**Alinma Bank**

**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE THREE MONTHS PERIOD ENDED**

**March 31, 2024**

KPMG Professional Services
Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

EY Building a better working world

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

Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road, P.O. Box 2732
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# INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**TO: THE SHAREHOLDERS OF ALINMA BANK**
**(A Saudi Joint Stock Company)**

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Alinma Bank and its subsidiaries (collectively referred to as "the Bank") as of March 31, 2024, and the related interim condensed consolidated statements of income and comprehensive income, changes in shareholder's equity and cash flows for the three-month period then ended and 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 condensed consolidated financial statement 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 that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 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 (17) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (17) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**KPMG Professional Services**

**Ebrahim Oboud Baeshen**
Certified Public Accountant
License number 382

**Ernst & Young Professional Services**

**Rashid S. Roshod**
Certified Public Accountant
License number 366

(29 Shawwal 1445H)
(8 May 2024)

كي بي إم جي للإستشارات المهنية
ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
R : 2
KPMG
KPMG Professional Services

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EY
سجل تجاري ١٠١٠٣٨٣٨٢١
CR. 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | March 31, 2024 (Unaudited) SAR'000 | December 31, 2023 (Audited) SAR'000 | March 31, 2023 (Unaudited) SAR'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with Saudi Central Bank (SAMA) | | **12,711,841** | 12,598,444 | 15,302,229 |
| Due from banks and other financial institutions, net | | **851,166** | 1,700,907 | 1,172,543 |
| Investments held at fair value through statement of income (FVSI) | 4 | **2,663,778** | 2,610,274 | 2,207,515 |
| Investments held at fair value through other comprehensive income (FVOCI) | 4 | **13,591,521** | 13,505,282 | 13,190,482 |
| Investments held at amortized cost, net | 4 | **28,848,775** | 27,105,159 | 24,318,574 |
| Investments in associate and joint ventures | 4 | **233,557** | 15,637 | 83,392 |
| Financing, net | 6 | **180,702,414** | 173,624,044 | 153,153,288 |
| Property, equipment and right of use assets, net | | **2,927,483** | 2,888,209 | 2,667,049 |
| Other assets | | **2,328,762** | 2,667,142 | 1,654,186 |
| **TOTAL ASSETS** | | **244,859,297** | 236,715,098 | 213,749,258 |
| **LIABILITIES AND EQUITY** | | | | |
| **LIABILITIES** | | | | |
| Due to SAMA, banks and other financial institutions | 7 | **8,638,210** | 7,431,230 | 13,805,035 |
| Customers' deposits | 8 | **188,987,837** | 187,900,581 | 159,948,452 |
| Amount due to Mutual Funds' unitholders | | **132,277** | 93,510 | 76,940 |
| Other liabilities | | **7,752,909** | 6,956,176 | 6,755,234 |
| **TOTAL LIABILITIES** | | **205,511,233** | 202,381,497 | 180,585,661 |
| **EQUITY** | | | | |
| Share capital | | **20,000,000** | 20,000,000 | 20,000,000 |
| Treasury shares | 18.2 | **(208,155)** | (225,611) | (61,457) |
| Statutory reserve | | **3,378,431** | 3,378,431 | 2,168,630 |
| Other reserves | 15 | **(41,973)** | 62,359 | (154,514) |
| Retained earnings | | **2,469,261** | 1,118,422 | 5,214,842 |
| Proposed issue of bonus shares | 18.1 | **5,000,000** | 5,000,000 | - |
| Proposed dividends | | **-** | - | 996,096 |
| **Equity attributable to the shareholders of the Bank** | | **30,597,564** | 29,333,601 | 28,163,597 |
| Tier 1 Sukuk | 11 | **8,750,500** | 5,000,000 | 5,000,000 |
| **TOTAL EQUITY** | | **39,348,064** | 34,333,601 | 33,163,597 |
| **TOTAL LIABILITIES AND EQUITY** | | **244,859,297** | 236,715,098 | 213,749,258 |

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

| Chief Financial Officer | Chief Executive Officer | Authorized Board Member |
|---|---|---|

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

| | Notes | For the three months period ended March 31, 2024 SAR'000 | March 31, 2023 SAR'000 |
|---|---|---|---|
| Income from investments and financing | | 3,798,842 | 2,782,657 |
| Return on time investments | | (1,786,886) | (1,047,897) |
| **Income from investments and financing, net** | | 2,011,956 | 1,734,760 |
| Fee from banking services – income | | 702,127 | 530,210 |
| Fee from banking services – expense | | (307,770) | (221,883) |
| Fees from banking services, net | | 394,357 | 308,327 |
| Exchange income, net | | 76,913 | 85,703 |
| Income from FVSI financial instruments, net | | 63,715 | 40,215 |
| Gain from FVOCI sukuk investments, net | | 911 | - |
| Dividend income on FVOCI equity investments | | 8,419 | 5,267 |
| Other operating income | | 8,230 | 5,138 |
| **Total operating income** | | 2,564,501 | 2,179,410 |
| Salaries and employee related expenses | | 412,883 | 366,627 |
| Rent and premises related expenses | | 18,484 | 18,510 |
| Depreciation and amortization | | 86,981 | 72,507 |
| Other general and administrative expenses | | 315,182 | 300,160 |
| **Operating expenses before impairment charges** | | 833,530 | 757,804 |
| Impairment charge on financing, net of recoveries | 16 | 266,175 | 337,032 |
| (Reversal) / impairment charge on other financial assets | 16 | (1,741) | 5,499 |
| **Total operating expenses** | | 1,097,964 | 1,100,335 |
| **Net operating income** | | 1,466,537 | 1,079,075 |
| Share of (loss) / income from associate and joint ventures | | (660) | 2,310 |
| **Income for the period before zakat** | | 1,465,877 | 1,081,385 |
| Zakat for the period | | (151,143) | (111,499) |
| **Net income for the period after zakat** | | 1,314,734 | 969,886 |
| **Basic and diluted earnings per share (SAR)** | 13 | 0.64 | 0.46 |

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

| | Notes | For the three months period ended<br>March 31, 2024<br>SAR'000 | <br>March 31, 2023<br>SAR'000 |
|---|---|---|---|
| **Net income for the period after zakat** | | **1,314,734** | 969,886 |
| **Other comprehensive income / (loss):** | | | |
| ***Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods*** | | | |
| Net change in fair value of FVOCI equity investments | 15 | **99,603** | 200,271 |
| Share of an associate's other comprehensive income | 15 | **-** | 10,868 |
| ***Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods*** | | | |
| Net change in fair value of FVOCI sukuk investments | 15 | **(94,741)** | 119,756 |
| Effective portion of change in the fair value of cash flow hedge | 15 | **(10,956)** | - |
| Net gain realized on sale of FVOCI sukuk investments | 15 | **(911)** | - |
| **Total other comprehensive (loss) / income** | | **(7,005)** | 330,895 |
| **Total comprehensive income for the period** | | **1,307,729** | 1,300,781 |

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

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
### FOR THE THREE MONTHS PERIOD ENDED MARCH 31,

| 2024 (SAR '000) | Notes | Share capital | Treasury shares | Statutory reserve | Other reserves (note 15) | Retained earnings | Proposed issue of bonus shares (note 18.1) | Total equity attributable to the shareholders | Tier 1 Sukuk | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at the beginning of the period** | | **20,000,000** | **(225,611)** | **3,378,431** | **62,359** | **1,118,422** | **5,000,000** | **29,333,601** | **5,000,000** | **34,333,601** |
| Net income for the period after zakat | | - | - | - | - | 1,314,734 | - | 1,314,734 | - | 1,314,734 |
| Net change in fair value of FVOCI equity investments | 15 | - | - | - | 99,603 | - | - | 99,603 | - | 99,603 |
| Net change in fair values of FVOCI sukuk investments | 15 | - | - | - | (94,741) | - | - | (94,741) | - | (94,741) |
| Gain on sale of FVOCI sukuk investments | 15 | - | - | - | (911) | - | - | (911) | - | (911) |
| Effective portion of change in the fair value of cash flow hedge | 15 | - | - | - | (10,956) | - | - | (10,956) | - | (10,956) |
| Total comprehensive income | | - | - | - | (7,005) | 1,314,734 | - | 1,307,729 | - | 1,307,729 |
| Net gain realized on sale of FVOCI equity investments | 15 | - | - | - | (85,702) | 85,702 | - | - | - | - |
| Tier 1 Sukuk costs | 11 | - | - | - | - | (50,000) | - | (50,000) | - | (50,000) |
| Issuance of Tier 1 sukuk | 11 | - | - | - | - | (918) | - | (918) | 3,750,500 | 3,749,582 |
| Employee share based plans and other reserve movements | 15 | - | 17,456 | - | (11,625) | 1,321 | - | 7,152 | - | 7,152 |
| **Balance at the end of the period** | | **20,000,000** | **(208,155)** | **3,378,431** | **(41,973)** | **2,469,261** | **5,000,000** | **30,597,564** | **8,750,500** | **39,348,064** |

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
### FOR THE THREE MONTHS PERIOD ENDED MARCH 31, (Continued)

| 2023 (SAR '000) | Notes | Share capital | Treasury shares | Statutory reserve | Other reserves (note 15) | Retained earnings | Proposed dividends | Total equity attributable to the shareholders | Tier 1 Sukuk | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at the beginning of the period | | 20,000,000 | (66,021) | 2,168,630 | (507,396) | 4,285,004 | 996,096 | 26,876,313 | 5,000,000 | 31,876,313 |
| Net income for the period after zakat | | - | - | - | - | 969,886 | - | 969,886 | - | 969,886 |
| Net change in fair value of FVOCI equity investments | 15 | - | - | - | 200,271 | - | - | 200,271 | - | 200,271 |
| Net change in fair values of FVOCI sukuk investments | 15 | - | - | - | 119,756 | - | - | 119,756 | - | 119,756 |
| Share of an associate's other comprehensive income | 15 | - | - | - | 10,868 | - | - | 10,868 | - | 10,868 |
| Total comprehensive income | | - | - | - | 330,895 | 969,886 | - | 1,300,781 | - | 1,300,781 |
| Tier 1 Sukuk costs | 15 | - | - | - | - | (50,000) | - | (50,000) | - | (50,000) |
| Employee share based plans and other reserve movements | 15 | - | 4,564 | - | 21,987 | 9,952 | - | 36,503 | - | 36,503 |
| Balance at the end of the period | | 20,000,000 | (61,457) | 2,168,630 | (154,514) | 5,214,842 | 996,096 | 28,163,597 | 5,000,000 | 33,163,597 |

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

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
## FOR THE THREE MONTHS PERIOD ENDED MARCH 31,

| | Notes | 2024 SAR' 000 | 2023 SAR' 000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Income for the period before zakat | | **1,465,877** | 1,081,385 |
| **Adjustments to reconcile income for the period before zakat to net cash from operating activities:** | | | |
| Depreciation and amortization | | **86,981** | 72,507 |
| Loss on disposal of property and equipment, net | | **4,427** | - |
| Unrealized gain from FVSI financial instruments, net | | **(40,148)** | (16,163) |
| Gain from FVOCI sukuk investments, net | | **(911)** | - |
| Dividend income on FVOCI equity investments | | **(8,419)** | (5,267) |
| Impairment charge on financing, net of recoveries | 16 | **266,175** | 337,032 |
| (Reversal) / impairment charge on other financial assets | 16 | **(1,741)** | 5,499 |
| Recoveries of previously written-off accounts | 16 | **29,142** | 15,037 |
| Unwinding of deferred payment program modification loss | | **(3,807)** | (6,150) |
| Unwinding of fair value impact of profit free SAMA deposits | | **2,502** | 13,849 |
| Employees share based plans reserve | 15 | **17,905** | 14,972 |
| Share of loss / (income) from associate and joint ventures | | **660** | (2,310) |
| | | **1,818,643** | 1,510,391 |
| **Net (increase) / decrease in operating assets:** | | | |
| Statutory deposit with Saudi Central Bank | | **(1,085,573)** | (15,641) |
| Due from banks and other financial institutions with original maturity of more than three months | | **27,489** | (3,122) |
| Investments held at FVSI | | **(13,356)** | (622,777) |
| Financing | | **(7,280,356)** | (6,975,113) |
| Other assets | | **321,285** | 34,863 |
| **Net increase / (decrease) in operating liabilities:** | | | |
| Due to SAMA, banks and other financial institutions | | **1,204,478** | (2,704,203) |
| Customers' deposits | | **1,087,256** | 14,779,962 |
| Other liabilities | | **596,102** | (189,710) |
| Financing cost paid on lease liability | | **(3,449)** | (3,396) |
| **Net cash (used in) / from operating activities** | | **(3,327,481)** | 5,811,254 |
| **INVESTING ACTIVITIES** | | | |
| Purchases of investments held at FVOCI | | **(637,794)** | (887,495) |
| Purchases of investments held at amortized cost | | **(1,797,505)** | (15,939) |
| Purchases of investment in joint venture | | **(218,579)** | - |
| Proceeds from sales and maturities of investments held at FVOCI | | **556,416** | 101,644 |
| Proceeds from sales and maturities of investments held at amortized cost | | **59,903** | 414,011 |
| Purchase of property and equipment | | **(117,452)** | (87,145) |
| Proceeds from disposal of property and equipment | | **1,208** | - |
| Dividends received from FVOCI equity investments | | **8,419** | 5,267 |
| **Net cash used in investing activities** | | **(2,145,384)** | (469,657) |

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

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
## FOR THE THREE MONTHS PERIOD ENDED MARCH 31, (Continued)

| | Notes | 2024 SAR' 000 | 2023 SAR' 000 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Proceeds for the issuance of Tier 1 Sukuk, net of related costs | 11 | **3,749,582** | - |
| Payment for Tier 1 Sukuk costs | | **(50,000)** | (50,000) |
| Cash payment for principal portion of lease liability | | **(21,469)** | (14,148) |
| **Net cash from / (used in) financing activities** | | **3,678,113** | (64,148) |
| **Net change in cash and cash equivalents** | | **(1,794,752)** | 5,277,449 |
| Cash and cash equivalents at beginning of the period | | **5,172,847** | 3,572,943 |
| **Cash and cash equivalents at end of the period** | 10 | **3,378,095** | 8,850,392 |
| Income received from investments and financing | | **3,160,133** | 2,221,785 |
| Return paid on time investments | | **1,703,142** | 1,233,529 |
| **Supplemental non-cash information:** | | | |
| Right-of-use assets | | **(11,903)** | (19,617) |
| Lease liabilities | | **(7,031)** | 5,469 |
| Net change in fair value of FVOCI investments | | **(4,862)** | 320,027 |

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

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

## 1. General

### a) Introduction

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No. 173 and Commercial Registration No. 1010250808 both dated 21 Jumada-I 1429H (corresponding to May 26, 2008) and provides banking services through 110 branches (March 31, 2023: 106 branches) in the Kingdom of Saudi Arabia. Its head office address is as follows:

Alinma Bank
Head Office
King Fahad Road
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia (KSA)

The interim condensed consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (collectively referred as the "Bank") which are registered in KSA except for Alinma SPV Ltd which is registered in Cayman Islands:

| Subsidiaries | Bank's Ownership | Establishment date | Main Activities |
|---|---|---|---|
| Alinma Investment Company | 100% | 07 Jumada - II 1430H (corresponding to May 31, 2009) | Asset management, custodianship, advisory, underwriting and brokerage services |
| Al-Tanweer Real Estate Company | 100% | 24 Sha'aban 1430H (corresponding to August 15, 2009) | Formed principally to hold legal title of properties financed by the Bank. |
| Saudi Fintech Company | 100% | 6 Dhul Qa'da 1440H (corresponding to July 9, 2019) | Provide financial technology products and services to the Bank and others. |
| Esnad Company | 100% | 24 Ramadan 1440H (corresponding to May 29, 2019) | To provide outsourced staff to the Bank. |
| Alinma SPV Ltd | 100% | 22 Jumada - II 1443H (corresponding to January 25, 2022) | Engage and execute financial derivatives transactions and repurchase agreements with international banks. |

In addition to above subsidiaries, the management has concluded that the Bank has effective control of the below Funds and started consolidating the Funds' financial statements from the respective dates of effective control:

| Funds | Bank's Ownership | Establishment date | Date of effective control | Purpose |
|---|---|---|---|---|
| Alinma Sukuk ETF | As at March 31, 2024: 92.2% (December 31, 2023: 92.2%; March 31, 2023: 97.2%) | January 22, 2020 | January 22, 2020 | To invest in a basket of local sovereign Sukuks issued by the Kingdom of Saudi Arabia |
| Alinma IPO Fund | As at March 31, 2024: 65.3% (December 31, 2023: 69.2%, March 31, 2023: 71.0%) | April 26, 2015 | January 1, 2020 | To achieve capital appreciation over the long term by investing mainly in Saudi joint stock companies |
| Dhahban Real Estate Fund | As at March 31, 2024: 100% (December 31, 2023: 99.8%, March 31, 2023: Nil) | September 15, 2023 | September 15, 2023 | To achieve medium-term capital growth through direct investment in the real estate sector in the city of Jeddah. |
| Alinma Fund for Private Equity Investments | As at March 31, 2024: 99.9% (December 31, 2023: 99.9%, March 31, 2023: Nil) | February 27, 2020 | December 18, 2023 | To distribute cash returns and/or achieve capital growth through investments in private equity. |

Alinma Cooperative Insurance Agency, a fully-owned subsidiary of the Bank, established on 29 Rabi Al Awwal 1435H (corresponding to January 30, 2014), was liquidated and its commercial registration cancelled on 15 Muharram 1445H (corresponding to August 2, 2023).

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Shariah, its By-Laws and laws applicable to banks in the Kingdom of Saudi Arabia. The Bank is regulated by the Saudi Central Bank (SAMA).

**b) Shariah Committee**

The Bank has established a Shariah Committee in accordance with its commitment to comply with Islamic Shariah laws. Shariah Committee ascertains that all the Bank's activities are subject to its review and approval.

## 2. Basis of preparation

These interim condensed consolidated financial statements 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 issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore, these should be read in conjunction with the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2023.

The preparation of 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 and liabilities, income and expense. Actual results may differ from these estimates.

**a) Basis of measurement**

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of derivatives, fair value of the financial instruments held at Fair Value through Statement of Income (“FVSI”), Fair Value through Other Comprehensive Income (“FVOCI”) investments and end of service benefits which are measured using projected credit unit method under IAS-19.

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

**b) Functional and presentation currency**

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Bank’s functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousands.

**c) Basis of consolidation**

These interim condensed consolidated financial statements comprise the financial statements of Alinma Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when, it has power over the investee entity, it is exposed to, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

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

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank’s current and potential voting rights granted by instruments such as shares

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control.

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

The accounting policies adopted by the subsidiaries are consistent with that of the Bank’s accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank’s interim condensed consolidated financial statements.

Amounts due to Mutual Funds’ unitholders represent the portion of net assets of the mutual funds which are attributable to interests which are not owned, directly or indirectly, by the Bank or its subsidiaries and are presented separately within liability in the interim condensed consolidated statement of financial position.

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

## 3. Summary of material accounting policies and estimates

### a) Significant accounting estimates and assumptions

In preparing this interim condensed consolidated financial statements, the significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2023.

### b) Material accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of new standards effective as of January 1, 2024 and the accounting policy for the cash flow hedge, which is explained below. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**Cash flow hedges**

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognized asset or a liability or a highly probable forecast transaction that could affect the statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognized directly in other comprehensive income and the ineffective portion, if any, is recognized in the interim condensed consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in other reserves, are transferred to the interim condensed consolidated statement of income in the same period in which the hedged item affects the interim condensed consolidated statement of income. However, if the Bank expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognized the associated gains or losses that had previously been recognized directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability. When the hedging instrument is expired or sold, terminated, or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur, or the Bank revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and the transaction affects the statement of income, the net cumulative gain or loss recognized in "other comprehensive income" is transferred immediately to the interim condensed consolidated statement of income for the period.

c) **Adoption of new standards**

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after January 1, 2024:

| Standard, interpretation, amendments | Description | Effective date |
|---|---|---|
| Amendment to IFRS 16 – Leases on sale and leaseback | These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements | These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. | January 1, 2024 |
| Amendment to IAS 1 – Non-current liabilities with covenants | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. | January 1, 2024 |
| IFRS S1, 'General requirements for disclosure of sustainability-related financial information | This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. | January 1, 2024 subject to endorsement from SOCPA |
| IFRS S2, 'Climate-related disclosures' | This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. | January 1, 2024 subject to endorsement from SOCPA |

d) **Prospective changes in the International Financial Reporting Standards**

In addition, below are the amendments to accounting standards and interpretations which will become applicable for annual reporting periods commencing on or after January 1, 2025:

| Standard, interpretation, amendments | Description | Effective date |
|---|---|---|
| Amendment to IFRS 21 – Lack of exchangeability | IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique. | 1 January 2025 |
| Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full. | Effective date deferred indefinitely |

The management has assessed that the above amendments have no significant impact on the Bank's interim condensed consolidated financial statements.

The Bank has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance with effect from future dates.

**IBOR Transition (Profit Rate Benchmark Reforms):**

Management has completed the Bank's overall transition activities through engagement with various stakeholders to support an orderly transition. As of March 31, 2024, all impacted financial instruments have transitioned to alternate reference rates. All relevant policies, procedures, models and client contracts have been amended.

## 4. Investments, net

| | Notes | **March 31, 2024 (Unaudited) SAR'000** | December 31, 2023 (Audited) SAR'000 | March 31, 2023 (Unaudited) SAR'000 |
|---|---|---|---|---|
| **Held at FVSI** | 4.1 | **2,663,778** | 2,610,274 | 2,207,515 |
| **Held at FVOCI** | 4.2 | **13,591,521** | 13,505,282 | 13,190,482 |
| Held at Amortized Cost | | **28,862,615** | 27,125,013 | 24,339,406 |
| Less: Allowance for impairment | 4.3 | **(13,840)** | (19,854) | (20,832) |
| **Held at Amortized Cost, net** | | **28,848,775** | 27,105,159 | 24,318,574 |
| Investment in an associate | 4.4 | **-** | - | 67,936 |
| Investment in joint ventures | 4.5 | **233,557** | 15,637 | 15,456 |
| **Investment in associate and joint venture** | | **233,557** | 15,637 | 83,392 |
| **Total** | | **45,337,631** | 43,236,352 | 39,799,963 |

## 4.1 Held at FVSI

| **March 31, 2024 (Unaudited)** | **SAR'000** | | |
|---|---|---|---|
| | **Domestic** | **International** | **Total** |
| Equities | **114,161** | **108,579** | **222,740** |
| Funds | **1,155,105** | **1,285,933** | **2,441,038** |
| | **1,269,266** | **1,394,512** | **2,663,778** |

| December 31, 2023 (Audited) | SAR'000 | | |
|---|---|---|---|
| | Domestic | International | Total |
| Equities | 110,456 | 120,089 | 230,545 |
| Funds | 1,102,891 | 1,276,838 | 2,379,729 |
| | 1,213,347 | 1,396,927 | 2,610,274 |

| March 31, 2023 (Unaudited) | SAR'000 | | |
|---|---|---|---|
| | Domestic | International | Total |
| Equities | 73,768 | 104,209 | 177,977 |
| Funds | 1,164,271 | 865,267 | 2,029,538 |
| | 1,238,039 | 969,476 | 2,207,515 |

## 4.2 Held at FVOCI

| **March 31, 2024 (Unaudited)** | **SAR'000** | | |
|---|---|---|---|
| | **Domestic** | **International** | **Total** |
| Sukuks | **11,369,405** | **1,385,151** | **12,754,556** |
| Equities | **833,176** | **3,789** | **836,965** |
| | **12,202,581** | **1,388,940** | **13,591,521** |

| December 31, 2023 (Audited) | SAR'000 | | |
|---|---|---|---|
| | Domestic | International | Total |
| Sukuks | 11,039,153 | 1,319,134 | 12,358,287 |
| Equities | 1,143,187 | 3,808 | 1,146,995 |
| | 12,182,340 | 1,322,942 | 13,505,282 |

| March 31, 2023 (Unaudited) | SAR'000 | | |
|---|---|---|---|
| | Domestic | International | Total |
| Sukuks | 10,325,666 | 1,175,243 | 11,500,909 |
| Equities | 1,688,673 | 900 | 1,689,573 |
| | 12,014,339 | 1,176,143 | 13,190,482 |

**4.3** As at March 31, 2024, December 31, 2023 and March 31, 2023, all investments held at amortized cost are classified as Stage 1 credit exposures.

**4.4** Investment in an associate represents the Bank's share of investment of 28.75% as of March 31, 2023, in Alinma Tokio Marine Company (a cooperative insurance company). During the year ended December 31, 2023, Bank's investee Alinma Tokio Marine Company (a cooperative insurance company) merged with Arabian Shield Cooperative Insurance Company and therefore has ceased to exist as a legal entity.

4.5 Investment in joint ventures represent the Banks's share of ownership in the following entities:

| Company name | Bank's Ownership | Paid-up share capital |
|---|---|---|
| ERSAL Financial Remittance Company (a joint venture between the Bank and Saudi Post) | As at March 31, 2024: 50% (December 31, 2023: 50%, March 31, 2023: 50%) | SAR 50 million. |
| International Water Distribution Company ("Tawzea") (a joint venture between the Bank and Saudi Industrial Services Company (SISCO) | As at March 31, 2024: 50% (December 31, 2023: Nil, March 31, 2023: Nil) | SAR 180 million |

## 5. Derivative financial instruments

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

| **March 31, 2024 (Unaudited)** | **SAR'000** | | |
|---|---|---|---|
| | **Positive fair value** | **Negative fair value** | **Total notional amount** |
| **Held for trading:** | | | |
| Profit rate swaps | **264,710** | **(217,978)** | **19,550,807** |
| Foreign exchange forward contracts | **2,118** | **(1,446)** | **2,794,626** |
| **Held as cash flow hedges:** | | | |
| Profit rate swaps | **-** | **(13,489)** | **1,200,000** |

| December 31, 2023 (Audited) | SAR'000 | | |
|---|---|---|---|
| | Positive fair value | Negative fair value | Total notional amount |
| **Held for trading:** | | | |
| Profit rate swaps | 144,040 | 110,321 | 16,492,135 |
| Foreign exchange forward contracts | 289 | - | 270,476 |

| March 31, 2023 (Unaudited) | SAR'000 | | |
|---|---|---|---|
| | Positive fair value | Negative fair value | Total notional amount |
| **Held for trading:** | | | |
| Profit rate swaps | 83,163 | 70,456 | 8,654,947 |
| Foreign exchange forward contracts | 741 | - | 592,091 |

## 6. Financing, net

| March 31, 2024 (Unaudited) | SAR'000 Performing | Non-performing | Gross | Allowance for impairment (note 6.1) | Financing, net |
|---|---|---|---|---|---|
| Retail | **42,792,835** | **899,799** | **43,692,634** | **(1,009,340)** | **42,683,294** |
| Corporate | **139,835,273** | **1,474,546** | **141,309,819** | **(3,290,699)** | **138,019,120** |
| **Total** | **182,628,108** | **2,374,345** | **185,002,453** | **(4,300,039)** | **180,702,414** |

| December 31, 2023 (Audited) | SAR'000 Performing | Non-performing | Gross | Allowance for impairment (note 6.1) | Financing, net |
|---|---|---|---|---|---|
| Retail | 42,374,048 | 851,915 | 43,225,963 | (979,914) | 42,246,049 |
| Corporate | 132,820,236 | 2,010,546 | 134,830,782 | (3,452,787) | 131,377,995 |
| Total | 175,194,284 | 2,862,461 | 178,056,745 | (4,432,701) | 173,624,044 |

| March 31, 2023 (Unaudited) | SAR'000 Performing | Non-performing | Gross | Allowance for impairment (note 6.1) | Financing, net |
|---|---|---|---|---|---|
| Retail | 39,446,825 | 749,879 | 40,196,704 | (877,584) | 39,319,120 |
| Corporate | 114,419,647 | 2,563,457 | 116,983,104 | (3,148,936) | 113,834,168 |
| Total | 153,866,472 | 3,313,336 | 157,179,808 | (4,026,520) | 153,153,288 |

Below tables show the stage-wise breakdown of gross exposure and allowance for impairment of financing:

**March 31, 2024 (Unaudited)**

| | Gross exposure | | | | Allowance for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit impaired** | **Lifetime ECL credit impaired** | **Total Gross Exposure** | **12-month ECL** | **Lifetime ECL not credit impaired** | **Lifetime ECL credit impaired** | **Total Allowance for impairment** |
| | **SAR'000** | | | | | | | |
| Retail | **41,845,822** | **947,013** | **899,799** | **43,692,634** | **246,571** | **92,266** | **670,503** | **1,009,340** |
| Corporate | **129,911,858** | **9,923,415** | **1,474,546** | **141,309,819** | **476,552** | **1,832,318** | **981,829** | **3,290,699** |
| **Total** | **171,757,680** | **10,870,428** | **2,374,345** | **185,002,453** | **723,123** | **1,924,584** | **1,652,332** | **4,300,039** |

December 31, 2023 (Audited)

| | Gross exposure | | | | Allowance for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total Gross Exposure | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total Allowance for impairment |
| | SAR'000 | | | | | | | |
| Retail | 41,365,515 | 1,008,533 | 851,915 | 43,225,963 | 225,433 | 115,840 | 638,641 | 979,914 |
| Corporate | 123,254,867 | 9,565,369 | 2,010,546 | 134,830,782 | 460,499 | 1,600,519 | 1,391,769 | 3,452,787 |
| Total | 164,620,382 | 10,573,902 | 2,862,461 | 178,056,745 | 685,932 | 1,716,359 | 2,030,410 | 4,432,701 |

March 31, 2023 (Unaudited)

| | Gross exposure | | | | Allowance for impairment | | | |
|---|---|---|---|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total Gross Exposure | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total Allowance for impairment |
| | SAR'000 | | | | | | | |
| Retail | 38,507,676 | 939,149 | 749,879 | 40,196,704 | 252,704 | 153,837 | 471,043 | 877,584 |
| Corporate | 107,528,858 | 6,890,789 | 2,563,457 | 116,983,104 | 524,628 | 1,366,795 | 1,257,513 | 3,148,936 |
| Total | 146,036,534 | 7,829,938 | 3,313,336 | 157,179,808 | 777,332 | 1,520,632 | 1,728,556 | 4,026,520 |

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### 6.1 Movement in allowance for impairment of financing

| | March 31, 2024 (Unaudited) SAR'000 | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit impaired** | **Lifetime ECL credit impaired** | **Total** |
| **Opening allowance at January 1, 2024** | **685,932** | **1,716,359** | **2,030,410** | **4,432,701** |
| Transfer to 12-month ECL | **18,884** | **(8,626)** | **(10,258)** | **-** |
| Transfer to life time ECL, not credit impaired | **(9,163)** | **9,299** | **(136)** | **-** |
| Transfer to life time ECL, credit impaired | **(487)** | **(22,991)** | **23,478** | **-** |
| Net charge / (reversal) for the period | **27,957** | **230,543** | **(52,707)** | **205,793** |
| Write-off | **-** | **-** | **(338,455)** | **(338,455)** |
| **Balance as at March 31, 2024** | **723,123** | **1,924,584** | **1,652,332** | **4,300,039** |

| | December 31, 2023 (Audited) SAR'000 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| Opening allowance at January 1, 2023 | 691,188 | 1,632,053 | 1,658,015 | 3,981,256 |
| Transfer to 12-month ECL | 92,989 | (81,319) | (11,670) | - |
| Transfer to life time ECL, not credit impaired | (60,365) | 93,823 | (33,458) | - |
| Transfer to life time ECL, credit impaired | (6,526) | (141,620) | 148,146 | - |
| Net (reversal) / charge for the period | (31,354) | 213,422 | 1,095,117 | 1,277,185 |
| Write-off | - | - | (825,740) | (825,740) |
| Balance as at December 31, 2023 | 685,932 | 1,716,359 | 2,030,410 | 4,432,701 |

| | March 31, 2023 (Unaudited) SAR'000 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| Opening allowance at January 1, 2023 | 691,188 | 1,632,053 | 1,658,015 | 3,981,256 |
| Transfer to 12-month ECL | 31,085 | (29,401) | (1,684) | - |
| Transfer to life time ECL, not credit impaired | (7,396) | 39,879 | (32,483) | - |
| Transfer to life time ECL, credit impaired | (1,446) | (168,063) | 169,509 | - |
| Net charge for the period | 63,901 | 46,164 | 209,866 | 319,931 |
| Write-off | - | - | (274,667) | (274,667) |
| Balance as at March 31, 2023 | 777,332 | 1,520,632 | 1,728,556 | 4,026,520 |

## 7. Due to SAMA, banks and other financial institutions

| | **March 31, 2024 (Unaudited) SAR'000** | December 31, 2023 (Audited) SAR'000 | March 31, 2023 (Unaudited) SAR'000 |
|---|---|---|---|
| Due to SAMA, net | **2,597,531** | 1,934,512 | 11,638,491 |
| Time investments from banks and other financial institutions | **5,739,060** | 5,180,322 | 2,116,502 |
| Current accounts | **301,619** | 316,396 | 50,042 |
| **Total** | **8,638,210** | 7,431,230 | 13,805,035 |

As of March 31, 2024, the Bank has outstanding profit free deposits from SAMA with gross amount of SAR 509.3 million (December 31, 2023: SAR 509.3 million; March 31, 2023: SAR 6.4 billion) with varying maturities in order to support the Bank in its implementation of various regulatory relief packages given by the government in response to COVID-19.

## 8. Customers' deposits

| | **Note** | **March 31, 2024 (Unaudited) SAR'000** | December 31, 2023 (Audited) SAR'000 | March 31, 2023 (Unaudited) SAR'000 |
|---|---|---|---|---|
| Demand | | **84,224,586** | 78,955,995 | 75,398,219 |
| Savings | | **9,774,125** | 9,833,634 | 7,859,412 |
| Customers' time investments | **8.1** | **93,216,293** | 97,348,367 | 75,244,148 |
| Others | | **1,772,833** | 1,762,585 | 1,446,673 |
| **Total** | | **188,987,837** | 187,900,581 | 159,948,452 |

**8.1** This represents Murabaha and Mudaraba deposits from customers.

## 9. Commitments and contingencies

i) The Bank's credit related commitments and contingencies are as follows:

| | **March 31, 2024 (Unaudited) SAR'000** | December 31, 2023 (Audited) SAR'000 | March 31, 2023 (Unaudited) SAR'000 |
|---|---|---|---|
| Letters of credit | **5,340,619** | 3,923,977 | 3,743,557 |
| Letters of guarantee | **19,489,367** | 19,052,144 | 16,561,518 |
| Acceptances | **1,158,272** | 1,254,199 | 544,874 |
| Irrevocable commitments to extend credit | **12,061,837** | 12,136,338 | 3,803,377 |
| **Total** | **38,050,095** | 36,366,658 | 24,653,326 |

ii) Other liabilities include provision for credit-related commitments and contingencies of SAR 745.4 million as at March 31, 2024 (December 31, 2023: SAR 655.9 million; March 31, 2023: SAR 551.4 million).

| | **March 31, 2024 (Unaudited)** | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit impaired** | **Lifetime ECL credit impaired** | **Total** |
| | **SAR'000** | | | |
| **Opening allowance at January 1, 2024** | **40,469** | **402,016** | **213,378** | **655,863** |
| Transfer to life time ECL, not credit impaired | **(38)** | **38** | **-** | **-** |
| Transfer to life time ECL, credit impaired | **-** | **(1,657)** | **1,657** | **-** |
| Net (reversal) / charge for the period | **(3,148)** | **82,185** | **10,516** | **89,553** |
| **Balance as at March 31, 2024** | **37,283** | **482,582** | **225,551** | **745,416** |

| | December 31, 2023 (Audited) | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | SAR'000 | | | |
| Opening allowance at January 1, 2023 | 51,580 | 245,464 | 222,195 | 519,239 |
| Transfer to 12-month ECL | 256 | (256) | - | - |
| Transfer to life time ECL, not credit impaired | (23,309) | 23,951 | (642) | - |
| Net charge / (reversal) for the period | 11,942 | 132,857 | (8,175) | 136,624 |
| Balance as at December 31, 2023 | 40,469 | 402,016 | 213,378 | 655,863 |

| | March 31, 2023 (Unaudited) | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | SAR'000 | | | |
| Opening allowance at January 1, 2023 | 51,580 | 245,464 | 222,195 | 519,239 |
| Transfer to 12-month ECL | 173 | (173) | - | - |
| Transfer to life time ECL, not credit impaired | - | 642 | (642) | - |
| Net charge / (reversal) for the period | 8,346 | 25,073 | (1,281) | 32,138 |
| Balance as at March 31, 2023 | 60,099 | 271,006 | 220,272 | 551,377 |

## 10. Cash and cash equivalents

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

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) | March 31, 2023 (Unaudited) |
|---|---|---|---|
| | **SAR'000** | SAR'000 | SAR'000 |
| Cash in hand | **2,371,762** | 1,807,396 | 2,253,346 |
| Balances with SAMA excluding statutory deposit | **265,211** | 1,801,753 | 5,549,446 |
| Due from banks and other financial institutions maturing within ninety days from the date of acquisition | **741,122** | 1,563,698 | 1,047,600 |
| **Total** | **3,378,095** | 5,172,847 | 8,850,392 |

## 11. Tier 1 Sukuk

On July 1, 2021, the Bank through a Shariah compliant arrangement issued Tier I Sukuk of SAR 5 billion with a profit rate of 4% payable on quarterly basis.

In addition, on March 6, 2024, the Bank issued additional Tier I sukuk of USD 1 billion with a profit rate of 6.5% payable on semi-annual basis.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represent undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement. These securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of SAMA.

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

## 12. Operating segments

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the key decision makers including Chief Executive Officer ("CEO") and the Assets and Liabilities Committee ("ALCO"), in order to allocate resources to the segments and to assess their performance.

The Bank's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. The majority of the segment assets and liabilities comprise operating assets and liabilities.

The Bank’s reportable segments are as follows:

**a) Retail banking**
Financing, deposit and other products/services for individuals.

**b) Corporate banking**
Financing, deposit and other products and services for corporate, SME and institutional customers.

**c) Treasury**
Investments, interbank and other treasury services.

**d) Investment and brokerage**
Investment, asset management and brokerage services through dealing, managing, arranging, advising and custodial services.

Profit is charged or credited to operating segments using internally developed Fund Transfer Pricing (FTP) rates, which approximate the marginal cost of funds.

Following is an analysis of the Bank’s assets, liabilities, income and results by operating segments:

| | March 31, 2024 (Unaudited) | | | | |
|---|---|---|---|---|---|
| **SAR '000** | **Retail** | **Corporate** | **Treasury** | **Investment and brokerage** | **Total** |
| **Total assets** | **41,730,798** | **138,019,120** | **62,231,833** | **2,877,546** | **244,859,297** |
| **Total liabilities** | **119,769,011** | **32,367,067** | **53,041,051** | **334,104** | **205,511,233** |
| Income from investments and financing | 1,814,225 | 1,106,068 | 852,139 | 26,410 | 3,798,842 |
| Return on time investments | (681,208) | (405,965) | (699,713) | - | (1,786,886) |
| **Income from investments and financing, net** | 1,133,017 | 700,103 | 152,426 | 26,410 | 2,011,956 |
| Fees from banking services and other operating income | 113,083 | 90,369 | 150,218 | 198,875 | 552,545 |
| **Total operating income** | 1,246,100 | 790,472 | 302,644 | 225,285 | 2,564,501 |
| Depreciation and amortization | 69,934 | 9,186 | 6,589 | 1,272 | 86,981 |
| Other operating expenses | 397,113 | 163,938 | 95,222 | 90,276 | 746,549 |
| Charge / (reversal) for credit impairment | 11,910 | 254,526 | (2,002) | - | 264,434 |
| **Total operating expenses** | 478,957 | 427,650 | 99,809 | 91,548 | 1,097,964 |
| **Net operating income** | 767,143 | 362,822 | 202,835 | 133,737 | 1,466,537 |
| Share of loss from associate and joint ventures | - | - | (660) | - | (660) |
| **Income for the period before zakat** | 767,143 | 362,822 | 202,175 | 133,737 | 1,465,877 |

| SAR '000 | March 31, 2023 (Unaudited) Retail | Corporate | Treasury | Investment and brokerage | Total |
|---|---|---|---|---|---|
| Total assets | 38,425,103 | 113,834,168 | 59,025,566 | 2,464,421 | 213,749,258 |
| Total liabilities | 102,117,900 | 28,417,179 | 49,953,359 | 97,223 | 180,585,661 |
| Income from investments and financing | 1,266,096 | 941,198 | 548,404 | 26,959 | 2,782,657 |
| Return on time investments | (381,029) | (232,274) | (434,594) | - | (1,047,897) |
| Income from investments and financing, net | 885,067 | 708,924 | 113,810 | 26,959 | 1,734,760 |
| Fees from banking services and other operating income | 94,900 | 87,695 | 116,092 | 145,963 | 444,650 |
| Total operating income | 979,967 | 796,619 | 229,902 | 172,922 | 2,179,410 |
| Depreciation and amortization | 59,635 | 6,745 | 4,853 | 1,274 | 72,507 |
| Other operating expenses | 370,815 | 159,206 | 87,931 | 67,345 | 685,297 |
| Charge for credit impairment | 326,394 | 10,638 | 5,499 | - | 342,531 |
| Total operating expenses | 756,844 | 176,589 | 98,283 | 68,619 | 1,100,335 |
| Net operating income | 223,123 | 620,030 | 131,619 | 104,303 | 1,079,075 |
| Share of loss from an associate and joint venture | - | - | 2,310 | - | 2,310 |
| Income for the period before zakat | 223,123 | 620,030 | 133,929 | 104,303 | 1,081,385 |

| **SAR '000 Other information:** | **March 31, 2024 (Unaudited) Retail** | **Corporate** | **Treasury** | **Investment and brokerage** | **Total** |
|---|---|---|---|---|---|
| Revenue from: | | | | | |
| - External | **72,457** | **2,364,493** | **(97,734)** | **225,285** | **2,564,501** |
| - Inter-segment | **1,173,643** | **(1,574,021)** | **400,378** | **-** | **-** |
| **Total operating income** | **1,246,100** | **790,472** | **302,644** | **225,285** | **2,564,501** |

| SAR '000 Other information: | March 31, 2023 (Unaudited) Retail | Corporate | Treasury | Investment and brokerage | Total |
|---|---|---|---|---|---|
| Revenue from: | | | | | |
| - External | 211,813 | 1,781,436 | 13,239 | 172,922 | 2,179,410 |
| - Inter-segment | 768,154 | (984,817) | 216,663 | - | - |
| Total operating income | 979,967 | 796,619 | 229,902 | 172,922 | 2,179,410 |

## 13. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income adjusted for Tier 1 Sukuk costs by the weighted average number of outstanding shares which were 1,988 million shares at March 31, 2024 (March 31, 2023: 1,992 million shares). The diluted earnings per share is the same as the basic earnings per share.

## 14. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to discharge 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 takes place either:

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

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

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

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable input).

**Valuation technique and significant unobservable inputs for financial instruments at fair value**

The Bank uses various valuation techniques used in measuring level 2 and Level 3 fair values at March 31, 2024, December 31, 2023 and March 31, 2023, as well as the significant unobservable inputs used.

For the valuation of investments in mutual funds, the Bank utilizes fund manager reports. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying assets classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk-adjusted discount rates, marketability and liquidity discounts and control premiums.

For the valuation of unquoted Sukuk investments, the Bank utilizes valuation techniques such as discounted cash flows.

### 14 (a) Fair values of financial assets and liabilities carried at fair value

Following table shows an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

| | SAR '000 | | | |
|---|---|---|---|---|
| **March 31, 2024 (Unaudited)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets held as FVSI | | | | |
| - Equities | **179,923** | **-** | **42,817** | **222,740** |
| - Funds | **379,075** | **1,666,998** | **394,965** | **2,441,038** |
| Financial assets held as FVOCI | | | | |
| - Equities | **812,146** | **-** | **24,819** | **836,965** |
| - Sukuks | **4,295,301** | **8,459,255** | **-** | **12,754,556** |
| **Total** | **5,666,445** | **10,126,253** | **462,601** | **16,255,299** |

| December 31, 2023 (Audited) | SAR '000 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held as FVSI | | | | |
| - Equities | 187,728 | - | 42,817 | 230,545 |
| - Funds | 337,927 | 1,657,753 | 384,049 | 2,379,729 |
| Financial assets held as FVOCI | | | | |
| - Equities | 1,122,156 | - | 24,839 | 1,146,995 |
| - Sukuks | 3,823,085 | 8,535,202 | - | 12,358,287 |
| Total | 5,470,896 | 10,192,955 | 451,705 | 16,115,556 |

| March 31, 2023 (Unaudited) | SAR '000 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets held as FVSI | | | | |
| - Equities | 135,160 | - | 42,817 | 177,977 |
| - Funds | 571,285 | 1,234,937 | 223,316 | 2,029,538 |
| Financial assets held as FVOCI | | | | |
| - Equities | 1,667,643 | - | 21,930 | 1,689,573 |
| - Sukuks | 3,693,338 | 7,807,571 | - | 11,500,909 |
| Total | 6,067,426 | 9,042,508 | 288,063 | 15,397,997 |

**Reconciliation of Level 3 fair values**

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

| **March 31, 2024 (Unaudited)** | **SAR '000** | |
|---|---|---|
| | **Financial assets held as FVSI** | **Financial assets held as FVOCI** |
| Balance at January 1, 2024 | **426,866** | **24,839** |
| Additional / new investments | **10,466** | **-** |
| Capital return and disposals during the period | **-** | **(20)** |
| Net change in fair value (unrealized) | **450** | **-** |
| **Balance at March 31, 2024** | **437,782** | **24,819** |

| December 31, 2023 (Audited) | SAR '000 | |
|---|---|---|
| | Financial assets held as FVSI | Financial assets held as FVOCI |
| Balance at January 1, 2023 | 264,452 | 21,779 |
| Additional / new investments | 170,584 | 2,923 |
| Capital return and disposals during the period | (4,732) | - |
| Net change in fair value (unrealized) | (3,438) | 137 |
| Balance at December 31, 2023 | 426,866 | 24,839 |

| March 31, 2023 (Unaudited) | SAR '000 Financial assets held as FVSI | SAR '000 Financial assets held as FVOCI |
|---|---|---|
| Balance at January 1, 2023 | 264,452 | 21,779 |
| Additional / new investments | 8,378 | 14 |
| Capital return and disposals during the period | (737) | (638) |
| Net change in fair value (unrealized) | (5,960) | 775 |
| Balance at March 31, 2023 | 266,133 | 21,930 |

There are no transfers between Level 1, 2 and 3 during the period.

**14 (b) Fair values of financial assets and liabilities not carried at fair value**

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments which are categorized within Level 2 of the fair value hierarchy. Following table shows the fair value of financial instruments carried at amortized cost.

| **March 31, 2024 (Unaudited)** | **SAR '000 Carrying value** | **SAR '000 Fair value** |
|---|---|---|
| **ASSETS** | | |
| Due from banks and other financial institutions | **851,166** | **851,537** |
| Investments – Murabaha with SAMA | **1,636,176** | **1,652,379** |
| Sukuks – Amortized Cost | **27,226,439** | **27,089,516** |
| Financing, net | **180,702,414** | **180,087,544** |
| **LIABILITIES** | | |
| Due to SAMA, banks and other financial institutions | **8,638,210** | **8,655,814** |
| Customers' deposits | **188,987,837** | **188,997,380** |

| December 31, 2023 (Audited) | SAR '000 Carrying value | SAR '000 Fair value |
|---|---|---|
| ASSETS | | |
| Due from banks and other financial institutions | 1,700,907 | 1,693,958 |
| Investments – Murabaha with SAMA | 1,626,379 | 1,619,862 |
| Sukuks – Amortized Cost | 25,498,634 | 25,039,413 |
| Financing, net | 173,624,044 | 173,043,853 |
| LIABILITIES | | |
| Due to SAMA, banks and other financial institutions | 7,431,230 | 7,378,987 |
| Customers' deposits | 187,900,581 | 187,898,339 |

| March 31, 2023 (Unaudited) | SAR '000 | |
| --- | --- | --- |
| | Carrying value | Fair value |
| ASSETS | | |
| Due from banks and other financial institutions | 1,172,543 | 1,172,466 |
| Investments – Murabaha with SAMA | 904,744 | 899,348 |
| Sukuks – Amortized Cost | 23,434,662 | 23,033,857 |
| Financing, net | 153,153,288 | 151,989,496 |
| LIABILITIES | | |
| Due to SAMA, banks and other financial institutions | 13,805,035 | 13,662,627 |
| Customers' deposits | 159,948,452 | 159,897,297 |

Other financial instruments not carried at fair value are typically short-term in nature and re-price to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of their fair values.

## 15. Other reserves

| March 31, 2024 (Unaudited) | Fair value reserve for FVOCI investments | Employees share-based plan reserve | Social contribution reserve | Remeasurement of End of Service Benefits | Cash flow hedge reserve | Total |
| --- | --- | --- | --- | --- | --- | --- |
| | (SAR'000) | | | | | |
| Balance at January 1, 2024 | **(184,028)** | **93,886** | **153,403** | **(902)** | **-** | **62,359** |
| Net change in fair value of FVOCI equity investments | **99,603** | **-** | **-** | **-** | **-** | **99,603** |
| Net change in fair value of FVOCI sukuk investments | **(94,741)** | **-** | **-** | **-** | **-** | **(94,741)** |
| Net gain realized on sale of FVOCI sukuk investments | **(911)** | **-** | **-** | **-** | **-** | **(911)** |
| Net gain realized on sale of FVOCI equity investments | **(85,702)** | **-** | **-** | **-** | **-** | **(85,702)** |
| Effective portion of change in the fair value of cash flow hedge | **-** | **-** | **-** | **-** | **(10,956)** | **(10,956)** |
| Employee share based plan reserve | **-** | **17,905** | **-** | **-** | **-** | **17,905** |
| Vesting of shares | **-** | **(28,426)** | **-** | **-** | **-** | **(28,426)** |
| Utilization during the period | **-** | **-** | **(1,104)** | **-** | **-** | **(1,104)** |
| Balance as at March 31, 2024 | **(265,779)** | **83,365** | **152,299** | **(902)** | **(10,956)** | **(41,973)** |

| March 31, 2023 (Unaudited) | Fair value reserve for FVOCI investments | Employees share-based plan reserve | Social contribution reserve | Remeasurement of End of Service Benefits | Total |
|---|---|---|---|---|---|
| | | | (SAR'000) | | |
| Balance at January 1, 2023 | (634,267) | 33,855 | 113,555 | (20,539) | (507,396) |
| Net change in fair value of FVOCI equity investments | 200,271 | - | - | - | 200,271 |
| Net change in fair value of FVOCI sukuk investments | 119,756 | - | - | - | 119,756 |
| Share of associate's other comprehensive income | 10,868 | - | - | - | 10,868 |
| Employee share based plan reserve | - | 14,973 | - | - | 14,973 |
| Other transfers | - | 21,748 | - | - | 21,748 |
| Vesting of shares | - | (14,587) | - | - | (14,587) |
| Utilization during the period | - | - | (147) | - | (147) |
| Balance as at March 31, 2023 | (303,372) | 55,989 | 113,408 | (20,539) | (154,514) |

## 16. Financial Risk Management

### a) Credit Risk

Credit risk arises when a counterparty fails to fulfil its contractual obligations to the Bank. To minimize the risk of a counterparty failing to meet its obligations, the Bank is committed to a strong pro-active credit process to ensure that a credit that is originated will meet the institutional risk appetite and will fulfil the criteria under which credits are extended. All credit proposals are subjected to a high degree of due diligence intended to identify all risks associated with granting the credit.

An internal credit-rating model is used to determine the Obligor Risk Rating (ORR), a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered, when available and disclosed by clients. Target Market is a key component of this process as it provides the first filter for prospective and existing obligors to avoid initiating or maintaining relationships that do not fit the Bank's strategy and desired risk profile. Risk Acceptance Criteria (RAC) is a set of variables indicating the terms under which the Bank is willing to initiate and/or maintain a credit relationship with an obligor that meets the target market. The business team is a front-end marketing team responsible for originating, evaluating and recommending credit proposals. Approval is granted in accordance with the Board approved "Credit Approval Authority Delegation Matrix" through the Credit Committee which is composed of the CEO, Business Senior Credit Officer, and Chief Credit Officer. Credits are extended based on the Corporate, Financial Institutions and Retail Banking Credit Policies and Guidelines.

Risk Management, as a key stakeholder, controls the policies established for financing and are tasked with the responsibility of regularly reviewing, and revising the Bank's credit policies, guidelines and processes, to ensure that credits risk is managed and controlled within the Risk Appetite Criteria of the Bank and credit related losses are minimized. Risk Management also ensures that credit policies are aligned and adjusted on periodic basis in accordance with the economic, market, regulatory and legal landscape.

Various credit portfolios are managed to achieve diversification. Concentration in the portfolio mix is managed in terms of economic activity, geography, collateral and underlying product. The Bank seeks diversification of its credit portfolios through customer acquisition across different industries, economic activities and geographical presence across the country and by targeting large, medium and small corporate clients as well as individual clients. Obligor and sector concentrations are monitored to assess different types of financing concentrations. The Bank regularly stress tests its credit portfolios, in order to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

**b) Expected credit Loss (ECL)**

***Credit risk grades***

The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, credit policies framework and extensive due diligence process. The credit review and approval process is ably supported with stringent credit administration control and limit monitoring function of credit limits.

To generate an internal risk rating, the Bank uses Moody's CreditLens. This rating system is used by many leading banks globally and in the Kingdom. It enables the Bank to assign a risk rating to a single obligor. The risk rating is a point-in-time, 12-month probability of default (PD). The Bank assigns a rating from a 10-point rating scale with 1 as the best through 10 as the worst. The rating uses sub-grades (e.g. 3+, 3, and 3- ) for a granular assessment of the PD. As part of the Bank's policy, only obligors with risk ratings of -6 or better are eligible for new financing facilities. The Bank reviews and validates the Moody's CreditLens rating system on a regular basis by calibrating score ranges with rating grades and associated PDs. All credit exposures are subject to on-going monitoring and annual review activity, which may result in an exposure being moved to a different credit risk grade because of various qualitative and quantitative aspects related to the specific obligor such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment.

Credit risks in the retail portfolio are estimated based on individual credit-worthiness scores, derived from an automated credit scoring platform and is not subject to the Moody's rating system.

***Point in time PD***

The term structure of PD describes the relationship between PD and time-to-maturity. The Bank formulated three forward-looking scenarios of the economic cycle to generate an estimate of Term Structure PD (which is the expected migration of PD up or down, depending on the various stages of the economic cycle.) For example, it can be expected that if the economic environment is on a down-swing, the PD of an obligor which is already stressed and is classified under Stage 2 with clear signs of credit weaknesses, may tend to deteriorate. Conversely, if the economic environment is on an up-swing, the PD of a similar obligor may improve. Based on this concept, the Bank then designed Long Term Survival Probability Adjusted PD which essentially means that if a stressed obligor survives over a longer period time, the probability of it defaulting reduces.

***Determining whether credit risk has increased significantly***

In determining whether the credit risk has increased significantly since origination, management looks at the change in the risk of a default occurring over the expected life of the credit exposure rather than the change in the ECL. The Bank compares the risk of default as at the reporting date with the risk of default occurring as at the date of origination. The assessment is primarily driven by PD estimation methodology of 12 - month point-in-time and lifetime PD. The Bank groups its credit exposure on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in the credit risk to be identified on a timely basis. Given below is a non-exhaustive list of the shared credit risk characteristics:

a) type of exposure
b) obligor risk ratings
c) collateral type
d) collateral value
e) economic cycle and forward looking scenario
f) date of origination
g) remaining term to maturity
h) geographical location of the obligor
i) industry

The Bank categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- **Stage 1 Performing assets** – Financial asset(s) at origination or existing financial assets, at the reporting date, with no significant increase in credit risk since origination: The Bank recognizes an impairment allowance amounting to 12-month expected credit losses using a point-in-time PD (an estimate of the probability of default over the next 12 months). Profits associated with the asset are recognized on the basis of gross carrying value.

- **Stage 2 Underperforming assets** – Financial asset(s) that have significantly deteriorated in credit quality since origination: In determining whether the credit risk has significantly increased since initiation, the bank assesses the change, if any, in the risk of default over the expected life of the financial asset. The trigger point for classifying an account to Stage 2 and the consequent calculation of lifetime expected credit loss is based on past due obligations (rebuttable assumption if payments are more than 30 days past due). However, the most important consideration for categorization to Stage 2 is a determination by the Impairment Committee that the credit quality has deteriorated to the degree defined by the IFRS 9 guidelines. For retail borrowers, over 30 days past due is typically the trigger point for Stage 2 Classification. The Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD (an estimate of the probability of default over the life of the asset). Profits associated with the asset are recognized on the basis of gross carrying value.

- **Stage 3 Credit-impaired assets** – Financial asset(s) that show objective evidence of impairment: For credit impaired financial asset(s), the Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD approach. Profits associated with the asset are recognized on the basis of net carrying value.

***Definition of 'Default'***

The Bank follows the Basel definition for default i.e. "The borrower is more than 90 days past due on principal or profit on any material obligation to the Bank".

**c) Loss allowance**

The following table shows reconciliations from the opening to the closing balance of the allowance for impairment for due from banks and other financial institutions, investments, financing and credit related contingencies and commitments:

| | March 31, 2024 (Unaudited) | | | |
|---|---|---|---|---|
| | 12 month ECL | Life time ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | SAR in '000' | | | |
| **Balance at January 1, 2024** | **761,502** | **2,118,631** | **2,243,788** | **5,123,921** |
| Transfer to 12 month ECL | **18,884** | **(8,626)** | **(10,258)** | **-** |
| Transfer to life time ECL, not credit impaired | **(9,201)** | **9,337** | **(136)** | **-** |
| Transfer to life time ECL, credit impaired | **(487)** | **(24,648)** | **25,135** | **-** |
| Net charge / (reversal) for the period | **17,099** | **312,530** | **(42,191)** | **287,438** |
| Write off | **-** | **-** | **(338,455)** | **(338,455)** |
| **Balance as at March 31, 2024** | **787,797** | **2,407,224** | **1,877,883** | **5,072,904** |

| | March 31, 2023 (Unaudited) | | | |
|---|---|---|---|---|
| | 12 month ECL | Life time ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | SAR in '000' | | | |
| Balance at January 1, 2023 | 769,340 | 1,879,224 | 1,880,210 | 4,528,774 |
| Transfer to 12 month ECL | 31,258 | (29,574) | (1,684) | - |
| Transfer to life time ECL, not credit impaired | (7,396) | 40,521 | (33,125) | - |
| Transfer to life time ECL, credit impaired | (1,446) | (168,063) | 169,509 | - |
| Net charge for the period | 75,445 | 73,537 | 208,586 | 357,568 |
| Write off | - | - | (274,667) | (274,667) |
| Balance as at March 31, 2023 | 867,201 | 1,795,645 | 1,948,829 | 4,611,675 |

**d) Reconciliation of 'Impairment charge of financing and other financial assets'**

| | **March 31, 2024** | March 31, 2023 |
|---|---|---|
| | SAR'000 | SAR'000 |
| Impairment charge on financing (note 6.1) | **205,793** | 319,931 |
| Impairment charge of non-funded financing and credit related commitments (note 9) | **89,553** | 32,138 |
| (Reversal) / impairment charge on other financial exposures | **(7,908)** | 5,499 |
| Total charge for the period before recoveries from written off bad debts | **287,438** | 357,568 |
| Impairment charge of other financial assets | **6,167** | - |
| Recoveries from written off bad debts | **(29,171)** | (15,037) |
| **Total impairment charge for period, net of recoveries** | **264,434** | 342,531 |

## 17. Related party balances and transactions

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

The balances as at March 31, 2024, December 31 2023 and March 31, 2023, resulting from such transactions included in the interim condensed consolidated financial statements are as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) | March 31, 2023 (Unaudited) |
|---|---|---|---|
| | **SAR'000** | SAR'000 | SAR'000 |
| **Directors, key management personnel, major shareholders and affiliates** | | | |
| Financing to key management personnel | **119,171** | 56,022 | 75,892 |
| Financing to other related parties | **1,531,031** | 1,433,866 | 917,457 |
| Customers' deposits | **1,570,851** | 58,959 | 6,483,848 |
| Investments in associate and joint venture | **233,557** | 15,637 | 194,822 |
| **Bank's mutual funds** | | | |
| Investments in mutual funds | **1,018,815** | 953,614 | 725,277 |
| Deposits from mutual funds | **561,747** | 335,531 | 195,390 |

Customers' deposits mainly include deposits from major shareholders, affiliates and directors. The Bank has transactions with government and government-related entities which are conducted within normal course of business.

**(i) Income and expenses pertaining to transactions with related parties included in the interim condensed consolidated statement of income are as follows:**

| | **March 31, 2024 (Unaudited)** | March 31, 2023 (Unaudited) |
|---|---|---|
| | **SAR'000** | SAR'000 |
| Income on financing | **27,759** | 15,180 |
| Return on time investments | **14,280** | 12,046 |
| Fee from banking services, net | **113,309** | 79,759 |
| Directors' remuneration | **2,823** | 1,973 |

The advances and expenses related to executives are in line with the normal employment terms.

**(ii) The total amount of compensation paid to key management personnel during the period is as follow:**

| | **March 31, 2024 (Unaudited)** | March 31, 2023 (Unaudited) |
|---|---|---|
| | **SAR'000** | SAR'000 |
| Short-term employees' benefits | **49,470** | 45,489 |
| End of service benefit | **4,267** | 2,097 |

## 18. Capital and capital adequacy

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

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. SAMA requires to hold and maintain a ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum percentage.

The Bank 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 and commitments at a weighted amount to reflect their relative risk. The ratios are presented as per Basel III Post Crisis Reforms regulation issued by SAMA (circular number 44047144) effective from January 1, 2023.

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) | March 31, 2023 (Unaudited) |
|---|---|---|---|
| | **SAR'000** | SAR'000 | SAR'000 |
| Credit risk weighted assets | **210,011,976** | 200,114,001 | 178,520,223 |
| Operational risk weighted assets | **7,321,465** | 6,040,617 | 6,040,617 |
| Market risk weighted assets | **3,733,523** | 5,439,506 | 3,158,785 |
| **Total Pillar-I Risk Weighted Assets** | **221,066,964** | 211,594,124 | 187,719,625 |
| | | | |
| Tier I capital | **39,539,736** | 34,574,557 | 33,585,270 |
| Tier II capital | **2,609,936** | 2,423,433 | 2,222,033 |
| **Total Tier I & II Capital** | **42,149,672** | 36,997,990 | 35,807,303 |
| | | | |
| **Capital Adequacy Ratio %** | | | |
| **Common Equity Tier I** | **14%** | 14% | 15% |
| **Tier I ratio** | **18%** | 16% | 18% |
| **Tier I + Tier II ratio** | **19%** | 17% | 19% |

### 18.1 Proposed issue of bonus shares

On December 31, 2023, the Board of Directors recommended to the Extraordinary General Assembly of the Bank to increase the capital by SAR 5,000 million through capitalization from the retained earnings by way of granting one share for every four shares. Subsequent to March 31, 2024, the Shareholders, in their Extraordinary General Assembly meeting dated April 23, 2024, approved the increase of share capital by issuance of bonus shares.

### 18.2 Treasury shares

The Extraordinary General Assembly Meeting on April 30, 2023, approved the Employee Stock Incentive Program for which 5 million shares were to be purchased as treasury shares for allocating them to the Employee Stock Plan. The Bank has completed the purchase of these shares during the period ended June 30, 2023.

## 19. Comparative figures

Certain comparative figures have been rearranged or reclassified, wherever necessary, for the purpose of better presentation. No other rearrangements or reclassifications have been made in these interim condensed consolidated financial statements.

## 20. Events after the reporting period

Except for the event mentioned in note 18.1, there have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed consolidated financial statements as at and for the three months period ended March 31, 2024.

## 21. Approval of the financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors of the Bank on 21 Shawwal 1445H (corresponding to April 30, 2024).