



**THE SAUDI INVESTMENT BANK**  
(A Saudi joint stock company)

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**As of and for the nine month period ended September 30, 2022**

**(Unaudited)**



**ERNST & YOUNG PROFESSIONAL SERVICES (PROFESSIONAL LLC)**  
Paid-up capital (SR 5,500,000) (Five million and five hundred thousand Saudi Riyal)  
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**Independent Auditors' Report on Review of the Interim Condensed Consolidated Financial Statements to the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **The Saudi Investment Bank** ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2022, and the interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion**

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

**Other Regulatory Matters**

As required by the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 20 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 20 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

**Ernst & Young Professional Services**

**Rashid S. Roshod**  
Certified Public Accountant  
License No. 366



**Deloitte and Touche & Co. Chartered Accountants**  
P.O. Box 213  
Riyadh 11411, Kingdom of Saudi Arabia

**Waleed bin Moh'd Sobahi**  
Certified Public Accountant  
License No. 378

6 Rabi Al-Thani 1444H  
(31 October 2022)



# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	Notes	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA	5a	6,927,744	5,901,679	7,110,950
Due from banks and other financial institutions, net	6a,17	3,132,801	5,445,778	1,407,134
Investments, net	7a,17	26,943,708	28,841,751	29,300,078
Positive fair values of derivatives, net	14a,17	1,051,856	663,971	699,840
Loans and advances, net	8a,17	64,665,179	57,803,114	58,290,449
Investments in associates	9a	906,855	883,700	852,956
Other real estate		451,981	451,981	420,481
Property, equipment, and right of use assets, net	10a	969,388	999,548	1,009,277
Intangible assets, net	10b	411,536	369,279	359,218
Other assets, net	11a	1,075,587	227,234	189,739
<b>Total assets</b>		<b>106,536,635</b>	<b>101,588,035</b>	<b>99,640,122</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions, net	12a,17	20,104,905	21,792,608	20,036,584
Customers' deposits	13,17	67,604,821	61,484,997	60,860,600
Negative fair values of derivatives, net	14a,17	471,451	230,147	215,634
Other liabilities	11c	1,847,186	1,778,808	1,839,243
<b>Total liabilities</b>		<b>90,028,363</b>	<b>85,286,560</b>	<b>82,952,061</b>
<b>Equity</b>				
Share capital	22a	10,000,000	7,500,000	7,500,000
Statutory reserve		2,999,000	2,999,000	5,233,000
Treasury shares	24	-	-	-
Other reserves	7c	(1,220,891)	562,063	694,514
Retained earnings		1,515,163	715,412	1,260,547
Proposed dividend	23	-	525,000	-
Proposed bonus shares issuance	23	-	2,500,000	-
<b>Shareholders' equity</b>		<b>13,293,272</b>	<b>14,801,475</b>	<b>14,688,061</b>
Tier I Sukuk	21	3,215,000	1,500,000	2,000,000
<b>Total equity</b>		<b>16,508,272</b>	<b>16,301,475</b>	<b>16,688,061</b>
<b>Total liabilities and equity</b>		<b>106,536,635</b>	<b>101,588,035</b>	<b>99,640,122</b>

  
Abdallah Salih Jum'ah  
Chairman

  
Faisal Al-Omran  
Chief Executive Officer

  
Shankar Chattanathan  
Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these interim condensed consolidated financial statements.

# THE SAUDI INVESTMENT BANK


(A Saudi joint stock company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Amounts in SAR'000

	Notes	Three month period ended		Nine month period ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Special commission income		1,103,018	708,558	2,720,502	2,081,547
Special commission expense		345,141	113,505	703,954	357,125
<b>Net special commission income</b>		<b>757,877</b>	<b>595,053</b>	<b>2,016,548</b>	<b>1,724,422</b>
Fee income from banking services, net		66,492	71,129	237,209	246,273
Exchange income, net		51,750	41,787	140,155	114,230
Unrealized loss on FVTPL financial instruments, net		(18,228)	(33,568)	(55,667)	(114,041)
Realized (loss) gain on FVTPL financial instruments, net		(532)	(4,792)	1,351	1,962
Gains on disposals of FVOCI debt securities, net		852	10,635	8,212	41,999
Other income		3	-	3	14,499
<b>Total operating income</b>		<b>858,214</b>	<b>680,244</b>	<b>2,347,811</b>	<b>2,029,344</b>
Salaries and employee-related expenses		191,693	167,127	546,148	496,601
Rent and premises related expenses		15,639	15,929	50,268	46,632
Depreciation and amortization		39,128	38,048	114,192	111,457
Other general and administrative expenses		117,841	81,494	337,833	254,896
<b>Operating expenses before provisions for credit and other losses</b>		<b>364,301</b>	<b>302,598</b>	<b>1,048,441</b>	<b>909,586</b>
(Reversals) / Provisions for credit and other losses	25, 8b	(149,018)	51,029	(57,651)	225,605
<b>Total operating expenses</b>		<b>215,283</b>	<b>353,627</b>	<b>990,790</b>	<b>1,135,191</b>
<b>Operating income</b>		<b>642,931</b>	<b>326,617</b>	<b>1,357,021</b>	<b>894,153</b>
Share in earnings of associates	9a	27,758	15,565	54,725	25,226
<b>Income before provisions for Zakat</b>		<b>670,689</b>	<b>342,182</b>	<b>1,411,746</b>	<b>919,379</b>
Provisions for Zakat		120,724	67,837	254,115	143,769
<b>Net income</b>		<b>549,965</b>	<b>274,345</b>	<b>1,157,631</b>	<b>775,610</b>
<b>Basic and diluted earnings per share (expressed in SAR per share)</b>	19b	<b>0.53</b>	<b>0.28</b>	<b>1.10</b>	<b>0.75</b>

  
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# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited) Amounts in SAR'000

	Three month period ended		Nine month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Net income</b>	<b>549,965</b>	274,345	<b>1,157,631</b>	775,610
<b>Other comprehensive (loss) income</b>				
Items that cannot be reclassified to the interim consolidated statement of income in subsequent periods:				
Net change in fair value of equity investments held at fair value through other comprehensive income	(29,627)	(42,493)	(134,463)	(44,141)
Items that can be reclassified to the interim consolidated statement of income in subsequent periods:				
Net change in fair value of debt securities held at fair value through other comprehensive income	(420,443)	(54,474)	(1,637,435)	(11,389)
Fair value gains transferred to interim consolidated statement of income on disposal of FVOCI debt securities, net	(852)	(10,635)	(8,212)	(41,999)
<b>Total other comprehensive loss</b>	<b>(450,922)</b>	(107,602)	<b>(1,780,110)</b>	(97,529)
<b>Total comprehensive income (loss)</b>	<b>99,043</b>	166,743	<b>(622,479)</b>	678,081



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**THE SAUDI INVESTMENT BANK**  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**

Nine month period ended September 30, 2022 (SAR'000)

	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Proposed bonus shares issuance	Shareholders' equity	Tier I Sukuk	Total equity
<b>Balances at the beginning of the period (Audited)</b>		<b>7,500,000</b>	<b>2,999,000</b>	<b>562,063</b>	<b>715,412</b>	<b>525,000</b>	<b>2,500,000</b>	<b>14,801,475</b>	<b>1,500,000</b>	<b>16,301,475</b>
Net income		-	-	-	1,157,631	-	-	1,157,631	-	1,157,631
Total other comprehensive loss		-	-	(1,780,110)	-	-	-	(1,780,110)	-	(1,780,110)
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>(1,780,110)</b>	<b>1,157,631</b>	<b>-</b>	<b>-</b>	<b>(622,479)</b>	<b>-</b>	<b>(622,479)</b>
Dividends paid	23	-	-	-	(300,000)	(525,000)	-	(825,000)	-	(825,000)
Tier I Sukuk costs		-	-	-	(60,724)	-	-	(60,724)	-	(60,724)
Realized gain on disposal of FVOCI equity securities		-	-	(2,844)	2,844	-	-	-	-	-
Increase in share capital through issuance of bonus shares	23	2,500,000	-	-	-	-	(2,500,000)	-	-	-
Repayment of Tier I Sukuk	21	-	-	-	-	-	-	-	(285,000)	(285,000)
Issuance of Tier I Sukuk	21	-	-	-	-	-	-	-	2,000,000	2,000,000
<b>Balances at the end of the period</b>		<b>10,000,000</b>	<b>2,999,000</b>	<b>(1,220,891)</b>	<b>1,515,163</b>	<b>-</b>	<b>-</b>	<b>13,293,272</b>	<b>3,215,000</b>	<b>16,508,272</b>

  
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# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Continued (Unaudited)

Nine month period ended September 30, 2021 (SAR'000)

	Note	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Shareholders' Equity	Tier I Sukuk	Total equity
Balances at the beginning of the period (Audited)		7,500,000	5,233,000	(1,041,067)	792,043	847,057	13,331,033	2,000,000	15,331,033
Net income		-	-	-	-	775,610	775,610	-	775,610
Total other comprehensive loss		-	-	-	(97,529)	-	(97,529)	-	(97,529)
Total comprehensive income		-	-	-	(97,529)	775,610	678,081	-	678,081
Dividends Paid	23	-	-	-	-	(270,002)	(270,002)	-	(270,002)
Tier I Sukuk costs		-	-	-	-	(70,518)	(70,518)	-	(70,518)
Issuance of treasury shares and related costs	24	-	-	1,041,067	-	(21,600)	1,019,467	-	1,019,467
Balances at the end of the period		7,500,000	5,233,000	-	694,514	1,260,547	14,688,061	2,000,000	16,688,061



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**THE SAUDI INVESTMENT BANK**  
(A Saudi joint stock company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
Amounts in SAR'000

	Notes	Nine month period ended	
		September 30, 2022	September 30, 2021
<b>OPERATING ACTIVITIES</b>			
Net income		1,157,631	775,610
<b>Adjustments to reconcile net income to net cash provided from (used in) operating activities</b>			
Net accretion of discounts and net amortization of premiums on investments, net		218	14,690
Net change in accrued special commission income		(179,274)	47,118
Net change in accrued special commission expense		146,156	(67,242)
Net change in deferred loan fees		16,319	11,658
Gains on disposals of FVOCI debt securities, net		(8,212)	(41,999)
Unrealized loss on FVTPL financial instruments, net		55,667	114,041
Realized gain on FVTPL financial instruments, net		(1,351)	(1,962)
Depreciation and amortization		114,192	111,457
Gain on sale of other real estate		-	(14,499)
Provisions for credit and other losses	25	(57,651)	225,605
Share in earnings of associates	9a	(54,725)	(25,226)
		<u>1,188,970</u>	<u>1,149,251</u>
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA		116,484	(97,007)
Due from banks and other financial institutions maturing after three months from acquisition date		-	101
Loans and advances		(6,612,060)	(3,540,207)
Positive fair values of derivatives		(432,854)	307,031
Other real estate		-	40,696
Other assets		(827,267)	(11,708)
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions, net		(1,762,648)	(28,394)
Customers' deposits		6,018,650	795,119
Negative fair values of derivatives		334,919	(109,083)
Other liabilities		149,256	17,067
		<u>(1,826,550)</u>	<u>(1,477,134)</u>
Zakat payments		(225,807)	(254,336)
<b>Net cash used in operating activities</b>		<u>(2,052,357)</u>	<u>(1,731,470)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments		4,103,859	4,129,727
Purchases of investments		(3,991,728)	(3,063,656)
Dividends received from associates	9a	31,570	18,014
Acquisitions of property, equipment, and intangibles		(94,312)	(99,757)
<b>Net cash provided from investing activities</b>		<u>49,389</u>	<u>984,328</u>

  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - Continued**  
**(Unaudited)**  
Amounts in SAR'000

	Notes	Nine month period ended	
		September 30, 2022	September 30, 2021
<b>FINANCING ACTIVITY</b>			
Dividends payment		(825,000)	-
Repayment of term loans		-	(2,000,000)
Issuance of Tier I Sukuk		2,000,000	1,019,467
Repayment of Tier I Sukuk		(285,000)	(270,002)
Tier I Sukuk costs		(60,724)	(70,518)
<b>Net cash provided from (used in) financing activity</b>		<b>829,276</b>	<b>(1,321,053)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,173,692)</b>	<b>(2,068,195)</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	5b	8,007,284	7,266,784
Net decrease in cash and cash equivalents		(1,173,692)	(2,068,195)
<b>Cash and cash equivalents at the end of the period</b>	5b	<b>6,833,592</b>	<b>5,198,589</b>
<b>Supplemental special commission information</b>			
Special commission received		2,541,228	2,122,710
Special commission paid		651,335	415,946
<b>Supplemental non-cash information</b>			
Total other comprehensive loss		(1,780,110)	(97,529)

  
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# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

### 1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976 in the Kingdom of Saudi Arabia ("KSA"). The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 51 branches (December 31, 2021: 51 branches; and September 30, 2021: 52 branches) in KSA. The address of the Bank's Head Office is as follows:

The Saudi Investment Bank  
Head Office  
P.O. Box 3533  
Riyadh 11481, KSA

The Bank offers a full range of commercial and retail banking services. The Bank also offers Shariah compliant (non-interest based) banking products and services, which are approved and supervised by an independent Shariah Board established by the Bank.

### 2. Basis of preparation

These interim condensed consolidated financial statements as of and for the nine month period ended September 30, 2022 have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") as endorsed in KSA and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2021.

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

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the annual consolidated financial statements as of and for the year ended December 31, 2021.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on 6 Rabi' Al Thani, 1444H, corresponding to October 31, 2022.

### 3. Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and the financial statements of the following subsidiaries (collectively referred to as the "Group" in these interim condensed consolidated financial statements):

- a) "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), a Saudi closed joint stock company, which is registered in KSA under Commercial Registration No. 1010235995 issued on 8 Rajab 1428H (corresponding to July 22, 2007), and is 100% owned by the Bank. The principal activities of Alistithmar Capital include dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, and arrangement, advisory and custody services relating to financial securities;
- b) "Saudi Investment Real Estate Company", a limited liability company, which is registered in KSA under commercial registration No.1010268297 issued on 29 Jumada Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions;

# THE SAUDI INVESTMENT BANK

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

### 3. Basis of consolidation – continued

- c) "SAIB Markets Limited Company", a Cayman Islands limited liability company, registered in the Cayman Islands on July 18, 2017, and is 100% owned by the Bank. The objective of the Company is to conduct derivatives and repurchase activities on behalf of the Bank.

References to the Bank hereafter in these interim condensed consolidated financial statements refer to disclosures that are relevant only to the Bank and not collectively to the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Changes are made to the accounting policies of the subsidiaries when necessary to align with the accounting policies of the Group.

Subsidiaries are investees controlled by the Group. The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee. The financial statements of any such structured entities are consolidated from the date the Group obtains control and until the date when the Group ceases to control the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

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

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

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

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

### 3. Basis of consolidation – continued

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

All intra-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements.

### 4. Summary of significant accounting policies

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

#### Other Standards, amendments or interpretations

Following standards, amendments or interpretations effective for annual periods beginning on or after January 1, 2022, did not have a significant impact on the Group's interim condensed consolidated financial statements:

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

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**4. Summary of significant accounting policies - continued**

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
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 an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity 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 an entity 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 January 1, 2022.

**5. Cash and balances with SAMA and cash and cash equivalents**

- a) Cash and balances with SAMA as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Cash on hand	735,135	754,291	809,309
Reverse repurchase agreement	3,064,000	2,290,000	3,157,000
Other balances, net	(103,362)	(491,067)	(178,915)
<b>Cash and balances before statutory deposit (note 5b)</b>	<b>3,695,773</b>	2,553,224	3,787,394
Statutory deposit	3,231,971	3,348,455	3,323,556
<b>Cash and balances with SAMA</b>	<b>6,927,744</b>	5,901,679	7,110,950

In accordance with the Banking Control Law and regulations issued by the Saudi Central Bank ("SAMA"), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its average demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank's day to day operations and therefore do not form a part of cash and cash equivalents.

# THE SAUDI INVESTMENT BANK

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### 5. Cash and balances with SAMA and cash and cash equivalents - continued

- b) Cash and cash equivalents included in the interim condensed consolidated statement of cash flows as of September 30, 2022 and 2021 and as of December 31, 2021 are comprised of the following:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5a)	<b>3,695,773</b>	2,553,224	3,787,394
Due from banks and other financial institutions maturing within three months from the date of acquisition	<b>3,137,819</b>	5,454,060	1,411,195
<b>Cash and cash equivalents</b>	<b><u>6,833,592</u></b>	<u>8,007,284</u>	<u>5,198,589</u>

### 6. Due from banks and other financial institutions, net

- a) Due from banks and other financial institutions, net as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Current accounts	<b>2,051,951</b>	2,360,185	798,752
Money market placements	<b>1,085,976</b>	3,094,225	612,443
<b>Total due from banks and other financial institutions</b>	<b>3,137,927</b>	5,454,410	1,411,195
Allowance for credit losses	<b>(5,126)</b>	(8,632)	(4,061)
<b>Due from banks and other financial institutions,</b>	<b><u>3,132,801</u></b>	<u>5,445,778</u>	<u>1,407,134</u>

- b) The movement of the allowance for credit losses for due from banks and other financial institutions for the nine month periods ended September 30, 2022 and 2021 and the year ended December 31, 2021 is summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Balances at the beginning of the year/period	<b>8,632</b>	3,202	3,202
Provision for credit losses (note 25)	<b>(3,506)</b>	5,430	859
<b>Balances at the end of the year/period</b>	<b><u>5,126</u></b>	<u>8,632</u>	<u>4,061</u>

# THE SAUDI INVESTMENT BANK

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### 7. Investments, net

a) Investments, net as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
<b>Investments - amortized cost</b>			
Fixed rate debt securities	4,806,682	-	-
Floating rate debt securities	58,880	-	-
Total debt securities	4,865,562	-	-
Allowance for credit losses	(2,230)	-	-
Investments - amortized cost (net)	4,863,332	-	-
<b>Investments – FVOCI</b>			
Fixed rate debt securities	20,735,717	27,320,882	27,493,837
Floating rate debt securities	991,040	1,022,190	1,301,819
Total debt securities	21,726,757	28,343,072	28,795,656
Equities	221,562	356,023	329,367
Investments – FVOCI	21,948,319	28,699,095	29,125,023
<b>Investments – FVTPL</b>			
Mutual funds	121,353	128,474	143,021
Other securities	10,704	14,182	32,034
Investments – FVTPL	132,057	142,656	175,055
<b>Investments, net</b>	<b>26,943,708</b>	<b>28,841,751</b>	<b>29,300,078</b>

The Group's investments in equities include SAR 8.6 million as of September 30, 2022 (December 31, 2021: SAR 8.6 million, and September 30, 2021: SAR 8.6 million) which the Bank acquired in prior years in connection with the settlement of certain loans and advances.

The Group also holds strategic investments in equities totaling SAR 212.9 million as of September 30, 2022 (December 31, 2021: SAR 347.3 million, and September 30, 2021: SAR 320.3 million) including the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, SIMAH (the Saudi Credit Bureau), and the Saudi Company for Registration of Finance Lease Contracts.

As of September 30, 2022, investments include SAR 11.9 billion (December 31, 2021: SAR 14.0 billion, and September 30, 2021: SAR 13.3 billion) which have been pledged under repurchase agreements with other financial institutions. Refer note 12.

b) The movement of the allowance for credit losses for investments for the nine month periods ended September 30, 2022 and 2021 and for the year ended December 31, 2021 is summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Balances at the beginning of the year/period	26,185	31,385	31,385
Provision for credit losses (note 25)	2,148	(5,200)	333
<b>Balances at the end of the year/period</b>	<b>28,333</b>	<b>26,185</b>	<b>31,718</b>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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### 7. Investments, net - continued

- c) Other reserves classified in shareholders' equity as of September 30, 2022 and 2021 and as of December 31, 2021 are comprised of the following:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Unrealized (losses) gains on revaluation of debt securities at FVOCI before allowance for credit losses	<b>(1,063,861)</b>	584,548	660,677
Allowance for credit losses on debt securities at FVOCI	<b>26,103</b>	26,185	31,718
Unrealized (losses) gains on revaluation of debt securities at FVOCI after allowance for credit losses	<b>(1,037,758)</b>	610,733	692,395
Unrealized (losses) gains on revaluation of equities held at FVOCI	<b>(156,284)</b>	(21,821)	31,914
Actuarial losses on defined benefit plans	<b>(25,298)</b>	(25,298)	(27,083)
Share of other comprehensive loss of associates	<b>(1,551)</b>	(1,551)	(2,712)
Other reserves	<b>(1,220,891)</b>	562,063	694,514

### 8. Loans and advances, net

- a) Loans and advances, net classified as held at amortized cost as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>			
	<b>Commercial and other</b>	<b>Overdrafts</b>	<b>Consumer</b>	<b>Total</b>
Stage 1	45,648,339	4,565,355	10,450,767	60,664,461
Stage 2	2,432,550	651,371	62,558	3,146,479
Stage 3	951,084	794,336	444	1,745,864
<b>Total performing loans and advances</b>	<b>49,031,973</b>	<b>6,011,062</b>	<b>10,513,769</b>	<b>65,556,804</b>
<b>Non performing loans and advances</b>	<b>-</b>	<b>1,082,935</b>	<b>115,737</b>	<b>1,198,672</b>
<b>Total loans and advances</b>	<b>49,031,973</b>	<b>7,093,997</b>	<b>10,629,506</b>	<b>66,755,476</b>
<b>Allowance for credit losses</b>	<b>(766,148)</b>	<b>(1,188,800)</b>	<b>(135,349)</b>	<b>(2,090,297)</b>
<b>Loans and advances, net</b>	<b>48,265,825</b>	<b>5,905,197</b>	<b>10,494,157</b>	<b>64,665,179</b>

	<b>December 31, 2021 (Audited)</b>			
	<b>Commercial and other</b>	<b>Overdrafts</b>	<b>Consumer</b>	<b>Total</b>
Stage 1	38,886,738	4,047,107	9,937,011	52,870,856
Stage 2	3,509,715	615,326	80,328	4,205,369
Stage 3	802,420	780,660	445	1,583,525
<b>Total performing loans and advances</b>	<b>43,198,873</b>	<b>5,443,093</b>	<b>10,017,784</b>	<b>58,659,750</b>
<b>Non performing loans and advances</b>	<b>29,442</b>	<b>968,019</b>	<b>111,136</b>	<b>1,108,597</b>
<b>Total loans and advances</b>	<b>43,228,315</b>	<b>6,411,112</b>	<b>10,128,920</b>	<b>59,768,347</b>
<b>Allowance for credit losses</b>	<b>(817,126)</b>	<b>(999,669)</b>	<b>(148,438)</b>	<b>(1,965,233)</b>
<b>Loans and advances, net</b>	<b>42,411,189</b>	<b>5,411,443</b>	<b>9,980,482</b>	<b>57,803,114</b>



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**8. Loans and advances, net - continued**

	September 30, 2021 (Unaudited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1	39,358,170	3,535,213	10,044,934	52,938,317
Stage 2	3,497,113	1,080,508	93,912	4,671,533
Stage 3	797,181	734,713	446	1,532,340
Total performing loans and advances	43,652,464	5,350,434	10,139,292	59,142,190
Non performing loans and advances	30,942	966,972	89,646	1,087,560
Total loans and advances	43,683,406	6,317,406	10,228,938	60,229,750
Allowance for credit losses	(786,427)	(974,030)	(178,844)	(1,939,301)
Loans and advances, net	42,896,979	5,343,376	10,050,094	58,290,449

- b) The movement of the allowance for credit losses for loans and advances for the nine month periods ended September 30, 2022 and 2021 and for the year ended December 31, 2021 is summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Balances at the beginning of the year/period	1,965,233	1,755,424	1,755,424
Provision for credit losses (note 25)	(101,103)	254,432	225,042
Recoveries	294,457	71,355	56,431
Write-offs	(68,290)	(115,978)	(97,596)
<b>Balances at the end of the year/period (i)</b>	<b>2,090,297</b>	<b>1,965,233</b>	<b>1,939,301</b>

- i. Owing to the economic conditions posed by COVID-19 pandemic, the Group recognized an ECL provision of SAR 114.7 million as of September 30, 2022 (September 30, 2021: SAR 186.8 million) for its loans and advances portfolio as a result of post-model overlays. Refer to note 26 for details.

**9. Investments in associates**

- a) Investments in associates include the Bank's ownership interest in American Express (Saudi Arabia) ("AMEX") of 50%, in YANAL Finance Company ("YANAL") (formerly Saudi ORIX Leasing Company) of 38%, and in Amlak International for Real Estate Finance Company ("AMLAK") of 22.4%. The movement of investments in associates for the nine month periods ended September 30, 2022 and 2021, and for the year ended December 31, 2021, is summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Balance at the beginning of the year / period	883,700	845,744	845,744
Share in earnings	54,725	54,808	25,226
Dividends	(31,570)	(18,013)	(18,014)
Share of other comprehensive income	-	1,161	-
<b>Balance at the end of the year / period</b>	<b>906,855</b>	<b>883,700</b>	<b>852,956</b>

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### 9. Investments in associates - continued

- b) The following table summarizes the associates' assets, liabilities, and equity as of September 30, 2022 and 2021, and income and expense for the nine month periods then ended:

	September 30, 2022 (Unaudited)			September 30, 2021 (Unaudited)		
	AMEX	YANAL	AMLAK	AMEX	YANAL	AMLAK
Total assets	1,313,261	1,464,556	3,567,471	854,310	1,481,906	3,506,164
Total liabilities	936,956	556,659	2,376,450	521,468	592,362	2,373,977
Equity	376,305	907,897	1,191,021	332,842	889,544	1,132,187
Total income	290,955	96,081	71,114	210,203	88,286	142,575
Total expenses	263,610	47,198	44,176	201,776	55,374	67,367

The head office of each associate company is located in Riyadh in KSA, with all operations conducted entirely in KSA.

### 10. Property, equipment, and right of use assets, net and Intangible assets, net

- a) Property, equipment, and right of use assets, net as of September 30, 2022 and 2021 and as of December 31, 2021 is summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Land and buildings	1,123,350	1,110,405	1,104,336
Leasehold improvements	193,407	180,834	179,414
Furniture, equipment and vehicles	438,873	428,226	415,297
Right of Use leased assets	311,751	314,256	316,393
<b>Total cost</b>	<b>2,067,381</b>	<b>2,033,721</b>	<b>2,015,440</b>
Less accumulated depreciation	(1,097,993)	(1,035,160)	(1,009,631)
<b>Subtotal</b>	<b>969,388</b>	<b>998,561</b>	<b>1,005,809</b>
Projects pending completion	-	987	3,468
<b>Property, equipment, and right of use assets, net</b>	<b>969,388</b>	<b>999,548</b>	<b>1,009,277</b>

- b) Intangible assets, net as of September 30, 2022 and 2021 and as of December 31, 2021 is summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Software	629,021	561,253	538,083
Goodwill	18,295	18,295	18,295
<b>Total cost</b>	<b>647,316</b>	<b>579,548</b>	<b>556,378</b>
Less accumulated amortization	(327,393)	(282,987)	(268,883)
<b>Subtotal</b>	<b>319,923</b>	<b>296,561</b>	<b>287,495</b>
Projects pending completion	91,613	72,718	71,723
<b>Intangible assets, net</b>	<b>411,536</b>	<b>369,279</b>	<b>359,218</b>

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### 11. Other assets, net and other liabilities

- a) Other assets, net as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Customer and other receivables	<b>154,095</b>	172,958	102,049
Prepaid expenses	<b>34,174</b>	36,763	41,643
Others (i)	<b>887,456</b>	17,607	46,169
<b>Total other assets</b>	<b>1,075,725</b>	227,328	189,861
Less allowance for credit losses	<b>(138)</b>	(94)	(122)
<b>Other assets, net</b>	<b>1,075,587</b>	227,234	189,739

- i. Others include margins held under Global Master Repurchase Agreements ("GMRA") as of September 30, 2022.
- b) The movement of the allowance for credit losses for the nine month periods ended September 30, 2022 and 2021 and for the year ended December 31, 2021 is summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Balances at the beginning of the year / period	<b>94</b>	275	275
Provision for credit losses (note 25)	<b>44</b>	(181)	(153)
<b>Balances at the end of the year/period</b>	<b>138</b>	94	122

- c) Other liabilities as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Zakat settlement liability, net	<b>241,787</b>	235,262	356,159
Accrued expenses	<b>275,823</b>	164,775	146,653
Allowance for credit losses for financial guarantee contracts	<b>232,932</b>	204,131	210,078
Lease liabilities	<b>202,343</b>	231,890	233,080
Employee end of service benefits	<b>218,006</b>	193,747	207,111
Accrued Zakat	<b>267,921</b>	236,161	174,319
Accrued salaries and employee related benefits	<b>161,840</b>	242,278	199,348
Customer related liabilities	<b>83,810</b>	69,675	66,106
Allowance for legal proceedings	<b>48,113</b>	49,000	48,961
Deferred government grant income	<b>10,071</b>	54,745	70,717
Deferred fees	<b>6,037</b>	10,763	8,921
Others	<b>98,503</b>	86,381	117,790
<b>Total</b>	<b>1,847,186</b>	1,778,808	1,839,243

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### 12. Due to banks and other financial institutions, net

- a) Due to banks and other financial institutions, net as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Current accounts	10,763	7,162	3,944
Repurchase agreements	12,511,625	13,385,749	12,711,861
Money market deposits	1,522,322	2,233,042	1,206,462
Deposits from SAMA, net (note 12b)	6,060,195	6,166,655	6,114,317
<b>Due to banks and other financial institutions, net</b>	<b>20,104,905</b>	<b>21,792,608</b>	<b>20,036,584</b>

- b) Deposits from SAMA, net as of September 30, 2022 and 2021 and as of December 31, 2021 are comprised of the following:

<u>Maturity Year</u>	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
2022	-	2,500,000	2,500,000
2023	2,825,340	525,340	525,340
2024	624,660	624,660	594,660
2025	2,810,069	2,810,069	2,810,069
<b>Undiscounted deposits from SAMA</b>	<b>6,260,069</b>	<b>6,460,069</b>	<b>6,430,069</b>
Less: Unamortized discount	(199,874)	(293,414)	(315,752)
<b>Deposits from SAMA, net</b>	<b>6,060,195</b>	<b>6,166,655</b>	<b>6,114,317</b>

### 13. Customers' deposits

Customers' deposits as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Time deposits	32,407,756	25,145,207	24,898,243
Savings deposits	1,664,201	2,147,244	1,550,397
<b>Total special commission bearing deposits</b>	<b>34,071,957</b>	<b>27,292,451</b>	<b>26,448,640</b>
Demand deposits	29,597,238	31,951,963	32,547,436
Other deposits	3,935,626	2,240,583	1,864,524
<b>Customers' deposits</b>	<b>67,604,821</b>	<b>61,484,997</b>	<b>60,860,600</b>

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**14. Derivatives**

- a) The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts as of September 30, 2022 and 2021 and as of December 31, 2021. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period / year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Group's exposure to credit risk, which is generally limited to the net positive fair value of the derivatives.

	September 30, 2022 (Unaudited)			December 31, 2021 (Audited)			September 30, 2021 (Unaudited)		
	Fair value		Notional amount	Fair value		Notional amount	Fair value		Notional amount
Positive	Negative	Positive		Negative	Positive		Negative		
Held for trading:									
Forward foreign exchange contracts	7,724	7,662	1,696,627	4,148	2,837	2,606,683	13,361	13,189	1,734,004
Commission rate swaps	166,085	163,444	8,931,062	138,503	137,702	8,478,876	124,801	123,962	8,534,053
Commission rate options	87,589	87,581	6,700,898	190,441	190,434	7,747,058	165,236	165,228	7,745,340
Held as fair value hedges:									
Commission rate swaps	457,075	-	9,067,185	-	686,300	12,116,598	-	854,914	12,571,561
CSA / EMIR cash margins	226,782	212,764	-	167,277	(787,126)	-	181,367	(941,659)	-
<b>Subtotal</b>	<b>945,255</b>	<b>471,451</b>	<b>26,395,772</b>	<b>500,369</b>	<b>230,147</b>	<b>30,949,215</b>	<b>484,765</b>	<b>215,634</b>	<b>30,584,958</b>
Associated company put option (note 14c)	106,601	-	-	163,602	-	-	215,075	-	-
<b>Total</b>	<b>1,051,856</b>	<b>471,451</b>	<b>26,395,772</b>	<b>663,971</b>	<b>230,147</b>	<b>30,949,215</b>	<b>699,840</b>	<b>215,634</b>	<b>30,584,958</b>

- b) The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivatives Association ("ISDA") directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Bank are unified. As part of the master agreement, a credit support annex ("CSA") has also been signed. The CSA allows the Bank to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the counterparty.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation ("EMIR"). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter ("OTC") derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party ("CCP") through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

As of September 30, 2022, the CSA and EMIR net cash collateral amounts held by counterparties in favor of the Bank totaled SAR 14.1 million (December 31, 2021: SAR 954.4 million, and September 30, 2021: SAR 1,123 million). The EMIR net cash margins include initial margin payments made to counterparties.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted / offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the assets and settle the liability simultaneously.

- c) The Bank has a put option arising from an existing master agreement entered into by the Bank relating to an associated company, the estimated value of which is included in note 14a. The terms of the agreement give the Bank a put option and give the counter party a call option that is exercisable for the remaining term of the agreement. The Bank has valued only the put option, as the call option is deemed to be out of the money. The put option, once exercised, grants the Bank the right to receive a payment in exchange for its shares one year after the exercise, based on pre-determined formulas included in the agreement.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

**15. Commitments, contingencies, and financial guarantee contracts**

- a) The Group's credit-related commitments and contingencies as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Letters of credit	<b>2,507,742</b>	2,482,529	2,472,665
Letters of guarantee	<b>8,969,874</b>	9,262,957	8,750,233
Acceptances	<b>908,741</b>	718,144	851,087
<b>Total financial guarantee contracts</b>	<b>12,386,357</b>	12,463,630	12,073,985
Irrevocable commitments to extend credit	<b>774,591</b>	251,302	256,916
<b>Credit-related commitments and contingencies</b>	<b>13,160,948</b>	12,714,932	12,330,901

- b) The credit quality of financial guarantee contracts as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Stage 1	<b>11,741,481</b>	11,377,970	11,105,903
Stage 2	<b>448,579</b>	685,228	571,166
Stage 3	<b>196,297</b>	400,432	396,916
<b>Total</b>	<b>12,386,357</b>	12,463,630	12,073,985

- c) The movement of the allowance for credit losses for financial guarantee contracts for the nine month periods ended September 30, 2022 and 2021 and for the year ended December 31, 2021 is summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Balances at the beginning of the year/period	<b>204,131</b>	210,554	210,554
Provision for credit losses (note 25)	<b>28,801</b>	(6,423)	(476)
<b>Balances at the end of the year/period</b>	<b>232,932</b>	204,131	210,078

- d) The Group is subject to legal proceedings in the ordinary course of business. No provision has been made in cases where professional legal advice indicates that it is not probable that any significant loss will arise. However, provisions are made for legal cases where management foresees the probability of an adverse outcome based on professional advice.

**16. Operating segments**

- a) Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Bank's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. Performance is measured based on segment profit, as management believes that this indicator is the most relevant in evaluating the results of certain segments relative to other entities that operate within these sectors.

Transactions between the operating segments are on normal commercial terms and conditions as approved by management. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of income. Segment assets and liabilities are comprised of operating assets and liabilities. The Group's primary business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the measurement basis for the segment profit or loss.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

**16. Operating segments - continued**

The Group's reportable segments are as follows:

**Retail banking.** Loans, deposits, and other credit products for high-net worth individuals and consumers.

**Corporate banking.** Loans, deposits and other credit products for corporate, small to medium-sized businesses, and institutional customers.

**Treasury and Investments.** Money market, investments and treasury services, and investments in associates and related activities.

**Asset management and brokerage.** Dealing, managing, advising and custody of securities services.

**Other.** Support functions, special credit, and other management and control units.

Commission is charged to operating segments based on Funds Transfer Price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits (FTP net transfers). All other segment income is from external customers.

- b) The segment information provided to the Bank's Board of Directors for the reportable segments for the Group's total assets and liabilities as of September 30, 2022 and 2021, and its total operating income, expenses, and Income before provisions for Zakat for the nine month periods then ended, is as follows:

	September 30, 2022 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury and Investments	Asset Management and Brokerage	Other	Total
Total assets	20,871,706	43,068,920	38,218,187	689,470	3,688,352	106,536,635
Total liabilities	24,370,146	10,915,239	53,266,387	69,712	1,406,879	90,028,363
Net special commission income (loss)	529,219	1,241,563	246,482	34,079	(34,795)	2,016,548
FTP net transfers	210,978	(509,563)	280,999	-	17,586	-
<b>Net FTP contribution</b>	<b>740,197</b>	<b>732,000</b>	<b>527,481</b>	<b>34,079</b>	<b>(17,209)</b>	<b>2,016,548</b>
Fee income (loss) from banking services, net	30,039	91,045	21,927	113,416	(19,218)	237,209
Other operating income (loss)	66,522	52,277	92,699	1,354	(118,798)	94,054
<b>Total operating income (loss)</b>	<b>836,758</b>	<b>875,322</b>	<b>642,107</b>	<b>148,849</b>	<b>(155,225)</b>	<b>2,347,811</b>
Direct operating expenses	246,233	55,922	34,832	78,056	-	415,043
Indirect operating expenses	253,359	133,014	247,025	-	-	633,398
(Reversals) Provisions for credit and other losses	75,389	(131,728)	(1,359)	44	3	(57,651)
<b>Total operating expenses</b>	<b>574,981</b>	<b>57,208</b>	<b>280,498</b>	<b>78,100</b>	<b>3</b>	<b>990,790</b>
Operating income (loss)	261,777	818,114	361,609	70,749	(155,228)	1,357,021
Share in earnings of associates	-	-	54,725	-	-	54,725
<b>Income (loss) before provisions for Zakat</b>	<b>261,777</b>	<b>818,114</b>	<b>416,334</b>	<b>70,749</b>	<b>(155,228)</b>	<b>1,411,746</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

**16. Operating segments - continued**

	September 30, 2021 (Unaudited)					Total
	Retail Banking	Corporate Banking	Treasury and Investments	Asset Management and Brokerage	Other	
Total assets	18,760,934	39,049,422	38,528,615	613,093	2,688,058	99,640,122
Total liabilities	23,139,562	8,493,052	50,915,133	69,908	334,406	82,952,061
Net special commission income	505,290	910,648	306,874	18,727	(17,117)	1,724,422
FTP net transfers	2,807	(412,612)	415,828	-	(6,023)	-
Net FTP contribution	508,097	498,036	722,702	18,727	(23,140)	1,724,422
Fee income from banking services, net	26,889	72,657	18,484	139,456	(11,213)	246,273
Other operating income (loss)	50,350	42,342	35,860	8,289	(78,192)	58,649
Total operating income (loss)	585,336	613,035	777,046	166,472	(112,545)	2,029,344
Direct operating expenses	234,977	53,552	34,373	71,589	-	394,491
Indirect operating expenses	199,640	110,409	205,046	-	-	515,095
Provisions for credit and other losses	162,100	62,466	1,192	(153)	-	225,605
Total operating expenses	596,717	226,427	240,611	71,436	-	1,135,191
Operating income (loss)	(11,381)	386,608	536,435	95,036	(112,545)	894,153
Share in earnings of associates	-	-	25,226	-	-	25,226
Income (loss) before provisions for Zakat	(11,381)	386,608	561,661	95,036	(112,545)	919,379

**17. Fair values of financial instruments**

- a) The Group measures certain financial instruments, such as derivatives, at fair value at each interim condensed consolidated statement of financial position date.

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.

The principal or the most advantageous market must be accessible to or by 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 best economic 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, while 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 interim condensed consolidated statement of financial position are categorized within a 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 prices in active markets for the same or identical instrument that an entity can access at the measurement date (i.e. without modification or proxy);

**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.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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For the nine month periods ended September 30, 2022 and 2021

**17. Fair values of financial instruments - continued**

For assets and liabilities that are recognized in the interim condensed consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting date.

The Group determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for any non-recurring measurement, such as assets held for distribution in discontinued operations.

External subject matter experts are involved from time to time for the valuation of certain assets. Involvement of external subject matter experts is decided upon annually. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

At each financial reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

- b) The following table summarizes the fair values of financial assets and financial liabilities by level of fair value hierarchy recorded at fair value as of September 30, 2022 and 2021 and as of December 31, 2021. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	September 30, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value:</b>				
Derivative financial instruments at FVTPL	-	945,255	106,601	1,051,856
Investments at FVOCI	20,749,060	1,185,975	13,284	21,948,319
Investments at FVTPL	111,301	-	20,756	132,057
<b>Total</b>	<b>20,860,361</b>	<b>2,131,230</b>	<b>140,641</b>	<b>23,132,232</b>
<b>Financial liabilities carried at fair value:</b>				
Derivative financial instruments at FVTPL	-	471,451	-	471,451
<b>Total</b>	<b>-</b>	<b>471,451</b>	<b>-</b>	<b>471,451</b>
	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value:</b>				
Derivative financial instruments at FVTPL	-	500,369	163,602	663,971
Investments at FVOCI	27,157,084	1,528,729	13,282	28,699,095
investments at FVTPL	117,776	-	24,880	142,656
<b>Total</b>	<b>27,274,860</b>	<b>2,029,098</b>	<b>201,764</b>	<b>29,505,722</b>
<b>Financial liabilities carried at fair value:</b>				
Derivative financial instruments at FVTPL	-	230,147	-	230,147
<b>Total</b>	<b>-</b>	<b>230,147</b>	<b>-</b>	<b>230,147</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Amounts in SAR'000**

**For the nine month periods ended September 30, 2022 and 2021**

**17. Fair values of financial instruments - continued**

	September 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	484,765	215,075	699,840
Investments at FVOCI	24,871,048	4,240,703	13,272	29,125,023
Investments at FVTPL	132,117	-	42,938	175,055
<b>Total</b>	<b>25,003,165</b>	<b>4,725,468</b>	<b>271,285</b>	<b>29,999,918</b>
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	215,634	-	215,634
<b>Total</b>	<b>-</b>	<b>215,634</b>	<b>-</b>	<b>215,634</b>

The value obtained from any relevant valuation model may differ with a transaction price of a financial instrument. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss'. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the interim condensed consolidated statement of comprehensive income without reversal of deferred day one profits and losses.

The total amount of the changes in fair value recognized in the September 30, 2022 interim condensed consolidated statement of income, which was estimated using valuation models, is SAR 57 million loss (September 30, 2021: SAR 121.5 million loss).

Level 2 investments include debt securities which are comprised of Saudi corporate and bank securities. These securities are generally unquoted. In the absence of a quoted price in an active market, these securities are valued using observable inputs such as yield information for similar instruments or last executed transaction prices in securities of the same issuer or based on indicative market quotes. Adjustments are also considered as part of the valuations when necessary to account for the different features of the instruments including difference in tenors. Because the significant inputs for these investments are observable, the Bank categorizes these investments within Level 2.

Level 2 derivative financial instruments include various derivatives contracts including forward foreign exchange contracts, foreign exchange options, commission rate options, and commission rate swaps. These derivatives are valued using widely recognized valuation models. The most frequently applied valuation techniques include the use of forward pricing standard models using present value calculations and well-recognized Black - Scholes option pricing models. These models incorporate various market observable inputs including foreign exchange rates, forward rates, and yield curves, and are therefore included within Level 2.

Level 3 investments includes private equity funds and certain unquoted strategic investments in equities. These securities are generally not quoted in an active market, and therefore are valued using indicative market quotes from an issuer / counter-party or valued at cost in the absence of any such alternative reliable indicative estimate.

Level 3 derivative financial instruments include the embedded derivative put option arising from an existing master agreement entered into by the Bank relating to its investment in an associated company (see note 14c). For purposes of determining the fair value of the put option, the Bank uses a well-recognized and frequently used Binomial Option Pricing Model. This model requires certain inputs which are not observable in the current market place. Certain inputs are specifically stated within the master agreement with the associated company. Other inputs are based on the historical results of the associated company. These other inputs may require management's judgement including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. Several of the inputs are also interdependent.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Amounts in SAR'000**

**For the nine month periods ended September 30, 2022 and 2021**

**17. Fair values of financial instruments - continued**

Should the significant estimations of inputs vary by plus or minus ten percent, the fair value could increase or decrease by approximately SAR 33.1 million (September 30, 2021: SAR 32.4 million) due to estimating operating results of the associated company, could increase or decrease by approximately SAR 14.6 million (September 30, 2021: SAR 13.7 million) due to estimating the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and could increase or decrease by approximately SAR 16.1 million (September 30, 2021: SAR 24.2 million) due to estimating the fair value of the underlying investment.

In all respects, the Group's significant estimates are based on experience and judgement relevant to each input, and in all cases, due care is taken to ensure that the inputs are prudent to ensure that the estimation of fair value is reasonable in the circumstances. However, any amounts which may be realized in the future may differ from the Group's estimates of fair value.

- c) The movement of the Level 3 fair values for the nine month periods ended September 30, 2022 and 2021, and for the year ended December 31, 2021 is summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Fair values at the beginning of the year/period	<b>201,764</b>	397,016	397,016
Net change in fair value	<b>(61,123)</b>	(195,252)	(125,731)
<b>Fair values at the end of the year/period</b>	<b>140,641</b>	201,764	271,285

There were no transfers from either level 1 or level 2 to either level 2 or level 3 during the nine months period ended September 30, 2022.

- d) The estimated fair values of financial assets and financial liabilities as of September 30, 2022, and 2021 and as of December 31, 2021 that are not carried at fair value in the interim condensed consolidated financial statements, along with the comparative carrying amounts for each are summarized as follows:

	<b>September 30, 2022 (Unaudited)</b>	
	<b>Carrying values</b>	<b>Estimated fair values</b>
<b>Financial assets:</b>		
Due from banks and other financial institutions, net	<b>3,132,801</b>	<b>3,132,801</b>
Investments held at amortized cost, net	<b>4,863,332</b>	<b>4,392,698</b>
Loans and advances, net	<b>64,665,179</b>	<b>69,547,061</b>
<b>Total</b>	<b>72,661,312</b>	<b>77,072,560</b>
<b>Financial liabilities:</b>		
Due to banks and other financial institutions, net	<b>20,104,905</b>	<b>20,104,905</b>
Customers' deposits	<b>67,604,821</b>	<b>67,092,446</b>
<b>Total</b>	<b>87,709,726</b>	<b>87,197,351</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Amounts in SAR'000

For the nine month periods ended September 30, 2022 and 2021

**17. Fair values of financial instruments - continued**

	<u>December 31, 2021 (Audited)</u>	
	<u>Carrying values</u>	<u>Estimated fair values</u>
Financial assets:		
Due from banks and other financial institutions, net	5,445,778	5,445,778
Loans and advances, net	<u>57,803,114</u>	<u>58,638,152</u>
Total	<u>63,248,892</u>	<u>64,083,930</u>
Financial liabilities:		
Due to banks and other financial institutions, net	21,792,608	21,792,608
Customers' deposits	<u>61,484,997</u>	<u>59,978,185</u>
Total	<u>83,277,605</u>	<u>81,770,793</u>
	<u>September 30, 2021 (Unaudited)</u>	
	<u>Carrying values</u>	<u>Estimated fair values</u>
Financial assets:		
Due from banks and other financial institutions, net	1,407,134	1,407,134
Loans and advances, net	<u>58,290,449</u>	<u>62,691,072</u>
Total	<u>59,697,583</u>	<u>64,098,206</u>
Financial liabilities:		
Due to banks and other financial institutions, net	20,036,584	20,036,584
Customers' deposits	<u>60,860,600</u>	<u>60,399,113</u>
Total	<u>80,897,184</u>	<u>80,435,697</u>

The estimated fair values of loans and advances, net are calculated using market based discounted cash flow models of individual loan portfolios using the weighted average estimated maturities of each individual loan portfolio. The estimated fair values of customers' deposits are calculated using market based discounted cash flow models of individual deposit classes using the weighted average estimated maturities of each individual deposit class. The fair value for investments held at amortized cost are considered as level 1 in the fair value hierarchy. The fair value estimates for due from banks and other financial institutions, due to banks and other financial institutions, loans and advances, net and customers' deposits are considered as level 3 in the fair value hierarchy.

The fair values of other financial instruments that are not carried in the interim condensed consolidated financial statements at fair value are not significantly different from the carrying values. The fair values of due from banks and other financial institutions 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 interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the special commission rates at initial recognition, and because of the short duration of due from banks and other financial institutions.

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

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### 18. Credit and financial risk management

#### a) Credit Risk

The Group manages its 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 customer lending activities that lead to loans and advances, and other investment activities. There is also credit risk in off consolidated statement of financial position financial instruments, such as loan commitments and financial guarantee contracts. The Group assesses the Probability of Default (PD) of counterparties using internal rating tools which can be mapped to external ratings where available. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken. The Group assesses wholesale counterparties using the same techniques as for its lending activities to clients.

Concentrations of credit risk arise when several 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 geographic location.

The Group has a comprehensive Board approved framework for managing credit risk which includes an independent credit risk review function and credit risk monitoring process. The Group seeks to control credit risk by monitoring credit exposures, limiting concentration risks, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are regularly monitored. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

#### b) Credit Risk management

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations, business, or economic sectors.

The Group uses a credit classification system as a tool to assist in managing the quality of credit risk within the lending portfolio. It maintains classification grades that differentiate between portfolios and allocates expected credit loss allowances. The Group determines each individual borrower's grade based on specific objective and subjective financial and business assessment criteria covering debt service, profitability, liquidity, capital structure, industry, management quality, and company standing. The Group conducts periodic quality classification exercises over all of its existing borrowers and the results of these exercises are validated by the independent risk management unit established for that purpose. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, external economic environment, emerging best practices, and regulatory guidance.

#### c) Credit Risk Mitigation ("CRM")

The Group in the ordinary course of lending activities holds collateral as security for Credit Risk Mitigation (CRM) on its lending portfolio. The collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets. The collateral is held mainly against commercial and similar loans and is managed against relevant exposures at their net realizable value. Management monitors the market value of collateral, requests additional collateral in accordance with underlying agreements, and assesses the adequacy of the allowance for credit losses. The Group also seeks additional collateral from counterparties when impairment indicators are observed.

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**For the nine month periods ended September 30, 2022 and 2021**
**18. Credit and financial risk management - continued**
**d) Reconciliations of gross carrying amounts and allowance for credit losses**
**Combined – Financial Assets and Financial guarantee contracts**

A combined reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for all financial assets and financial guarantee contracts for the nine month periods ended September 30, 2022 and 2021 is summarized as follows:

September 30, 2022 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	98,218,209	4,891,654	3,092,554	106,202,417	451,370	462,478	1,290,427	2,204,275
Transfers from Stage 1 to Stage 2	(214,390)	214,390	-	-	(2,919)	14,762	-	11,843
Transfers from Stage 1 to Stage 3	(133,854)	-	133,854	-	(1,185)	-	63,887	62,702
Transfers from Stage 2 to Stage 1	713,104	(713,104)	-	-	5,044	(15,833)	-	(10,789)
Transfers from Stage 2 to Stage 3	-	(435,125)	435,125	-	-	(78,924)	204,073	125,149
Transfers from Stage 3 to Stage 1	32,282	-	(32,282)	-	2,045	-	(32,710)	(30,665)
Transfers from Stage 3 to Stage 2	-	14,412	(14,412)	-	-	912	(2,935)	(2,023)
Post-model overlays (note 26)	-	-	-	-	(48,764)	(33,538)	(28,094)	(110,396)
Changes in exposures and re-measurements	3,674,179	(376,416)	(700,173)	2,597,590	20,793	59,448	(199,678)	(119,437)
Net movement for the period	4,071,321	(1,295,843)	(177,888)	2,597,590	(24,986)	(53,173)	4,543	(73,616)
Write-offs, net	-	-	226,167	226,167	-	-	226,167	226,167
Balances as of September 30, 2022	102,289,530	3,595,811	3,140,833	109,026,174	426,384	409,305	1,521,137	2,356,826

September 30, 2021 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	93,642,597	4,537,036	2,861,364	101,040,997	576,288	262,844	1,161,708	2,000,840
Transfers from Stage 1 to Stage 2	(1,302,207)	1,302,207	-	-	(17,123)	109,298	-	92,175
Transfers from Stage 1 to Stage 3	(79,969)	-	79,969	-	(1,619)	-	36,899	35,280
Transfers from Stage 2 to Stage 1	512,792	(512,792)	-	-	6,169	(19,532)	-	(13,363)
Transfers from Stage 2 to Stage 3	-	(211,571)	211,571	-	-	(61,131)	104,346	43,215
Transfers from Stage 3 to Stage 1	13,898	-	(13,898)	-	76	-	(4,986)	(4,910)
Transfers from Stage 3 to Stage 2	-	2,883	(2,883)	-	-	948	(1,767)	(819)
Post-model overlays (note 28)	-	-	-	-	(21,914)	22,362	(12,431)	(11,983)
Changes in exposures and re-measurements	1,565,087	125,858	(78,142)	1,612,803	25,971	93,295	(33,256)	86,010
Net movement for the period	709,601	706,585	196,617	1,612,803	(8,440)	145,240	88,805	225,605
Write-offs, net	-	-	(41,165)	(41,165)	-	-	(41,165)	(41,165)
Balances as of September 30, 2021	94,352,198	5,243,621	3,016,816	102,612,635	567,848	408,084	1,209,348	2,185,280

**THE SAUDI INVESTMENT BANK**

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****Amounts in SAR'000****For the nine month periods ended September 30, 2022 and 2021****18. Credit and financial risk management - continued****d) Reconciliations of gross carrying amounts and allowance for credit losses - continued****Due from banks and other financial institutions**

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for due from banks and other financial institutions for the nine month periods ended September 30, 2022 and 2021 is summarized as follows:

	September 30, 2022 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	5,453,353	1,057	-	5,454,410	8,465	167	-	8,632
Changes in exposures and re-measurements	(2,316,179)	(304)	-	(2,316,483)	(3,457)	(49)	-	(3,506)
Balances as of September 30, 2022	3,137,174	753	-	3,137,927	5,008	118	-	5,126

	September 30, 2021 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	2,169,016	928	-	2,169,944	3,092	110	-	3,202
Changes in exposures and re-measurements	(758,743)	(6)	-	(758,749)	859	-	-	859
Balances as of September 30, 2021	1,410,273	922	-	1,411,195	3,951	110	-	4,061

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**18. Credit and financial risk management - continued**
**d) Reconciliations of gross carrying amounts and allowance for credit losses - continued**
**Investments – debt securities**

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for debt securities for the nine month periods ended September 30, 2022 and 2021 is summarized as follows:

	September 30, 2022 (Unaudited)							
	Gross Carrying Amounts (FVOCI) SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	28,343,072	-	-	28,343,072	26,185	-	-	26,185
Changes in exposures and re-measurements	(1,750,753)	-	-	(1,750,753)	2,148	-	-	2,148
Balances as of September 30, 2022	26,592,319	-	-	26,592,319	28,333	-	-	28,333
	Sep. 30, 2021 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	29,959,909	-	-	29,959,909	31,385	-	-	31,385
Changes in exposures and re-measurements	(1,164,253)	-	-	(1,164,253)	333	-	-	333
Balances as of September 30, 2021	28,795,656	-	-	28,795,656	31,718	-	-	31,718



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**Amounts in SAR'000**
**For the nine month periods ended September 30, 2022 and 2021**
**18. Credit and financial risk management - continued**
**d) Reconciliations of gross carrying amounts and allowance for credit losses - continued**
**Loans and advances**

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for loans and advances for the nine month periods ended September 30, 2022 and 2021 is summarized as follows:

September 30, 2022 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	52,870,856	4,205,369	2,692,122	59,768,347	342,068	423,593	1,199,572	1,965,233
Transfers from Stage 1 to Stage 2	(161,828)	161,828	-	-	(1,615)	10,479	-	8,864
Transfers from Stage 1 to Stage 3	(121,279)	-	121,279	-	(1,087)	-	57,862	56,775
Transfers from Stage 2 to Stage 1	559,108	(559,108)	-	-	3,234	(10,111)	-	(6,877)
Transfers from Stage 2 to Stage 3	-	(354,781)	354,781	-	-	(55,055)	165,350	110,295
Transfers from Stage 3 to Stage 1	32,282	-	(32,282)	-	2,045	-	(32,710)	(30,665)
Transfers from Stage 3 to Stage 2	-	13,000	(13,000)	-	-	901	(2,794)	(1,893)
Post-model overlays (note 26)	-	-	-	-	(48,764)	(33,538)	(28,094)	(110,396)
Changes in exposures and re-measurements	7,485,322	(319,829)	(404,531)	6,760,962	20,014	46,648	(193,868)	(127,206)
Net movement for the period	7,793,605	(1,058,890)	26,247	6,760,962	(26,173)	(40,676)	(34,254)	(101,103)
Write-offs, net	-	-	226,167	226,167	-	-	226,167	226,167
Balances as of September 30, 2022	60,664,461	3,146,479	2,944,536	66,755,476	315,895	382,917	1,391,485	2,090,297

September 30, 2021 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	50,192,685	4,178,605	2,458,028	56,829,318	443,296	243,155	1,068,973	1,755,424
Transfers from Stage 1 to Stage 2	(1,168,783)	1,168,783	-	-	(13,090)	100,436	-	87,346
Transfers from Stage 1 to Stage 3	(79,969)	-	79,969	-	(1,619)	-	36,899	35,280
Transfers from Stage 2 to Stage 1	459,887	(459,887)	-	-	5,478	(16,278)	-	(10,800)
Transfers from Stage 2 to Stage 3	-	(211,564)	211,564	-	-	(61,131)	104,345	43,214
Transfers from Stage 3 to Stage 1	13,898	-	(13,898)	-	76	-	(4,986)	(4,910)
Transfers from Stage 3 to Stage 2	-	2,364	(2,364)	-	-	925	(1,585)	(660)
Post-model overlays (note 28)	-	-	-	-	(21,914)	22,362	(12,431)	(11,983)
Changes in exposures and re-measurements	3,520,599	(6,768)	(72,234)	3,441,597	21,570	96,647	(30,662)	87,555
Net movement for the period	2,745,632	492,928	203,037	3,441,597	(9,499)	142,961	91,580	225,042
Write-offs, net	-	-	(41,165)	(41,165)	-	-	(41,165)	(41,165)
Balances as of September 30, 2021	52,938,317	4,671,533	2,619,900	60,229,750	433,797	386,116	1,119,388	1,939,301

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**18. Credit and financial risk management - continued**
**d) Reconciliations of gross carrying amounts and allowance for credit losses - continued**
**Financial guarantee contracts**

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for financial guarantee contracts for the nine month periods ended September 30, 2022 and 2021 is summarized as follows:

September 30, 2022 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	11,377,970	685,228	400,432	12,463,630	74,558	38,718	90,855	204,131
Transfers from Stage 1 to Stage 2	(52,562)	52,562	-	-	(1,304)	4,283	-	2,979
Transfers from Stage 1 to Stage 3	(12,575)	-	12,575	-	(98)	-	6,025	5,927
Transfers from Stage 2 to Stage 1	153,996	(153,996)	-	-	1,810	(5,722)	-	(3,912)
Transfers from Stage 2 to Stage 3	-	(80,344)	80,344	-	-	(23,869)	38,723	14,854
Transfers from Stage 3 to Stage 2	-	1,412	(1,412)	-	-	11	(141)	(130)
Changes in exposures and re-measurements	274,652	(56,283)	(295,642)	(77,273)	2,044	12,849	(5,810)	9,083
Net movement for the period	363,511	(236,649)	(204,135)	(77,273)	2,452	(12,448)	38,797	28,801
Balances as of September 30, 2022	11,741,481	448,579	196,297	12,386,357	77,010	26,270	129,652	232,932

September 30, 2021 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	11,247,291	357,503	403,336	12,008,130	98,240	19,579	92,735	210,554
Transfers from Stage 1 to Stage 2	(133,424)	133,424	-	-	(4,033)	8,862	-	4,829
Transfers from Stage 2 to Stage 1	52,905	(52,905)	-	-	691	(3,254)	-	(2,563)
Transfers from Stage 2 to Stage 3	-	(7)	7	-	-	-	1	1
Transfers from Stage 3 to Stage 2	-	519	(519)	-	-	23	(182)	(159)
Changes in exposures and re-measurements	(60,869)	132,632	(5,908)	65,855	3,362	(3,352)	(2,594)	(2,584)
Net movement for the period	(141,388)	213,663	(6,420)	65,855	20	2,279	(2,775)	(476)
Balances as of September 30, 2021	11,105,903	571,166	396,916	12,073,985	98,260	21,858	89,960	210,078

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### 18. Credit and financial risk management - continued

#### d) Reconciliations of gross carrying amounts and allowance for credit losses - continued

##### Other assets – customer and other receivables

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for customer and other receivables, included in other assets, for the nine month periods ended September 30, 2022 and 2021 is summarized as follows:

	September 30, 2022 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	172,958	-	-	172,958	94	-	-	94
Changes in exposures and re-measurements	(18,863)	-	-	(18,863)	44	-	-	44
Balances as of September 30, 2022	154,095	-	-	154,095	138	-	-	138

	September 30, 2021 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2020	73,696	-	-	73,696	275	-	-	275
Changes in exposures and re-measurements	28,353	-	-	28,353	(153)	-	-	(153)
Balances as of September 30, 2021	102,049	-	-	102,049	122	-	-	122

The transfer amounts in the above reconciliations represent the net increase or decrease in the allowance for credit losses as a result of transfers between stages during the nine month periods ended September 30, 2022 and 2021.

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Amounts in SAR'000

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### 19. Basic and diluted earnings per share

- a) Basic and diluted earnings per share is calculated by dividing net income adjusted for Tier I Sukuk costs by weighted average number of the issued and outstanding shares after giving effect to the purchase and issuance of 74.9 million treasury shares and distribution of 250 million bonus shares.
- b) Details of basic and diluted earnings per share for the three month and nine month periods ended September 30, 2022 and 2021 are as follows:

	Three month period ended		Nine month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	549,965	274,345	1,157,631	775,610
Tier I Sukuk costs	(17,173)	(15,334)	(60,724)	(70,518)
<b>Net income adjusted for Tier I Sukuk costs</b>	<b>532,792</b>	<b>259,011</b>	<b>1,096,907</b>	<b>705,902</b>
Weighted average number of outstanding shares (in '000)	1,000,000	938,505	1,000,000	938,505
<b>Basic and diluted earnings per share (SAR)</b>	<b>0.53</b>	<b>0.28</b>	<b>1.10</b>	<b>0.75</b>

The weighted average number of outstanding shares have been retrospectively adjusted for prior period to effect the bonus element included in the treasury shares issued and have been calculated using an adjustment factor of 1.02 which is the ratio of the theoretical ex-rights price of SR 17.49 and closing price per share of SR 17.88 immediately before exercise of the rights.

The weighted average number of outstanding shares have also been retrospectively adjusted for prior period to reflect the distribution of 250 million bonus shares during the nine month period ended September 30, 2022.

### 20. Capital adequacy

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

The following table summarizes the Bank's Pillar I Risk Weighted Assets (RWA), Tier I and Tier II Capital, and corresponding Capital adequacy ratio percentages as of September 30, 2022 and 2021 and as of December 31, 2021.

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Credit Risk RWA	85,592,654	79,052,694	78,906,762
Operational Risk RWA	5,091,578	5,091,578	5,112,624
Market Risk RWA	893,044	1,021,036	194,616
<b>Total Pillar- I RWA</b>	<b>91,577,276</b>	<b>85,165,308</b>	<b>84,214,002</b>
Tier I Capital	17,038,348	17,105,736	17,492,322
Tier II Capital	593,515	644,436	646,319
<b>Total Tier I plus Tier II Capital</b>	<b>17,631,863</b>	<b>17,750,172</b>	<b>18,138,641</b>
<b>Capital Adequacy Ratios:</b>			
Tier I Ratio	18.61%	20.09%	20.77%
Tier I plus Tier II Ratio	19.25%	20.84%	21.54%

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### 20. Capital adequacy - continued

The Tier I and Tier II capital as of September 30, 2022 and 2021 and as of December 31, 2021 is comprised of the following:

	<b>September 30, 2022 (Unaudited)</b>	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Total Equity	<b>16,508,272</b>	16,301,475	16,688,061
IFRS 9 transitional adjustment	<b>548,371</b>	822,556	822,556
Goodwill adjustment (note 10b)	<b>(18,295)</b>	(18,295)	(18,295)
<b>Tier I Capital</b>	<b>17,038,348</b>	17,105,736	17,492,322
Qualifying general provisions, net	<b>593,515</b>	644,436	646,319
<b>Tier II Capital</b>	<b>593,515</b>	644,436	646,319
<b>Tier I plus Tier II Capital</b>	<b>17,631,863</b>	17,750,172	18,138,641

Capital adequacy and the use of Regulatory capital are regularly monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total Regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

As of September 30, 2022 and 2021, and as of December 31, 2021, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III.

SAMA under its circular no. 391000029731 dated 15 Rabi Al Awwal 1439H (corresponding to December 3, 2017) on the ECL accounting transitional arrangement for regulatory capital, allowed banks to transition the Day 1 impact of IFRS 9 on regulatory capital over five years by using a dynamic approach to reflect the impact of the transition.

In April 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". Under the guidance, banks have been allowed to add-back up to 100% of the Day 1 impact of IFRS 9 as a transitional adjustment amount to Common Equity Tier 1 (CET1) for the two year periods comprising 2020 and 2021. The add-back amount is then required to be phased-out on a straight-line basis over the subsequent 3 years. In this respect, the Group had opted to apply the transitional adjustment, and had included the Day 1 impact of IFRS 9 in its Tier I regulatory capital. As a result, the IFRS 9 transitional adjustment add back amounted to SAR 548.3 million as of September 30, 2022 and SAR 822.5 million as of December 31, 2021 and September 30, 2021.

b) The following additional disclosures are required under the Basel III framework.

- Pillar III, Qualitative disclosures (Annually);
- Pillar III, Quantitative disclosures (Semi-annually);
- Capital Structure (Quarterly);
- Liquidity Coverage Ratio (Quarterly);
- Leverage Ratio (Quarterly)

These disclosures are made available to the public on the Bank's website within the prescribed time frames as required by SAMA.

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### 21. Tier I Sukuk

The Bank completed the establishment of a Shari'a compliant Tier I Sukuk Program (the Program) in 2016 and 2022. The Program was approved by the Bank's regulatory authorities. The following tranches of Tier I Sukuk issued under the programs on the dates indicated below are outstanding as of September 30, 2022 and 2021 and as of December 31, 2021:

	<b>September 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>	<b>September 30, 2021 (Unaudited)</b>
November 16, 2016	-	-	500,000
June 6, 2017	-	285,000	285,000
March 21, 2018	<b>1,000,000</b>	1,000,000	1,000,000
April 15, 2019	<b>215,000</b>	215,000	215,000
June 29, 2022	<b>2,000,000</b>	-	-
<b>Total</b>	<b>3,215,000</b>	<b>1,500,000</b>	<b>2,000,000</b>

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

The applicable profit rate on the Tier I Sukuk 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 a non-payment event or non-payment election are not considered to be an event of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

### 22. Zakat

- a) The Bank's share capital and percentages of ownership as of September 30, 2022 and 2021 and as of December 31, 2021 are summarized as follows in SAR millions. The Bank's Zakat calculations and corresponding accruals and payments of Zakat are based on the below ownership percentages:

	<b>September 30, 2022 (Unaudited)</b>		<b>December 31, 2021 (Audited)</b>		<b>September 30, 2021 (Unaudited)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Saudi shareholders	<b>10,000.0</b>	<b>100.0</b>	7,500.0	100.0	7,500.0	100.0
Treasury shares (note 24)	-	-	-	-	-	-
<b>Total</b>	<b>10,000.0</b>	<b>100.0</b>	<b>7,500.0</b>	<b>100.0</b>	<b>7,500.0</b>	<b>100.0</b>

- b) The Bank has filed the required Zakat declarations with the Zakat, Tax, and Customs Authority ("ZATCA") which are due on April 30 each year, through the year ended December 31, 2021. The Bank's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership percentages disclosed in note 19a. The assessment for Bank's 2020 zakat declaration is in progress.

On March 14, 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it will not fall below the minimum floor nor would exceed the maximum cap as prescribed by the Rules.

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### 22. Zakat - continued

- c) During 2018, the Bank agreed to settle prior year Zakat assessments with the ZATCA for the years 2006 to 2017. The settlement totaled SAR 775 million. The outstanding balance of approximately SAR 248 million is payable in equal annual instalments on December 1, 2022 and 2023.

### 23. Dividend and Bonus shares issuance

During the three month period ended March 31, 2021, the Board of Directors proposed a cash dividend of SAR 270 million equal to SAR 0.4 per share, for the year 2020, to 675 million eligible shares. The proposed cash dividend was approved by the Bank's shareholders in an extraordinary general assembly meeting held on April 21, 2021. The dividends were paid to the Bank's shareholders thereafter.

During the three month period ended December 31, 2021, the Board of Directors proposed a cash dividend of SAR 525 million equal to SAR 0.7 per share, for the year 2021, to 750 million eligible shares. The Board of Directors also proposed capital increase by way of issuing bonus shares to the bank's shareholders by granting one share for every three shares held. The capital increase was proposed by way of capitalization from statutory reserve.

The proposed cash dividend and bonus shares issuance was approved by the Bank's shareholders in an extraordinary general assembly meeting held on February 1, 2022.

During the three month period ended March 31, 2022, the cash dividends were paid, bonus shares were distributed and share capital was accordingly increased.

During the three month period ended September 30, 2022, the Board of Directors proposed an interim cash dividend of SAR 300 million equal to SAR 0.3 per share, for the year 2022, to 1,000 million eligible shares. The proposed cash dividend were paid during the three month period ended September 30, 2022.

### 24. Treasury shares

On June 14, 2018, the Bank entered into a Share Purchase Agreement with J.P. Morgan International Finance Limited (JP Morgan), to purchase 56,245,350 shares of the Bank owned by JP Morgan for SAR 13.50 per share equal to SAR 759.3 million, exclusive of transaction costs and estimated tax. The Bank subsequently received all required regulatory approvals and the agreement to purchase the shares was approved in an Extraordinary General Assembly meeting held on 16 Muharram 1440H, corresponding to September 26, 2018. On September 27, 2018, the Bank completed the purchase. The Treasury shares purchased included transaction costs and estimated tax for a total cost of SAR 787.5 million.

On November 29, 2018, the Bank entered into a Share Purchase Agreement with Mizuho Bank Ltd. (Mizuho), to purchase another 18,749,860 shares of the Bank owned by Mizuho for SAR 13.50 per share equal to SAR 253.1 million, exclusive of transaction costs and estimated Tax. The Bank received all regulatory approvals for the purchase, and the agreement to purchase the shares was approved in an Extraordinary General Assembly Meeting held on 21 Rajab, 1440H, corresponding to March 28, 2019. On May 28, 2019, the Bank completed the purchase. The Treasury shares purchased included transaction costs for a total cost of SAR 253.5 million.

The share capital of the Bank was not reduced as a result of these transactions with the cost of the shares purchased totaling SAR 1,041.1 million presented as a reduction of shareholders' equity.

During the year ended December 31, 2021, the Bank issued all of the treasury shares by the way of right shares and rump offering. The total proceeds from the sale of treasury shares amounted to SAR 1.03 billion, exclusive of transaction costs.

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**25. Operating expenses**

Provisions for credit and other losses for the three month and nine month periods ended September 30, 2022 and 2021 is summarized as follows:

	<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>September 30, 2022</b>	September 30, 2021	<b>September 30, 2022</b>	September 30, 2021
Provision for credit losses:				
Due from banks and other financial institutions (note 6b)	<b>(1,000)</b>	(264)	<b>(3,506)</b>	859
Investments (note 7b)	<b>51</b>	(724)	<b>2,148</b>	333
Loans and advances (note 8b)	<b>(173,154)</b>	50,037	<b>(101,103)</b>	225,042
Financial guarantee contracts (note 15c)	<b>17,960</b>	2,012	<b>28,801</b>	(476)
Other assets (note 11b)	<b>(3)</b>	(32)	<b>44</b>	(153)
<b>Provisions for credit losses</b>	<b>(156,146)</b>	51,029	<b>(73,616)</b>	225,605
Provision for other losses	<b>7,128</b>	-	<b>15,965</b>	-
<b>Provisions for credit and other losses</b>	<b>(149,018)</b>	51,029	<b>(57,651)</b>	225,605

**26. Impact of COVID-19 on ECL and SAMA Programs**

During the year ended December 31, 2020 and 2021, the Coronavirus ("COVID-19") pandemic ("the pandemic") disrupted global markets as many geographies experienced issues due to multiple new variants of this infection. Significant improvements 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-19 restrictions.

The Bank continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government 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, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans and advances, where required.

During the year ended December 31, 2020 and 2021, the Bank revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) used for the determination of ECL.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, Management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. Accordingly, management's ECL assessment includes a sector-based assessment and staging analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognized post-model overlays of SAR 41.8 million and SAR 72.9 million as of September 30, 2022 for its corporate and MSME loans and advances portfolio respectively. The Bank will continue to reassess the need for additional overlays as more reliable data becomes available and accordingly determine if any adjustment to the ECL allowance is required in subsequent reporting periods.



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**26. Impact of COVID-19 on ECL and SAMA Programs - continued****SAMA support programs and initiatives****Deferred Payments Program ("DPP")**

In response to the pandemic, SAMA launched the Deferred Payments Program ("DPP") 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. The DPP program has ended on March 31, 2022.

During the nine month period ended September 30, 2022, SAR 44.6 million (September 30, 2021: SAR 44.6 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 10.0 million deferred grant income as of September 30, 2022 (December 31, 2021: SAR 54.7 million). During the nine month period ended September 30, 2022, SAR 93.5 million (September 30, 2021: SAR 76.8 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

**27. IBOR ("Interbank Offer Rate") Transition - Interest Rate Benchmark Reforms**

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") followed a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

- Phase 1 – The first phase of amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments were effective from January 1, 2020 and were mandatory for all hedge relationships directly affected by the IBOR reform. The Group has adopted these amendments along with the hedging relief for pre-replacement hedges.
- Phase 2 – The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result, IBOR continues to be used as a reference rate in financial markets and therefore is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Phase 2 amendments were effective for annual periods beginning on or after January 1, 2021, and included practical expedients in respect of:
  - o Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
  - o Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

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### 27. IBOR (“Interbank Offer Rate”) Transition - Interest Rate Benchmark Reforms - continued

The Group has exposure to IBOR rates that are subject to reform through the holdings of investment securities, financial assets denominated in foreign currencies, its associated hedging and structural rate position.

During 2020, the Board 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 alternate benchmarks, as applicable, with the aim of minimising the potential disruption to business and mitigating operational and conduct 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 of September 30, 2022, changes required to systems, processes and models have been identified and have been partially implemented. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed.

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.

The Group continues to engage with industry participant, to ensure an orderly transition to alternate benchmarks and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBOR replacement.

The Group is undergoing overall transition activities and is engaging various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

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### 28. Prospective changes to the International Financial Reporting Framework

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2023.

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>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.</p> <p>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.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than January 1, 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023
Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 1, 2023
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 1, 2023
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after January 1, 2023

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### 29. Comparative Figures

Certain prior period amounts have been reclassified to conform to current period presentation. However, there was no impact of such reclassifications on the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows.

### 30. Events after the reporting date

There were no events after the reporting date which require disclosure or adjustment to these interim condensed consolidated financial statements.

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