 | 9,389 | 9,700 |
| Total Tier I and II Capital | <u>58,851</u> | <u>56,695</u> | <u>54,240</u> |
| Tier I Capital Adequacy Ratio % | 16.4% | 15.8% | 15.9% |
| Total Capital Adequacy Ratio % | 19.5% | 19.0% | 19.3% |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six month periods ended 30 June 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 six month period ended 30 June 2022, SAR 58.2 million (30 June 2021: SAR 397.1 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 204.9 million deferred grant income as at 30 June 2022 (30 December 2021: SAR 263.2 million). During the three month period ended 30 June 2022, SAR 29.2 million (30 June 2021: SAR 66.4 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 June 2022, Bank's exposure to LIBOR -USD maturing after 30 June 2023 amounted to SAR 14.4 billion for loans and advances and SAR 44.3 billion for notional amount of derivatives.

21. COMPARATIVE FIGURES

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

22. BOARD OF DIRECTORS APPROVAL

The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 5 Muharram 1444H (corresponding to 3 August 2022).

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Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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

