



**THE SAUDI NATIONAL BANK  
(FORMERLY KNOWN AS  
THE NATIONAL COMMERCIAL BANK)**  
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED**

**31 MARCH 2022**

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## Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of The Saudi National Bank (Formerly known as The National Commercial Bank)  
(A Saudi Arabian Joint Stock Company)

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi National Bank (Formerly known as The National Commercial Bank) [the "Bank"] and its subsidiaries (collectively referred to as the "Group") as at 31 March 2022 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended and the notes which form an integral part of these interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISAs"), that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

### **Other regulatory matters**

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 17 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 17 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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11 May 2022  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT**

		<b>31 March 2022 (Unaudited) SAR '000</b>	31 December 2021 (Audited) SAR '000	31 March 2021 (Unaudited) SAR '000
	<u>Notes</u>			
<b>ASSETS</b>				
Cash and balances with SAMA		<b>49,629,980</b>	52,167,422	48,343,284
Due from banks and other financial institutions, net		<b>33,016,197</b>	40,161,478	14,030,019
Investments, net	4	<b>242,081,977</b>	240,540,330	149,662,417
Financing and advances, net	5	<b>512,897,591</b>	495,898,313	356,719,548
Positive fair value of derivatives, net	6	<b>10,089,304</b>	8,909,910	6,280,268
Investments in associates, net		<b>246,049</b>	319,600	441,614
Property, equipment and software, net		<b>8,928,992</b>	8,814,783	5,869,631
Goodwill	19	<b>34,006,782</b>	34,006,782	-
Intangible assets	19	<b>7,997,738</b>	8,227,393	-
Right of use assets, net		<b>1,840,673</b>	1,802,287	1,490,918
Other assets		<b>20,829,369</b>	23,301,619	16,729,261
<b>Total assets</b>		<b><u>921,564,652</u></b>	<u>914,149,917</u>	<u>599,566,960</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		<b>98,760,986</b>	115,431,820	72,372,010
Customers' deposits	7	<b>604,963,356</b>	586,944,381	419,429,958
Debt securities issued	8	<b>8,846,207</b>	6,112,447	2,101,084
Negative fair value of derivatives, net	6	<b>10,132,561</b>	9,410,294	6,747,554
Other liabilities		<b>33,718,721</b>	33,481,463	14,730,873
<b>Total liabilities</b>		<b><u>756,421,831</u></b>	<u>751,380,405</u>	<u>515,381,479</u>
<b>EQUITY</b>				
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>				
Share capital	10, 19	<b>44,780,000</b>	44,780,000	30,000,000
Share premium		<b>63,701,800</b>	63,701,800	-
Treasury shares		<b>(2,037,875)</b>	(2,137,887)	(275,335)
Statutory reserve		<b>31,262,024</b>	31,262,024	28,369,948
Other reserves (cumulative changes in fair values)		<b>(1,011,730)</b>	883,722	619,440
Employees' share based payments reserve		<b>273,229</b>	347,885	151,908
Retained earnings		<b>17,543,050</b>	13,211,790	17,698,941
Proposed dividend	11	<b>4,030,200</b>	4,030,200	-
Foreign currency translation reserve		<b>(6,154,927)</b>	(6,069,092)	(5,292,097)
<b>Equity attributable to shareholders of the Bank</b>		<b><u>152,385,771</u></b>	<u>150,010,442</u>	<u>71,272,805</u>
Tier 1 Sukuk	13	<b>12,187,500</b>	12,187,500	12,187,500
<b>Equity attributable to equity holders of the Bank</b>		<b><u>164,573,271</u></b>	<u>162,197,942</u>	<u>83,460,305</u>
<b>Non-controlling Interests</b>		<b>569,550</b>	571,570	725,176
<b>Total equity</b>		<b><u>165,142,821</u></b>	<u>162,769,512</u>	<u>84,185,481</u>
<b>Total liabilities and equity</b>		<b><u>921,564,652</u></b>	<u>914,149,917</u>	<u>599,566,960</u>

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)  
FOR THE PERIOD ENDED 31 MARCH**

	<b>31 March 2022</b>	31 March 2021
	<b><u>SAR '000</u></b>	<u>SAR '000</u>
	<b>Notes</b>	
Special commission income	<b>6,917,756</b>	4,900,256
Special commission expense	<b>(832,804)</b>	(722,177)
<b>Net special commission income</b>	<b>6,084,952</b>	4,178,079
Fee income from banking services, net	<b>946,175</b>	621,408
Exchange income, net	<b>410,822</b>	326,174
Gain from fair value through income statement (FVIS) financial instruments, net	<b>422,974</b>	254,838
Gains/income on non-FVIS financial instruments, net	<b>378,605</b>	609,773
Other operating expenses, net	<b>(178,732)</b>	(270,964)
<b>Total operating income</b>	<b>8,064,796</b>	5,719,308
Salaries and employee-related expenses	<b>1,106,773</b>	805,858
Rent and premises related expenses	<b>130,691</b>	89,107
Depreciation/amortisation of property, equipment, software, right of use assets	<b>311,252</b>	230,040
Amortization of intangible assets	<b>229,655</b>	-
Other general and administrative expenses	<b>646,610</b>	437,164
<b>Total operating expenses before expected credit losses</b>	<b>2,424,981</b>	1,562,169
Net impairment charge for expected credit losses	<b>384,945</b>	286,365
<b>Total operating expenses</b>	<b>2,809,926</b>	1,848,534
<b>Income from operations, net</b>	<b>5,254,870</b>	3,870,774
Other non-operating income/(expenses), net	<b>(96,861)</b>	(53,936)
<b>Net income for the period before zakat and income tax</b>	<b>5,158,009</b>	3,816,838
Zakat and income tax expense	<b>(592,203)</b>	(391,480)
<b>Net income for the period</b>	<b>4,565,806</b>	3,425,358
<b>Net income for the period attributable to:</b>		
Equity holders of the Bank	<b>4,501,580</b>	3,408,468
Non-controlling interests	<b>64,226</b>	16,890
<b>Net income for the period</b>	<b>4,565,806</b>	3,425,358
<b>Basic earnings per share (expressed in SAR per share)</b>	<b>0.98</b>	1.10
<b>Diluted earnings per share (expressed in SAR per share)</b>	<b>0.98</b>	1.10

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE PERIOD ENDED 31 MARCH**

	<b>31 March 2022 <u>SAR '000</u></b>	31 March 2021 <u>SAR '000</u>
<b>Net income for the period</b>	<b>4,565,806</b>	3,425,358
<b>Other comprehensive income/(loss)</b>		
<i>Items that cannot be reclassified to the consolidated statement of income in subsequent periods:</i>		
- Net gains/(losses) of movement in fair value through other comprehensive income in equity instruments	<b>587,102</b>	335,521
<i>Items that are or may be reclassified to the consolidated statement of income in subsequent periods:</i>		
- Net movement in foreign currency translation reserve (losses)	<b>(155,734)</b>	(272,513)
<b>FVOCI debt instruments:</b>		
- Net change in fair values	<b>(1,974,613)</b>	(847,014)
- Net amounts transferred to the consolidated statement of income	<b>(193,592)</b>	(489,497)
<b>Cash flow hedges:</b>		
- Effective portion of changes in fair values	<b>(291,900)</b>	(59,158)
- Net amounts transferred to the consolidated statement of income	<b>(18,796)</b>	(3,655)
<b>Total other comprehensive loss</b>	<b>(2,047,533)</b>	(1,336,316)
<b>Total comprehensive income for the period</b>	<b>2,518,273</b>	2,089,042
<b>Attributable to:</b>		
Equity holders of the Bank	<b>2,520,293</b>	2,168,751
Non-controlling interests	<b>(2,020)</b>	(79,709)
<b>Total comprehensive income for the period</b>	<b>2,518,273</b>	2,089,042

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE PERIOD ENDED 31 MARCH**

Notes	Attributable to equity holders of the Bank														
	Other reserves											Tier 1 Sukuk	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
	Share capital	Capital Premium	Treasury shares	Statutory reserve	Cash flow hedge reserves	FVOCI financial instrument reserve	Employees' share based payments reserve	Retained earnings	Proposed dividend	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank				
SAR' 000	SR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
Balance as at 1 January 2022	44,780,000	63,701,800	(2,137,887)	31,262,024	(140,568)	1,024,290	347,885	13,211,790	4,030,200	(6,069,092)	150,010,442	12,187,500	162,197,942	571,570	162,769,512
Other comprehensive (loss) for the period	-	-	-	-	(310,696)	(1,584,756)	-	-	-	(85,835)	(1,981,287)	-	(1,981,287)	(66,246)	(2,047,533)
Net income for the period	-	-	-	-	-	-	-	4,501,580	-	-	4,501,580	-	4,501,580	64,226	4,565,806
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	(310,696)	(1,584,756)	-	4,501,580	-	(85,835)	2,520,293	-	2,520,293	(2,020)	2,518,273
Tier 1 Sukuk related costs	13	-	-	-	-	-	-	(168,861)	-	-	(168,861)	-	(168,861)	-	(168,861)
Settlement of vested share based payment plan via treasury shares	-	-	100,012	-	-	-	(121,217)	(1,459)	-	-	(22,664)	-	(22,664)	-	(22,664)
Employees' share based payments plan reserve - charged to the interim condensed consolidated statement of income	-	-	-	-	-	-	46,561	-	-	-	46,561	-	46,561	-	46,561
<b>Balance as at 31 March 2022</b>	<b>44,780,000</b>	<b>63,701,800</b>	<b>(2,037,875)</b>	<b>31,262,024</b>	<b>(451,264)</b>	<b>(560,466)</b>	<b>273,229</b>	<b>17,543,050</b>	<b>4,030,200</b>	<b>(6,154,927)</b>	<b>152,385,771</b>	<b>12,187,500</b>	<b>164,573,271</b>	<b>569,550</b>	<b>165,142,821</b>
Balance as at 1 January 2021	30,000,000	-	(371,071)	28,369,948	48,199	1,628,294	242,713	14,401,446	-	(5,109,433)	69,210,096	10,200,000	79,410,096	804,885	80,214,981
Other comprehensive (loss) for the period	-	-	-	-	(62,813)	(994,240)	-	-	-	(182,664)	(1,239,717)	-	(1,239,717)	(96,599)	(1,336,316)
Net income for the period	-	-	-	-	-	-	-	3,408,468	-	-	3,408,468	-	3,408,468	16,890	3,425,358
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	(62,813)	(994,240)	-	3,408,468	-	(182,664)	2,168,751	-	2,168,751	(79,709)	2,089,042
Tier 1 Sukuk issued	13	-	-	-	-	-	-	-	-	-	-	4,687,500	4,687,500	-	4,687,500
Tier 1 Sukuk called	13	-	-	-	-	-	-	-	-	-	-	(2,700,000)	(2,700,000)	-	(2,700,000)
Tier 1 Sukuk related costs	13	-	-	-	-	-	-	(127,445)	-	-	(127,445)	-	(127,445)	-	(127,445)
Settlement of vested share based payment plan via treasury shares	-	-	95,736	-	-	-	(112,007)	16,472	-	-	201	-	201	-	201
Employees' share based payments plan reserve - charged to the interim condensed consolidated statement of income	-	-	-	-	-	-	21,202	-	-	-	21,202	-	21,202	-	21,202
<b>Balance as at 31 March 2021</b>	<b>30,000,000</b>	<b>-</b>	<b>(275,335)</b>	<b>28,369,948</b>	<b>(14,614)</b>	<b>634,054</b>	<b>151,908</b>	<b>17,698,941</b>	<b>-</b>	<b>(5,292,097)</b>	<b>71,272,805</b>	<b>12,187,500</b>	<b>83,460,305</b>	<b>725,176</b>	<b>84,185,481</b>

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE PERIOD ENDED 31 MARCH**

	<u>Notes</u>	<b>31 March 2022 SAR '000</b>	31 March 2021 SAR '000
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Net income for the period before zakat and income tax</b>		<b>5,158,009</b>	3,816,838
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Amortisation of (premium)/discount on non-trading financial instruments, net		128,583	50,403
(Gains) on non-FVIS financial instruments, net		(349,401)	(596,422)
(Gains) on disposal of property, equipment and software, net		(16,051)	(10,989)
Loss on disposal of other repossessed assets		22,416	17,299
Depreciation/amortisation of property, equipment, software, right of use assets		311,252	230,040
Net impairment charge for expected credit loss		384,945	286,365
Amortisation of other intangible assets		229,655	-
Share based payments plan expenses		46,561	21,202
		<b>5,915,969</b>	3,814,736
<b>Net (increase)/decrease in operating assets:</b>			
Statutory deposits with SAMA		181,187	(822,092)
Due from banks and other financial institutions with original maturity of more than three months, net		(52,418)	(2,394,072)
Held at fair value through income statement (FVIS) investments		1,617,910	(1,544,239)
Financing and advances, net		(19,081,808)	(12,979,172)
Positive fair value of derivatives, net		(1,490,449)	1,557,868
Other assets		2,275,748	6,197,736
<b>Net increase/(decrease) in operating liabilities</b>			
Due to banks and other financial institutions		(16,387,607)	(2,541,233)
Customers' deposits		20,299,370	5,146,919
Negative fair value of derivatives, net		731,795	(2,989,783)
Other liabilities		(348,972)	(1,939,294)
<b>Net cash (used in)/from operating activities</b>		<b>(6,339,275)</b>	(8,492,626)
<b><u>INVESTING ACTIVITIES</u></b>			
Proceeds from sale and maturities of non-FVIS investments		18,694,320	26,906,412
Purchase of non-FVIS investments		(24,273,438)	(31,203,923)
Purchase of property, equipment and software		(437,162)	(230,184)
Proceeds from disposal of property, equipment and software		26,051	7,893
<b>Net cash from/(used in) investing activities:</b>		<b>(5,990,229)</b>	(4,519,802)
<b><u>FINANCING ACTIVITIES</u></b>			
Debt securities issued	8	3,425,220	1,648,705
Debt securities payment	8	(653,193)	(1,182,430)
Tier 1 Sukuk Issuance		-	4,687,500
Tier 1 Sukuk called		-	(2,700,000)
Tier 1 Sukuk related costs		(168,861)	(127,445)
<b>Net cash from financing activities</b>		<b>2,603,166</b>	2,326,330
Net decrease in cash and cash equivalents		(9,726,338)	(10,686,098)
Foreign currency translation reserve - net movement on cash and cash equivalents at the beginning of the period		(208,884)	(47,610)
Cash and cash equivalents at the beginning of the period		51,726,360	41,891,820
<b>Cash and cash equivalents at the end of the period</b>	3	<b>41,791,138</b>	31,158,112
Special commission income received during the period		6,879,641	4,608,981
Special commission expense paid during the period		874,960	742,527
<b>Supplemental non-cash information</b>			
Movement in other reserve and transfers to the interim condensed consolidated statement of income		(2,478,901)	(1,399,324)

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.



# The Saudi National Bank (formerly known as The National Commercial Bank)

(A Saudi Joint Stock Company)

## Notes To The Interim Condensed Consolidated Financial Statements

AS AT 31 MARCH 2022 (UNAUDITED)

### 1. GENERAL

#### (1.1) Introduction

The financial statements comprise of the interim condensed consolidated financial statements of The Saudi National Bank (formerly known as The National Commercial Bank) (the Bank) and its subsidiaries (the Group).

The Bank is a Saudi Joint Stock Company formed pursuant to Cabinet Resolution No. 186 on 22 Dhul Qa'da 1417H (30 March 1997) and Royal Decree No. M/19 on 23 Dhul Qa'da 1417H (31 March 1997), approving the Bank's conversion from a General Partnership to a Saudi Joint Stock Company.

The Bank commenced business as a partnership under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (15 May 1950) and registered under commercial registration number 4030001588 dated on 19 Safar 1418H (26 June 1997). The Bank initiated business in the name of "The National Commercial Bank" under Royal Decree No. 3737 on 20 Rabi Thani 1373H (26 December 1953). The date of 1 July 1997 was determined to be the effective date of the Bank's conversion from a General Partnership to a Saudi Joint Stock Company. The Bank's shares have been trading on Saudi Stock Exchange (Tadawul) since 12 November 2014.

On 11 October 2020, the Bank announced that it has entered into a legally binding merger agreement pursuant to which the Bank and Samba Financial Group ("Samba") have agreed to take necessary steps to implement merger between the two Banks in accordance with the applicable regulations.

Subsequently, the Bank and Samba satisfied the required regulatory approvals and the Merger conditions agreed between the two banks in the Merger agreement as set out in the Shareholder Circular and the Offer Document issued by the Bank with respect to the Merger.

The effective date of above merger was 1 April 2021, pursuant to which Samba ceased to exist and all of its assets and liabilities were transferred to the Bank. As a result of merger, total new ordinary shares of 1,478,000,000 with a nominal value of SAR 10 per share were issued by the Bank in favour of Samba shareholders by way of increasing the paid-up capital of the Bank from SAR 30,000,000,000 to SAR 44,780,000,000 (see note 10) which represents an increase in the number of shares of the Bank from 3,000,000,000 shares to 4,478,000,000 fully paid shares. Additionally, the Bank announced that as a result of the merger, the Bank's name has changed from "The National Commercial Bank" to "The Saudi National Bank" from the date of the merger pursuant to the Bank's extraordinary general meeting approval on 17/7/1442H (corresponding to 1/3/2021). The legal procedures to register the new name of the Bank were completed during 2021.

The Bank operates through its 504 branches (2021: 506 branches), 12 retail service centers (2021: 12 centers), 7 corporate service centers (2021: 7 centers) and 121 QuickPay remittance centers (2021: 130 centers) in the Kingdom of Saudi Arabia and four overseas branches in the Kingdom of Bahrain, United Arab Emirates, Qatar and the Republic of Singapore.

The Bank's Head Office is located at the following address:

The Saudi National Bank Tower  
King Abdullah Financial District  
King Fahd Road,  
3208 Al Aqeeq District,  
Riyadh 13519 - 6676,  
Kingdom of Saudi Arabia  
[www.alahli.com](http://www.alahli.com)

The objective of the Group is to provide a full range of banking and investment management services. The Group also provides non-special commission based banking products in compliance with Shariah rules, which are approved and supervised by an independent Shariah Board.

# The Saudi National Bank (formerly known as The National Commercial Bank)

(A Saudi Joint Stock Company)

## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 1. GENERAL (continued)

#### (1.2) A) Group's subsidiaries

The details of the Group's significant subsidiaries are as follows:

Name of subsidiary	Ownership %		31 March 2021	Description
	31 March 2022	31 December 2021		
SNB Capital Company (formerly known as NCB Capital) (see note 1.2 (B))	100%	100%	100%	A Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia to manage the Bank's investment services and asset management activities.
NCB Capital Dubai Inc.	100%	100%	100%	An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.
NCB Capital Real Estate Investment Company (REIC)	100%	100%	100%	The Company is a special purpose entity registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by SNB Capital Company.
Türkiye Finans Katılım Bankası A.Ş. (TFKB) (see note 2.7)	67.03%	67.03%	67.03%	<p>A participation bank registered in Turkey that collects funds through current accounts, profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships.</p> <p>TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlık Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuk by TFKB.</p>

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## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 1. GENERAL (continued)

#### (1.2) A) Group's subsidiaries (continued)

Name of subsidiary	Ownership %			Description
	31 March 2022	31 December 2021	31 March 2021	
Real Estate Development Company (REDCO)	100%	100%	100%	A Limited Liability Company registered in the Kingdom of Saudi Arabia. REDCO is engaged in keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.
AlAhli Insurance Service Marketing Company	100%	100%	100%	A Limited Liability Company, engaged as an insurance agent for distribution and marketing of Islamic insurance products in Saudi Arabia.  The Board of Directors of the subsidiary in their meeting held on 28 January 2021 resolved to liquidate AlAhli Insurance Service Marketing Company. As at the reporting date, the required regulatory approvals and the legal formalities in respect of liquidation of the subsidiary are in progress.
SNB Markets Limited	100%	100%	100%	A Limited Liability Company registered in the Cayman Islands, engaged in trading in derivatives and Repos/ Reverse Repos on behalf of the Bank.
Eastgate MENA Direct Equity L.P.	100%	100%	100%	A private equity fund domiciled in the Cayman Islands and managed by NCB Capital Dubai Inc. The Fund's investment objective is to generate returns via investments in Sharia compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).

# The Saudi National Bank (formerly known as The National Commercial Bank)

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## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 1. GENERAL (continued)

#### (1.2) A) Group's subsidiaries (continued)

Name of subsidiary	Ownership %			Description
	31 March 2022	31 December 2021	31 March 2021	
AlAhli Outsourcing Company	100%	100%	100%	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in recruitment services within the Kingdom of Saudi Arabia.
Samba Bank Limited, (SBL) Pakistan (note 1.2 C)	84.51%	84.51%	N/A	A subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange. During the year ended 31 December 2021, the Board of Directors resolved to invite tender bids from interested parties to carry out due diligence procedures to evaluate and pursue potential sale transactions, subject to receiving regulatory and shareholder approvals. As at the reporting date, the fair value less cost to sell of SBL is not materially different from its net asset value.
Co-Invest Offshore Capital Limited (COCL) (note 1.2 C)	100%	100%	N/A	A Limited Liability Company registered in Cayman Islands, engaged in managing certain overseas investments through a fully owned entity, Investment Capital (Cayman) Limited (ICCL). ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, which is also a Cayman Island limited liability company, that manages these overseas investments.
Samba Real Estate Company (note 1.2 C)	100%	100%	N/A	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in managing real estate projects on behalf of the Bank.

# The Saudi National Bank (formerly known as The National Commercial Bank)

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## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 1. GENERAL (continued)

#### (1.2) A) Group's subsidiaries (continued)

Name of subsidiary	Ownership %			Description
	31 March 2022	31 December 2021	31 March 2021	
Samba Global Markets Limited (note 1.2 C)	100%	100%	N/A	A Limited Liability Company registered in Cayman Islands, engaged in managing certain treasury related transactions.
Samba Funding Limited (note 1.2 C)	100%	100%	N/A	A Limited Liability company under the laws of Cayman Islands established with the main objective of generating liquidity for the Bank through issuance of bonds.

#### B) Merger of NCB Capital and Samba Capital

Pursuant to merger agreement executed between the Bank and Samba (note 1), the Board of the Directors of SNB Capital Company ("SNBC"), on February 4, 2021, resolved for the SNBC to consider and pursue merger discussions with Samba Capital & Investment Management Company (Samba Capital). All the requisite legal and regulatory formalities in this regard were completed on July 09, 2021, which represents the effective date of the merger between SNBC and Samba Capital and pursuant to which Samba Capital ceased to exist and all of its assets and liabilities were transferred to SNBC. Prior to the merger, SAMBA Capital was a subsidiary of the Bank as a result of its merger with Samba. Since this merger represents a business combination transaction under common control and SNBC has opted, as an accounting policy, to apply the book value method of accounting therefore, it did not have an impact on Group's consolidated financial statements. Moreover, subsequent to the merger the name of NCB Capital Company has been changed to SNB Capital. Pursuant to foregoing, SNB Capital also acquired two special purpose entities namely Samba US Logistics Fund L.P., an exempted limited partnership, registered on 9 September 2020, and Samba US Logistics Fund G.P. an exempted company, incorporated on 7 July 2020 which were subsidiaries of Samba Capital prior to the merger. These entities are governed under the laws of Cayman Island and are formed for the purpose of holding and managing principal investments.

#### C) Subsidiaries acquired through business combination

These represent subsidiaries over which the Group has acquired control as a result of merger with Samba (note 1).

# The Saudi National Bank (formerly known as The National Commercial Bank)

(A Saudi Joint Stock Company)

## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 2. BASIS OF PREPARATION

#### (2.1) Statement of compliance

The interim condensed consolidated financial statements of the Group have been prepared:

- In accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA); and

- In compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

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

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

#### (2.2) Basis of measurement

The interim condensed consolidated financial statements are prepared and presented under the historical cost convention except for the measurement at fair value of financial assets held at fair value [derivatives, financial assets held at fair value through income statement (FVIS), Fair value through other comprehensive income (FVOCI) - debt instruments and equity instruments] and defined benefit obligation. In addition, financial assets or liabilities that are carried at amortized cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged. The interim condensed consolidated statement of financial position is broadly in order of liquidity.

#### (2.3) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and have been rounded off to the nearest thousand Saudi Arabian Riyals, except as otherwise indicated.

#### (2.4) Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of "The Saudi National Bank (formerly known as The National Commercial Bank)" and its subsidiaries (see note 1.2). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Period adjustments have been made to the interim financial statements of the subsidiaries, where necessary, to align with the Bank's interim condensed consolidated financial statements.

##### (a) Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three of the following criteria must be met:

- i) the Group has power over an entity;
- ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed off during the period, if any, are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

# The Saudi National Bank (formerly known as The National Commercial Bank)

(A Saudi Joint Stock Company)

## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 2. BASIS OF PREPARATION (continued)

#### (2.4) Basis of consolidation (continued)

##### (b) Non-controlling interests

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

##### (c) Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognised at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

The previously recognised impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of the investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before provision for impairment) or the recoverable amount. On derecognition the difference between the carrying amount of investment in associate and the fair value of the consideration received is recognised in the consolidated statement of income.

##### (d) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

#### (2.5) Significant accounting policies, estimates and assumptions

##### (a) Significant accounting estimates and assumptions

The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021.

##### (b) Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022, which is explained in note 2.6 below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

# The Saudi National Bank (formerly known as The National Commercial Bank)

(A Saudi Joint Stock Company)

## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 2. BASIS OF PREPARATION (continued)

#### (2.6) 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. Various amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient (Effective for annual periods beginning on or after 1 April 2021)
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (Effective for annual periods beginning on or after 1 January 2022)
  - 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'.

#### (2.7) Accounting standards issued but not yet effective

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (Deferred until accounting periods starting not earlier than 1 January 2024).
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (Annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (Annual periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance contracts', as amended in June 2020 (Annual periods beginning on or after 1 January 2023).
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts (Annual periods beginning on or after 1 January 2023).

Due to the prevailing economic situation in Turkey, particularly inflationary pressures, it is expected that the Turkish economy would meet the criteria of a hyper-inflationary environment under IAS 29 - Financial Reporting in Hyperinflationary Economies for financial periods ending 30 June 2022. The application of IAS 29 entails various steps including the determination of historical and current general price indices, categorization of balances into monetary and non-monetary items and determination of gain/loss on net monetary position. Considering that TFKB's operations account for less than 3% of Group's total assets, management does not expect the implementation to have a significant impact on the Group's financial statements.



# The Saudi National Bank (formerly known as The National Commercial Bank)

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## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 3. CASH AND CASH EQUIVALENTS

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

	<b>31 March 2022 (Unaudited) SAR '000</b>	31 December 2021 (Audited) SAR '000	31 March 2021 (Unaudited) SAR '000
Cash and balances with Saudi Central Bank - (SAMA) excluding statutory deposit	<b>15,622,455</b>	17,978,710	24,475,834
Due from banks and other financial institutions with original maturity of three months or less	<b>26,168,683</b>	33,747,650	6,682,278
<b>Total</b>	<b><u>41,791,138</u></b>	<u>51,726,360</u>	<u>31,158,112</u>

### 4. INVESTMENTS, NET

	<b>31 March 2022 (Unaudited) SAR '000</b>	31 December 2021 (Audited) SAR '000	31 March 2021 (Unaudited) SAR '000
Held at FVIS	<b>17,067,089</b>	18,626,037	10,676,313
Held at FVOCI	<b>86,499,562</b>	84,110,363	59,359,861
Investments held at amortised cost, net	<b>138,515,326</b>	137,803,930	79,626,243
<b>Total</b>	<b><u>242,081,977</u></b>	<u>240,540,330</u>	<u>149,662,417</u>

- a) Investments held at amortised cost, net includes investments amounting to SAR 4,278 million (31 December 2021: SAR 4,491 million and 31 March 2021: SAR 2,986 million) which are held under a fair value hedge relationship. As at 31 March 2022, the fair value of these investments amount to SAR 4,690 million (31 December 2021: SAR 4,441 million and 31 March 2021: SAR 2,986 million).
- b) Investments, net includes debt securities that are issued by the Ministry of Finance of Saudi Arabia amounting to SAR 147,132 million (31 December 2021: SAR 145,630 million and 31 March 2021: SAR 75,259 million), and also include investment in Sukuks amounting to SAR 30,674 million, (31 December 2021: SAR 35,318 million and 31 March 2021: SAR 30,123 million).
- c) Dividend income recognized during the three-month period ended 31 March 2022 for FVOCI investments amounts to SAR 23 million (31 March 2021: SAR 12 million).

## The Saudi National Bank (formerly known as The National Commercial Bank)

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### Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

#### 5. FINANCING AND ADVANCES, NET

	31 March 2022 (Unaudited)				
	SAR '000				
	<u>Consumer &amp; Credit card</u>	<u>Corporate</u>	<u>International</u>	<u>Others</u>	<u>Total</u>
Performing financing and advances	271,665,213	209,363,506	16,445,869	15,765,513	513,240,101
Non-performing financing and advances	992,784	6,435,034	681,573	-	8,109,391
<b>Total financing and advances</b>	<b>272,657,997</b>	<b>215,798,540</b>	<b>17,127,442</b>	<b>15,765,513</b>	<b>521,349,492</b>
Allowance for financing losses (ECL allowance)	(2,109,392)	(8,337,209)	(756,872)	(26,530)	(11,230,003)
Purchased or originated credit impaired	22,896	2,755,206	-	-	2,778,102
<b>Financing and advances, net</b>	<b>270,571,501</b>	<b>210,216,537</b>	<b>16,370,570</b>	<b>15,738,983</b>	<b>512,897,591</b>
	31 December 2021 (Audited)				
	SAR '000				
	<u>Consumer &amp; Credit card</u>	<u>Corporate</u>	<u>International</u>	<u>Others</u>	<u>Total</u>
Performing financing and advances	262,118,105	206,053,335	16,109,370	11,847,174	496,127,984
Non-performing financing and advances	843,698	6,411,564	792,185	-	8,047,447
<b>Total financing and advances</b>	<b>262,961,803</b>	<b>212,464,899</b>	<b>16,901,555</b>	<b>11,847,174</b>	<b>504,175,431</b>
Allowance for financing losses (ECL allowance)	(1,909,307)	(8,186,074)	(795,986)	(9,526)	(10,900,893)
Purchased or originated credit impaired	22,882	2,600,893	-	-	2,623,775
<b>Financing and advances, net</b>	<b>261,075,378</b>	<b>206,879,718</b>	<b>16,105,569</b>	<b>11,837,648</b>	<b>495,898,313</b>
	31 March 2021 (Unaudited)				
	SAR '000				
	<u>Consumer &amp; Credit card</u>	<u>Corporate</u>	<u>International</u>	<u>Others</u>	<u>Total</u>
Performing financing and advances	189,463,742	132,614,858	20,883,933	16,542,970	359,505,503
Non-performing financing and advances	616,405	4,322,153	1,224,566	-	6,163,124
<b>Total financing and advances</b>	<b>190,080,147</b>	<b>136,937,011</b>	<b>22,108,499</b>	<b>16,542,970</b>	<b>365,668,627</b>
Allowance for financing losses (ECL allowance)	(1,236,497)	(6,553,201)	(1,115,161)	(44,220)	(8,949,079)
<b>Financing and advances, net</b>	<b>188,843,650</b>	<b>130,383,810</b>	<b>20,993,338</b>	<b>16,498,750</b>	<b>356,719,548</b>

Others include financing and advances related to financial institutions.

- a) Financing and advances, net, include financing products in compliance with Shariah rules mainly Murabaha, Tayseer and Ijara amounting to SAR 431,520 million (31 December 2021: SAR 418,725 million and 31 March 2021: SAR 315,810 million).

# The Saudi National Bank (formerly known as The National Commercial Bank)

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## Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 31 MARCH 2022 (UNAUDITED)

### 5. FINANCING AND ADVANCES, NET (continued)

b) Movement in loss allowance for financing and advances at amortised cost for the period is as follows:

	31 March 2022 (Unaudited)			
	SAR '000			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	12 month ECL	Lifetime ECL for SICR	Lifetime ECL for credit impaired	
<b>Balance as at 1 January 2022</b>	<b>2,338,706</b>	<b>2,813,325</b>	<b>5,748,862</b>	<b>10,900,893</b>
Net impairment charge	17,005	220,946	445,457	683,408
Transfer to stage 1	1,944	(112)	(1,832)	-
Transfer to stage 2	(16,083)	16,296	(213)	-
Transfer to stage 3	(5,049)	(9,971)	15,020	-
Bad debts written off	-	-	(273,292)	(273,292)
Foreign exchange gains and losses and other movements	(6,554)	(44,827)	(29,625)	(81,006)
Other movements	-	-	-	-
<b>Balance as at 31 March 2022</b>	<b>2,329,969</b>	<b>2,995,657</b>	<b>5,904,377</b>	<b>11,230,003</b>
	31 December 2021 (Audited)			
	SAR '000			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	12 month ECL	Lifetime ECL for SICR	Lifetime ECL for credit impaired	
Balance as at 1 January 2021	1,807,770	2,447,925	4,535,680	8,791,375
Net impairment charge	572,454	1,217,126	2,764,680	4,554,260
Transfer to stage 1	96,067	(80,325)	(15,742)	-
Transfer to stage 2	(78,572)	86,779	(8,207)	-
Transfer to stage 3	(10,394)	(756,172)	766,566	-
Bad debts written off	-	-	(1,799,619)	(1,799,619)
Foreign exchange gains and losses and other movements	(48,619)	(100,910)	(494,496)	(644,025)
Other movements	-	(1,098)	-	(1,098)
Balance as at 31 December 2021	2,338,706	2,813,325	5,748,862	10,900,893
	31 March 2021 (Unaudited)			
	SAR '000			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	12 month ECL	Lifetime ECL for SICR	Lifetime ECL for credit impaired	
Balance as at 1 January 2021	1,807,770	2,447,925	4,535,680	8,791,375
Net impairment charge	(306,048)	489,958	317,549	501,459
Transfer to stage 1	67,736	(56,339)	(11,397)	-
Transfer to stage 2	(32,647)	43,294	(10,647)	-
Transfer to stage 3	(3,528)	(111,959)	115,487	-
Bad debts written off	-	-	(213,201)	(213,201)
Foreign exchange gains and losses and other movements	(5,823)	(22,448)	(102,283)	(130,554)
Other movements	-	-	-	-
Balance as at 31 March 2021	1,527,460	2,790,431	4,631,188	8,949,079

## **The Saudi National Bank (formerly known as The National Commercial Bank)**

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### **Notes To The Interim Condensed Consolidated Financial Statements (continued)**

**AS AT 31 MARCH 2022 (UNAUDITED)**

#### **6. DERIVATIVES**

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes:

##### **(a) Swaps**

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, fixed special commission payments and principal are exchanged in different currencies. For cross-currency special commission rate swaps, principal and fixed and floating special commission payments are exchanged in different currencies.

##### **(b) Forwards and futures**

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

##### **(c) Forward rate agreements**

Forward rate agreements are individually negotiated special commission rate contracts that call for a cash settlement for the difference between a contracted special commission rate and the market rate on a specified future date, based on a notional principal for an agreed period of time.

##### **(d) Options**

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

##### **(e) Structured derivative products**

Structured derivative products provide financial solutions to the customers of the Group to manage their risks in respect of foreign exchange, special commission rate and commodity exposures and enhance yields by allowing deployment of excess liquidity within specific risk and return profiles. The majority of the Group's structured derivative transactions are entered on a back-to-back basis with various counterparties.

##### **(6.1) Derivatives held for trading purposes**

Most of the Group's derivative trading activities are related to sales, positioning and arbitrage. 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 favorable movements in prices, rates or indices. Arbitrage involves profiting from price differentials between markets or products.

##### **(6.2) Derivatives held for hedging purposes**

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and special commission rates and to maintain its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors and within the guidelines issued by SAMA.

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#### 6. DERIVATIVES (continued)

##### (6.2) Derivatives held for hedging purposes (continued)

The Board of Directors has established levels of acceptable risks by setting limits on counterparty and currency exposures. Outstanding positions are monitored on a daily basis and hedging strategies are initiated when considered appropriate to ensure that positions are maintained within the established limits. The Board of Directors has established the acceptable level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Special commission rate gaps arising out of rate sensitive assets and liabilities are reviewed on a periodic basis and appropriate hedging strategies are initiated to reduce sensitivities arising from special commission rate gaps as and when required.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to manage its own exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives such as special commission rate swaps, special commission rate options and futures, forward foreign exchange contracts and currency options are accounted for as held for trading.

Amongst various hedging methodologies, the Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures. The Group also uses special commission rate swaps to hedge against the cash flow variability risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument, are formally documented and the transactions are accounted for either as fair value or cash flow hedges.

The tables below show the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

	<u>31 March 2022 (Unaudited)</u>			<u>31 December 2021 (Audited)</u>			<u>31 March 2021 (Unaudited)</u>		
	<u>SAR'000</u>			<u>SAR'000</u>			<u>SAR'000</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<b>Held for trading:</b>									
Special commission rate instruments	8,799,789	(8,195,760)	525,395,671	7,783,561	(7,319,256)	458,366,644	5,262,127	(5,096,847)	249,912,984
Forward/Future foreign exchange contracts	538,931	(264,796)	169,353,448	732,703	(223,378)	179,140,776	711,839	(223,804)	128,931,589
Options	226,007	(206,868)	17,230,397	160,366	(164,537)	5,850,833	20,038	(70,152)	4,278,089
<b>Held as fair value hedges:</b>									
Special commission rate instruments	291,201	(888,780)	12,765,835	121,943	(1,535,423)	10,474,585	124,313	(1,227,370)	8,505,835
<b>Held as cash flow hedges:</b>									
Special commission rate instruments and cross currency swaps	233,376	(576,357)	16,322,461	111,337	(167,700)	15,379,921	161,951	(129,381)	10,251,791
<b>Total</b>	<b>10,089,304</b>	<b>(10,132,561)</b>	<b>741,067,812</b>	<b>8,909,910</b>	<b>(9,410,294)</b>	<b>669,212,759</b>	<b>6,280,268</b>	<b>(6,747,554)</b>	<b>401,880,288</b>

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### 7. CUSTOMERS' DEPOSITS

	31 March 2022 (Unaudited) <u>SAR '000</u>	31 December 2021 (Audited) <u>SAR '000</u>	31 March 2021 (Unaudited) <u>SAR '000</u>
Current and call accounts	476,981,196	453,868,484	331,066,538
Time	108,945,824	110,791,332	71,653,157
Others	19,036,336	22,284,565	16,710,263
<b>Total</b>	<b>604,963,356</b>	<b>586,944,381</b>	<b>419,429,958</b>

International segment customers deposits included in customers' deposits comprise of:

	31 March 2022 (Unaudited) <u>SAR '000</u>	31 December 2021 (Audited) <u>SAR '000</u>	31 March 2021 (Unaudited) <u>SAR '000</u>
Current and call accounts	10,370,848	11,101,089	12,278,520
Time	13,238,947	12,641,616	15,772,832
Others	1,008,602	1,102,993	1,269,966
<b>Total</b>	<b>24,618,397</b>	<b>24,845,698</b>	<b>29,321,318</b>

### 8. DEBT SECURITIES ISSUED

As at the reporting date, debt securities issued comprise of non-convertible sukuks issued by the Group, carrying profit at fixed rates, with maturities up to 2027. Below is a reconciliation of liabilities arising from financing activities:

	31 March 2022 (Unaudited) <u>SAR '000</u>	31 December 2021 (Audited) <u>SAR '000</u>	31 March 2021 (Unaudited) <u>SAR '000</u>
<b>Debt securities issued:</b>			
Balance at beginning of the period	6,112,447	1,772,690	1,772,690
Debt securities acquired through business combination	-	5,824,935	-
Debt securities issued	3,425,220	4,309,349	1,648,705
Debt securities payment	(653,193)	(5,016,884)	(1,182,430)
Foreign currency translation adjustment	(38,267)	(777,643)	(137,881)
<b>Balance at end of the period</b>	<b>8,846,207</b>	<b>6,112,447</b>	<b>2,101,084</b>

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### 9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	<b>31 March 2022</b>	31 December 2021	31 March 2021
	<b>(Unaudited) SAR '000</b>	(Audited) SAR '000	(Unaudited) SAR '000
Letters of credit	<b>18,111,215</b>	18,146,446	8,939,336
Guarantees	<b>58,416,835</b>	59,214,081	30,346,710
Acceptances	<b>3,564,424</b>	3,309,745	2,471,196
Irrevocable commitments to extend credit	<b>10,336,901</b>	6,644,534	9,536,475
<b>Total</b>	<b><u>90,429,375</u></b>	<u>87,314,806</u>	<u>51,293,717</u>

### 10. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 4,478,000,000 shares of SAR 10 each (31 March 2021: 3,000,000,000 shares of SAR 10 each). The capital of the Bank excluding treasury shares consists of 4,438,055,699 shares of SAR 10 each (31 March 2021: 2,990,418,206 shares of SAR 10 each) (refer to note 1.1).

As stated in Note 1 and 19, the Bank issued 1,478,000,000 new ordinary shares pursuant to the merger with Samba. As a result, share capital and share premium increased by SAR 14,780 million and SAR 63,702 million, respectively with a purchase consideration of SAR 78,482 million.

### 11. DIVIDEND

During April 2022, the General Assembly Meeting approved the Board of Directors' recommendation to distribute final dividend of SAR 4,030 million (SAR 0.90 per share) and accordingly, the final dividend was paid in the same period.

During August 2021, the Board of Directors recommended the distribution of an interim dividend for the first half of 2021 amounting to SAR 2,911 million (SAR 0.65 per share) which was paid during August 2021.

During April 2021, the General Assembly Meeting approved the Board of Directors' recommendation to distribute final dividend of SAR 3,582 million (SAR 0.80 per share) and accordingly, the final dividend was paid in the same period.

### 12. ZAKAT

The Group is subject to Zakat in accordance with regulations of Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the interim condensed consolidated statement of income. The Bank calculated Zakat accruals for the period ended 31 March 2022 based on applicable Zakat rules for financing institutions. The Bank has submitted its Zakat return for the year ended 31 December 2021, and obtained the unrestricted Zakat certificate. The financial years 2019 through 2021 are under the review of ZATCA, the assessments in respect to the Bank's Zakat returns for the financial year up to 2018 have been finalized.

Moreover, pursuant to the merger with Samba (see note 1 and note 19) the Bank has assumed all Samba's obligation owed to ZATCA, under a settlement agreement signed by Samba with ZATCA in respect to prior years (from 2006 to 2018), to be paid through 2023 in equal installments. The Bank has four remaining instalments with a total amount of SR 800 million to be paid in 2022 and 2023. Also, in respect to the prior year assessments related to Samba, the Bank is in the process of finalizing all the pending obligations with ZATCA.

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### 13. TIER 1 SUKUK

During 2021, the Bank through a Shariah compliant arrangement ("the arrangement") issued additional cross border Tier 1 Sukuk (the "Sukuk"), amounting to SAR 4.7 billion (denominated in US Dollars). During the same period, the Bank exercised the call option on its existing Tier 1 sukuk amounting to SAR 2.7 billion. These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk agreement.

The applicable profit rate on the Sukuks is payable on each periodic distribution date, except upon the occurrence of a non payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

### 14. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share for the periods ended 31 March 2022 and 31 March 2021 is calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the periods by the weighted average number of shares outstanding during the period.

Diluted earnings per share for the periods ended 31 March 2022 and 31 March 2021 is calculated by dividing the fully diluted net income attributable to equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the periods by the weighted average number of outstanding shares. The diluted earnings per share are adjusted with the impact of the employees' share based payment plan.

### 15. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's management.

The Group has the reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

<b>Retail</b>	Provides banking services, including lending and current accounts in addition to products in compliance with <i>Shariah</i> rules which are supervised by the independent Shariah Board, to individuals and private banking customers.
<b>Wholesale</b>	Provides banking services including all conventional credit-related products and financing products in compliance with Shariah rules to small sized businesses, medium and large establishments and companies as well as full range of treasury and correspondent banking products and services, including money market and foreign exchange, to the Group's clients, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk (related to investments).
<b>Capital Market</b>	Provides wealth management, asset management, investment banking and shares brokerage services (local, regional and international).
<b>International</b>	Comprises banking services provided outside Saudi Arabia including TFKB and Samba Pakistan.

Transactions between the operating segments are recorded as per the Bank and its subsidiaries' transfer pricing system.

The supports and Head Office expenses are allocated to segments using activity-based costing.



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#### 15. OPERATING SEGMENTS (continued)

The Group's total assets and liabilities at period end, its operating income and expenses (total and main items) and net income for the period, by operating segments, are as follows:

	31 March 2022 (Unaudited)				
	SAR'000				
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
<b>Total assets</b>	<b>357,710,260</b>	<b>523,294,780</b>	<b>6,336,303</b>	<b>34,223,309</b>	<b>921,564,652</b>
<b>Total liabilities</b>	<b>417,150,241</b>	<b>307,512,079</b>	<b>543,736</b>	<b>31,215,775</b>	<b>756,421,831</b>
- Customers' deposits	402,026,986	178,312,062	5,911	24,618,397	604,963,356
Total operating income from external customers	3,530,173	3,426,624	492,822	615,177	8,064,796
Intersegment operating income (expense)	153,406	(125,749)	(6,563)	(21,094)	-
<b>Total operating income</b>	<b>3,683,579</b>	<b>3,300,875</b>	<b>486,259</b>	<b>594,083</b>	<b>8,064,796</b>
of which:					
- Net special commission income	3,332,499	2,295,559	17,026	439,868	6,084,952
- Fee income from banking services, net	325,998	186,356	408,231	25,590	946,175
<b>Total operating expenses</b>	<b>1,799,629</b>	<b>612,320</b>	<b>147,576</b>	<b>250,401</b>	<b>2,809,926</b>
of which:					
- Depreciation/amortisation of property, equipment ,software and right of use assets	238,944	50,495	5,569	16,244	311,252
- Amortization of intangible assets	142,734	53,855	33,066	-	229,655
- Net impairment charge for expected credit losses	170,350	122,791	560	91,244	384,945
<b>Other non-operating income (expenses), net</b>	<b>(11,906)</b>	<b>(12,107)</b>	<b>-</b>	<b>(72,848)</b>	<b>(96,861)</b>
<b>Net income for the period before zakat and income tax</b>	<b>1,872,044</b>	<b>2,676,448</b>	<b>338,683</b>	<b>270,834</b>	<b>5,158,009</b>
	31 March 2021 (Unaudited)				
	SAR000				
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
<b>Total assets</b>	229,914,058	328,578,752	2,740,272	38,333,878	599,566,960
<b>Total liabilities</b>	254,703,846	225,619,626	376,987	34,681,020	515,381,479
- Customers' deposits	245,647,664	144,456,775	4,201	29,321,318	419,429,958
Total operating income from external customers	2,514,983	2,554,951	351,765	297,609	5,719,308
Intersegment operating income (expense)	147,589	(124,865)	(1,594)	(21,130)	-
<b>Total operating income</b>	<b>2,662,572</b>	<b>2,430,086</b>	<b>350,171</b>	<b>276,479</b>	<b>5,719,308</b>
of which:					
- Net special commission income	2,721,901	1,248,864	5,659	201,655	4,178,079
- Fee income from banking services, net	100,236	142,999	334,753	43,420	621,408
<b>Total operating expenses</b>	<b>824,173</b>	<b>721,108</b>	<b>81,445</b>	<b>221,808</b>	<b>1,848,534</b>
of which:					
- Depreciation/amortisation of property, equipment ,software and right of use assets	161,796	38,539	4,853	24,852	230,040
- Amortization of intangible assets	-	-	-	-	-
- Net impairment charge for expected credit losses	(154,753)	402,317	-	38,801	286,365
<b>Other non-operating income (expenses), net</b>	<b>(9,338)</b>	<b>(64,427)</b>	<b>(8)</b>	<b>19,837</b>	<b>(53,936)</b>
<b>Net income for the period before zakat and income tax</b>	<b>1,829,061</b>	<b>1,644,551</b>	<b>268,718</b>	<b>74,508</b>	<b>3,816,838</b>



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#### 16. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

##### a. Fair value information for financial instruments at fair value (continued)

	31 March 2021 (Unaudited)			
	SAR'000			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Derivative financial instruments	-	6,280,268	-	6,280,268
Financial assets held at FVIS	1,524,795	7,102,630	2,048,888	10,676,313
Financial assets held at FVOCI	39,636,754	19,572,002	151,105	59,359,861
Investments held at amortised cost, net				
- Fair value hedged	-	2,986,214	-	2,986,214
<b>Total</b>	<b>41,161,549</b>	<b>35,941,114</b>	<b>2,199,993</b>	<b>79,302,656</b>
<u>Financial liabilities</u>				
Derivative financial instruments	-	6,747,554	-	6,747,554
<b>Total</b>	<b>-</b>	<b>6,747,554</b>	<b>-</b>	<b>6,747,554</b>

##### b. Fair value information for financial instruments not measured at fair value

The fair value of Group's financing and advances as at 31 March 2022 on a business as usual basis applying the guidance of IFRS 13 was not materially different than the corresponding book value.

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits and debt securities issued at 31 March 2022, 31 December 2021 and 31 March 2021 are not materially different from their respective carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

##### c. Valuation technique and significant unobservable inputs for financial instruments at fair value

The Group uses various valuation techniques for determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analysed below:

The Group utilises fund manager reports (and appropriate discounts or haircuts where required) for the determination of fair values of private equity funds and hedge funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

For the valuation of unquoted debt securities and derivative financial instruments, the Group obtains fair value estimates from reputable third party valuers, who use techniques such as discounted cash flows, option pricing models and other sophisticated models.

##### d. Transfer between Level 1 and Level 2 of the fair value hierarchy

There were no transfers between level 1 and level 2 during the period ended 31 March 2022 (31 December 2021: Nil and 31 March 2021: Nil).

##### e. Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	31 March 2022 (Unaudited) SAR '000	31 December 2021 (Audited) SAR '000	31 March 2021 (Unaudited) SAR '000
<b>Movement of level 3 is as follows:</b>			
Balance at beginning of the period	7,629,856	2,318,980	2,318,980
Total gains/(losses) (realized and unrealized) in consolidated statement of income	104,048	770,539	115,283
Purchases	841,154	2,695,927	200,816
Acquired through business combination	-	2,068,482	-
(Sales)	(365,164)	(290,843)	(477,739)
Others	62,164	66,771	42,653
<b>Balance at end of the period / year</b>	<b>8,272,058</b>	<b>7,629,856</b>	<b>2,199,993</b>

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### 17. CAPITAL ADEQUACY

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

The Group monitors the adequacy of its capital using the ratios and weights established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. SAMA requires banks to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted asset at or above prespecified ratio by SAMA. Regulatory Capital is computed for Credit, Market and Operational risks which comprise the Pillar 1 minimum capital requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

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

	<b>Risk Weighted Assets</b>		
	<b>31 March 2022 (Unaudited) SAR '000</b>	31 December 2021 (Audited) SAR '000	31 March 2021 (Unaudited) SAR '000
Credit risk	<b>593,755,523</b>	586,315,020	379,211,145
Operational risk	<b>55,256,584</b>	57,123,430	37,967,252
Market risk	<b>15,622,872</b>	21,734,754	12,398,766
<b>Total Pillar-1 - Risk Weighted Assets</b>	<b>664,634,979</b>	665,173,204	429,577,163
Core capital (Tier 1)	<b>124,845,205</b>	122,347,607	85,949,322
Supplementary capital (Tier 2)	<b>5,618,725</b>	5,411,423	4,581,231
<b>Core and supplementary capital (Tier 1 and Tier 2)</b>	<b>130,463,930</b>	127,759,030	90,530,553
<b>Capital Adequacy Ratio (Pillar 1):-</b>			
Core capital (Tier 1)	<b>18.8%</b>	18.4%	20.01%
Core and supplementary capital (Tier 1 and Tier 2)	<b>19.6%</b>	19.2%	21.07%

Core capital (Tier 1) of the Group comprises share capital, share premium, statutory reserve, other reserves, proposed dividend, retained earnings, tier 1 eligible debt securities and non-controlling interests less treasury shares, goodwill, intangible assets, foreign currency translation reserve and other prescribed deductions. Supplementary capital (Tier 2) comprises of eligible debt securities issued and prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The Group uses the Standardized approach of Basel III to calculate the Risk-Weighted Assets and required regulatory capital for Pillar -1 (including Credit Risk, Market Risk and Operational Risk). The Group's Risk Management is responsible for ensuring that minimum required Regulatory Capital calculated is compliant with Basel III requirements. Quarterly prudential returns are submitted to SAMA showing the Capital Adequacy Ratio.

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#### **18. IMPACT OF SAMA PROGRAMS**

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

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

#### **Private Sector Financing Support Program (“PSFSP”)**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers’ potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. On 31 March 2022, the Deffered Payment Program (“DPP”), part of PSFSP, has ended.

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

During the period ended March 31, 2022, SAR 53 million (March 31, 2021: SAR 45 million) has been recognized in the statement of income with respect to the amortization of grant income on related deposits.

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### **19. BUSINESS COMBINATION**

#### **(19.1) Business combination and purchase consideration**

As disclosed in note 1, on 1 April 2021, the Bank had completed a statutory merger with Samba, a Saudi multinational banking based in Saudi Arabia during the year ended 31 December 2021. Following the merger, Samba legal entity ceased to exist and assets, liabilities and all the business activities of Samba were transferred in exchange for newly issued shares of the Bank. Shares of Samba were cancelled and the new shares of the Bank were issued to the shareholders of Samba, after obtaining necessary regulatory approvals, at a predetermined exchange ratio of 0.739 new share for each Samba share. The issue of new shares resulted in increase in the Bank's paid-up capital by 14,780,000,000 from SAR 30,000,000,000 to SAR 44,780,000,000 and the number of its issued shares increased by 1,478,000,000 from 3,000,000,000 to 4,478,000,000. The Bank and Samba's original shareholders owned 67% and 33%, respectively, of the combined bank on a fully diluted basis on the merger date.

The fair value of the 1,478,000,000 shares issued as the consideration paid for Samba merger was determined on the basis of closing market price of the Bank's ordinary share on the Saudi stock exchange, on the last trading date prior to the date of acquisition date of 1 April 2021 of SAR 53.1 per share. The purchase consideration consisted of the issue of 1,442,390,843 new shares to the shareholders of Samba net of treasury shares.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the “Standard”) with the Bank being the acquirer and Samba being the acquiree. As required by IFRS 3, the Bank had completed the process of allocating the purchase consideration to the identifiable assets and liabilities within twelve months from the date of acquisition during the year ended 31 December 2021.

**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**AS AT 31 MARCH 2022 (UNAUDITED)**

**20. IBOR Transition (Interest Rate Benchmark Reforms)**

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk-Free Rate (“RFR”).

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

During 2020 the management established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group’s LIBOR transition plan.

This steering committee put in place a transition project for those contracts which reference LIBOR to transition them to an appropriate risk free rate, with the aim of minimizing the potential disruption to business and mitigating operational risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications.

As at 31 March 2022, changes required to systems, processes and models have been implemented. New rate structures and features in the system in view of future market evolution are in the process of implementation. There have been communications with counterparties. The Group has identified that the areas of most significant risk arising from the replacement of LIBOR are: updating systems and processes which capture LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from LIBOR and the resulting impact on economic risk management; and updating hedge designations and models. The Group has taken steps to manage and mitigate these risks. The Group continues to engage with industry participant, to ensure an orderly transition to Sterling overnight index average (“SONIA”) and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBOR replacement.

The Group currently has contracts which reference LIBOR, including swaps which will transition under the International Swaps and Derivatives Association (“ISDA”) protocols:

	March 2022 SAR '000		
	Non-Derivative Financial Assets	Non-Derivative Financial Liabilities	Derivatives Nominal amount
LIBOR USD	36,369,958	7,833,750	282,890,165
LIBOR JPY	-	900,000	-
<b>Total</b>	<b>36,369,958</b>	<b>8,733,750</b>	<b>282,890,165</b>

**21. BOARD OF DIRECTORS' APPROVAL**

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