BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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
To the Shareholders of Bank Albilad (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bank Albilad (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, a description of how our audit addressed the matter is provided in that context:

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing As at 31 December 2022, the gross financing of the Group were SAR 94.02 billion against which an expected credit loss ("ECL") allowance of SAR 2.85 billion was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including, but not limited to, assessment of financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 3. The need to apply overlays using expert credit judgement to reflect all relevant risk factors that might not have been captured by the ECL model.	▪ We obtained and updated our understanding of management's assessment of ECL allowance against financing including the Group's internal rating model, accounting policy, model methodology including any key changes made during the year. ▪ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9 '*Financial Instruments*'. ▪ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over: • the ECL model, including governance over the model, its validation during the year and any model updates performed during the year including approval of the Senior Credit Committee of the key inputs, assumptions and overlays; • the classification of financing into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications supporting the ECL model; and • the integrity of data inputs into the ECL model. ▪ For a sample of customers, we assessed: • the internal ratings determined by management, based on the Group's internal rating model and considered these assigned ratings in light of external market conditions and available industry information. We also assessed that these were consistent with the ratings used as input in the ECL model; and • management's computation of ECL.

Key audit matter	How our audit addressed the key audit matter
Application of these judgements and estimates, results in greater estimation uncertainty and the associated audit risk around ECL calculation as at 31 December 2022. *Refer to the summary of significant accounting policy note 4 for the impairment of financial assets; note 2(e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against financing; and note 30 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	▪ For selected customers, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any. ▪ We assessed the appropriateness of Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's financing portfolio. ▪ We assessed the governance process implemented and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios. ▪ We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2022. ▪ Where required, we involved our experts to assist us in reviewing model calculations, evaluating interrelated inputs (including EADs, PDs and LGDs) and assessing reasonableness of assumptions used in the ECL model particularly around the macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in overlays. We assessed the adequacy of disclosures in the consolidated financial statements.

Other Information included in the Bank's 2022 Annual Report

The Board of Directors of the Bank (the Directors) are responsible for the other information in the Bank's annual report. Other information consists of the information included in the Bank's 2022 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License Number 437

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Mufaddal A. Ali
Certified Public Accountant
License Number 447

Sunday 21 Rajab 1444
(12 February 2023)

CR.1010383821
Ernst & Young Professional Services
(Professional LLC)

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 AND 2021

	Note	2022 SAR' 000	2021 SAR' 000
ASSETS			
Cash and balances with Saudi central bank	5	**8,710,916**	6,096,644
Due from banks and other financial institutions, net	6	**6,067,193**	2,136,853
Investments, net	7	**20,600,125**	17,092,232
Financing, net	8	**91,179,205**	82,933,314
Other assets	9	**880,856**	669,180
Property, equipment and right of use assets, net	10	**2,104,561**	1,925,481
Total assets		**129,542,856**	110,853,704
LIABILITIES AND EQUITY			
Liabilities			
Due to banks, Saudi central bank and other financial institutions	11	**10,621,441**	8,777,227
Customers' deposits	12	**94,842,747**	81,110,494
Sukuk	13	**3,040,452**	3,015,411
Other liabilities	14	**7,639,268**	5,970,482
Total liabilities		**116,143,908**	98,873,614
Equity			
Share capital	15	**10,000,000**	7,500,000
Treasury shares		**(53,005)**	(61,953)
Statutory reserve	16	**1,590,120**	1,069,698
Other reserves	18	**(239,286)**	439,816
Retained earnings		**1,589,930**	522,058
Proposed cash dividend	17	**500,000**	-
Proposed issuance of bonus shares	15	**-**	2,500,000
Employees' share plan reserve		**11,189**	10,471
Total equity		**13,398,948**	11,980,090
Total liabilities and equity		**129,542,856**	110,853,704

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	**2022 SAR' 000**	2021 SAR' 000
INCOME:			
Income from investing and financing assets	20	**4,971,547**	3,761,250
Return on deposits and financial liabilities	21	**(1,084,879)**	(271,756)
Income from investing and financing assets, net		**3,886,668**	3,489,494
Fee and commission income	22	**1,092,758**	1,097,155
Fees and commission expenses	22	**(423,961)**	(365,844)
Fee and commission income, net	22	**668,797**	731,311
Exchange income, net		**397,861**	312,977
Dividend income		**63,346**	34,775
Gains /(Loss) on fair value through statement of income (FVSI) investments, net		**29,028**	(28,815)
Other operating income		**145,732**	44,208
Total operating income		**5,191,432**	4,583,950
EXPENSES:			
Salaries and employee related expenses	23	**1,259,120**	1,177,639
Depreciation and amortization	10	**290,410**	276,454
Other general and administrative expenses	24	**770,527**	679,991
Operating expenses before expected credit losses		**2,320,057**	2,134,084
Impairment charge for expected credit losses, net	25	**550,652**	569,669
Total operating expenses		**2,870,709**	2,703,753
Net income for the year before zakat		**2,320,723**	1,880,197
Zakat for the year		**239,035**	193,660
Net income for the year after zakat		**2,081,688**	1,686,537
Basic and diluted earnings per share (SAR)	26	**2.09**	1.69

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	**2022** **SAR' 000**	2021 SAR' 000
Net income for the year after zakat		**2,081,688**	1,686,537
Other comprehensive income/ (loss):			
Items that will not be reclassified to the consolidated statement of income in subsequent periods			
- Net changes in fair value of FVOCI (equity instruments)		**(41,841)**	670
- Re-measurement of employees "End of Service Benefits ("EOSB")	28	**(570)**	(349)
Items that may be reclassified to consolidated statement of income in subsequent periods			
- Net changes in fair value of FVOCI (debt instruments)		**(630,085)**	(456,365)
Total other comprehensive loss for the year		**(672,496)**	(456,044)
Total comprehensive income for the year		**1,409,192**	1,230,493

The accompanying notes 1 to 39 form integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2022 SAR' 000	Note	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed Cash dividend	Proposed issuance of bonus shares	Employees' share plan reserve	Total equity
Balance at the beginning of the year		**7,500,000**	**(61,953)**	**1,069,698**	**439,816**	**522,058**	**-**	**2,500,000**	**10,471**	**11,980,090**
Net changes in fair value of FVOCI (equity instruments)					**(41,841)**					**(41,841)**
Re-measurement of employees "End of Service Benefits ("EOSB")	28				**(570)**					**(570)**
Net changes in fair value of FVOCI (debt instruments)					**(630,085)**					**(630,085)**
Total other comprehensive loss					**(672,496)**					**(672,496)**
Net income for the year after zakat						**2,081,688**				**2,081,688**
Total comprehensive (loss)/ income for the year					**(672,496)**	**2,081,688**				**1,409,192**
Realized gain from sale of FVOCI investments (equity instruments)					**(6,606)**	**6,606**				**-**
Allocation of treasury shares during the year			**8,948**						**(8,948)**	**-**
Employees' share plan reserve									**9,666**	**9,666**
Issuance of bonus shares	15	**2,500,000**						**(2,500,000)**		**-**
Proposed Cash dividend	17					**(500,000)**	**500,000**			**-**
Transfer to statutory reserve	16			**520,422**		**(520,422)**				**-**
Balance at end of the year		**10,000,000**	**(53,005)**	**1,590,120**	**(239,286)**	**1,589,930**	**500,000**	**-**	**11,189**	**13,398,948**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2021 SAR' 000	Note	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed issuance of bonus shares	Employees' share plan reserve	Total equity
Balance at the beginning of the year		7,500,000	(70,527)	648,065	897,063	1,755,951	-	10,345	10,740,897
Net changes in fair value of FVOCI (equity instruments)					670				670
Re-measurement of employees "End of Service Benefits ("EOSB")	28				(349)				(349)
Net changes in fair value of FVOCI (debt instruments)					(456,365)				(456,365)
Total other comprehensive income					(456,044)				(456,044)
Net income for the year after zakat						1,686,537			1,686,537
Total comprehensive (loss) /income for the year					(456,044)	1,686,537			1,230,493
Realized gain from sale of FVOCI investments (equity instruments)					(1,203)	1,203			-
Allocation of treasury shares during the year			8,574					(8,574)	-
Employees' share plan reserve								8,700	8,700
Proposed issuance of bonus shares	15					(2,500,000)	2,500,000		-
Transfer to statutory reserve	16			421,633		(421,633)			-
Balance at end of the year		7,500,000	(61,953)	1,069,698	439,816	522,058	2,500,000	10,471	11,980,090

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Note	2022 SAR' 000	2021 SAR' 000
OPERATING ACTIVITIES			
Net income for the year before zakat		**2,320,723**	1,880,197
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit on sukuk and other investment		**128,385**	81,028
(Gains)/ Loss on FVSI investments, net		**(29,028)**	28,815
(Gains) / loss on disposal of property and equipment, net		**(17)**	2,336
Depreciation and amortization	10	**290,410**	276,454
Impairment charge for expected credit losses, net	25	**550,652**	569,669
Employees' share plan		**9,666**	8,700
Net (increase) / decrease in operating assets:			
Statutory deposit with central bank		**(319,812)**	(688,940)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(371,048)**	943,555
Investments at amortized cost maturing after ninety days from the date of acquisition		**(1,739,387)**	3,143
Financing		**(8,778,703)**	(13,393,258)
Other assets		**(211,676)**	265,572
Net increase / (decrease) in operating liabilities:			
Due to banks, central bank and other financial institutions		**1,844,214**	3,374,297
Customers' deposits		**13,732,253**	9,557,605
Other liabilities		**1,586,713**	(154,800)
Zakat paid		**(193,862)**	(155,260)
Net cash generated from operating activities		**8,819,483**	2,599,113
INVESTING ACTIVITIES			
(Purchase)/ proceeds of investments held as FVOCI		**(14,939)**	(171,292)
(Purchase)/ Proceeds of investments held as FVSI		**(177,391)**	94,254
Purchase of investments held as amortized cost		**(2,536,946)**	(2,613,910)
Purchase of property and equipment		**(317,019)**	(158,586)
Proceeds from sale of property and equipment		**28**	576
Net cash (used in) investing activities		**(3,046,267)**	(2,848,958)
FINANCING ACTIVITIES			
Distributed Sukuk profit		**(103,344)**	(70,493)
Sukuk issuance		**-**	2,061,000
Sukuk redeemed		**-**	(1,061,000)
Payment of lease liabilities		**(116,152)**	(116,330)
Net cash (used in) / generated from financing activities		**(219,496)**	813,177
Net increase in cash and cash equivalents		**5,553,720**	563,332
Cash and cash equivalents at the beginning of the year		**3,470,061**	2,906,729
Cash and cash equivalents at the end of the year	27	**9,023,781**	3,470,061
Supplemental information			
Income received from investing and financing assets during the year		**4,708,884**	3,775,020
Return paid on deposits and financial liabilities during the year		**827,883**	232,679
Exchange of sukuk	13	**-**	939,000

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

1. GENERAL

a) Incorporation and operation

Bank Albilad ("the Bank"), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated Ramadan 21, 1425H (corresponding to November 4, 2004) in accordance with the Counsel of Ministers' resolution no. 258 dated Ramadan 18, 1425H (corresponding to November 1, 2004). The Bank operates under Commercial Registration No.1010208295 dated Rabi Al Awal 10, 1426H (corresponding to April 19, 2005) and the Bank provides these services through 105 banking branches (December 31, 2021: 106) in the Kingdom of Saudi Arabia.

The registered address of the Bank's head office is as follows:

Bank Albilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

On Muharram 13, 1444H (corresponding to August 11, 2022) the bank incorporated its subsidiary Enjaz Payment Services Company ("the company"), a closed joint stock company. The Company is owned 100% by the bank. The Company is licensed by the Saudi Central Bank as a Major Electronic Money Institution (EMI).

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, "Albilad Investment Company", "Albilad Real Estate Company" and "Enjaz Payment Services Company" (collectively referred to as "the Group"). Albilad Investment Company, Albilad Real Estate Company and Enjaz Payment Services Company are 100% owned by the Bank. All subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Group's objective is to provide full range of banking services and conduct financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with the Shariah Committee resolutions and directions and within the provisions of the Bank's By-laws and the Banking Control Law.

b) Sharia Committee

The Bank has established a Sharia Committee ("the Committee"). It ascertains that all the Bank's activities are subject to its approval and control.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements of the Group as at and for the year ended 31 December 2022 and 31 December 2021, respectively, were prepared in compliance with the International Financial Reporting Standards ("IFRS") respectively, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION (continue)

b) Basis of measurement and presentation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement of the financial instruments held at Fair value through statement of income (FVSI), Fair Value through other comprehensive income (FVOCI) investments, liabilities for cash-settled-share based payments and defined benefit obligations.

The consolidated statement of financial position is stated in order of liquidity.

c) Going concern

In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc.

d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand.

e) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

2. BASIS OF PREPARATION (continue)

e) Critical accounting judgements, estimates and assumptions (continue)

i- Expected credit losses ("ECL") on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

   a) The Bank's internal credit grading model, which assigns Probability of default (PD) to the individual grades;
   b) The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
   c) The segmentation of financial assets when their ECL is assessed on a collective basis;
   d) Development of ECL models, including the various formulas.
   e) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii- Fair value measurement of Financial Instruments (note 33).
iii- Determination of control over investees (note 3).
iv- Depreciation and amortization (note 10).
v- Employee benefit obligation (note 28).
vi- Government grant (note 4).
vii- Lease accounting (Note 4)

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as set forth in note 1. The financial statements of subsidiaries are prepared for the same reporting year 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 the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. BASIS OF CONSOLIDATION (continue)

All intra-group balances, transactions, income and expenses are eliminated in full in preparing these consolidated financial statements.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2021 . Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2022 replacing, amending or adding to the corresponding accounting policies set out in 2021 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have a material impact on the consolidated financial statements of the year:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

a) Change in accounting policies (continue)
New standards, interpretations and amendments adopted by the Group (continue)

Standard, interpretation or amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	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'.	Annual periods beginning on or after 1 January 2022.

Accounting Standards issued but not yet effective

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

Standard, interpretation or amendments	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 (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

a) Change in accounting policies (continue)

Accounting Standards issued but not yet effective (continue)

Standard, interpretation or amendments	Description	Effective date
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	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.
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The Bank is assessing the impacts of adopting IFRS 17 and it does not expect any material impact on its financial statements from the adoption of the new standard in 2023.

- **Classification of financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVSI.

Financial Asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVSI:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Currently, cash and balances with Saudi central bank (SAMA), due from banks and other financial institution, certain investments (Bei -Ajel with central bank and Sukuk), financing and certain other assets are classified as held at amortised cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Classification of financial assets (continue)**

Financial Asset at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVSI:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income and foreign exchange gains and losses are recognised in consolidated statement of income.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial Asset at FVSI
All other financial assets are classified as measured at FVSI.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVSI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice; In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Classification of financial assets (continue)**

Financial Asset at FVSI (continue)

Business model assessment **(continue)**

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVSI because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic financing risks associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

Designation at fair value through statement of income
At initial recognition, the Bank has designated certain financial assets at FVSI.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Classification of financial liabilities**

The Bank classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortized cost.

- **Derecognition**

  - **Financial assets**

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in consolidated statement of income.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, as the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

  - **Financial liabilities**

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Modifications of financial assets and financial liabilities**

- Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in consolidated statement of income as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of income. If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as income from investing and financing assets.

Modified financial assets are not automatically presumed to remain in stage 1 following modification.

- Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in consolidated statement of income.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognized in consolidated statement of income. For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

- Expected Credit losses (ECL)

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVSI:

- Financial assets that are measured at amortized cost;
- Debt instruments assets measured at FVOCI;
- Financial guarantee contracts issued; and
- Financing commitments issued.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Modifications of financial assets and financial liabilities (continue)**

No impairment loss is recognized on FVOCI equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt security/other financial assets to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Investment grade is considered to be rated BBB- or higher for Fitch and S&P Global. Investment grade for Moody's is considered Baa3 or higher.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as ‘Stage 1’ performing financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as ‘Stage 2 performing financial instruments’. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired.

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 non-performing financial instruments’.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Modifications of financial assets and financial liabilities (continue)**

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and the ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition .This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of financing by the Bank on terms that the Bank would not consider otherwise.
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A financing that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Modifications of financial assets and financial liabilities (continue)**

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the financing commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of consolidated financial position because the carrying amount of these assets is their fair value.

Write-off

Financing and investment in debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

- **Financial guarantees and financing commitments**

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Financing commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to financing at a below-market profit rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured as follows:

- at the higher of this amortized amount and the amount of loss allowance; and

The Bank has issued no financing commitments that are measured at FVSI. For other financing commitments, the Bank recognizes loss allowance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Derivative financial instruments**

Derivative financial instruments include foreign exchange forward contracts and profit rate swaps. These derivatives financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. In the ordinary course of business, the Bank utilises the following derivative financial instruments for trading purposes:

Profit rate swaps
Swaps are commitments to exchange one set of cash flows for another. For profit rate swaps, counterparties exchange fixed and floating profit rate payments in a single currency without exchanging principal.

Foreign exchange forwards
Forwards are contractual agreements to either buy or sell a specified currency at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets. Foreign currencies are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled daily.

Held for trading derivatives
Held for trading derivatives relate to sales and positioning. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices.

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in foreign exchange income for foreign exchange forward contracts and in other income for profit rate swap contracts.

- **Government grant**

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the consolidated statement of income on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grant is intended to compensate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Revenue / expenses recognition**

  - **Income on investing and financing assets, and return on financial liabilities**

Income on investing and financing assets, and return on financing liabilities is recognized in the consolidated statement of income using the effective yield method on the outstanding balance over the term of the contract.

When calculating the effective yield rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective yield rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective yield rate includes transaction costs and fees and points paid or received that are an integral part of the effective yield rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

  - **Measurement of amortized cost and special commission income**

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective yield method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating yield income and expense, the effective yield rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Revenue / expenses recognition (continue)**

However, for financial assets that have become credit-impaired subsequent to initial recognition, yield income is calculated by applying the effective yield rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of yield income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, yield income is calculated by applying the credit-adjusted effective yield rate to the amortized cost of the asset. The calculation of profit income does not revert to a gross basis, even if the credit risk of the asset improves.

- **Customer loyalty program**

The Bank offers customer loyalty program (reward points) which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand-alone selling price.

The amount of revenue allocated to reward points is deferred and released to the concolidated statement of income when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

- **Foreign currencies**

The Group’s consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Bank’s and group companies’ functional currency.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot rates prevailing transactions dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at exchange rates prevailing at the reporting date.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Revenue / expenses recognition (continue)**

- Exchange income / (loss)

Exchange income/ (loss) is recognized as detailed in foreign currencies policy above.

- Fees and commission income

Fees and commission income and expenses that are integral to the effective yield rate on a financial assets or financial liability are included in the income from investing and financing assets.

Fees and commission income and expense that are not integral part of the effective yield calculation on a financial asset or liability are recognized when the related service is provided as follows:

- Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually over the period of time.
- Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided.
- Performance linked fees or fee components are recognized at point in time when the performance criteria are fulfilled.
- Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective yield on the financing at a point in time when the performance obligation is fulfilled. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognized on a straight-line basis over the commitment period.
- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the transaction is completed or the service, is received.

- Dividend income

Dividend income from investment is recognized when the Group’s right to receive the dividend is established.

Fair value measurement

The Group measures financial instruments, such as, equity instruments and non-financial assets, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

Fair value measurement **(continue)**

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- 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 the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, from the proceeds.

Where the Bank purchases the Bank’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the owners of the Bank.

Shares held by the Bank are disclosed as treasury shares and deducted from contributed equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its financing arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

- **Property and equipment**

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. On-going repairs and maintenance are expensed as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Building	33 years
Leasehold improvements	Over lease period or economic life (10 years), whichever is shorter
Equipment and furniture and motor vehicles	4 to 6 years
Computer hardware	5 years

The assets' residual values depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

- **Provisions**

Provisions are recognised when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

- **Accounting for leases**

  - **Right of Use ("RoU") Asset / Lease liability**

On initial recognition at the inception of the contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is identified if most of the benefits are flowing to the Bank and the Bank can direct the usage of such assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Accounting for leases (continue)**

- Right of Use Asset

The Bank applies cost model and measures the right of use asset at cost:

a) Less any accumulated depreciation and any accumulated impairment losses; and
b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, the RoU asset would equate the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transactions etc. these need to be added to the RoU asset value.

- Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Bank measures the lease liability by:

1. Increasing the carrying amount to reflect the profit on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense.

- **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, balances and bei-Ajel with with the Saudi Central Bank (SAMA) excluding statutory deposit, and due from banks and other financial institutions with original maturities of three months or less from the date of acquisition which is subject to insignificant changes in their fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Treasury shares**

Treasury shares are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these shares are carried at the amount equal to the consideration paid.

These shares are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its share-based payment plans.

- **Employees' share plan**

The Bank offers its eligible employees an equity-settled share-based payment plan as approved by central bank. As per the plan, eligible employees of the Bank are offered stocks to be withheld out of their annual bonus payments.

The cost of the plan is measured by reference to the fair value at the date on which the stocks are granted.

The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the stock option ('the vesting date'). The cumulative expense recognized for the plan at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The Bank, with the approval from central bank, has entered into an agreement with an independent third-party for custody of the shares under the plan, plus any benefits accrued there-on.

- **End of service benefits**

The provision for end of service benefits is made based on actuarial valuation in accordance with Saudi Arabian Labour Laws. Net obligation, with respect to end of service benefits, to the Bank is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Profit expense is calculated by applying the discount rate to the net defined benefit liability. The Bank recognizes the following changes in the net defined benefit obligation under 'salaries and employee related expenses' in the consolidated statement of income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net profit expense or income

The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Short term employee benefits**

Short term employee benefits are measured on an undiscounted basis and is expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- **Zakat and withholding tax**

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Withholding tax is withheld from payments made to non-resident vendors for services rendered according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

- **Value Added tax ("VAT")**

The Group collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

- **Investment management services**

The Group offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors.The Group's share of these funds is included in the FVSI investment and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

- **Islamic banking products**

Financing comprises of Bei-ajel, Installment Sales, Musharakah, and Ijarah originated or acquired by the Group and are initially recognized at fair value including acquisition costs and is subsequently measured at amortized cost less any amounts written off and the allowance for expected credit losses, if any. Financing is recognized when cash is advanced to borrowers, and is derecognized when either the customers repay their obligations, or the financing is sold or written off, or substantially all the risks and rewards of ownership are transferred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

- **Islamic banking products (continue)**

Bei-ajel and installment sales are financing contracts based on Murabaha whereby the Group sells to customers a commodity or an asset which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Bei ajel is used for corporate customers whereas installment sale is used for retail customers.

Ijarah muntahia bittamleek is an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijarah could end by transferring the ownership of the leased asset to the lessee.

Musharakah is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

5. CASH AND BALANCES WITH CENTRAL BANK

	Note	**2022 SAR' 000**	2021 SAR' 000
Statutory deposit	**5.1**	**5,012,876**	4,693,064
Cash in hand		**1,255,392**	1,234,011
Other balances	**5.2**	**2,442,648**	169,569
Total		**8,710,916**	6,096,644

5.1 In accordance with the Banking Control Law and Regulations issued by central bank, the Bank is required to maintain a statutory deposit with central bank at stipulated percentages of its demand, saving, time and other deposits, calculated based on end of day monthly average balance. The statutory deposit with central bank is not available to finance the Bank's day to day operations and therefore is not part of cash and cash equivalents.

5.2 This includes mainly cash management account with central bank.

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2022 SAR' 000	2021 SAR' 000
Demand	**1,042,261**	807,454
Commodity murabaha	**5,026,197**	1,329,648
	6,068,458	2,137,102
Less : Allowance for expected credit losses	**(1,265)**	(249)
Total	**6,067,193**	2,136,853

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET (continue)

An analysis of changes in loss allowance and gross carrying amount for Due from banks and other financial institutions is, as follows:

	Credit loss allowance				**Gross carrying amount**			
31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	**12 month ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
As at 1 January 2022	**249**	**-**	**-**	**249**	**2,137,102**	**-**	**-**	**2,137,102**
Transfers to 12 month ECL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers to Life time ECL not credit impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers to Life time ECL credit impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net change for the year	**1,016**	**-**	**-**	**1,016**	**-**	**-**	**-**	**-**
Net recognized during the year	**-**	**-**	**-**	**-**	**3,931,356**	**-**	**-**	**3,931,356**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2022	**1,265**	**-**	**-**	**1,265**	**6,068,458**	**-**	**-**	**6,068,458**

	Credit loss allowance				Gross carrying amount			
31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
As at 1 January 2021	780	-	-	780	2,180,210	-	-	2,180,210
Transfers to 12 month ECL	-	-	-	-	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-	-	-	-	-
Net reversal for the year	(531)	-	-	(531)	-	-	-	-
Net derecognized during the year	-	-	-	-	(43,108)	-	-	(43,108)
Write-offs	-	-	-	-	-	-	-	-
As at 31 December 2021	249	-	-	249	2,137,102	-	-	2,137,102

7. INVESTMENTS, NET

a. Investments as at December 31 comprise the following:

	2022				
	Domestic		International		Total
	Quoted SAR' 000	Unquoted SAR' 000	Quoted SAR' 000	Unquoted SAR' 000	SAR' 000
Fair Value Through Other Comprehensive Income (FVOCI)					
Equities	**532,920**	**104,123**	**-**	**-**	**637,043**
Sukuk	**565,365**	**5,905,083**	**68,819**	**-**	**6,539,267**
	1,098,285	**6,009,206**	**68,819**	**-**	**7,176,310**
Fair value through statement of income (FVSI)					
Mutual funds and other investments	**249,630**	**478,380**	**-**	**18,296**	**746,306**
Equities	**143,716**	**-**	**-**	**-**	**143,716**
	393,346	**478,380**	**-**	**18,296**	**890,022**
Amortized Cost					
Bei-Ajel with central bank	**-**	**2,731,637**	**-**	**-**	**2,731,637**
Sukuk	**3,051,842**	**5,087,093**	**525,422**	**1,137,799**	**9,802,156**
	3,051,842	**7,818,730**	**525,422**	**1,137,799**	**12,533,793**
Total	**4,543,473**	**14,306,316**	**594,241**	**1,156,095**	**20,600,125**

	2021				
	Domestic		International		Total
	Quoted SAR' 000	Unquoted SAR' 000	Quoted SAR' 000	Unquoted SAR' 000	SAR' 000
Fair Value Through Other Comprehensive Income (FVOCI)					
Equities	534,012	104,129	-	-	638,141
Sukuk	638,005	6,483,079	74,072	-	7,195,156
	1,172,017	6,587,208	74,072	-	7,833,297
Fair value through statement of income (FVSI)					
Mutual funds and other investments	240,939	343,116	-	23,893	607,948
Equities	75,655	-	-	-	75,655
	316,594	343,116	-	23,893	683,603
Amortized Cost					
Bei-Ajel with central bank	-	1,292,282	-	-	1,292,282
Sukuk	3,173,903	3,467,036	392,448	249,663	7,283,050
	3,173,903	4,759,318	392,448	249,663	8,575,332
Total	4,662,514	11,689,642	466,520	273,556	17,092,232

7. INVESTMENTS, NET (continue)

b. The analysis of investments by counterparty is as follows:

	2022 SAR' 000	2021 SAR' 000
Government and quasi government	**15,426,593**	13,147,076
Corporate	**5,173,532**	3,945,156
Total	**20,600,125**	17,092,232

c. Equities include unquoted shares of SAR 104 million (2021: SAR 104 million) carried at cost as management believes that cost of such investments approximate their fair value. Management also believes cost of Bei-ajel with central bank and unquoted sukuk approximates its fair value.

d. Equity investment securities designated as at FVOCI

The Group has designated investment in equity securities designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term purposes. There were no transfers of any cumulative gain or loss within equity relating to these investments.

e. FVOCI sukuks are classified as stage 1 and ECL amount is immaterial.

An analysis of changes in loss allowance and gross carrying amount for Debt instruments carried at amortized cost, is as follows:

	Credit loss allowance				Gross carrying amount			
31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
As at 1 January 2022	**7,898**	**-**	**-**	**7,898**	**8,583,230**	**-**	**-**	**8,583,230**
Transfers to 12 month ECL	-	-	-	-	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-	-	-	-	-
Net change for the year	**13,262**	-	-	**13,262**	-	-	-	-
Net purchased during the year	-	-	-	-	**3,971,723**	-	-	**3,971,723**
Write-offs	-	-	-	-	-	-	-	-
As at 31 December 2022	**21,160**	**-**	**-**	**21,160**	**12,554,953**	**-**	**-**	**12,554,953**

7. INVESTMENTS, NET (continue)

31st December 2021 SAR in '000'	Credit loss allowance 12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total	Gross carrying amount 12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
As at 1 January 2021	7,941	-	-	7,941	5,959,307	-	-	5,959,307
Transfers to 12 month ECL	-	-	-	-	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-	-	-	-	-
Net reversal for the year	(43)	-	-	(43)	-	-	-	-
Net purchased during the year	-	-	-	-	2,623,923	-	-	2,623,923
Write-offs	-	-	-	-	-	-	-	-
As at 31 December 2021	7,898	-	-	7,898	8,583,230	-	-	8,583,230

8. FINANCING, NET

a. Held at amortized cost

2022
SAR' 000

	Commercial	Retail	Total
Performing	**46,469,072**	**46,309,329**	**92,778,401**
Non-performing	**914,165**	**332,270**	**1,246,435**
Gross financing	**47,383,237**	**46,641,599**	**94,024,836**
Allowance for expected credit losses	**(2,286,892)**	**(558,739)**	**(2,845,631)**
Financing, net	**45,096,345**	**46,082,860**	**91,179,205**

2021
SAR' 000

	Commercial	Retail	Total
Performing	43,442,371	41,189,659	84,632,030
Non-performing	603,448	339,334	942,782
Gross financing	44,045,819	41,528,993	85,574,812
Allowance for expected credit losses	(2,186,629)	(454,869)	(2,641,498)
Financing, net	41,859,190	41,074,124	82,933,314

8. FINANCING, NET (continue)

a. Held at amortized cost (continue)

The following tables further explains changes in gross carrying amount for financing prtfolio to help explain their significance to the changes in the loss allowance for the same portfolio:

Commercial **31st December 2022** **SAR in '000'**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount as at 1 January 2022	**34,303,253**	**9,139,118**	**603,448**	**44,045,819**
Transfers to 12 month ECL	**886,885**	**(886,885)**	**-**	**-**
Transfers to Life time ECL not credit impaired	**(1,166,998)**	**1,177,402**	**(10,404)**	**-**
Transfers to Life time ECL credit impaired	**(5,814)**	**(228,675)**	**234,489**	**-**
Net change for the year	**4,527,695**	**(1,276,909)**	**322,433**	**3,573,219**
Write-offs	**-**	**-**	**(235,801)**	**(235,801)**
Gross carrying amount as at 31 December 2022	**38,545,021**	**7,924,051**	**914,165**	**47,383,237**

Commercial 31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2021	26,892,697	8,919,348	564,361	36,376,406
Transfers to 12 month ECL	94,416	(94,416)	-	-
Transfers to Life time ECL not credit impaired	(209,813)	209,813	-	-
Transfers to Life time ECL credit impaired	(705)	(180,590)	181,295	-
Net change for the year	7,526,658	284,963	45,869	7,857,490
Write-offs	-	-	(188,077)	(188,077)
Gross carrying amount as at 31 December 2021	34,303,253	9,139,118	603,448	44,045,819

Retail **31st December 2022** **SAR in '000'**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount as at 1 January 2022	**41,045,917**	**143,742**	**339,334**	**41,528,993**
Transfers to 12 month ECL	**100,080**	**(44,195)**	**(55,885)**	**-**
Transfers to Life time ECL not credit impaired	**(177,797)**	**189,627**	**(11,830)**	**-**
Transfers to Life time ECL credit impaired	**(113,470)**	**(49,750)**	**163,220**	**-**
Net change for the year	**5,196,727**	**18,448**	**(12,052)**	**5,203,123**
Write-offs	**-**	**-**	**(90,517)**	**(90,517)**
Gross carrying amount as at 31 December 2022	**46,051,457**	**257,872**	**332,270**	**46,641,599**

8. FINANCING, NET (continue)

a. Held at amortized cost (continue)

Retail 31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2021	35,681,473	140,183	280,831	36,102,487
Transfers to 12 month ECL	71,744	(39,306)	(32,438)	-
Transfers to Life time ECL not credit impaired	(92,610)	95,119	(2,509)	-
Transfers to Life time ECL credit impaired	(137,325)	(43,551)	180,876	-
Net change for the year	5,522,635	(8,703)	2,106	5,516,038
Write-offs	-	-	(89,532)	(89,532)
Gross carrying amount as at 31 December 2021	41,045,917	143,742	339,334	41,528,993

Total 31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount as at 1 January 2022	**75,349,170**	**9,282,860**	**942,782**	**85,574,812**
Transfers to 12 month ECL	**986,965**	**(931,080)**	**(55,885)**	**-**
Transfers to Life time ECL not credit impaired	**(1,344,795)**	**1,367,029**	**(22,234)**	**-**
Transfers to Life time ECL credit impaired	**(119,284)**	**(278,425)**	**397,709**	**-**
Net change for the year	**9,724,422**	**(1,258,461)**	**310,381**	**8,776,342**
Write-offs	**-**	**-**	**(326,318)**	**(326,318)**
Gross carrying amount as at 31 December 2022	**84,596,478**	**8,181,923**	**1,246,435**	**94,024,836**

Total 31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2021	62,574,170	9,059,531	845,192	72,478,893
Transfers to 12 month ECL	166,160	(133,722)	(32,438)	-
Transfers to Life time ECL not credit impaired	(302,423)	304,932	(2,509)	-
Transfers to Life time ECL credit impaired	(138,030)	(224,141)	362,171	-
Net change for the year	13,049,293	276,260	47,975	13,373,528
Write-offs	-	-	(277,609)	(277,609)
Gross carrying amount as at 31 December 2021	75,349,170	9,282,860	942,782	85,574,812

8. FINANCING, NET (continue)

a. Held at amortized cost (continue)

An analysis of changes in loss allowance for Financing is, as follows:

Commercial 31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss allowance as at 1 January 2022	**167,667**	**1,415,514**	**603,448**	**2,186,629**
Transfers to 12 month ECL	**2,041**	**(2,041)**	**-**	**-**
Transfers to Life time ECL not credit impaired	**(42,216)**	**42,216**	**-**	**-**
Transfers to Life time ECL credit impaired	**(5,358)**	**(204,444)**	**209,802**	**-**
Net (reversal) / charge for the year	**10,907**	**180,686**	**144,471**	**336,064**
Write-offs	**-**	**-**	**(235,801)**	**(235,801)**
Loss allowance as at 31 December 2022	**133,041**	**1,431,931**	**721,920**	**2,286,892**

Commercial 31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2021	213,018	1,145,487	567,185	1,925,690
Transfers to 12 month ECL	342	(342)	-	-
Transfers to Life time ECL not credit impaired	(5,968)	5,968	-	-
Transfers to Life time ECL credit impaired	(705)	(180,501)	181,206	-
Net charge for the year	(39,020)	444,902	43,134	449,016
Write-offs	-	-	(188,077)	(188,077)
Loss allowance as at 31 December 2021	167,667	1,415,514	603,448	2,186,629

Retail 31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss allowance as at 1 January 2022	**187,697**	**40,651**	**226,521**	**454,869**
Transfers to 12 month ECL	**1,390**	**(981)**	**(409)**	**-**
Transfers to Life time ECL not credit impaired	**(48,799)**	**49,735**	**(936)**	**-**
Transfers to Life time ECL credit impaired	**(82,854)**	**(36,674)**	**119,528**	**-**
Net charge/ (reversal) for the year	**261,073**	**16,082**	**(82,768)**	**194,387**
Write-offs	**-**	**-**	**(90,517)**	**(90,517)**
Loss allowance as at 31 December 2022	**318,507**	**68,813**	**171,419**	**558,739**

8. FINANCING, NET (continue)

a. Held at amortized cost (continue)

Retail 31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2021	160,071	43,820	234,332	438,223
Transfers to 12 month ECL	795	(552)	(243)	-
Transfers to Life time ECL not credit impaired	(24,681)	25,175	(494)	-
Transfers to Life time ECL credit impaired	(111,612)	(27,910)	139,522	-
Net charge/ (reversal) for the year	163,124	118	(57,064)	106,178
Write-offs	-	-	(89,532)	(89,532)
Loss allowance as at 31 December 2021	187,697	40,651	226,521	454,869

Total 31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss allowance as at 1 January 2022	**355,364**	**1,456,165**	**829,969**	**2,641,498**
Transfers to 12 month ECL	**3,431**	**(3,022)**	**(409)**	**-**
Transfers to Life time ECL not credit impaired	**(91,015)**	**91,951**	**(936)**	**-**
Transfers to Life time ECL credit impaired	**(88,212)**	**(241,118)**	**329,330**	**-**
Net charge / (reversal) for the year	**271,980**	**196,768**	**61,703**	**530,451**
Write-offs	**-**	**-**	**(326,318)**	**(326,318)**
Loss allowance as at 31 December 2022	**451,548**	**1,500,744**	**893,339**	**2,845,631**

Total 31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2021	373,089	1,189,307	801,517	2,363,913
Transfers to 12 month ECL	1,137	(894)	(243)	-
Transfers to Life time ECL not credit impaired	(30,649)	31,143	(494)	-
Transfers to Life time ECL credit impaired	(112,317)	(208,411)	320,728	-
Net charge for the year	124,104	445,020	(13,930)	555,194
Write-offs	-	-	(277,609)	(277,609)
Loss allowance as at 31 December 2021	355,364	1,456,165	829,969	2,641,498

8. FINANCING, NET (continue)

b. Financing include finance lease receivables, which are as follows:

The contractual amount outstanding on financial assets that were written off during the year ended December 31, 2022 and that are still subject to enforcement activity is SAR 326 million (2021: SAR 278 million).

	2022 SAR'000		2021 SAR'000	
	Retail	**Commercial**	Retail	Commercial
Gross receivables from ijarah financing :				
Less than 1 year	**356,832**	**452,913**	356,258	17,189
1 to 5 years	**1,012,579**	**-**	873,717	73,170
Over 5 years	**779**	**312,188**	7,335	585,272
	1,370,190	**765,101**	1,237,310	675,631
Unearned finance income on ijarah financing	**(140,729)**	**(3,960)**	(161,750)	(1,749)
Net receivables from ijarah financing	**1,229,461**	**761,141**	1,075,560	673,882

	2022 SAR'000		2021 SAR'000	
	Retail	**Commercial**	Retail	Commercial
Net receivables from ijarah financing:				
Less than 1 year	**320,183**	**453,334**	311,169	17,206
1 to 5 years	**908,579**	**-**	758,017	73,275
Over 5 years	**699**	**307,807**	6,374	583,401
	1,229,461	**761,141**	1,075,560	673,882

9. OTHER ASSETS

	2022 SAR' 000	2021 SAR' 000
Prepaid expenses and advances to suppliers	**135,723**	88,099
Management fee receivable	**191,272**	147,112
Others	**553,861**	433,969
Total	**880,856**	669,180

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

31 December 2022 SAR' 000	**Land and building**	**Leasehold improvements**	**Equipment, furniture and motor vehicles**	**Computer hardware**	**Right of Use (ROU) Asset**	**Total 2022**
Cost:						
As at the beginning of the year	**1,007,055**	**824,542**	**415,721**	**567,832**	**866,897**	**3,682,047**
Additions during the year	**83,268**	**98,942**	**51,820**	**82,989**	**152,482**	**469,501**
Disposals	**-**	**-**	**(35)**	**-**	**-**	**(35)**
As at December 31	**1,090,323**	**923,484**	**467,506**	**650,821**	**1,019,379**	**4,151,513**
Accumulated depreciation and amortisation:						
At the beginning of the year	**61,012**	**531,799**	**333,498**	**469,471**	**360,786**	**1,756,566**
Charge for the year	**16,811**	**22,296**	**46,102**	**64,100**	**141,101**	**290,410**
Disposals	**-**	**-**	**(24)**	**-**	**-**	**(24)**
As at December 31	**77,823**	**554,095**	**379,576**	**533,571**	**501,887**	**2,046,952**
Net book value:						
As at December 31, 2022	**1,012,500**	**369,389**	**87,930**	**117,250**	**517,492**	**2,104,561**

31 December 2021 SAR' 000	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware	Right of Use (ROU) Asset	Total
Cost:						
As at the beginning of the year	975,082	765,440	488,126	564,454	716,728	3,509,830
Additions during the year	31,973	59,102	36,414	31,097	150,169	308,755
Disposals	-	-	(108,819)	(27,719)	-	(136,538)
As at December 31	1,007,055	824,542	415,721	567,832	866,897	3,682,047
Accumulated depreciation and amortisation:						
At the beginning of the year	43,480	506,869	389,586	442,331	231,472	1,613,738
Charge for the year	17,532	24,930	49,842	54,836	129,314	276,454
Disposals	-	-	(105,930)	(27,696)	-	(133,626)
As at December 31	61,012	531,799	333,498	469,471	360,786	1,756,566
Net book value:						
As at December 31, 2021	946,043	292,743	82,223	98,361	506,111	1,925,481

Leasehold improvements include work in progress as at December 31, 2022 amounting to SAR 160.5 million (2021: SAR 83.9 million).

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET (continued)

Movement in right-of-use-assets (ROU):

31 December 2022 **SAR' 000**	**Land & Building**	**Equipment, furniture and motor vehicles**	**Total**
Balance at beginning of the year	**502,576**	**3,535**	**506,111**
Add: Additions	**152,482**	**-**	**152,482**
Depreciation	**(139,263)**	**(1,838)**	**(141,101)**
Balance at the end of the year	**515,795**	**1,697**	**517,492**

31 December 2021 SAR' 000	Land & Building	Equipment, furniture and motor vehicles	Total
Balance at beginning of the year	480,166	5,090	485,256
Add: Additions	150,169	-	150,169
Depreciation	(127,759)	(1,555)	(129,314)
Balance at the end of the year	502,576	3,535	506,111

11. DUE TO BANKS, CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	2022 **SAR' 000**	2021 SAR’ 000
Demand	**86,667**	601,161
Direct investment	**10,534,774**	8,176,066
Total	**10,621,441**	8,777,227

12. CUSTOMERS’ DEPOSITS

	2022 **SAR' 000**	2021 SAR' 000
Demand	**47,470,751**	41,833,517
Direct investment	**25,366,482**	14,116,446
Albilad account (Mudarabah)	**18,857,171**	21,975,738
Others	**3,148,343**	3,184,793
Total	**94,842,747**	81,110,494

The above include foreign currency deposits as follows:

	2022 **SAR' 000**	2021 SAR' 000
Demand	**532,531**	817,996
Direct investment	**1,855,798**	2,922,379
Albilad account (Mudarabah)	**1,616,665**	1,443,792
Others	**44,245**	76,414
Total	**4,049,239**	5,260,581

13. SUKUK

On August 30, 2016, the Bank issued 2,000 Tier 2 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly in arrears on February 28, May 30, August 30, November 30 each year until August 30, 2026, on which date the Sukuk will be redeemed. During 2021, the Bank exercised the call option on its previous sukuk and recalled Sukuk amounting to SAR 1,061 million. These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly each year until April 15, 2031. The Bank has a call option which can be exercised on or after April 15, 2026 as per the terms mentioned in the related offering circular. The expected profit distribution on the sukuk is the base rate for three months in addition to a profit margin of 1.65%. The Bank has not defaulted on any of payments (profit / principal) due during the year.

The offer also included an option for the holders of the SAR 2 billion Sukuk (due 2026) that were previously issued by the Bank (the "Previous Sukuk") to exchange their investment in the Previous Sukuk with an investment in the Tier 2 Sukuk, subject to the terms and conditions of the Sukuk. Certain Sukuk holders with carrying value of SR 939 million have exercised their exchange option and subscribed into the investment in the Tier 2 Sukuk.

14. OTHER LIABILITIES

	2022	2021
	SAR' 000	SAR' 000
Accounts payable	**4,956,875**	2,115,288
Accrued expenses	**641,653**	531,079
Lease liability	**519,733**	483,404
Loss allowance on financing commitment and financial guaranteee contracts	**153,560**	151,682
Others	**1,367,447**	2,689,029
Total	**7,639,268**	5,970,482

An analysis of changes in loss allowance for financing commitment and financial guaranteee contracts is, as follows:

31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss allowance as at 1 January 2022	**41,759**	**15,418**	**94,505**	**151,682**
Transfers to 12 month ECL	**2**	**(2)**	**-**	**-**
Transfers to Life time ECL not credit impaired	**(630)**	**630**	**-**	**-**
Transfers to Life time ECL credit impaired	**-**	**(5,140)**	**5,140**	**-**
Net charge / (reversal) for the year	**9,395**	**(4,745)**	**(2,772)**	**1,878**
Loss allowance as at 31 December 2022	**50,526**	**6,161**	**96,873**	**153,560**

31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss allowance as at 1 January 2021	33,256	9,684	88,498	131,438
Transfers to 12 month ECL	182	(182)	-	-
Transfers to Life time ECL not credit impaired	(4,289)	4,289	-	-
Transfers to Life time ECL credit impaired	-	(6,633)	6,633	-
Net charge for the year	12,610	8,260	(626)	20,244
Loss allowance as at 31 December 2021	41,759	15,418	94,505	151,682

15. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 1,000 million shares of SAR 10 each (31 December 2021: 750 million shares of SAR 10 each).

The Board of Directors in its meeting held on November 8, 2021 recommended to the Extra-ordinary General Assembly an issuance of bonus shares of one share for every three shares held, thus increasing the Bank's capital from SAR 7,500 million to SAR 10,000 million. The increase has been done through capitalization of SAR 2,500 million from the retained earnings. The number of shares outstanding after the bonus issuance increased from 750 million shares to 1,000 million shares. The increase has been approved in the Extraordinary General Assembly meeting held on April 11, 2022.

16. STATUTORY RESERVE

In accordance with Article 13 of the Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 520 million (2021: SAR 422 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

17. DIVIDENDS

The Board of Directors' recommended to the General Assembly to distribute cash dividends of SAR 500 million (SAR 0.5 per share) to shareholders for the year 2022 in the meeting held on December 29, 2022 corresponding to Jumada Al-Thani 05, 1444.

18. OTHER RESERVES

2022 **SAR' 000**	**FVOCI (Debt)**	**FVOCI (Equity)**	**Defined Benefit Obligation (EOSB)**	**Total**
Balance at beginning of the year	**453,598**	**(15,850)**	**2,068**	**439,816**
Net movement during the year	**(630,085)**	**(41,841)**	**(570)**	**(672,496)**
Transfer to retained earnings on disposal	**-**	**(6,606)**	**-**	**(6,606)**
Balance at end of the year	**(176,487)**	**(64,297)**	**1,498**	**(239,286)**

2021 SAR' 000	FVOCI (Sukuk)	FVOCI (Equity)	Defined Benefit Obligation (EOSB)	Total
Balance at beginning of the year	909,963	(15,317)	2,417	897,063
Net movement during the year	(456,365)	670	(349)	(456,044)
Transfer to retained earnings on disposal	-	(1,203)	-	(1,203)
Balance at end of the year	453,598	(15,850)	2,068	439,816

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2022 and 2021, there were legal proceedings outstanding against the Bank. Provisions have been made for some of these legal cases based on the assessment of the Bank's legal advisers.

b) Capital commitments

As at December 31, 2022, the Bank had capital commitments of SAR 604 million (2021: SAR 162 million) relating to leasehold improvements and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent unused portions of authorization to extend credit, principally in the form of financing, guarantees or letters of credit. With respect to credit risk relating to commitments to extend credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

19. COMMITMENTS AND CONTINGENCIES (continue)

(i) Contractual maturity structure of the Group's commitments and contingencies:

2022 (SAR' 000)	Less than 3 months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	**805,942**	**905,418**	**69,459**	**-**	**1,780,819**
Letters of guarantee*	**1,147,571**	**3,885,747**	**4,287,262**	**2,113,254**	**11,433,834**
Acceptances	**790,774**	**127,275**	**-**	**-**	**918,049**
Irrevocable commitments to extend credit	**299,680**	**-**	**-**	**58,728**	**358,408**
Total	**3,043,967**	**4,918,440**	**4,356,721**	**2,171,982**	**14,491,110**

2021 (SAR' 000)	Less than 3months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	967,921	941,247	43,476	-	1,952,644
Letters of guarantee*	1,025,856	2,291,884	2,736,360	1,365,376	7,419,476
Acceptances	381,586	90,426	-	-	472,012
Irrevocable commitments to extend credit	151,902	123,543	-	512,330	787,775
Total	2,527,265	3,447,100	2,779,836	1,877,706	10,631,907

*This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.

The outstanding unused portion of commitments as at December 31, 2022 which can be revoked unilaterally at any time by the Group amounts to SAR 24.2 billion (2021: SAR 17.5 billion).

31st December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Gross carrying amount as at 1 January 2022	**9,330,161**	**1,010,376**	**291,370**	**10,631,907**
Transfers to 12 month ECL	**91,066**	**(91,066)**	**-**	**-**
Transfers to Life time ECL not credit impaired	**(424,853)**	**424,853**	**-**	**-**
Transfers to Life time ECL credit impaired	**(348)**	**(12,337)**	**12,685**	**-**
Net change for the year	**3,958,348**	**(89,741)**	**(9,404)**	**3,859,203**
Write-offs	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2022	**12,954,374**	**1,242,085**	**294,651**	**14,491,110**

31st December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at 1 January 2022	8,689,184	637,521	229,065	9,555,770
Transfers to 12 month ECL	84,865	(84,865)	-	-
Transfers to Life time ECL not credit impaired	(459,939)	473,018	(13,079)	-
Transfers to Life time ECL credit impaired	(84)	(11,915)	11,999	-
Net change for the year	1,016,135	(3,383)	63,385	1,076,137
Write-offs	-	-	-	-
Gross carrying amount as at 31 December 2021	9,330,161	1,010,376	291,370	10,631,907

19. COMMITMENTS AND CONTINGENCIES (continue)

(ii) Commitments and contingencies by counterparty:

	2022 SAR' 000	2021 SAR' 000
Corporate	**12,023,944**	8,553,033
Financial institutions	**2,409,883**	1,996,586
Others	**57,283**	82,288
Total	**14,491,110**	10,631,907

20. INCOME FROM INVESTING AND FINANCING ASSETS

	2022 SAR' 000	2021 SAR' 000
Income from investments and due from banks and other financial institutions		
Income from bei-ajel with central bank	**44,634**	101,151
Income from murabaha with banks and other financial institutions	**76,760**	25,078
Income from sukuk and other investment	**537,161**	436,290
Income from financing	**4,312,992**	3,198,731
Total	**4,971,547**	3,761,250

21. RETURN ON DEPOSITS AND FINANCIAL LIABILITES

	2022 SAR' 000	2021 SAR' 000
Return on:		
Due to banks, central bank and other financial institutions, deposits and others	**956,494**	190,728
Sukuk and other investment	**128,385**	81,028
Total	**1,084,879**	271,756

22. FEES AND COMMISSION INCOME, NET

	2022 SAR' 000	2021 SAR' 000
Fees and commission income		
Remittance	**323,430**	333,642
ATM and point of sale	**413,349**	342,784
Letters of credit and guarantee	**81,202**	56,203
Management fee (mutual fund and others)	**157,185**	116,774
Brokerage income	**88,443**	149,643
Others	**29,149**	98,109
Total fees and commission income	**1,092,758**	1,097,155
Fees and commission expenses		
ATM and point of sale	**279,923**	212,461
Brokerage expenses	**37,881**	61,528
Remittance	**15,764**	11,678
Others	**90,393**	80,177
Total fees and commission expenses	**423,961**	365,844
Fees and commission income, net	**668,797**	731,311

23. SALARIES AND EMPLOYEE RELATED EXPENSES

The following table summarizes compensation practices and includes total of fixed and variable compensation paid to employees during the year ended December 31, 2022 and 2021, and the form of such payments:

2022	Number of employees	Fixed compensation SAR 000	Variable compensation paid Cash	Shares	Total
			SAR' 000		
Senior executives	**24**	**42,122**	**38,595**	**9,209**	**47,804**
Employees engaged in risk taking activities	**307**	**105,366**	**39,831**	**920**	**40,751**
Employees engaged in control functions	**330**	**86,527**	**18,023**	**565**	**18,588**
Other employees	**3,010**	**446,907**	**75,224**	**607**	**75,831**
Outsourced employees	**823**	**149,245**	**-**	**-**	**-**
Total	**4,494**	**830,167**	**171,673**	**11,301**	**182,974**
Variable compensation accrued, and other employee related benefits*		**428,953**			
Total salaries and employee related expenses		**1,259,120**			

2021	Number of employees	Fixed compensation SAR 000	Variable compensation paid Cash	Shares	Total
			SAR' 000		
Senior executives	21	35,366	27,017	7,678	34,695
Employees engaged in risk taking activities	303	97,353	35,989	852	36,841
Employees engaged in control functions	316	84,070	16,741	495	17,236
Other employees	2,978	426,090	75,283	452	75,735
Outsourced employees	854	132,317	-	-	-
Total	4,472	775,196	155,030	9,477	164,507
Variable compensation accrued, and other employee related benefits*		402,443			
Total salaries and employee related expenses		1,177,639			

* Other employee related benefits include, insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

23. SALARIES AND EMPLOYEE RELATED EXPENSES (continue)

Employees Compensation and Benefits

1. Quantitative Disclosure:

This disclosure has to be bifurcated between the following categories, whereby the meaning of each category is mentioned below:

a) **Senior executives:**

Members of Managment Committee whom appointment is subject to approval of central bank, such as: CEO, CFO (EVP Finance), COO (EVP Operations Management), CRO (EVP Risk Management), EVP Retail Banking, EVP Human Resource, etc.

b) **Employees engaged in risk taking activities:**

This comprises of management staff within various business lines i.e. corporate, retail, treasury, trade services, private banking etc. who are responsible for executing and implementing the business strategy of the bank.

c) **Employees engaged in control functions:**

This comprises of employees working in divisions that are not involved in risk taking activities but engaged in review functions i.e. risk management, compliance, internal audit, treasury operations, finance and accounting, etc.

d) **Other employees:**

All regular employees other than those mentioned in (a) to (c) above.

e) **Outsourced employees:**

This includes staff employed by various agencies who supply services to the Bank on a full time basis in non-critical roles. None of these roles require risk undertaking or control.

2. Qualitative Disclosure:

The Bank has developed a Compensation Policy based on the ‘Rules on Compensation Practices’ issued by central bank as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect.

The Compensation Policy has been approved by the Board of Directors (BOD). The BOD have also established a Nominations and Remuneration Committee to oversee the implementation of the Policy.

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the Compensation Policy and evaluate its effectiveness in line with the industry practice.

23. SALARIES AND EMPLOYEE RELATED EXPENSES (continue)

2. Qualitative Disclosure (continue):

Policy Objectives

The policy sets guidelines for determination of both fixed and variable compensation to be paid to the employees of the Group. The scope of the Policy includes all compensation elements, approval and reporting process, stock options, bonus and its deferral, etc.

The objective of the Policy is to ensure that the compensation is governed by the financial performance evaluation and is linked to the various risks associated, at an overall level. Key staff members of the Bank are eligible to variable compensation which is derived from Risk Adjusted Net Income of the Bank which accounts for significant existing and potential risks in order to protect the Bank's Capital Adequacy and to mitigate the risk of potential future losses.

Compensation Structure

The compensation structure of the Bank is based on appropriate industry benchmarking and includes both fixed and variable components. The variable component is designed to ensure key employee retention and is based on three year vesting period.

- **Fix Components:**

Provide a competitive salaries or wage according to annual market alignment, including (basic, housing, transportation and fixed allowances) which are written in the employee's contract.

- **Variable Components:**

Taking into account the risk associated with the Bank's performance & individual performance appraisal, all these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period.

Performance Management System

The performance of all employees is measured by way of a balance score card methodology taking into consideration, financial, customer, process and people factors with appropriate weightage to each factor based on the respective assignments.

The Bank has following share-based payment plans outstanding at the end of the year. Significant features of these plans are as follows:

Maturity dates	Between Jan. 2023 and Dec. 2025
Total number of shares granted	1,048,643
Vesting period	3 Years
Method of settlement	Equity
Fair value per share on grant date	Average SAR 45.88

The shares are granted only under service condition with no market condition associated with them.

24. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2022 **SAR’ 000**	2021 SAR’ 000
Repair, maintenance and IT costs	**163,727**	120,108
Communications and utilities expenses	**117,758**	97,506
Subscription, publication and advertising	**115,816**	68,277
Professional and consultancy fees	**26,629**	21,758
Others	**346,597**	372,342
Total	**770,527**	679,991

25. IMPAIRMENT CHARGE FOR EXPECTED CREDIT LOSSES, NET

	2022 **SAR’ 000**	2021 SAR’ 000
Other financial assets, net	**1,016**	(531)
Investments, net	**17,307**	(5,238)
Financing, net	**530,451**	555,194
Commitment and financial guaranteee contracts, net	**1,878**	20,244
Total	**550,652**	569,669

26. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2022 and 2021 is calculated by dividing the net income for the year attributable to the equity holders by the weighted average number of outstanding shares 2022: 996 million shares (2021: 996 million shares - restated) after accounting for treasury shares and issuance of bonus shares during the current year. Basic and diluted earnings per share for the year ended December 31, 2021 have been adjusted to take into account the issuance of bonus shares.

27. CASH AND CASH EQUIVALENTS AND CHANGES IN LEASE LIABILITIES

a) Cash and cash equivalents

	2022 **SAR' 000**	2021 SAR’ 000
Cash and balances with central bank (excluding statutory deposit)	**3,698,040**	1,403,580
Due from banks and other financial institutions (maturing within ninety days from acquisition)	**5,325,741**	1,766,449
Held at amortized cost (maturing within ninety days from acquisition)	**-**	300,032
Total	**9,023,781**	3,470,061

b) Changes in lease liabilities

	2022 **SAR' 000**	2021 SAR' 000
As at the beginning of the year	**483,404**	449,566
Financing cash flows	**(116,152)**	(116,330)
New leases	**136,305**	134,140
Interest expense	**16,176**	16,028
As at the end of the year	**519,733**	483,404

28. EMPLOYEE BENEFIT OBLIGATION

a. General description

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

b. The movement in the obligation during the year based on its present value are as follows:

	2022 **SAR' 000**	2021 SAR' 000
Defined benefit obligation at the beginning of the year	**309,310**	281,927
Charge for the year	**65,787**	52,207
Benefits paid	**(24,384)**	(25,173)
Unrecognized actuarial loss	**570**	349
Defined benefit obligation at the end of the year	**351,283**	309,310

c. Charge for the year

	2022 **SAR' 000**	2021 SAR' 000
Current service cost	**57,053**	41,774
Past service cost	**323**	2,976
Finance cost	**8,411**	7,457
	65,787	52,207

d. Principal actuarial assumptions (in respect of the employee benefit scheme)

	2022 **SAR' 000**	2021 SAR' 000
Discount rate	**4.95%**	2.90%
Expected rate of salary change	**3.00%**	3.00%
Normal retirement age		
• Male	**60 years**	60 years
• Female	**55 years**	55 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

28. EMPLOYEE BENEFIT OBLIGATION (continue)

e. Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2022 to the discount rate **4.95%** (2021: 2.90%), salary escalation rate **3.00%** (2021: 3.00%), withdrawal assumptions.

	SAR' 000		
2022	**Impact on defined benefit obligation – Increase / (Decrease)**		
Base Scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**(23,074)**	**26,797**
Expected rate of salary change	**1%**	**27,061**	**(23,693)**
Withdrawal assumptions	**20%**	**1,182**	**(1,836)**

	SAR' 000		
2021	Impact on defined benefit obligation – Increase / (Decrease)		
Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(30,319)	35,770
Expected rate of salary change	1%	35,359	(30,565)
Withdrawal assumptions	20%	(5,468)	5,593

The above sensitivity analyses are based on a change in an assumption keeping all other assumptions constant.

29. SEGMENTAL INFORMATION

Operating segments, based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2021.

For management purposes, the Group is divided into the following four operating segments:

Retail banking

Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking

Services and products to corporate customers including deposits, financing and trade services.

Treasury

Money market and treasury services.

Investment banking and brokerage

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

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to other operating segments, based on an approved criteria.

29. SEGMENTAL INFORMATION (continue)

a) The Group total assets and liabilities, together with its total operating income and expenses, and net income, for the years ended December 31, 2022 and 2021 for each segment are as follows:

2022 **SAR' 000**	**Retail banking**	**Corporate banking**	**Treasury**	**Investment banking and brokerage**	**Total**
Total assets	**58,022,131**	**44,450,264**	**26,015,078**	**1,055,383**	**129,542,856**
Total liabilities	**59,423,524**	**23,526,969**	**33,034,229**	**159,186**	**116,143,908**
Net income from investing and financing assets	**2,161,894**	**1,229,852**	**444,622**	**50,300**	**3,886,668**
Fee, commission and other income, net	**606,109**	**184,424**	**297,204**	**217,027**	**1,304,764**
Total operating income	**2,768,003**	**1,414,276**	**741,826**	**267,327**	**5,191,432**
Impairment charge for expected credit losses, net	**194,386**	**327,441**	**26,179**	**2,646**	**550,652**
Depreciation and amortization	**246,732**	**36,716**	**3,908**	**3,054**	**290,410**
Total operating expenses	**2,033,852**	**583,515**	**117,447**	**135,895**	**2,870,709**
Net income for the year before zakat	**734,151**	**830,761**	**624,379**	**131,432**	**2,320,723**

2021 SAR' 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	50,918,040	38,374,069	20,355,034	1,206,561	110,853,704
Total liabilities	58,258,732	19,122,997	21,063,801	428,084	98,873,614
Net income from investing and financing assets	2,278,684	715,461	483,090	12,259	3,489,494
Fee, commission and other income, net	643,537	66,341	158,099	226,479	1,094,456
Total operating income	2,922,221	781,802	641,189	238,738	4,583,950
Impairment charge for expected credit losses, net	149,847	419,878	(5,787)	5,731	569,669
Depreciation and amortization	221,901	49,273	2,614	2,666	276,454
Total operating expenses	1,864,315	651,294	68,946	119,198	2,703,753
Net income for the year before zakat	1,057,906	130,508	572,243	119,540	1,880,197

29. SEGMENTAL INFORMATION (continue)

b) Credit exposure by operating segments is as follows:

2022 **SAR' 000**	**Retail**	**Corporate**	**Treasury**	**Total**
Total assets	**46,082,860**	**45,096,345**	**25,140,253**	**116,319,458**
Commitments and contingencies	**-**	**10,242,361**	**-**	**10,242,361**

2021 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	41,074,124	41,859,190	17,907,341	100,840,655
Commitments and contingencies	-	5,765,183	-	5,765,183

Group credit exposure is comprised of due from bank and other financial institutions, investments and financing. The credit equivalent value of commitments and contingencies are included in credit exposure as calculated in accordance with central bank regulations.

30. FINANCIAL RISK MANAGEMENT

CREDIT RISK

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Risk Committee which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, limits and review of the policies.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in financing and investment activities. There is also credit risk in off-balance sheet financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Group assesses the probability of default of counterparties using internal rating tools. Also the Group uses the external ratings of the major rating agency, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify, 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.

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group seeks to manage its credit risk exposure through diversification and managing 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 facilities.

Management monitors the market value of collateral, 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 market products and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counter-party is provided in note 7. For details of the composition of financing refer to note 8. Information on credit risk relating to commitments and contingencies in note 19. The information on Bank's maximum credit exposure by business segment is given in note 29.

Concentration of risks of financial assets with credit risk exposure and financial liabilities

a. Geographical concentration

The geographical distribution of assets, liabilities, commitments and contingencies and credit risk exposure as of December 31:

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

2022 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with Saudi central banks	8,710,916	-	-	-	-	-	8,710,916
Cash in hand	1,255,392	-	-	-	-	-	1,255,392
Balances with Saudi central bank	7,455,524	-	-	-	-	-	7,455,524
Due from Banks and other financial institutions	3,802,606	1,080,769	59,179	936,745	152,757	35,137	6,067,193
Demand	-	158,108	59,179	636,989	152,757	35,137	1,042,170
Commodity murabaha	3,802,606	922,661	-	299,756	-	-	5,025,023
Investments, net	18,849,789	1,732,040	18,296	-	-	-	20,600,125
FVOCI	7,107,491	68,819	-	-	-	-	7,176,310
FVSI	871,726	-	18,296	-	-	-	890,022
Amortized cost	10,870,572	1,663,221	-	-	-	-	12,533,793
Financing, net	91,179,205	-	-	-	-	-	91,179,205
Retail	46,082,860	-	-	-	-	-	46,082,860
Commercial	45,096,345	-	-	-	-	-	45,096,345
Other assets	692,677	-	-	-	-	-	692,677
Total	123,235,193	2,812,809	77,475	936,745	152,757	35,137	127,250,116
Liabilities							
Due to banks, central bank and other financial institutions	10,237,817	294,152	-	-	2,666	86,806	10,621,441
Demand	-	72,794	-	-	2,666	11,207	86,667
Direct investment	10,237,817	221,358	-	-	-	75,599	10,534,774
Customer deposits	94,842,747	-	-	-	-	-	94,842,747
Demand	47,470,751	-	-	-	-	-	47,470,751
Direct investment	25,366,482	-	-	-	-	-	25,366,482
Albilad account (Mudarabah)	18,857,171	-	-	-	-	-	18,857,171
Other	3,148,343	-	-	-	-	-	3,148,343
Sukuk	3,040,452	-	-	-	-	-	3,040,452
Other liabilities	7,451,101	-	-	-	-	-	7,451,101
Total	115,572,117	294,152	-	-	2,666	86,806	115,955,741
Commitments and contingencies							
Letters of credit	1,780,819	-	-	-	-	-	1,780,819
Letter of guarantee	11,433,834	-	-	-	-	-	11,433,834
Acceptances	918,049	-	-	-	-	-	918,049
Irrevocable commitments to extend credit	358,408	-	-	-	-	-	358,408
	14,491,110	-	-	-	-	-	14,491,110
Credit risk*	10,242,361	-	-	-	-	-	10,242,361

**Stated at credit equivalent amounts on commitments and contingencies*

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

2021 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with Saudi central banks	6,096,644	-	-	-	-	-	6,096,644
Cash in hand	1,234,011	-	-	-	-	-	1,234,011
Balances with Saudi central bank	4,862,633	-	-	-	-	-	4,862,633
Due from Banks and other financial institutions	916,841	498,837	106,957	382,631	231,238	349	2,136,853
Demand	-	86,215	106,957	382,631	231,238	349	807,390
Commodity murabaha	916,841	412,622	-	-	-	-	1,329,463
Investments, net	16,352,157	716,183	23,892	-	-	-	17,092,232
FVOCI	7,759,225	74,072	-	-	-	-	7,833,297
FVSI	659,711	-	23,892	-	-	-	683,603
Amortized cost	7,933,221	642,111	-	-	-	-	8,575,332
Financing, net	82,933,314	-	-	-	-	-	82,933,314
Retail	41,074,124	-	-	-	-	-	41,074,124
Commercial	41,859,190	-	-	-	-	-	41,859,190
Other assets	489,212	-	-	-	-	-	489,212
Total	106,788,168	1,215,020	130,849	382,631	231,238	349	108,748,255
Liabilities							
Due to banks, central bank and other financial institutions	8,031,039	292,265	-	444,121	3,624	6,178	8,777,227
Demand	-	147,238	-	444,121	3,624	6,178	601,161
Direct investment	8,031,039	145,027	-	-	-	-	8,176,066
Customer deposits	81,110,494	-	-	-	-	-	81,110,494
Demand	41,833,517	-	-	-	-	-	41,833,517
Direct investment	14,116,446	-	-	-	-	-	14,116,446
Albilad account (Mudarabah)	21,975,738	-	-	-	-	-	21,975,738
Other	3,184,793	-	-	-	-	-	3,184,793
Sukuk	3,015,411	-	-	-	-	-	3,015,411
Other liabilities	5,027,819	-	-	-	-	-	5,027,819
Total	97,184,763	292,265	-	444,121	3,624	6,178	97,930,951
Commitments and contingencies							
Letters of credit	1,952,644	-	-	-	-	-	1,952,644
Letter of guarantee	7,419,476	-	-	-	-	-	7,419,476
Acceptances	472,012	-	-	-	-	-	472,012
Irrevocable commitments to extend credit	787,775	-	-	-	-	-	787,775
	10,631,907	-	-	-	-	-	10,631,907
Credit risk*	5,765,183	-	-	-	-	-	5,765,183

**Stated at credit equivalent amounts on commitments and contingencies*

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Credit equivalent amounts reflect the amounts that result from translating the Group's commitments and contingencies into the risk equivalent of financing facilities using credit conversion factors prescribed by central bank. Credit conversion factor is used to capture the potential credit risk resulting from the Group meeting its commitments.

b. The geographical distribution of the impaired financial assets and the allowance for expected credit losses are set out as below:

2022 SAR' 000	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**North America**	**South East Asia**	**Other countries**	**Total**
Non-Performing financing	**1,246,435**	**-**	**-**	**-**	**-**	**-**	**1,246,435**
Allowance for expected credit losses	**2,845,631**	**-**	**-**	**-**	**-**	**-**	**2,845,631**

2021 SAR' 000							
Non-Performing financing	942,782	-	-	-	-	-	942,782
Allowance for expected credit losses	2,641,498	-	-	-	-	-	2,641,498

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

31 December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Due from bank and other financial institutions				
Investment grade	**5,936,928**	**-**	**-**	**5,936,928**
Non-investment grade	**131,530**	**-**	**-**	**131,530**
Gross carrying amount	**6,068,458**	**-**	**-**	**6,068,458**

31 December 2021 SAR in '000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Due from bank and other financial institutions				
Investment grade	1,953,660	-	-	1,953,660
Non-investment grade	183,442	-	-	183,442
Gross carrying amount	2,137,102	-	-	2,137,102

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Credit quality analysis (continue)

Financing to customers at amortized cost

31 December 2022 SAR in'000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Commercial	**38,545,021**	**7,924,051**	**914,165**	**47,383,237**
Grades 1-15: Low – fair risk	**37,401,548**	**2,361,634**	**-**	**39,763,182**
Grades 16-20: Watch list	**1,143,473**	**5,562,417**	**-**	**6,705,890**
Grades 21: Substandard	**-**	**-**	**139,433**	**139,433**
Grades 22: Doubtful	**-**	**-**	**623,353**	**623,353**
Grades 23: Loss	**-**	**-**	**151,379**	**151,379**
Retail				
Unrated	**46,051,457**	**257,872**	**332,270**	**46,641,599**
Gross carrying amount	**84,596,478**	**8,181,923**	**1,246,435**	**94,024,836**

31 December 2021 SAR in'000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Commercial	34,303,253	9,139,118	603,448	44,045,819
Grades 1-15: Low – fair risk	33,495,797	3,342,285	-	36,838,082
Grades 16-20: Watch list	807,456	5,796,833	-	6,604,289
Grades 21: Substandard	-	-	10,698	10,698
Grades 22: Doubtful	-	-	305,962	305,962
Grades 23: Loss	-	-	286,788	286,788
Retail				
Unrated	41,045,917	143,742	339,334	41,528,993
Gross carrying amount	75,349,170	9,282,860	942,782	85,574,812

31 December 2022 SAR in'000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt investment securities at amortized cost				
Investment grade	**12,554,953**	**-**	**-**	**12,554,953**
Gross carrying amount	**12,554,953**	**-**	**-**	**12,554,953**

31 December 2021 SAR in'000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	8,583,230	-	-	8,583,230
Gross carrying amount	8,583,230	-	-	8,583,230

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Credit quality analysis (continue)

31 December 2022 SAR in'000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Debt investment securities at FVOCI				
Investment grade	**6,318,850**	**-**	**-**	**6,318,850**
Unrated	**220,417**	**-**	**-**	**220,417**
Gross carrying amount	**6,539,267**	**-**	**-**	**6,539,267**

31 December 2021 SAR in'000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	7,006,134	-	-	7,006,134
Unrated	189,022	-	-	189,022
Gross carrying amount	7,195,156	-	-	7,195,156

31 December 2022 SAR in '000'	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Commitments and contingencies				
Grades 1-15: Low – fair risk	**12,947,686**	**1,012,937**	**-**	**13,960,623**
Grades 16-20: Watch list	**6,688**	**229,148**	**-**	**235,836**
Grades 21: Substandard	**-**	**-**	**348**	**348**
Grades 22: Doubtful	**-**	**-**	**13,854**	**13,854**
Grades 23: Loss	**-**	**-**	**280,449**	**280,449**
Gross carrying amount	**12,954,374**	**1,242,085**	**294,651**	**14,491,110**

31 December 2021 SAR in'000'	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Commitments and contingencies				
Grades 1-15: Low – fair risk	9,313,512	780,709	-	10,094,221
Grades 16-20: Watch list	16,649	229,667	-	246,316
Grades 21: Substandard	-	-	-	-
Grades 22: Doubtful	-	-	11,999	11,999
Grades 23: Loss	-	-	279,371	279,371
Gross carrying amount	9,330,161	1,010,376	291,370	10,631,907

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The PD at the reporting date; with
- The PD estimated at the time of initial recognition of the exposure.

In addition to the above, other major quantitative consideration include days past due and rating of customer.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The assessment of significant increase in credit risk, is assessed taking on account of:

- Days past due;
- Change in risk of default occurring since initial recognition;
- Expected life of the financial instrument; and
- Reasonable and supportable information, that is available without undue cost or effort that may affect credit risk.

Lifetime expected credit losses are recognized against any material facility which has experienced significant increase in credit risk since initial recognition. There is a rebuttable presumption that recognition of lifetime expected credit losses will be made if any facility is past due for more than 30 days.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Credit risk grades

For the wholesale portfolio, the bank allocates each exposure (either through reliance on internal rating or external rating agencies) to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Commercial exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, and compliance with covenants, quality management, and senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities • Business analysis of the borrower, including business risk, management, financial document and support, stability and behavior. • Industry analysis in which the borrower is operating, including the phase of industry growth and industry failure rate.	• Internally collected data and customer behavior – e.g. utilization of credit card facilities. • Affordability metrics. • External data from credit reference agencies including industry-standard credit.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilization of the granted limit • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Generating the term structure of PD

Credit risk grades (or for aforementioned bucket created for retail portfolio) are a primary input into the determination of the term structure of PD for exposures.

Using the realized default data for each grade or bucket, the bank employs statistical models to generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The Bank employs following steps in order to generated term structure of the PD:

The Bank first calculates the observed default rates for its portfolios which involves monitoring customer behavior over next 12 months, then classifying default, which is then forecasted using acceptable actuarial method and thereafter adjusted for macroeconomic outlook (see below).

The Bank factors in forward looking information in its PD calibration through macroeconomic models for each portfolio. The impact of macroeconomic variables on default rates has been calculated using a multiple scenario-based modeling framework which factors upturn, downturn and baseline scenarios' forecast in to the probability of default. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors. The forecast is used to estimate the impact on the PD over the upcoming years.

The "Point in Time" PD, and later adjusted for macroeconomic overlay to make it forward looking. Transition matrix approach is used to forecast grade wise PDs over the upcoming years transition matrix. This provide the grade wise PD over the upcoming years, thus the term structure of the PD.

Definition of 'Default'

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a borrower is in default. The Bank considers indicators that are:

- Qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources; and
- inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Modified financial assets

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognized and the renegotiated financing recognized as a new financing at fair value in accordance with the accounting policy.

When the terms of the financial assets are modified that does not result into de-recognition, the Bank will recalculate the gross carrying amount of the asset by discounting the modified contractual cash flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount will be recognized in statement of income for asset modification.

To measure the Significant Increase in Credit Risk (for financial assets not de-recognized during the course of modification), the Bank will compare the risk of default occurring at the reporting date based on modified contract terms and the default risk occurring at initial recognition based on original and unmodified contract terms. Appropriate ECL will be recorded according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3.

The Bank renegotiates financing to customers in financial difficulties referred to as “forbearance activities” to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, financing forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants. Both retail and commercial financing are subject to the forbearance policy.

The asset will be provided appropriate treatment according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3. No Asset Modification to be considered if the same were not driven by Credit Distress situation of Obligor.

During the year, no material losses were recognized on modification or restructuring of any facility.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Incorporation of forward looking information (continue)

For the purpose of ECL measurement with respect to the retail and commercial (including SME) portfolios, this is done through application of macroeconomic models which have been developed for the various portfolios of the banks. Through the macroeconomic models the Bank assesses the impact of the macroeconomic variables on the default rates. The forecasts of the variables is gathered from the external sources.

The Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by independent external agencies.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The economic scenarios used as at 31 December included the following ranges of key indicators.

Economic Indicators	**2022**	2021
GDP, oil prices and inflation	**Upside 30%** **Base case 40%** **Downside 30%**	Upside 30% Base case 40% Downside 30%

The Bank has updated its forward-looking variables (key economic drivers), refer above table.

a) Scenario assumptions:

As at 31 December 2022, the scenario assumptions are updated to reflect the continuing situation around the pandemic. This included an assessment of the support of the Government's actions, the response of business and customers (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn.

b) Probability weightages

The Bank considered the probability weightages to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

Probability weightages of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Incorporation of forward looking information (continue)

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 7 to 10 years. To account for the impact of COVID-19, the Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	**Forecast calendar years used in 2022 ECL model**			Forecast calendar years used in 2021 ECL model		
	2023	**2024**	**2025**	2022	2023	2024
GDP (SAR in Billions)	3,023	3,090	3,149	2,701	2,760	2,823
Oil prices (USD per barrel)	80.20	69.95	68.98	62.88	63.90	64.85
Inflation (Consumer Price Index)	109.84	112.63	114.96	107.18	108.87	110.71

With respect to the listed, sovereign and Financial Institutions, the bank utilizes a Credit Default Swap based methodology (extracted from independent sources), which incorporates the market’s forward looking view in order to arrive at the ECL.

Sensitivity of ECL allowance

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year end:

Assumptions sensitized	**ECL impact 2022 (SAR’ 000)**
<u>*Macro-economic factors:*</u>	
Decrease in $10 oil price per barrel	295,417
Decrease in $20 oil price per barrel	590,833
Decrease in GDP growth rate by 0.5%	153,421
Decrease in GDP growth rate by 1%	306,843

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Sensitivity of ECL allowance (continue)

Where modeling of a parameter is carried out on a collective basis, the financial instruments are assessed on the basis of shared risk characteristics that include:

- Product type
- Delinquency
- Employer (Government & Private segmentation)
- Income (Salary & Non salary transfer)
- Collateral type;

Measurement of ECL

For retail and commercial (including SME exposures), the key inputs into the measurement of ECL are the term structure of the following variables:

a) Probability of default (PD);
b) Loss given default (LGD); and
c) Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset. LGD is calculated on a discounted cash flow basis using the contractual profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Measurement of ECL (continue)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance, terminate a financing commitment, or guarantee.

For credit card facilities that include both a financing and an undrawn commitment component, the Bank measures ECL over a period of contractual maturity, as the bank considers that it has the contractual ability to demand repayment and cancel the undrawn commitment. Although these facilities do not have a fixed term or repayment structure and are managed on a collective basis, there is an annual review of the limits, where these can be cancelled.

For portfolios, such as listed exposures, Sovereign and FI exposures, in respect of which the Bank has limited historical data, credit default swap spreads are utilized to determine the Expected Credit Loss amount.

The PD, EAD and LGD models are subject to the Bank's IFRS 9 model validation policy that stipulates periodic model monitoring, periodic revalidation.

During the year, the Bank has validated and redeveloped some models where necessitates based on updated default data / macroeconomic information.

- **Economic Sector risk concentration for the financing and allowance for ECL are as follows:**

2022 **SAR, 000'**	**Performing**	**Credit-impaired**	**Allowance for expected credit losses**	**Financing, net**
Commercial	**4,404,627**	**445,787**	**(685,999)**	**4,164,415**
Industrial	**5,188,355**	**42,649**	**(379,649)**	**4,851,355**
Building and construction	**2,305,410**	**128,041**	**(365,137)**	**2,068,314**
Real estate and rental	**18,528,328**	**256,110**	**(474,432)**	**18,310,006**
Transportation and communication	**2,960,671**	**82**	**(59,814)**	**2,900,939**
Electricity, water, gas & health services	**3,274,446**	**586**	**(1,915)**	**3,273,117**
Services	**3,377,447**	**23,968**	**(43,579)**	**3,357,836**
Agriculture and fishing	**1,371,937**	**-**	**(12,557)**	**1,359,380**
Mining & Quarrying	**1,809,702**	**-**	**(4,540)**	**1,805,162**
Retail	**46,309,329**	**332,269**	**(558,739)**	**46,082,859**
Other	**3,248,149**	**16,943**	**(259,270)**	**3,005,822**
Total	**92,778,401**	**1,246,435**	**(2,845,631)**	**91,179,205**

30. FINANCIAL RISK MANAGEMENT (continue)

CREDIT RISK (continue)

Measurement of ECL (continue)

2021 SAR, 000'	Performing	Credit-impaired	Allowance for expected credit losses	Financing, net
Commercial	3,739,039	402,793	(729,777)	3,412,055
Industrial	5,785,568	-	(340,129)	5,445,439
Building and construction	2,041,604	74,190	(344,394)	1,771,400
Real estate and rental	15,559,411	-	(337,038)	15,222,373
Transportation and communication	3,509,916	-	(25,719)	3,484,197
Electricity, water, gas & health services	3,427,173	1,402	(11,601)	3,416,974
Services	1,867,309	7,831	(39,168)	1,835,972
Agriculture and fishing	1,512,487	-	(19,388)	1,493,099
Mining & Quarrying	2,197,757	-	(2,271)	2,195,486
Retail	41,189,659	339,334	(454,869)	41,074,124
Other	3,802,107	117,232	(337,144)	3,582,195
Total	84,632,030	942,782	(2,641,498)	82,933,314

- **Collateral**

The banks in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the financing. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and retail financing and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of commercial collateral held as security for financing that are credit-impaired as at 31 December 2022 and 2021 are as follows:

SAR ‘000	**2022**	2021
Total fair value of collateral	**408,015**	197,201

- **Financial assets subject to offsetting, netting arrangements**

SAR ‘000 **31 December 2022**	**Related amounts not offsetted**		
	Gross assets before offset	**Amounts subject to masted netting arrangement**	**Net amount**
Derivative financial instruments	**39,138**	**(34,436)**	**4,702**

31. MARKET RISK

Market risk is the risk that the fair value to future cash flows of the financial instruments will fluctuate due to changes in market variables such as profit rate, foreign exchange rates and equity prices.

a. Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the consolidated financial statements at amortized cost. In addition to this, a substantial portion of the Group's financial liabilities are non-profit bearing.

b. Foreign exchange rate risk

Foreign exchange rate risk represents the risk of change in the value of financial instruments due to change in exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Group's management sets limits on the level of exposure by individual currency and in total for intra day positions, which are monitored daily.

The Group had the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2022		2021	
	Saudi Riyal SAR' 000	**Foreign currency SAR' 000**	Saudi Riyal SAR' 000	Foreign currency SAR' 000
Assets				
Cash and balances with central banks	**8,582,236**	**128,680**	6,043,220	53,424
Due from banks and other financial institutions, net	**4,026,884**	**2,040,309**	485,617	1,651,236
Investments, net	**16,414,882**	**4,185,243**	14,253,580	2,838,652
Financing, net	**89,037,352**	**2,141,853**	80,528,776	2,404,538
Other assets	**336,528**	**544,328**	645,637	23,543
Liabilities and equity				
Due to banks, central bank and other financial institutions	**9,326,121**	**1,295,320**	7,112,977	1,664,250
Customer deposits	**90,793,508**	**4,049,239**	75,849,913	5,260,581
Sukuk	**3,040,452**	**-**	3,015,411	-
Other liabilities	**6,141,950**	**1,497,318**	5,931,664	38,818
Equity	**13,398,948**	**-**	11,904,777	75,313

A substantial portion of the net foreign currency exposure to the Group is in US Dollars, where SAR is pegged to US Dollar. The other currency exposures are not considered significant to the Group's foreign exchange rate risks and as a result the Group is not exposed to major foreign exchange rate risks.

31. MARKET RISK (continue)

b. Foreign exchange rate risk (continue)

The Bank has performed a sensitivity analysis over one year time horizon for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.

Currency position

At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2022 SAR' 000 Long/(short)	2021 SAR' 000 Long/(short)
US Dollars	**2,333,195**	(147,212)
Kuwaiti Dinars	**468**	3,095
Pakistani Rupees	**(32,822)**	60,084
Euro	**(6,068)**	(5,407)
UAE Dirhams	**(18,602)**	27,269
Bangladeshi Takas	**(26,273)**	31,598
Others	**(8,873)**	117,695
Total	**2,241,025**	87,122

c. Investment price risk

Investment risk refers to the risk of change in fair values of equities and mutual funds in the Group’s investment portfolio as a result of possible changes in levels of market indices and the value of individual stocks.

The effect on the Group’s investments due to reasonable possible change in market indices, with all other variables held constant is as follows:

	December 31, 2022		December 31, 2021	
Security types	**Change in investment price %**	**Effect in SAR‘ 000**	Change in investment price %	Effect in SAR‘ 000
Fair Value Through Other Comprehensive Income (FVOCI)- Retained earnings				
Equity				
Quoted	**±10**	**53,292**	±10	53,401
Unquoted	**±2**	**2,082**	±2	2,083
Fair Value Through Statement of Income (FVSI)- Statement of income				
Equity				
Quoted	**±10**	**14,372**	±10	7,566
Mutual Funds				
Quoted	**±10**	**24,963**	±10	24,094
Unquoted	**±2**	**9,934**	±2	7,340

32. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Assets Liability Committee (ALCO). Daily reports cover the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by Saudi central bank, the Bank maintains a statutory deposit with central bank equal to 7% (2021: 7%) of total monthly average demand deposits and 4% (2021: 4%) of monthly average time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with central bank.

32. LIQUIDITY RISK (continue)

a. Analysis of discounted financial assets and financial liabilities by expected maturities:

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2022 SAR' 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	3,698,040	-	-	-	5,012,876	8,710,916
Cash in hand	1,255,392	-	-	-	-	1,255,392
Balances with central bank	2,442,648	-	-	-	5,012,876	7,455,524
Due from Banks and other financial institutions	5,367,440	25,270	674,483	-	-	6,067,193
Demand	1,042,170	-	-	-	-	1,042,170
Commodity murabaha	4,325,270	25,270	674,483	-	-	5,025,023
Investments, net	-	1,956,426	5,679,846	11,436,788	1,527,065	20,600,125
FVOCI	-	446,805	2,331,052	3,761,410	637,043	7,176,310
FVSI	-	-	-	-	890,022	890,022
Amortized cost	-	1,509,621	3,348,794	7,675,378	-	12,533,793
Financing, net	7,970,325	11,898,746	38,314,701	32,995,433	-	91,179,205
Retail	618,673	4,021,602	16,067,708	25,374,877	-	46,082,860
Commercial	7,351,652	7,877,144	22,246,993	7,620,556	-	45,096,345
Other assets	461,847	31,161	-	-	199,669	692,677
Total assets	17,497,652	13,911,603	44,669,030	44,432,221	6,739,610	127,250,116
Liabilities						
Due to banks, central bank and other financial institutions	5,544,100	2,852,919	2,224,422	-	-	10,621,441
Demand	86,667	-	-	-	-	86,667
Direct investment	5,457,433	2,852,919	2,224,422	-	-	10,534,774
Customer deposits	14,634,883	10,303,873	427,726	-	69,476,265	94,842,747
Demand	-	-	-	-	47,470,751	47,470,751
Direct investment	14,634,883	10,303,873	427,726	-	-	25,366,482
Albilad account (Mudarabah)	-	-	-	-	18,857,171	18,857,171
Other	-	-	-	-	3,148,343	3,148,343
Sukuk	-	-	-	3,040,452	-	3,040,452
Other liabilities	2,406,618	-	-	-	5,044,483	7,451,101
Total Liabilities	22,585,601	13,156,792	2,652,148	3,040,452	74,520,748	115,955,741
Commitments & contingencies*	3,043,967	4,918,440	4,356,721	2,171,982	-	14,491,110

* The cumulative maturities of commitments & contingencies are given in note 19 of the financial statements.

32. LIQUIDITY RISK (continue)

2021 SAR' 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	1,403,580	-	-	-	4,693,064	6,096,644
Cash in hand	1,234,011	-	-	-	-	1,234,011
Balances with central bank	169,569	-	-	-	4,693,064	4,862,633
Due from Banks and other financial institutions	1,766,449	-	370,404	-	-	2,136,853
Demand	807,390	-	-	-	-	807,390
Commodity murabaha	959,059	-	370,404	-	-	1,329,463
Investments, net	1,597,976	-	2,712,359	12,068,101	713,796	17,092,232
FVOCI	-	-	1,892,781	5,302,375	638,141	7,833,297
FVSI	607,948	-	-	-	75,655	683,603
Amortized cost	990,028	-	819,578	6,765,726	-	8,575,332
Financing, net	11,477,744	14,403,217	32,146,742	24,905,611	-	82,933,314
Retail	2,032,987	3,743,989	16,206,990	19,090,158	-	41,074,124
Commercial	9,444,757	10,659,228	15,939,752	5,815,453	-	41,859,190
Other assets	326,185	22,008	-	-	141,019	489,212
Total assets	16,571,934	14,425,225	35,229,505	36,973,712	5,547,879	108,748,255
Liabilities						
Due to banks, central bank and other financial institutions	1,524,432	811,728	6,441,067	-	-	8,777,227
Demand	601,161	-	-	-	-	601,161
Direct investment	923,271	811,728	6,441,067	-	-	8,176,066
Customer deposits	8,479,154	5,633,290	4,002	-	66,994,048	81,110,494
Demand	-	-	-	-	41,833,517	41,833,517
Direct investment	8,479,154	5,633,290	4,002	-	-	14,116,446
Albilad account (Mudarabah)	-	-	-	-	21,975,738	21,975,738
Other	-	-	-	-	3,184,793	3,184,793
Sukuk	-	-	-	3,015,411	-	3,015,411
Other liabilities	1,623,926	-	-	-	3,403,893	5,027,819
Total Liabilities	11,627,512	6,445,018	6,445,069	3,015,411	70,397,941	97,930,951
Commitments & contingencies*	2,527,265	3,447,100	2,779,836	1,877,706	-	10,631,907

* The cumulative maturities of commitments & contingencies are given in note 19 of the financial statements.

32. LIQUIDITY RISK (continue)

b. Analysis of financial liabilities by the remaining undiscounted contractual maturities as at December 31, are as follows:

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidty risk based on expected undiscounted cash inflows.

As investment and financing profit payments up to contractual maturity are included in the table, totals do not match with the statement of financial position.

2022 **SAR' 000**	**Within 3 Months**	**3 months to 1 year**	**Over one year to 5 years**	**Over 5 Years**	**No fixed Maturity**	**Total**
Financial liabilities						
Due to banks, Saudi central bank and other financial institutions	**5,574,284**	**2,888,276**	**2,224,422**	**-**	**-**	**10,686,982**
Customers' deposits	**14,696,899**	**10,549,281**	**436,998**	**-**	**69,476,265**	**95,159,443**
2021 SAR' 000						
Financial liabilities						
Due to banks, Saudi central bank and other financial institutions	923,407	812,681	6,649,422	-	601,161	8,986,671
Customers' deposits	8,487,185	5,663,011	4,062	-	66,994,048	81,148,306

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

- **Determination of fair value and fair value hierarchy**

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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.

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

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2022					
Financial assets measured at fair value					
Held as FVSI (mutual funds)	**746,306**	**249,630**	**496,676**	**-**	**746,306**
Held as FVSI (equity instruments)	**143,716**	**143,716**	**-**	**-**	**143,716**
Held as FVOCI (equity instruments)	**637,043**	**532,920**	**-**	**104,123**	**637,043**
Held as FVOCI (debt instruments)	**6,539,267**	**634,184**	**5,905,083**	**-**	**6,539,267**
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	**6,067,193**	**-**	**-**	**6,067,193**	**6,067,193**
Investments held at amortized cost	**12,533,793**	**3,577,264**	**-**	**8,956,529**	**12,533,793**
Financing, net	**91,179,205**	**-**	**-**	**91,204,053**	**91,204,053**

33. FAIR VALUES OF FINANCIAL INSTRUMENTS (continue)

		Fair value			
SAR' 000	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial assets measured at fair value					
Held as FVSI (mutual funds)	607,948	240,939	367,009	-	607,948
Held as FVSI (equity instruments)	75,655	75,655	-	-	75,655
Held as FVOCI (equity instruments)	638,141	534,012	-	104,129	638,141
Held as FVOCI (debt instruments)	7,195,156	712,077	6,483,079	-	7,195,156
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	2,136,853	-	-	2,136,853	2,136,853
Investments held at amortized cost	8,575,332	3,566,351	-	5,008,981	8,575,332
Financing, net	82,933,314	-	-	83,379,249	83,379,249

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2022					
Financial liabilities not measured at fair value					
Due to banks, central bank and other financial institutions	**10,621,441**	**-**	**-**	**10,621,441**	**10,621,441**
Customers' deposits	**94,842,747**	**-**	**-**	**94,842,747**	**94,842,747**
Sukuk	**3,040,452**	**-**	**-**	**3,040,452**	**3,040,452**

		Fair value			
SAR' 000	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial liabilities not measured at fair value					
Due to banks, central bank and other financial institutions	8,777,227	-	-	8,777,227	8,777,227
Customers' deposits	81,110,494	-	-	81,110,494	81,110,494
Sukuk	3,015,411	-	-	3,015,411	3,015,411

The fair values of financial instruments which are not measured at fair value in these consolidated financial statements are not significantly different from the carrying values included in the consolidated financial statements.

Cash and balances with central banks, due from banks with maturity of less than 90 days and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature.

The fair values, of profit bearing customer deposits, held at amortized cost investment, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

33. FAIR VALUES OF FINANCIAL INSTRUMENTS (continue)

Valuation technique and significant unobservable inputs

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
FVSI investments	Fair value is determined based on the investee fund's most recent reported net assets value.	None	Not applicable
FVOCI equity instruments	Fair value is determined based on the latest financial statements	None	Not applicable

Financing classified as level 3 have been valued using expected cash flows discounted at relevant SIBOR.

During the current year, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

- **Reconciliation of level 3 fair values held as FVOCI**

	December 31, 2022 SAR' 000	December 31, 2021 SAR' 000
Balance at the beginning of the year	**104,129**	167,143
Purchase	**-**	-
Sale	**-**	(33,000)
Gain / (loss) included in OCI		
Net changes in fair value unrealised	**(6)**	(30,014)
Total	**104,123**	104,129

34. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of activities, the Group transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and the regulations issued by central bank.

The nature and balances of transactions with the related parties for the years ended December 31 are as follows:

	2022 SAR' 000	2021 SAR' 000
a. Directors, key management personnel, other major shareholders, their affiliates balances and others:		
• Financing	**1,987,593**	4,214,721
• Commitments and contingencies	**115,537**	117,861
• Deposits	**26,823**	72,948

	2022 SAR' 000	2021 SAR' 000
b. Group's mutual funds:		
These are the outstanding balances with Group's mutual funds as of December 31:		
• Customers' deposits	**148**	21,367
• Investments - units	**268,545**	373,842

c. Income and expense:

Directors, Key management personnel, other major shareholders and their affiliates and mutual funds managed by the Group:

	2022 SAR' 000	2021 SAR' 000
• Income	**210,897**	152,992
• Expenses	**8,658**	14,016

d. The total amount of compensation paid to key management personnel during the year is as follows:

	2022 SAR' 000	2021 SAR' 000
• Employee benefits	**151,667**	112,045

35. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. central bank requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

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

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2021 and 2022 effective from 31 March 2021 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	2022	2021
	SAR' 000	SAR' 000
Credit Risk RWA	**88,162,110**	77,220,576
Operational Risk RWA	**8,712,282**	8,018,819
Market Risk RWA	**2,242,872**	244,600
Total Pillar-I RWA	**99,117,264**	85,483,995
Tier I Capital	**13,446,502**	12,051,419
Tier II Capital	**4,102,026**	3,965,257
Total Tier I & II Capital	**17,548,528**	16,016,676
Capital Adequacy Ratio %		
Tier I ratio	**13.57%**	14.10%
Tier I + Tier II ratio	**17.70%**	18.74%

36. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary, Albilad Investment Company. These services include the management of twelve public mutual funds (2021: Ten public mutual funds) with assets under management (AUM) totaling SAR 2,105 million (2021: SAR 3,374 million). Al bilad Investment acts as the fund manager of these funds. All of these funds comply with Shariah rules and are subject to Shariah controls on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors.

The Group also manages private investment portfolios on behalf of its customers amounting to SAR 1,480 million (2021: SAR 1,866 million). The financial statements of these funds and private portfolios are not included in the consolidated financial statements of the Group. However, the transactions between the Group and the funds are disclosed under related party transactions (see note 34).

37. IBOR TRANSITION (PROFIT RATE BENCHMARK REFORMS)

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board (“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”).

38. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

39. BOARD OF DIRECTORS’ APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on 17 Rajab 1444 (corresponding to 8 February, 2023).