



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

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyadh Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2023, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes (collectively referred to as the "interim condensed consolidated financial statements").

The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Other regulatory matters

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (18) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (18) to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
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For Ernst & Young Professional Services

Hesham A. Alatiqi
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06 Muharram 1445H
(24 July 2023)

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RIYAD BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR PERIOD ENDED 30 JUNE 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 SAR'000 (Unaudited)	31 December 2022 SAR'000 (Audited)	30 June 2022 SAR'000 (Unaudited)
	Note			
ASSETS				
Cash and balances with Saudi Central Bank (SAMA), net		37,221,225	33,366,652	42,486,060
Due from banks and other financial institutions, net		22,091,875	20,613,232	13,806,808
Positive fair value of derivatives	6	3,827,170	3,790,841	2,311,433
Investments, net	7	56,387,630	52,196,120	53,538,261
- Investment at fair value through income statement (FVIS)		1,433,427	1,363,419	1,258,853
- Investment at amortised cost, net		35,790,035	33,366,959	35,233,926
- Investments at fair value through other comprehensive income(FVOCI)		19,164,168	17,465,742	17,045,482
Loans and advances, net	8	263,150,024	242,364,947	239,650,459
Other assets		2,034,794	3,175,946	2,299,393
Investment in associates		375,755	371,215	576,084
Other real estate		462,741	465,249	301,687
Property, equipment and right of use assets, net		3,684,434	3,308,655	2,983,443
Total assets		389,235,648	359,652,857	357,953,628
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		34,129,388	38,760,068	46,838,323
Negative fair value of derivatives	6	3,625,956	2,854,285	1,954,314
Customer deposits	9	272,269,261	240,007,085	237,477,015
Debt securities in issue		8,768,045	8,758,419	8,716,327
Other liabilities		12,752,440	13,099,651	13,517,649
Total liabilities		331,545,090	303,479,508	308,503,628
Shareholders' equity				
Share capital		30,000,000	30,000,000	30,000,000
Treasury shares	10	(112,439)	-	-
Statutory reserve		10,942,054	10,942,054	9,187,224
Other reserves		(1,048,833)	(790,260)	(1,579,874)
Retained earnings		11,346,901	7,500,430	9,028,575
Proposed dividends		-	1,950,000	-
Equity attributable to the shareholders of the Bank		51,127,683	49,602,224	46,635,925
Tier 1 Sukuk		6,562,875	6,571,125	2,814,075
Total equity		57,690,558	56,173,349	49,450,000
Total liabilities and equity		389,235,648	359,652,857	357,953,628

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



Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer




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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2023	2022	2023	2022
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		5,066,237	2,866,688	9,698,034	5,288,006
Special commission expense		1,957,120	469,960	3,500,569	759,401
Net special commission income		3,109,117	2,396,728	6,197,465	4,528,605
Fee and commission income		926,052	903,410	1,763,150	1,779,985
Fee and commission expense		316,586	275,310	580,111	534,386
Fee and commission income, net		609,466	628,100	1,183,039	1,245,599
Exchange income, net		134,007	123,064	305,223	247,265
Trading income, net		102,675	40,714	280,618	109,159
Dividend income		14,818	31,205	22,611	59,480
(Losses)/ gains on disposal of non-trading investments, net		(24,803)	8,431	(28,511)	132,136
Other operating income		7,038	2,223	28,102	9,755
Total operating income, net		3,952,318	3,230,465	7,988,547	6,331,999
Salaries and employee-related expenses		649,278	556,019	1,258,422	1,103,301
Rent and premises-related expenses		54,940	46,693	95,367	99,590
Depreciation of property, equipment and right of use assets		160,709	130,158	319,869	262,373
Other general and administrative expenses		348,554	296,063	693,235	592,300
Other operating expenses		20,663	35,440	28,972	40,457
Total operating expenses before impairment charge		1,234,144	1,064,373	2,395,865	2,098,021
Impairment charge for credit losses and other financial assets, net	8 c)	486,658	244,252	1,090,434	430,636
Impairment charge for investments, net		25,364	109,049	45,696	177,462
Total operating expenses, net		1,746,166	1,417,674	3,531,995	2,706,119
Net operating income		2,206,152	1,812,791	4,456,552	3,625,880
Share in profits/(losses) of associates, net		3,767	(3,858)	4,888	(72,465)
Income before zakat		2,209,919	1,808,933	4,461,440	3,553,415
Zakat for the period		227,600	197,700	459,529	389,593
Net income for the period		1,982,319	1,611,233	4,001,911	3,163,822
Basic and diluted earnings per share (in SAR)	17	0.64	0.53	1.28	1.04

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

 **Abdullah A. Al-Oraini**
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer




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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	For the three months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022
	SAR'000	SAR'000	SAR'000	SAR'000
Net income for the period	1,982,319	1,611,233	4,001,911	3,163,822
Other comprehensive income (OCI):				
<u>a) Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods</u>				
- Fair value through other comprehensive income (FVOCI- debt instruments)				
- Net change in fair value	(92,650)	(1,295,150)	(387,234)	(2,222,425)
- Net amounts transferred to interim condensed consolidated statement of income	24,803	6,594	28,511	(95,168)
- Net changes in allowance for expected credit losses (ECL)	26,317	105,738	47,551	176,125
- Effective portion of net change in fair value of cash flow hedge	(12,615)	(12,690)	(46,664)	(70,665)
<u>b) Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods</u>				
- Net change in fair value of equity instruments at fair value through other comprehensive income	91,145	(208,689)	99,263	9,021
Other comprehensive income (loss) for the period	37,000	(1,404,197)	(258,573)	(2,203,112)
Total comprehensive income for the period	2,019,319	207,036	3,743,338	960,710

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

 **Abdullah A. Al-Oraini**
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer




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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the six months ended 30 June 2023 & 2022

<u>SAR'000</u>	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders of the Bank	Tier 1 sukuk	Total equity
30 June 2023									
Balance at the beginning of the period	30,000,000	-	10,942,054	(790,260)	7,500,430	1,950,000	49,602,224	6,571,125	56,173,349
Total comprehensive income									
Net changes in fair values of									
- FVOCI -equity instruments	-	-	-	99,263	-	-	99,263	-	99,263
- FVOCI -debt instruments	-	-	-	(387,234)	-	-	(387,234)	-	(387,234)
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	-	28,511	-	-	28,511	-	28,511
Net changes in allowance for expected credit losses on FVOCI -debt	-	-	-	47,551	-	-	47,551	-	47,551
Net change in fair value of cash flow hedge	-	-	-	(46,664)	-	-	(46,664)	-	(46,664)
Net income for the period	-	-	-	-	4,001,911	-	4,001,911	-	4,001,911
Total comprehensive (loss) income	-	-	-	(258,573)	4,001,911	-	3,743,338	-	3,743,338
Tier 1 sukuk costs	-	-	-	-	(155,440)	-	(155,440)	(8,250)	(163,690)
Treasury shares	-	(112,439)	-	-	-	-	(112,439)	-	(112,439)
Final proposed dividend - 2022 (note 16)	-	-	-	-	-	(1,950,000)	(1,950,000)	-	(1,950,000)
Balance at the end of the period	<u>30,000,000</u>	<u>(112,439)</u>	<u>10,942,054</u>	<u>(1,048,833)</u>	<u>11,346,901</u>	<u>-</u>	<u>51,127,683</u>	<u>6,562,875</u>	<u>57,690,558</u>
30 June 2022									
Balance at the beginning of the period	30,000,000	-	9,187,224	1,637,436	4,855,111	1,620,000	47,299,771	-	47,299,771
Total comprehensive income									
Net changes in fair values of									
- FVOCI -equity instruments	-	-	-	9,021	-	-	9,021	-	9,021
- FVOCI -debt instruments	-	-	-	(2,222,425)	-	-	(2,222,425)	-	(2,222,425)
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	-	(95,168)	-	-	(95,168)	-	(95,168)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	-	176,125	-	-	176,125	-	176,125
Net change in fair value of cash flow hedge	-	-	-	(70,665)	-	-	(70,665)	-	(70,665)
Net income for the period	-	-	-	-	3,163,822	-	3,163,822	-	3,163,822
Total comprehensive income	-	-	-	(2,203,112)	3,163,822	-	960,710	-	960,710
Disposal of FVOCI-equity instruments	-	-	-	(1,014,198)	1,014,198	-	-	-	-
Final dividends paid - 2021	-	-	-	-	-	(1,620,000)	(1,620,000)	-	(1,620,000)
Tier 1 sukuk issued	-	-	-	-	-	-	-	2,813,625	2,813,625
Tier 1 sukuk costs	-	-	-	-	(4,556)	-	(4,556)	450	(4,106)
Balance at the end of the period	<u>30,000,000</u>	<u>-</u>	<u>9,187,224</u>	<u>(1,579,874)</u>	<u>9,028,575</u>	<u>-</u>	<u>46,635,925</u>	<u>2,814,075</u>	<u>49,450,000</u>

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

 **Abdullah A. Al-Oraini**
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS(Unaudited)

	Note	For the six months ended 30 June	
		2023 SAR'000	2022 SAR'000
OPERATING ACTIVITIES			
Income before zakat		4,461,440	3,553,415
Adjustments to reconcile net income for the period to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-FVIS instruments, net		(168,835)	(13,459)
Losses/ (gains) on disposal of non-trading investments, net		28,511	(132,136)
Gains on trading investments, net		(30,115)	(14,100)
Gains/ losses on sale of property and equipment, net		(2,286)	239
Dividend income		(22,611)	(59,480)
Depreciation of property, equipment and right of use assets		319,869	262,373
Share in (profits)/ losses of associates, net		(4,888)	72,465
Impairment charge for credit losses and other financial assets, net	8 c)	1,090,434	430,636
Impairment charge for investments, net		45,696	177,462
		<u>5,717,215</u>	<u>4,277,415</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(827,888)	(1,720,075)
Due from banks and other financial institutions maturing after three months from date of acquisition		-	498,498
Positive fair value of derivatives		(36,329)	(896,918)
Investments at FVIS		(39,893)	(82,079)
Loans and advances, net		(21,850,402)	(22,809,408)
Other real estate		2,508	11,877
Other assets		1,141,152	(807,207)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,630,680)	3,704,183
Negative fair value of derivatives		771,671	494,170
Customer deposits		32,262,176	25,798,718
Interest on lease liabilities		(8,997)	(9,502)
Other liabilities		29,500	446,588
		<u>12,530,033</u>	<u>8,906,260</u>
Zakat paid		(807,169)	(692,682)
Net cash from operating activities		<u>11,722,864</u>	<u>8,213,578</u>
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		3,292,755	75,104,110
Purchase of investments not held as FVIS instruments		(7,466,396)	(72,085,966)
Purchase of property and equipment		(829,469)	(473,483)
Proceeds from sale of property and equipment		136,106	155
Net cash (used in) from investing activities		<u>(4,867,004)</u>	<u>2,544,816</u>
FINANCING ACTIVITIES			
Principal on lease liabilities		(133,461)	(116,291)
Debt securities in issue, net		-	-
Tier 1 sukuk issuance		-	2,814,075
Dividend paid		(1,940,942)	(1,613,587)
Tier 1 sukuk related costs		(163,690)	(4,556)
Purchase of treasury shares		(112,439)	-
Net cash (used in) from financing activities		<u>(2,350,532)</u>	<u>1,079,641</u>
Increase in cash and cash equivalents		<u>4,505,328</u>	<u>11,838,035</u>
Cash and cash equivalents at beginning of the period		41,486,081	32,406,686
Cash and cash equivalents at end of the period	12	<u>45,991,409</u>	<u>44,244,721</u>
Special commission received during the period		9,274,231	5,198,000
Special commission paid during the period		<u>2,787,642</u>	<u>578,106</u>
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated statement of income		(306,124)	(2,379,237)
Right of use (ROU) assets		(22,970)	143,988
Lease liabilities		(61,549)	(44,632)

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

Abdullah A. Al-Oraini
Chief Financial Officer

Tareq A. Al-Sadhan
Chief Executive Officer

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months ended 30 June 2023 & 2022

1. GENERAL

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 338 licensed branches (30 June 2022: 339 licensed branches) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The registered address of the Bank's Head Office is as follows:

Granada Oasis - A1 Tower
Riyadh - Al Shuhada District
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers Islamic (non-interest based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group")

- a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), incorporated in the Kingdom of Saudi Arabia;
- b) Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities), incorporated in the Kingdom of Saudi Arabia;
- c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia;
- d) Esnad Al-Riyadh - a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group, incorporated in the Kingdom of Saudi Arabia;
- e) Curzon Street Properties Limited incorporated in the Isle of Man; and
- f) Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the six months period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2022.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Bank shall present the amended Articles of Association / By-Laws to the shareholders in their Extraordinary / Annual General Assembly meeting for their ratification.

3. BASIS OF CONSOLIDATION

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
3. BASIS OF CONSOLIDATION (continued)

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

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

During the period, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments, given below, apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standard	Description
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.
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.
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.

New standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2022.

6. DERIVATIVES

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

	30 June 2023 (Unaudited)			31 December 2022 (Audited)			30 June 2022 (Unaudited)		
	Positive fair value <u>SAR'000</u>	Negative fair value <u>SAR'000</u>	Notional amount <u>SAR'000</u>	Positive fair value <u>SAR'000</u>	Negative fair value <u>SAR'000</u>	Notional amount <u>SAR'000</u>	Positive fair value <u>SAR'000</u>	Negative fair value <u>SAR'000</u>	Notional amount <u>SAR'000</u>
Held for trading:									
Special commission rate swaps	3,667,881	(3,434,733)	136,419,577	2,796,918	(2,638,063)	92,709,388	1,781,662	(1,636,292)	85,431,184
Forward foreign exchange contracts	51,819	(26,455)	21,529,566	165,318	(68,193)	45,903,516	75,830	(132,639)	31,505,365
Currency options	101	(1,592)	213,108	229	(2,105)	157,019	3,853	(1,140)	108,648
Commodity swaps	32,605	(31,346)	534,459	18,323	(17,281)	1,210,279	33,209	(32,541)	818,539
Held as fair value hedges:									
Special commission rate swaps	74,764	-	1,593,009	564,842	-	5,813,868	385,897	(28,420)	6,929,888
Held as cash flow hedges:									
Special commission rate swaps	-	(131,830)	1,375,000	245,211	(128,643)	5,258,049	30,982	(123,282)	5,189,075
Total	3,827,170	(3,625,956)	161,664,719	3,790,841	(2,854,285)	151,052,119	2,311,433	(1,954,314)	129,982,699

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2023 & 2022
7. INVESTMENTS, NET
a) Investments by type of securities

SAR'000	Domestic			International			Total		
	30 June 2023	31 December 2022	30 June 2022	30 June 2023	31 December 2022	30 June 2022	30 June 2023	31 December 2022	30 June 2022
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
i) Investment at FVIS									
Mutual Funds	1,433,427	1,363,419	1,258,853	-	-	-	1,433,427	1,363,419	1,258,853
Total	1,433,427	1,363,419	1,258,853	-	-	-	1,433,427	1,363,419	1,258,853
ii) Investment at amortised cost, net									
Fixed rate securities	32,432,938	30,172,615	31,956,868	652,435	467,889	141,106	33,085,373	30,640,504	32,097,974
Floating rate securities	2,704,662	2,726,455	3,135,951	-	-	-	2,704,662	2,726,455	3,135,951
Total	35,137,600	32,899,070	35,092,819	652,435	467,889	141,106	35,790,035	33,366,959	35,233,925
iii) Investments at FVOCI, net									
Fixed rate securities	-	-	-	17,644,799	16,047,992	15,863,765	17,644,799	16,047,992	15,863,765
Equities	546,772	505,758	486,567	972,597	911,992	695,151	1,519,369	1,417,750	1,181,718
Total	546,772	505,758	486,567	18,617,396	16,959,984	16,558,916	19,164,168	17,465,742	17,045,483
Total	37,117,799	34,768,247	36,838,239	19,269,831	17,427,873	16,700,022	56,387,630	52,196,120	53,538,261

Above investments include sukuks amounting to SAR 25.8 billion as at 30 June 2023 (31 December 2022: SAR 25.8 billion and 30 June 2022 : SAR 26.1 billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2023 & 2022
7. INVESTMENTS, NET (continued)

b) An analysis of changes in loss allowance is as follows:

Debt instruments carried at amortised cost

(SAR'000)

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	lifetime ECL - not credit impaired	lifetime ECL - credit impaired	
Balance at 1 January 2023	4,022	1,407	-	5,429
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements*	(2,068)	213	-	(1,855)
Balance as at 30 June 2023	<u>1,954</u>	<u>1,620</u>	<u>-</u>	<u>3,574</u>
Balance at 1 January 2022	2,168	3,449	-	5,617
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(10)	10	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements*	4,456	(3,121)	-	1,335
Balance as at 30 June 2022	<u>6,614</u>	<u>338</u>	<u>-</u>	<u>6,952</u>

Debt instruments carried at FVOCI

(SAR'000)

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	lifetime ECL - not credit impaired	lifetime ECL - credit impaired	
Balance at 1 January 2023	18,600	45,527	310,040	374,167
Transfer from Stage 2 & Stage 3 to Stage 1	2,135	(2,135)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(786)	786	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(386)	386	-
Net other movements*	7,137	43,395	(2,981)	47,551
Balance as at 30 June 2023	<u>27,086</u>	<u>87,187</u>	<u>307,445</u>	<u>421,718</u>
Balance at 1 January 2022	38,098	35,702	38,937	112,737
Transfer from Stage 2 & Stage 3 to Stage 1	8,079	(8,079)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,447)	6,816	(4,369)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,620)	(12,674)	15,294	-
Net other movements*	(15,996)	12,927	179,196	176,127
Balance as at 30 June 2022	<u>25,114</u>	<u>34,692</u>	<u>229,058</u>	<u>288,864</u>

* Includes remeasurement

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
8. LOANS AND ADVANCES, NET
a) Loans and advances held at amortised cost

These comprise the following:

30 June 2023 (Unaudited)

<u>SAR'000</u>	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances	4,536,898	1,230,738	91,601,106	165,341,868	1,239,073	263,949,683
Non-performing loans and advances	170,117	50,599	1,203,359	2,443,695	1,442	3,869,212
Total loans and advances	4,707,015	1,281,337	92,804,465	167,785,563	1,240,515	267,818,895
Allowance for impairment	(130,503)	(60,724)	(1,042,696)	(3,429,396)	(5,552)	(4,668,871)
Loans and advances, net	4,576,512	1,220,613	91,761,769	164,356,167	1,234,963	263,150,024

31 December 2022 (Audited)

<u>SAR'000</u>	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances	4,192,438	1,133,417	84,958,190	151,766,818	824,920	242,875,783
Non-performing loans and advances	238,237	46,259	1,264,370	2,690,618	4,478	4,243,962
Total loans and advances	4,430,675	1,179,676	86,222,560	154,457,436	829,398	247,119,745
Allowance for impairment	(179,927)	(60,018)	(986,072)	(3,526,098)	(2,883)	(4,754,798)
Loans and advances, net	4,250,748	1,119,658	85,236,488	150,931,338	826,715	242,364,947

30 June 2022 (Unaudited)

<u>SAR'000</u>	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances	5,081,095	991,126	82,223,067	151,239,218	908,334	240,442,840
Non-performing loans and advances	254,353	30,455	1,000,610	2,777,435	1,458	4,064,311
Total loans and advances	5,335,448	1,021,581	83,223,677	154,016,653	909,792	244,507,151
Allowance for impairment	(189,415)	(39,649)	(900,317)	(3,724,740)	(2,571)	(4,856,692)
Loans and advances, net	5,146,033	981,932	82,323,360	150,291,913	907,221	239,650,459

Loans and advances, net, include non-conventional banking products of SAR 181.1 billion as at 30 June 2023 (31 December 2022: SAR 168.9 billion and 30 June 2022: SAR 162.5 billion).

b) An analysis of changes in loss allowance for total loans and advances is, as follows:
ECL on total loans and advances (SAR'000)
(Unaudited)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at 1 January 2023	528,970	1,549,537	2,676,291	4,754,798
Transfer from Stage 2 & Stage 3 to Stage 1	104,767	(25,260)	(79,507)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(14,794)	40,518	(25,724)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(7,029)	(50,804)	57,833	-
Net re-measurement of loss allowance*	(60,458)	113,585	809,260	862,387
Write-offs	-	-	(948,314)	(948,314)
Balance as at 30 June 2023	551,456	1,627,576	2,489,839	4,668,871

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at 1 January 2022	628,944	1,472,072	2,413,141	4,514,157
Transfer from Stage 2 & Stage 3 to Stage 1	116,619	(65,557)	(51,062)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(20,728)	90,147	(69,419)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,864)	(41,756)	44,620	-
Net re-measurement of loss allowance*	(158,863)	84,736	588,117	513,990
Write-offs	-	-	(171,455)	(171,455)
Balance as at 30 June 2022	563,108	1,539,642	2,753,942	4,856,692

* Includes charge-offs (consumer loans and credit cards).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
8. LOANS AND ADVANCES, NET (continued)

- c) Impairment charges for credit losses and other financial assets, net as reflected in the interim condensed consolidated statement of income are detailed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
SAR'000				
Impairment charge for credit losses, net	484,436	301,525	1,065,325	449,184
Impairment charge(reversals) for other financial assets, net	2,222	(57,273)	25,109	(18,548)
Total	486,658	244,252	1,090,434	430,636

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
SAR'000			
Demand	124,711,106	123,376,425	126,822,949
Saving	1,446,215	1,269,928	1,338,256
Time	119,475,901	96,102,144	87,609,074
Others	26,636,039	19,258,588	21,706,736
Total	272,269,261	240,007,085	237,477,015

Customer time deposits include non-conventional banking deposits of SAR 30,833 million as at 30 June 2023 (31 December 2022: SAR 32,559 million and 30 June 2022: SAR 29,851 million).

10. TREASURY SHARES

The Extraordinary General Assembly Meeting on 27 March 2023, approved the Employee Stock Incentive program for which five million shares were to be purchased as treasury shares for the purpose of allocating them to the Employee Stock Incentive Plan. The Bank initiated the purchases during the current quarter and 3.4 million Treasury shares were purchased as at 30 June 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS
a) The Group's credit related commitments and contingencies are as follows:

<u>SAR'000</u>	<u>30 June 2023</u> <u>(Unaudited)</u>	<u>31 December 2022</u> <u>(Audited)</u>	<u>30 June 2022</u> <u>(Unaudited)</u>
Letters of credit	8,622,020	8,679,430	10,321,683
Letters of guarantee	84,709,939	77,159,876	73,701,319
Acceptances	3,459,540	3,644,844	3,168,226
Irrevocable commitments to extend credit	22,915,222	24,364,249	23,842,094
Total	119,706,721	113,848,399	111,033,322

b) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

<u>SAR'000</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at January 1, 2023	24,463	17,364	165,117	206,944
Transfer from Stage 2 & Stage 3 to Stage 1	817	(817)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(304)	304	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(9)	9	-
Net re-measurement of loss allowance	(80)	2,573	23,478	25,971
Transfer to write-off reserves	-	-	(23,427)	(23,427)
Balance as at 30 June 2023	24,896	19,415	165,177	209,488

<u>SAR'000</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at January 1, 2022	38,779	19,975	197,384	256,138
Transfer to 12-month ECL	1,376	(1,376)	-	-
Transfer from Stage 2 & Stage 3 to Stage 1	(717)	720	(3)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(9)	(79)	88	-
Transfer from Stage 1 & Stage 2 to Stage 3	(5,817)	(3,030)	(6,867)	(15,714)
Transfer to write-off reserves	-	-	(37,337)	(37,337)
Balance as at 30 June 2022	33,612	16,210	153,265	203,087

Other liabilities as at 30 June 2023, include write-off reserves amounting to SAR 546 million (31 December 2022: SAR 586 million and 30 June 2022: SAR 575 million).

12. CASH AND CASH EQUIVALENTS
Cash and cash equivalents included in the interim condensed consolidated statement of cash flows comprise the following:

	<u>30 June 2023</u> <u>(Unaudited)</u>	<u>31 December 2022</u> <u>(Audited)</u>	<u>30 June 2022</u> <u>(Unaudited)</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Cash and balances with SAMA excluding statutory deposit	23,899,534	20,872,849	30,437,913
Due from banks and other financial institutions maturing within three months from date of acquisition	22,091,875	20,613,232	13,806,808
Total	45,991,409	41,486,081	44,244,721

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Fair value and fair value hierarchy

<u>30 June 2023</u>	Level 1	Level 2	Level 3	Total
SAR'000 (Unaudited)				
<u>Financial assets measured at fair value</u>				
- Positive fair value of derivatives	-	3,827,170	-	3,827,170
- Investments held at FVIS	1,433,427	-	-	1,433,427
Mutual Funds	1,433,427	-	-	1,433,427
- Investments held at FVOCI	18,548,267	-	615,901	19,164,168
Fixed rate securities	17,644,799	-	-	17,644,799
Equities	903,468	-	615,901	1,519,369
<u>Financial liabilities measured at fair value</u>				
- Negative fair value of derivatives	-	3,625,956	-	3,625,956
<u>31 December 2022</u>	Level 1	Level 2	Level 3	Total
SAR'000 (Audited)				
<u>Financial assets measured at fair value</u>				
- Positive fair value of derivatives	-	3,790,841	-	3,790,841
- Investments held at FVIS	1,363,419	-	-	1,363,419
Mutual Funds	1,363,419	-	-	1,363,419
- Investments held at FVOCI	16,911,166	-	554,576	17,465,742
Fixed rate securities	16,047,992	-	-	16,047,992
Equities	863,174	-	554,576	1,417,750
<u>Financial liabilities measured at fair value</u>				
- Negative fair value of derivatives	-	2,854,285	-	2,854,285
<u>30 June 2022</u>	Level 1	Level 2	Level 3	Total
SAR'000 (Unaudited)				
<u>Financial assets measured at fair value</u>				
- Positive fair value of derivatives	-	2,311,433	-	2,311,433
- Investments held at FVIS	1,258,853	-	-	1,258,853
Mutual Funds	1,258,853	-	-	1,258,853
- Investments held at FVOCI	16,505,910	-	539,573	17,045,483
Fixed rate securities	15,863,765	-	-	15,863,765
Equities	642,145	-	539,573	1,181,718
<u>Financial liabilities measured at fair value</u>				
- Negative fair value of derivatives	-	1,954,314	-	1,954,314

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

	For the six months ended 30 June 2023 (Unaudited) SAR'000	For the year ended 31 December 2022 (Audited) SAR'000	For the six months ended 30 June 2022 (Unaudited) SAR'000
Reconciliation of movement in Level 3			
Opening balance	554,576	537,534	537,534
Total gains or losses, net:			
- recognised in interim condensed consolidated statement of other comprehensive income	59,317	(8,907)	(8,562)
Other movements	2,008	(18,801)	10,601
Purchases	-	44,750	-
Closing balance	615,901	554,576	539,573

There were no transfers between the fair value hierarchy levels during the current or prior period.

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

The fair values of on-balance sheet financial instruments, except for loans and advances and investments held at amortised cost are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of customer deposits, debt securities in issue, cash and balances with SAMA, due from and due to banks and other financial institutions, other assets and other liabilities which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks and other financial institutions, other assets and other liabilities.

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances, which are categorised within level 3 of fair value hierarchy. The estimated fair values of loans and advances was SAR 270.9 billion (book value : SAR 267.8 billion), as at 30 June 2023 (31 December 2022: SAR 240.6 billion, book value : SAR 247.1 billion) and 30 June 2022: SAR 237.3 billion, book value : SAR 244.5 billion).

The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The estimated fair values of these investments was SAR 33.8 billion as at 30 June 2023 (book value : SAR 35.8 billion), (31 December 2022: SAR 30.7 billion , book value : SAR 33.4 billion) and 30 June 2022 : SAR 33.9 billion, book value : SAR 35.2 billion).

14. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, the representative office and the agency are not material to the Group's overall interim condensed consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
14. OPERATING SEGMENTS (continued)

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

Deposits, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

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

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

Treasury and investment

Principally providing money market, trading and treasury services as well as the management of the Group's investment portfolios.

The Group's total assets and liabilities at 30 June 2023 and 2022 and its total operating income, total operating expenses and income before zakat for the six months periods then ended, by operating segments, are as follows:

30 June 2023

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	108,009,918	4,437,995	175,940,322	100,847,413	389,235,648
Total liabilities	110,711,786	626,294	190,158,942	30,048,068	331,545,090
Total operating income, net of which	1,874,172	409,201	3,267,905	2,437,269	7,988,547
- Net special commission income	1,789,820	120,881	2,475,834	1,810,930	6,197,465
- Fee and commission income, net	103,329	252,624	821,547	5,539	1,183,039
Inter segment income/(expense)	(99,699)	92,554	(543,953)	551,098	-
Total operating expenses, net of which	1,843,169	150,545	1,375,165	163,116	3,531,995
- Depreciation of property, equipment and right of use assets	227,424	18,565	59,885	13,995	319,869
- Impairment charge for credit losses and other financial assets, net	300,805	-	789,307	322	1,090,434
- Impairment charge for investments, net	-	-	-	45,696	45,696
Share in profits of associates, net	-	-	-	4,888	4,888
Income for the period before zakat	31,003	258,656	1,892,740	2,279,041	4,461,440

30 June 2022

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	98,177,793	2,920,274	163,260,643	93,594,918	357,953,628
Total liabilities	102,974,068	731,753	171,974,857	32,822,950	308,503,628
Total operating income, net of which	2,113,854	499,721	2,540,558	1,177,866	6,331,999
- Net special commission income	2,012,875	129,449	1,767,343	618,938	4,528,605
- Fee and commission income, net	115,799	350,350	769,567	9,883	1,245,599
Inter segment income/(expense)	78,772	118,661	(166,324)	(31,109)	-
Total operating expenses, net of which	1,525,166	142,182	795,622	243,149	2,706,119
- Depreciation of property, equipment and right of use assets	193,304	14,967	39,103	14,999	262,373
- Impairment (reversal)/ charge for credit losses and other financial assets, net	120,084	-	311,492	(940)	430,636
- Impairment charge for investment, net	-	-	-	177,462	177,462
Share in losses of associates, net	-	-	-	(72,465)	(72,465)
Income for the period before zakat	588,688	357,539	1,744,936	862,252	3,553,415

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**For the six months ended 30 June 2023 & 2022**

15. FINANCIAL RISK MANAGEMENT**Credit risk**

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2023 & 2022
16. DIVIDENDS

Final dividends of SAR 1,950 million (SAR 0.65 per share) were approved by the Extraordinary General Assembly meeting on 26 March 2023 and the distribution date for the dividend was 3 April 2023.

17. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended 30 June 2023 & 2022 are calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 sukuk costs) for the periods by 2,996.6 million shares after excluding treasury shares consisting of 3.4 million shares as of 30 June 2023 (30 June 2022: 3,000 million shares).

18. CAPITAL ADEQUACY

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

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

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

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios. The Saudi Central Bank (SAMA) announced the Basel III Final Reforms official implementation by Saudi Banks as of January 1, 2023, which comes in line with the internationally agreed timeline set by the Basel Committee on Banking Supervision (BCBS).

The current period disclosures are therefore based on the Basel III Final Reforms while the comparative are based on the pre-reform methodology.

	30 June 2023	31 December 2022	30 June 2022
	(Unaudited)	(Audited)	(Unaudited)
	SAR Millions	SAR Millions	SAR Millions
Risk weighted assets			
Credit	299,260	283,848	277,317
Operational	13,461	21,401	20,167
Market	8,276	5,176	4,151
Total Pillar-I Risk Weighted Assets	320,997	310,425	301,635
Eligible capital			
Common equity Tier 1 (CET 1) Capital	50,893	49,465	46,716
Total Tier I Capital	57,456	56,036	49,530
Tier II Capital	9,347	9,317	9,321
Total Tier I and II Capital	66,803	65,353	58,851
CET 1 Ratio %	15.8%	15.9%	15.5%
Tier I Capital Adequacy Ratio %	17.9%	18.1%	16.4%
Total Capital Adequacy Ratio %	20.8%	21.1%	19.5%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months ended 30 June 2023 & 2022

19. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

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

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

20. EVENTS AFTER REPORTING PERIOD

During July 2023, interim dividends of SAR 1,948 million at SAR 0.65 per share (2022: SAR 1,500 million at SAR 0.50 per share) were declared by the Bank with 7 August 2023 as the distribution date.

21. COMPARATIVE FIGURES

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

22. BOARD OF DIRECTORS APPROVAL

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 30 Dul- Hijjah 1444H (corresponding to 18 July 2023).



Abdullah A. Al-Oraini
Chief Financial Officer



Tareq A. Al-Sadhan
Chief Executive Officer



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

