



**THE SAUDI NATIONAL BANK**  
(A Saudi Joint Stock Company)

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

**30 JUNE 2023**

**Ernst & Young Professional Services**

**KPMG Professional Services**

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

To the Shareholders of The Saudi National Bank  
(A Saudi Arabian Joint Stock Company)

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Saudi National Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2023 and the related interim condensed consolidated statements of income and comprehensive income for the three months and six months periods ended 30 June 2023, and the interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and explanatory notes. Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with *International Accounting Standard 34, "Interim Financial Reporting"* ('IAS 34') 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 *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 ('ISAs') that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

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1 August 2023

(Corresponding to 14 Muharram 1445H)

Ahmed Ibrahim Reda  
Certified Public Accountant  
License No. (356)



Ebrahim Oboud Baeshen  
Certified Public Accountant  
License No. (382)

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(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT**

		<b>30 June 2023 (Unaudited) SAR '000</b>	<b>31 December 2022 (Audited) SAR '000</b>	<b>30 June 2022 (Unaudited) SAR '000</b>
	<b>Note</b>			
<b>ASSETS</b>				
Cash and balances with SAMA		44,771,447	41,611,004	59,412,098
Due from banks and other financial institutions, net		22,039,943	16,496,730	30,720,056
Investments, net	4	264,827,244	258,291,891	247,850,745
Financing and advances, net	5	577,849,291	545,310,659	536,188,564
Positive fair value of derivatives	6	23,382,611	20,574,129	12,730,262
Investments in associates, net		246,049	246,049	245,720
Property, equipment and software, net		10,243,535	9,993,143	9,282,257
Goodwill		34,006,782	34,006,782	34,006,782
Intangible assets		6,972,388	7,382,528	7,796,031
Right of use assets, net		1,049,470	1,533,960	1,839,913
Other assets		10,773,894	10,049,291	18,400,749
<b>Total assets</b>		<b>996,162,654</b>	<b>945,496,166</b>	<b>958,473,177</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		162,719,734	150,994,919	147,233,180
Customers' deposits	7	602,209,199	568,283,076	593,011,429
Debt securities issued	8	13,719,280	12,987,176	10,531,966
Negative fair value of derivatives	6	22,964,761	19,420,104	12,016,844
Other liabilities		23,671,612	27,033,260	33,958,745
<b>Total liabilities</b>		<b>825,284,586</b>	<b>778,718,535</b>	<b>796,752,164</b>
<b>EQUITY</b>				
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>				
Share capital	10	60,000,000	44,780,000	44,780,000
Share premium		63,701,800	63,701,800	63,701,800
Treasury shares		(1,882,278)	(2,027,503)	(2,033,419)
Statutory reserve		36,044,720	36,020,442	31,354,329
Other reserves (cumulative changes in fair values)		(5,176,253)	(7,807,848)	(5,209,304)
Employees' share based payments reserve		398,639	409,021	316,346
Retained earnings		9,387,260	19,278,912	22,249,273
Proposed dividend	11	-	2,686,800	-
Foreign currency translation reserve		(7,483,474)	(6,555,990)	(6,358,978)
<b>Equity attributable to shareholders of the Bank</b>		<b>154,990,414</b>	<b>150,485,634</b>	<b>148,800,047</b>
Tier 1 Sukuk	13	15,187,500	15,487,500	12,187,500
<b>Equity attributable to equity holders of the Bank</b>		<b>170,177,914</b>	<b>165,973,134</b>	<b>160,987,547</b>
<b>Non-controlling interests</b>		<b>700,154</b>	<b>804,497</b>	<b>733,466</b>
<b>Total equity</b>		<b>170,878,068</b>	<b>166,777,631</b>	<b>161,721,013</b>
<b>Total liabilities and equity</b>		<b>996,162,654</b>	<b>945,496,166</b>	<b>958,473,177</b>

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

  
**Ahmed A. Aldhabi**  
Group Chief Financial Officer

  
**Talal A. Alkhereiji**  
Acting Chief Executive Officer

  
**Saeed M. Al-Ghamdi**  
Chairman

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**
  
**FOR THE PERIOD ENDED 30 JUNE**

	Note	For the three months period ended		For the six months period ended	
		30 June	30 June	30 June	30 June
		2023	2022	2023	2022
		SAR '000	SAR '000	SAR '000	SAR '000
Special commission income		11,929,734	8,173,961	23,047,136	15,185,854
Special commission expense		(5,405,535)	(1,350,049)	(9,745,031)	(2,253,499)
<b>Net special commission income</b>		<b>6,524,199</b>	<b>6,823,912</b>	<b>13,302,105</b>	<b>12,932,355</b>
Fee income from banking services, net		1,078,148	952,088	2,114,716	1,902,970
Exchange income, net		525,811	329,806	1,018,731	744,555
Gain from fair value through income statement (FVIS) financial instruments, net		574,632	392,165	1,103,167	810,298
Gains/income on non-FVIS financial instruments, net		105,826	142,893	337,174	522,308
Other operating expenses, net		(311,685)	(295,682)	(647,937)	(474,414)
<b>Total operating income</b>		<b>8,496,931</b>	<b>8,345,182</b>	<b>17,227,956</b>	<b>16,438,072</b>
Salaries and employee-related expenses		1,156,716	1,128,198	2,321,170	2,245,936
Rent and premises related expenses		133,534	132,853	266,415	265,376
Depreciation/amortisation of property, equipment, software, and right of use assets		335,438	379,797	681,005	693,321
Amortisation of intangible assets		205,070	205,070	410,140	434,725
Other general and administrative expenses		778,331	701,229	1,371,224	1,351,025
<b>Total operating expenses before expected credit losses</b>		<b>2,609,089</b>	<b>2,547,147</b>	<b>5,049,954</b>	<b>4,990,383</b>
Impairment charge for expected credit losses, net		76,083	592,195	568,861	978,441
<b>Total operating expenses</b>		<b>2,685,172</b>	<b>3,139,342</b>	<b>5,618,815</b>	<b>5,968,824</b>
<b>Income from operations, net</b>		<b>5,811,759</b>	<b>5,205,840</b>	<b>11,609,141</b>	<b>10,469,248</b>
Other non-operating expenses, net		(16,500)	97,653	(19,899)	(4,349)
<b>Income for the period before zakat and income tax</b>		<b>5,795,259</b>	<b>5,303,493</b>	<b>11,589,242</b>	<b>10,464,899</b>
Zakat and income tax expense	12	(678,399)	(692,578)	(1,371,557)	(1,288,178)
<b>Net income for the period</b>		<b>5,116,860</b>	<b>4,610,915</b>	<b>10,217,685</b>	<b>9,176,721</b>
<b>Net income for the period attributable to:</b>					
Equity holders of the Bank		5,015,560	4,589,122	10,037,100	9,090,702
Non-controlling interests		101,300	21,793	180,585	86,019
<b>Net income for the period</b>		<b>5,116,860</b>	<b>4,610,915</b>	<b>10,217,685</b>	<b>9,176,721</b>
<b>Basic earnings per share (expressed in SAR per share)</b>	14	<b>0.81</b>	<b>0.76</b>	<b>1.62</b>	<b>1.49</b>
<b>Diluted earnings per share (expressed in SAR per share)</b>	14	<b>0.81</b>	<b>0.75</b>	<b>1.62</b>	<b>1.48</b>

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.


  
**Ahmed A. Aldhabi**
  
 Group Chief Financial Officer


  
**Talal A. Alkhereiji**
  
 Acting Chief Executive Officer


  
**Saeed M. Al-Ghamdi**
  
 Chairman

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE PERIOD ENDED 30 JUNE**

	For the three months period ended		For the Six months period ended	
	30 June 2023 SAR '000	30 June 2022 SAR '000	30 June 2023 SAR '000	30 June 2022 SAR '000
<b>Net income for the period</b>	<b>5,116,860</b>	<b>4,610,915</b>	<b>10,217,685</b>	<b>9,176,721</b>
<b>Other comprehensive loss</b>				
<i>Items that cannot be reclassified to the consolidated statement of income in subsequent periods:</i>				
Net (losses)/gains of movement in fair value through other comprehensive income in equity instruments	251,196	(692,701)	(2,988,871)	(105,599)
<i>Items that are or may be reclassified to the consolidated statement of income in subsequent periods:</i>				
Net movement in foreign currency translation reserve losses	(1,072,289)	(268,353)	(1,375,815)	(424,087)
<b>Fair value through other comprehensive income - debt instruments:</b>				
- Net change in fair values	(375,195)	(3,358,350)	809,261	(5,332,963)
- Net amounts transferred to the consolidated statement of income	3,785	6,592	(22,155)	(187,000)
<b>Cash flow hedges:</b>				
- Effective portion of changes in fair values	(249,254)	(109,590)	(1,621)	(401,490)
- Net amounts transferred to the consolidated statement of income	85,283	(1,840)	115,887	(20,636)
<b>Total other comprehensive loss</b>	<b>(1,356,474)</b>	<b>(4,424,242)</b>	<b>(3,463,314)</b>	<b>(6,471,775)</b>
<b>Total comprehensive income for the period</b>	<b>3,760,386</b>	<b>186,673</b>	<b>6,754,371</b>	<b>2,704,946</b>
<b>Attributable to:</b>				
Equity holders of the Bank	3,954,097	172,922	6,959,935	2,693,215
Non-controlling interests	(193,711)	13,751	(205,564)	11,731
<b>Total comprehensive income for the period</b>	<b>3,760,386</b>	<b>186,673</b>	<b>6,754,371</b>	<b>2,704,946</b>

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.



**Ahmed A. Aldhabi**  
Group Chief Financial Officer



**Talal A. Alkhereiji**  
Acting Chief Executive Officer



**Saeed M. Al-Ghamdi**  
Chairman

(A Saudi Joint Stock Company)  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE PERIOD ENDED 30 JUNE

Note	Attributable to equity holders of the Bank											
	Other reserves											
	Share capital	Share premium	Treasury shares	Statutory reserve	Cash flow hedge reserves	FVOCI financial instruments	Employees' share based payments	Retained earnings	Proposed dividend	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Total equity attributable to equity holders of the Bank
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance as at 1 January 2023	44,780,000	63,701,800	(2,027,503)	36,020,442	(769,271)	(7,038,577)	409,021	19,278,912	2,686,800	(6,555,998)	150,485,634	165,973,134
Net income for the period	-	-	-	-	-	-	-	10,037,100	-	10,037,100	10,037,100	10,037,100
Other comprehensive income/(loss) for the period	-	-	-	-	114,265	(2,663,946)	-	-	(927,484)	(927,484)	(3,077,165)	(3,077,165)
Total comprehensive income/(loss) for the period	-	-	-	-	114,265	(2,663,946)	-	10,037,100	-	6,959,935	6,959,935	6,959,935
Other consolidation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Impact arising from the application of IAS 29 at a foreign subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	24,278	-	25,227	-	480,626	-	530,131	530,131	530,131
Tier 1 Sukuk issued	-	-	-	-	-	-	-	(15,220,000)	-	-	-	-
Tier 1 Sukuk called	-	-	-	-	-	-	-	(393,849)	-	-	(393,849)	(393,849)
Tier 1 Sukuk related costs	-	-	-	-	-	-	(105,445)	(39,480)	-	-	-	-
Settlement of vested share based payment plan via treasury shares	-	-	145,225	-	-	-	-	-	-	-	-	-
Employees' share based payments plan reserve - charged to the interim condensed consolidated statement of income	-	-	-	-	-	-	95,063	(4,756,049)	-	95,063	95,063	95,063
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings	-	-	-	-	-	-	-	(2,686,800)	-	(2,686,800)	-	-
Final dividend paid for 2022	-	-	-	-	-	-	-	9,387,260	-	(7,483,474)	154,990,414	170,177,914
Balance as at 30 June 2023	60,000,000	63,701,800	(1,382,278)	36,044,720	(655,006)	(4,521,247)	398,639	9,387,260	-	-	154,990,414	170,177,914

Note	Attributable to equity holders of the Bank											
	Other reserves											
	Share capital	Share premium	Treasury shares	Statutory reserve	Cash flow hedge reserves	FVOCI financial instruments	Employees' share based payments	Retained earnings	Proposed dividend	Foreign currency translation reserve	Total equity attributable to shareholders of the Bank	Total equity attributable to equity holders of the Bank
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance as at 1 January 2022	44,780,000	63,701,800	(2,137,857)	31,262,024	(140,568)	(5,685,475)	347,885	13,211,790	4,030,200	(6,069,092)	150,010,442	162,197,942
Net income for the period	-	-	-	-	-	-	-	9,090,702	-	9,090,702	9,090,702	9,090,702
Other comprehensive income/(loss) for the period	-	-	-	-	(422,126)	(5,685,475)	-	-	-	(339,886)	(6,397,487)	(6,397,487)
Total comprehensive income/(loss) for the period	-	-	-	-	(422,126)	(5,685,475)	-	9,090,702	-	(289,886)	2,693,215	2,693,215
Other consolidation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Impact arising from the application of IAS 29 at a foreign subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	92,305	-	14,375	-	212,989	-	-	319,869	319,869
Tier 1 Sukuk issued	-	-	-	-	-	-	-	-	-	-	-	-
Tier 1 Sukuk called	-	-	-	-	-	-	-	-	-	-	-	-
Tier 1 Sukuk related costs	-	-	-	-	-	-	-	-	-	-	-	-
Settlement of vested share based payments plan via treasury shares	-	-	104,468	-	-	-	-	(255,287)	-	-	(255,287)	(255,287)
Employees' share based payments plan reserve - charged to the interim condensed consolidated statement of income	-	-	-	-	-	-	(123,172)	(3,960)	-	-	(22,664)	(22,664)
Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings	-	-	-	-	-	-	91,633	-	-	-	91,633	91,633
Final dividend paid 2021	-	-	-	-	-	-	-	22,249,273	-	(4,030,200)	148,000,047	160,987,547
Balance as at 30 June 2022	44,780,000	63,701,800	(2,033,419)	31,354,329	(562,694)	(4,646,610)	316,346	22,249,273	-	(6,358,978)	148,000,047	160,987,547

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Ahmed A. Aldhabbi  
Group Chief Financial Officer

Talal A. Alkhereiji  
Acting Chief Executive Officer

Saeed M. Al-Ghamdi  
Chairman



(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE PERIOD ENDED 30 JUNE**

		30 June 2023 SAR '000	30 June 2022 SAR '000
<b>OPERATING ACTIVITIES</b>	<b>Note</b>		
Income for the period before zakat and income tax		11,589,242	10,464,899
Adjustments to reconcile net income to net cash from operating activities:			
Amortisation of discount on non-trading financial instruments, net		28,041	150,977
Gains on non-FVIS financial instruments, net		(166,319)	(347,806)
Gains on disposal of property, equipment and software, net		(22,498)	(151,283)
Loss on disposal of other repossessed assets		27,161	34,729
Depreciation/amortisation of property, equipment, software, and right of use assets		681,005	693,321
Net impairment charge for expected credit losses		568,861	978,441
Amortisation of intangible assets		410,140	434,725
Share based payments plan expense		95,063	91,633
Net monetary loss from the application of IAS 29-Hyperinflationary economies		16,543	96,347
		<b>13,227,239</b>	<b>12,445,983</b>
Net (increase)/decrease in operating assets:			
Statutory deposits with SAMA		(2,111,199)	(1,123,072)
Due from banks and other financial institutions with original maturity of more than three months, net		(2,496,760)	(1,469,704)
Held at fair value through income statement (FVIS) investments		(880,061)	1,283,119
Financing and advances, net		(38,638,545)	(43,365,332)
Positive fair value of derivatives		(2,869,197)	(4,263,790)
Other assets		(558,752)	600,425
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		12,598,576	30,288,136
Customers' deposits		40,961,196	9,431,438
Negative fair value of derivatives		3,574,051	2,627,415
Other liabilities		(4,023,235)	3,032,565
Net cash generated from/(used in) operating activities		<b>18,783,313</b>	<b>9,487,183</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturity of non-FVIS investments		12,645,478	27,690,603
Purchase of non-FVIS investments		(21,837,508)	(39,537,150)
Purchase of property, equipment and software		(798,532)	(707,188)
Proceeds from disposal of property and equipment		82,681	161,283
Net cash (used in) investing activities		<b>(9,907,881)</b>	<b>(12,392,452)</b>
<b>FINANCING ACTIVITIES</b>			
Debt securities issued	8	1,416,499	5,605,071
Debt securities payment	8	(670,799)	(1,156,453)
Tier 1 Sukuk issuance		1,000,000	-
Tier 1 Sukuk called		(1,300,000)	-
Tier 1 Sukuk related costs		(393,849)	(255,287)
Final dividend paid for 2022 and 2021	11	(2,686,800)	(4,030,200)
Net cash (used in)/generated from financing activities		<b>(2,634,949)</b>	<b>163,131</b>
Net increase/(decrease) in cash and cash equivalents		<b>6,240,483</b>	<b>(2,742,138)</b>
Foreign currency translation reserve - net movement in cash and cash equivalents at the beginning of the period		(1,051,704)	(457,440)
Cash and cash equivalents at the beginning of the period		20,158,433	51,726,360
Cash and cash equivalents at the end of the period	3	<b>25,347,212</b>	<b>48,526,782</b>
Special commission income received during the period		22,702,051	14,547,209
Special commission expense paid during the period		9,195,589	1,326,428
<b>Supplemental non-cash information</b>			
Movement in other reserves and transfers to the interim condensed consolidated statement of income		901,372	(5,942,089)

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.


  
**Ahmed A. Aldhabi**  
Group Chief Financial Officer


  
**Talal A. Alkhereiji**  
Acting Chief Executive Officer


  
**Saeed M. Al-Ghamdi**  
Chairman



# The Saudi National Bank

(A Saudi Joint Stock Company)

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## Notes To The Interim Condensed Consolidated Financial Statements AS AT 30 JUNE 2023 (UNAUDITED)

### 1. GENERAL

#### (1.1) Introduction

The financial statements comprise of the interim condensed consolidated financial statements of The Saudi National Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group").

The Saudi National Bank is a Saudi Joint Stock Company that was formed and licensed under registration certificate authenticated by a Royal Decree on 28 Rajab 1369H (corresponding to 15 May 1950) and registered under commercial registration number 4030001588 dated 19 Safar 1418H (corresponding to 26 June 1997). The Bank is regulated by the Saudi Central Bank (SAMA).

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

The Bank operates through its 485 branches (31 December 2022: 494 branches), 17 retail service centers (31 December 2022: 16 centers) and 101 QuickPay remittance centers (31 December 2022: 120 centers) in the Kingdom of Saudi Arabia and four overseas branches in the Kingdom of Bahrain, United Arab Emirates, Qatar and the Republic of Singapore.

The Board of Directors in their meeting dated 23 November 2015 resolved to close the Bank's branch operations domiciled in Beirut, Lebanon. The required regulatory approvals have been received and the legal formalities in respect of the closure of the branch are in progress.

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

The Saudi National Bank Tower  
King Abdullah Financial District  
King Fahd Road,  
3208 Al Aqeeq District,  
Riyadh 13519 - 6676,  
Kingdom of Saudi Arabia

## The Saudi National Bank

(A Saudi Joint Stock Company)

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

AS AT 30 JUNE 2023 (UNAUDITED)

#### 1. GENERAL (continued)

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

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

Name of subsidiary	Ownership %			Functional currency	Description
	30 June 2023	31 December 2022	30 June 2022		
SNB Capital Company (SNBC)	100.00%	100.00%	100.00%	Saudi Arabian Riyal	A Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia to manage the Bank's investment services and asset management activities.
SNB Capital Dubai Inc.	100.00%	100.00%	100.00%	US Dollar	An exempt company with limited liability incorporated in the Cayman Islands to source, structure and invest in private equity and real estate development opportunities across emerging markets.
NCB Capital Real Estate Investment Company (REIC)	100.00%	100.00%	100.00%	Saudi Arabian Riyal	The Company is a special purpose entity registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by SNB Capital Company.
Türkiye Finans Katılım Bankası A.Ş. (TFKB)	67.03%	67.03%	67.03%	Turkish Lira	A participation bank registered in Turkey that collects funds through current accounts, profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships.  TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlık Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuk by TFKB.
Real Estate Development Company (REDCO)	100.00%	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia. REDCO is engaged in keeping and managing title deeds and collateralised real estate properties on behalf of the Bank.
AlAhli Insurance Service Marketing Company	100.00%	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company, engaged as an insurance agent for distribution and marketing of Islamic insurance products in Saudi Arabia.  The Board of Directors of the subsidiary in their meeting held on 28 January 2021 resolved to liquidate AlAhli Insurance Service Marketing Company. Subsequent to the reporting period, in July 2023 all the regulatory approvals and legal documentations were received, and the company is deemed liquidated.
SNB Markets Limited	100.00%	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in trading in derivatives and repos/reverse repos on behalf of the Bank.
Eastgate MENA Direct Equity L.P.	100.00%	100.00%	100.00%	US Dollar	A private equity fund domiciled in the Cayman Islands and managed by SNB Capital Dubai Inc. The Fund's investment objective is to generate returns via investments in Sharia compliant direct private equity opportunities in high growth businesses in countries within the Middle East and North Africa (MENA).

## The Saudi National Bank

(A Saudi Joint Stock Company)

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

AS AT 30 JUNE 2023 (UNAUDITED)

#### 1. GENERAL (continued)

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

Name of subsidiary	Ownership %			Functional currency	Description
	30 June 2023	31 December 2022	30 June 2022		
AlAhli Outsourcing Company	100.00%	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in recruitment services within the Kingdom of Saudi Arabia.
Samba Bank Limited, (SBL) Pakistan	84.51%	84.51%	84.51%	Pakistani Rupee	A subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange.
Co-Invest Offshore Capital Limited (COCL)	100.00%	100.00%	100.00%	GBP	A Limited Liability Company registered in Cayman Islands, engaged in managing certain overseas investments through a fully owned entity, Investment Capital (Cayman) Limited (ICCL). ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, which is also a Cayman Island Limited Liability Company, that manages these overseas investments. As at the reporting period, the company is deemed liquidated.
Samba Real Estate Company	100.00%	100.00%	100.00%	Saudi Arabian Riyal	A Limited Liability Company registered in the Kingdom of Saudi Arabia, engaged in managing real estate projects on behalf of the Bank.
SNB Global Limited	100.00%	100.00%	100.00%	US Dollar	A Limited Liability Company registered in the Cayman Islands, engaged in managing certain treasury related transactions.
SNB Funding Limited	100.00%	100.00%	100.00%	US Dollar	A Limited Liability Company under the laws of the Cayman Islands established with the main objective of generating liquidity for the Bank through issuance of bonds.

#### 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (2.1) Basis of Preparation

The interim condensed consolidated financial statements of the Group as at and for the period ended on 30 June 2023 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The consolidated financial statements of the Group as at and for the year ended 31 December 2022, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**AS AT 30 JUNE 2023 (UNAUDITED)**

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(2.1) Basis of Preparation (continued)**

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand except where otherwise stated and the functional currency of the Bank is Saudi Arabian Riyal except where otherwise stated in the notes to the interim condensed consolidated financial statements.

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.

In preparing these interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the consolidated financial statements as at and for the year ended 31 December 2022 except for new amendments that are applicable from the period beginning 1 January 2023 as disclosed below in note 2.4.

**(2.2) Basis of consolidation**

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

**(a) Subsidiaries**

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

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

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

**(b) Non-controlling interests**

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

**(c) Associates**

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

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

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

**(d) Transactions eliminated on consolidation**

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

**(2.3) Significant accounting policies, estimates and assumptions**

**(a) Significant accounting policies, estimates and assumptions**

The accounting policies, estimates and assumptions adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023, which is explained in note 2.4 below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**(b) Hyperinflationary economy**

Turkey is considered as a hyperinflationary economy since second quarter of 2022. TFKB uses the index published by the Turkish Statistical Institute to arrive at the below conversion factors that represents the ratio of hyper inflated balances to historical cost:

Date	Index	Conversion factor
30 June 2023	1,351.59	1.0000
31 December 2022	1,128.45	1.1977

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

**AS AT 30 JUNE 2023 (UNAUDITED)**

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(2.4) New standards, interpretations and amendments adopted by the Group**

The following standards, interpretations or amendments are effective and are adopted by the Group but do not have an impact on the interim condensed consolidated financial statements of the Group.

<b>Standards, amendments, interpretations</b>	<b>Description</b>	<b>Effective date</b>
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.

**(2.5) Accounting standards issued but not yet effective**

The International Accounting Standards Board (IASB) has issued the following standards and amendments which will become effective on or after 1 January 2024. the Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

<b>Standards, amendments, interpretations</b>	<b>Description</b>	<b>Effective date</b>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
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

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**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**AS AT 30 JUNE 2023 (UNAUDITED)**

**3. CASH AND CASH EQUIVALENTS**

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

	<b>30 June 2023 (Unaudited) SAR '000</b>	<b>31 December 2022 (Audited) SAR '000</b>	<b>30 June 2022 (Unaudited) SAR '000</b>
Cash and balances with SAMA - excluding statutory deposit	<b>8,677,623</b>	7,628,379	24,100,314
Due from banks and other financial institutions with original maturity of three months or less	<b>16,669,589</b>	12,530,054	24,426,468
<b>Total</b>	<b>25,347,212</b>	20,158,433	48,526,782

**4. INVESTMENTS, NET**

	<b>30 June 2023 (Unaudited) SAR '000</b>	<b>31 December 2022 (Audited) SAR '000</b>	<b>30 June 2022 (Unaudited) SAR '000</b>
Held at FVIS	<b>18,550,165</b>	17,017,095	17,735,514
Held at FVOCI, net	<b>86,740,564</b>	83,805,672	85,813,974
Investments held at amortised cost, net	<b>159,536,515</b>	157,469,124	144,301,257
<b>Total</b>	<b>264,827,244</b>	258,291,891	247,850,745

- a) Investments held at amortised cost, net include investments amounted to SAR 2,695 million (31 December 2022: SAR 6,687 million and 30 June 2022: SAR 4,299 million) which are held under a fair value hedge relationship. As at 30 June 2023, the fair value of these investments amounted to SAR 2,587 million (31 December 2022: SAR 3,513 million and 30 June 2022: SAR 4,360 million).
- b) Investments, net include debt securities that are issued by the Ministry of Finance of Kingdom of Saudi Arabia amounted to SAR 152,211 million (31 December 2022: SAR 151,713 million and 30 June 2022: SAR 149,383 million).
- c) Dividend income recognized during the six-month period ended 30 June 2023 for FVOCI investments amounted to SAR 171 million (31 December 2022: SAR 392 million and 30 June 2022: SAR 330 million).
- d) Total investments include Shariah based investments amounted to SAR 154,526 million (31 December 2022: SAR 151,025 million and 30 June 2022: SAR 148,002 million).
- e) During the six-month period ended 30 June 2023, Credit Suisse Group AG ('Credit Suisse') faced decline in its share and bond prices. Pursuant to the foregoing, on 19 March 2023, following negotiations with the Swiss' government, Union Bank of Switzerland ('UBS') announced its intent to acquire Credit Suisse through shares exchange. Upon completion of the merger on 12 June 2023, Credit Suisse stand fully merged with Union Bank of Switzerland ('UBS') as the surviving entity. The Group derecognised its investment in Credit Suisse by recording a fair value loss directly within Retained Earnings and recognised its investment in UBS as held at FVOCI with a carrying value of SAR 1.3 billion as at 30 June 2023 (31 December 2022: Nil and 30 June 2022: Nil).



**The Saudi National Bank**  
(A Saudi Joint Stock Company)

**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**AS AT 30 JUNE 2023 (UNAUDITED)**

**5. FINANCING AND ADVANCES, NET**

**(5.1) Financing and advances, net**

**30 June 2023 (Unaudited)**

**SAR '000**

	<u>Consumer &amp; credit card</u>	<u>Corporate</u>	<u>International</u>	<u>Others*</u>	<u>Total</u>
Performing financing and advances	309,071,340	220,110,218	16,246,993	32,549,570	577,978,121
Non-performing financing and advances	1,387,894	6,020,145	460,491	-	7,868,530
<b>Total financing and advances</b>	<b>310,459,234</b>	<b>226,130,363</b>	<b>16,707,484</b>	<b>32,549,570</b>	<b>585,846,651</b>
Allowance for financing losses (ECL allowance)	(2,392,204)	(7,637,050)	(706,719)	(77,844)	(10,813,817)
Purchased or originated credit impaired	14,575	2,801,882	-	-	2,816,457
<b>Financing and advances, net</b>	<b>308,081,605</b>	<b>221,295,195</b>	<b>16,000,765</b>	<b>32,471,726</b>	<b>577,849,291</b>

**31 December 2022 (Audited)**

**SAR '000**

	<u>Consumer &amp; credit card</u>	<u>Corporate</u>	<u>International</u>	<u>Others*</u>	<u>Total</u>
Performing financing and advances	294,251,753	208,296,464	17,053,755	25,177,303	544,779,275
Non-performing financing and advances	1,372,043	7,135,888	474,594	-	8,982,525
<b>Total financing and advances</b>	<b>295,623,796</b>	<b>215,432,352</b>	<b>17,528,349</b>	<b>25,177,303</b>	<b>553,761,800</b>
Allowance for financing losses (ECL allowance)	(2,215,958)	(8,318,226)	(788,340)	(85,340)	(11,407,864)
Purchased or originated credit impaired	22,256	2,934,467	-	-	2,956,723
<b>Financing and advances, net</b>	<b>293,430,094</b>	<b>210,048,593</b>	<b>16,740,009</b>	<b>25,091,963</b>	<b>545,310,659</b>

**30 June 2022 (Unaudited)**

**SAR '000**

	<u>Consumer &amp; credit card</u>	<u>Corporate</u>	<u>International</u>	<u>Others*</u>	<u>Total</u>
Performing financing and advances	284,437,253	213,368,815	17,898,683	20,413,368	536,118,119
Non-performing financing and advances	1,128,096	7,152,925	575,264	-	8,856,285
<b>Total financing and advances</b>	<b>285,565,349</b>	<b>220,521,740</b>	<b>18,473,947</b>	<b>20,413,368</b>	<b>544,974,404</b>
Allowance for financing losses (ECL allowance)	(2,132,417)	(8,710,100)	(800,549)	(68,077)	(11,711,143)
Purchased or originated credit impaired	22,896	2,902,407	-	-	2,925,303
<b>Financing and advances, net</b>	<b>283,455,828</b>	<b>214,714,047</b>	<b>17,673,398</b>	<b>20,345,291</b>	<b>536,188,564</b>

\*Others include financing and advances related to financial institutions.

Financing and advances, net, include financing products in compliance with Shariah rules mainly Murabaha, Tawarooq and Ijara amounting to SAR 489,333 million (31 December 2022: SAR 467,925 million and 30 June 2022: SAR 454,216 million).

# The Saudi National Bank

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

AS AT 30 JUNE 2023 (UNAUDITED)

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

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

	30 June 2023 (Unaudited)			
	Expected credit loss allowance			
	SAR '000			
	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
Balance as at 1 January 2023	1,821,973	3,268,956	6,316,935	11,407,864
Net impairment (reversal)/charge	65,776	(166,037)	1,599,260	1,498,999
Transfer to stage 1	171,168	(83,131)	(88,037)	-
Transfer to stage 2	(20,580)	20,580	-	-
Transfer to stage 3	(490)	(66,163)	66,653	-
Bad debts written off	-	-	(1,890,670)	(1,890,670)
Foreign exchange losses	(25,588)	(46,514)	(164,118)	(236,220)
Other movements	-	33,844	-	33,844
Balance as at 30 June 2023	2,012,259	2,961,535	5,840,023	10,813,817
	31 December 2022 (Audited)			
	Expected credit loss allowance			
	SAR '000			
	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
Balance as at 1 January 2022	2,364,423	2,816,469	5,835,715	11,016,607
Net impairment (reversal)/charge	(614,127)	806,662	2,671,095	2,863,630
Transfer to stage 1	152,350	(121,544)	(30,806)	-
Transfer to stage 2	(57,196)	70,392	(13,196)	-
Transfer to stage 3	(15,760)	(195,321)	211,081	-
Bad debts written off	-	-	(2,126,159)	(2,126,159)
Foreign exchange losses	(7,717)	(100,862)	(230,795)	(339,374)
Other movements	-	(6,840)	-	(6,840)
Balance as at 31 December 2022	1,821,973	3,268,956	6,316,935	11,407,864
	30 June 2022 (Unaudited)			
	Expected credit loss allowance			
	SAR '000			
	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(lifetime ECL for significant increase in credit risk)	(lifetime ECL for credit impaired)	Total
Balance as at 1 January 2022	2,364,423	2,816,469	5,835,715	11,016,607
Net impairment (reversal)/charge	(49,222)	372,216	1,185,019	1,508,013
Transfer to stage 1	479	(339)	(140)	-
Transfer to stage 2	(23,303)	23,303	-	-
Transfer to stage 3	(5,252)	(84,566)	89,818	-
Bad debts written off	-	-	(612,247)	(612,247)
Foreign exchange losses	(2,889)	(124,438)	(78,983)	(206,310)
Other movements	1,692	-	3,388	5,080
Balance as at 30 June 2022	2,285,928	3,002,645	6,422,570	11,711,143

# The Saudi National Bank

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

AS AT 30 JUNE 2023 (UNAUDITED)

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

(5.3) An analysis of changes in gross carrying amounts is as follows:

30 June 2023 (Unaudited)				
Gross carrying amount				
SAR '000				
	Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	Total
Balance as at 1 January 2023	519,489,592	25,154,679	9,117,529	553,761,800
Net increase/(decrease) during the year	39,423,874	(503,609)	(44,841)	38,875,424
Transfer to stage 1	1,550,918	(1,432,218)	(118,700)	-
Transfer to stage 2	(3,151,129)	3,246,454	(95,325)	-
Transfer to stage 3	(419,162)	(714,637)	1,133,799	-
Foreign exchange losses and other movements	(4,386,214)	(378,191)	(135,498)	(4,899,903)
Bad debts written off	-	-	(1,890,670)	(1,890,670)
Balance as at 30 June 2023	552,507,879	25,372,478	7,966,294	585,846,651
31 December 2022 (Audited)				
Gross carrying amount				
SAR '000				
	Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	Total
Balance as at 1 January 2022	479,150,455	18,361,979	8,448,460	505,960,894
Net increase/(decrease) during the year	54,240,415	561,918	176,507	54,978,840
Transfer to stage 1	1,535,439	(1,453,214)	(82,225)	-
Transfer to stage 2	(10,163,619)	10,197,579	(33,960)	-
Transfer to stage 3	(892,698)	(2,106,445)	2,999,143	-
Foreign exchange losses and other movements	(4,380,400)	(407,138)	(264,237)	(5,051,775)
Bad debts written off	-	-	(2,126,159)	(2,126,159)
Balance as at 31 December 2022	519,489,592	25,154,679	9,117,529	553,761,800
30 June 2022 (Unaudited)				
Gross carrying amount				
SAR '000				
	Stage 1	Stage 2	Stage 3	
	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	Total
Balance as at 1 January 2022	479,150,455	18,361,979	8,448,460	505,960,894
Net increase/(decrease) during the year	43,453,640	46,032	(244,181)	43,255,491
Transfer to stage 1	1,566,491	(1,511,049)	(55,442)	-
Transfer to stage 2	(7,034,945)	7,078,514	(43,569)	-
Transfer to stage 3	(579,591)	(1,118,478)	1,698,069	-
Foreign exchange losses and other movements	(3,115,781)	(323,011)	(190,942)	(3,629,734)
Bad debts written off	-	-	(612,247)	(612,247)
Balance as at 30 June 2022	513,440,269	22,533,987	9,000,148	544,974,404

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**6. DERIVATIVES**

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

**(a) Swaps**

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

**(b) Forwards and futures**

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

**(c) Forward rate agreements**

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

**(d) Options**

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

**(e) Structured derivative products**

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

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

Most of the Group's derivative trading activities are related to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves profiting from price differentials between markets or products.

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

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

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#### 6. DERIVATIVES (continued)

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

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

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

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

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

	30 June 2023 (Unaudited)			31 December 2022 (Audited)			30 June 2022 (Unaudited)		
	SAR '000			SAR '000			SAR '000		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
<b>Held for trading:</b>									
Special commission rate instruments	21,878,318	(21,083,903)	628,592,793	18,386,533	(17,560,871)	574,561,781	10,965,053	(10,345,008)	538,618,131
Forward/future foreign exchange contracts	629,897	(519,737)	166,385,630	537,416	(416,866)	232,028,764	816,571	(447,618)	270,592,060
Options	90,293	(48,556)	1,688,345	29,949	(32,859)	4,592,927	131,637	(104,982)	8,846,266
<b>Held as fair value hedges:</b>									
Special commission rate instruments	575,491	(530,518)	17,057,492	1,318,713	(442,882)	19,280,981	562,335	(368,437)	15,618,401
<b>Held as cash flow hedges:</b>									
Special commission rate instruments and cross currency swaps	208,612	(782,047)	14,602,924	301,518	(966,626)	15,566,853	254,666	(750,799)	15,264,062
<b>Total</b>	<b>23,382,611</b>	<b>(22,964,761)</b>	<b>828,327,184</b>	<b>20,574,129</b>	<b>(19,420,104)</b>	<b>846,031,306</b>	<b>12,730,262</b>	<b>(12,016,844)</b>	<b>848,938,920</b>

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### 7. CUSTOMERS' DEPOSITS

	30 June 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR '000	30 June 2022 (Unaudited) SAR '000
Current and call accounts	446,456,756	427,245,252	464,741,572
Time	134,118,291	116,646,379	104,212,295
Others	21,634,152	24,391,445	24,057,562
<b>Total</b>	<b>602,209,199</b>	<b>568,283,076</b>	<b>593,011,429</b>

Customers' deposits include Shariah based deposits amounted to SAR 431,212 million (31 December 2022: SAR 438,491 million; 30 June 2022: SAR 463,757 million).

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

	30 June 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR '000	30 June 2022 (Unaudited) SAR '000
Current and call accounts	7,451,458	9,047,056	9,934,171
Time	14,017,890	12,871,846	15,313,536
Others	1,595,110	3,155,855	1,579,307
<b>Total</b>	<b>23,064,458</b>	<b>25,074,757</b>	<b>26,827,014</b>

### 8. DEBT SECURITIES ISSUED

As at the reporting date, debt securities issued comprise non-convertible sukuks issued by the Group, carrying profit at fixed rates, with maturities up to 2033. Below is the movement of debt securities:

	30 June 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR '000	30 June 2022 (Unaudited) SAR '000
Balance at beginning of the period/year	12,987,176	6,112,447	6,112,447
Debt securities issued	1,416,499	10,556,960	5,605,071
Debt securities payment	(670,799)	(3,606,452)	(1,156,453)
Foreign currency translation adjustment	(13,596)	(75,779)	(29,099)
<b>Balance at end of the period/year</b>	<b>13,719,280</b>	<b>12,987,176</b>	<b>10,531,966</b>



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#### 9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

The Group's credit related commitments and contingencies are as follows:

	30 June 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR '000	30 June 2022 (Unaudited) SAR '000
Letters of credit	19,386,953	16,071,217	18,664,722
Guarantees	61,302,182	58,723,367	59,619,052
Acceptances	6,389,077	5,325,073	4,597,657
Irrevocable commitments to extend credit	16,992,939	17,964,252	10,260,152
<b>Total</b>	<b>104,071,151</b>	<b>98,083,909</b>	<b>93,141,583</b>

#### 10. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 6,000,000,000 shares of SAR 10 each (31 December 2022 and 30 June 2022: 4,478,000,000 shares of SAR 10 each). The share capital of the Bank excluding treasury shares consists of 5,950,337,285 shares of SAR 10 each (31 December 2022: 4,438,259,561 and 30 June 2022: 4,438,143,622 shares of SAR 10 each).

On 12 January 2023, corresponding to 19 Jumad al-thani 1444H, the Board of Directors of the Bank recommended to an Extraordinary General Shareholders Assembly an increase of 34% of the Bank's existing capital through bonus shares with approximately 1 bonus share for every 3 shares owned. Subsequently, the Extraordinary General Assembly of the Bank resolved on 7 May 2023 (corresponding to 17 Shawwal 1444H) to increase the share capital from SAR 44,780,000,000 to SAR 60,000,000,000 by transferring an amount of SAR 15,220,000,000 from the "Retained Earnings" account to "Share Capital" account.

#### 11. DIVIDEND

The details of dividends paid to the Bank's shareholders are as follows:

Year	Distribution Date	Amount (SAR per share)	Total Payout Net of Zakat (SAR '000)	Type	Status
2023	May 2023	0.60	2,686,800	Final	Paid
	Aug 2023	0.85	5,100,000	Interim	To be paid
2022	April 2022	0.90	4,030,200	Final	Paid
	July 2022	1.10	4,925,800	Interim	Paid

During July 2023, the Board of Directors approved the distribution of an interim cash dividend for the first half of 2023 amounting to SAR 5,100 million (SAR 0.85 per share after deduction of Zakat ), which will be paid during August 2023.

#### 12. ZAKAT

The Bank and its Saudi subsidiaries are subject to zakat in accordance with regulations of the Zakat, Tax and Customs Authority ("ZATCA"). The Bank's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Zakat expense is charged to the interim condensed consolidated statement of income. The Bank calculated zakat accruals for the period ended 30 June 2023 based on applicable zakat rules for financial institutions. The Bank submitted its zakat return for the year ended 31 December 2022, and obtained the unrestricted zakat certificate. The financial years 2019 through 2022 are under the review of ZATCA, the assessments in respect to the Bank's zakat returns for the financial years up to 2018 have been finalized.

Moreover, pursuant to the merger with Samba Financial Group ("Samba"), the Bank assumed all of Samba's obligations owed to ZATCA, under a settlement agreement signed by Samba with ZATCA in respect to prior years (from 2006 to 2018), which are to be paid in equal installments until 2023. The Bank has two remaining instalments with a total amount of SAR 400 million which will be paid during the year.

**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
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**13. TIER 1 SUKUK**

During the period, the Bank exercised the call option on its existing Tier 1 Sukuk (the Sukuk) amounting to SAR 1.3 billion. These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.

During the period, one of the subsidiaries of the Group issued Tier 1 Sukuk, amounting to SAR 1 billion (SAR-denominated) through a Shariah Compliant arrangement (the arrangement). This arrangement was approved by the regulatory authorities and Board of Directors of the subsidiary.

In 2022, the Bank issued, through a Shariah compliant arrangement, additional Tier 1 Sukuk, amounting to SAR 3.3 billion (SAR-denominated). These arrangements were approved by the regulatory authorities and Board of Directors of the Bank.

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

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

**14. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share for the periods ended 30 June 2023 and 30 June 2022 is calculated by dividing the net income attributable to common equity holders of the Bank (adjusted for Tier 1 Sukuk related costs) for the periods by the weighted average number of shares outstanding to give a retroactive effect of the change in the number of shares increased as a result of the bonus share issued during the period.

Diluted earnings per share for the periods ended 30 June 2023 and 30 June 2022 is calculated by dividing the fully diluted net income attributable to equity holders of the Bank (adjusted for Tier 1 Sukuk related costs) for the periods by the weighted average number of outstanding shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue during the period. The diluted earnings per share are adjusted for the impact of the employees' share based payment plan.

**15. OPERATING SEGMENTS**

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

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

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

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

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

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#### 15. OPERATING SEGMENTS (continued)

The segmental information for the Group's total operating income, expenses, and net income for the period, are as follows:

30 June 2023 (Unaudited)					
SAR '000					
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total operating income from external customers	8,133,272	6,454,553	959,559	1,680,572	17,227,956
Intersegment operating income/(expense)	(103,354)	177,581	(74,227)	-	-
<b>Total operating income</b>	<b>8,029,918</b>	<b>6,632,134</b>	<b>885,332</b>	<b>1,680,572</b>	<b>17,227,956</b>
of which:					
- Net special commission income	7,756,656	4,672,971	156,744	715,734	13,302,105
- Fee income from banking services, net	556,081	532,805	647,000	378,830	2,114,716
<b>Total operating expenses</b>	<b>3,593,720</b>	<b>908,205</b>	<b>276,377</b>	<b>840,513</b>	<b>5,618,815</b>
of which:					
- Depreciation/amortisation of property, equipment, software and right of use assets	430,846	118,113	14,226	117,820	681,005
- Amortisation of intangible assets	277,126	89,374	43,640	-	410,140
- Net impairment charge for expected credit losses	367,650	(19,932)	1,503	219,640	568,861
<b>Other non-operating income/(expenses), net</b>	<b>(21,687)</b>	<b>(47,771)</b>	<b>24</b>	<b>49,535</b>	<b>(19,899)</b>
<b>Income for the period before zakat and income tax</b>	<b>4,414,511</b>	<b>5,676,158</b>	<b>608,979</b>	<b>889,594</b>	<b>11,589,242</b>

  

30 June 2022 (Unaudited)					
SAR '000					
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
Total operating income from external customers	6,828,153	7,187,602	1,053,112	1,369,205	16,438,072
Intersegment operating income/(expense)	388,949	(372,111)	(16,838)	-	-
<b>Total operating income</b>	<b>7,217,102</b>	<b>6,815,491</b>	<b>1,036,274</b>	<b>1,369,205</b>	<b>16,438,072</b>
of which:					
- Net special commission income	6,708,952	5,023,805	88,197	1,111,401	12,932,355
- Fee income from banking services, net	604,572	426,920	800,366	71,112	1,902,970
<b>Total operating expenses</b>	<b>3,580,363</b>	<b>1,441,507</b>	<b>287,785</b>	<b>659,169</b>	<b>5,968,824</b>
of which:					
- Depreciation/amortisation of property, equipment, software and right of use assets	484,562	102,076	11,059	95,624	693,321
- Amortisation of intangible assets	279,700	100,139	54,886	-	434,725
- Net impairment charge for expected credit losses	301,646	468,339	842	207,614	978,441
<b>Other non-operating income/(expenses), net</b>	<b>41,531</b>	<b>65,177</b>	<b>(79)</b>	<b>(110,978)</b>	<b>(4,349)</b>
<b>Income for the period before zakat and income tax</b>	<b>3,678,270</b>	<b>5,439,161</b>	<b>748,410</b>	<b>599,058</b>	<b>10,464,899</b>

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#### 15. OPERATING SEGMENTS (continued)

The segmental information for the Group's total assets and liabilities as at 30 June 2023 and 2022 and 31 December 2022 are as follows:

30 June 2023 (Unaudited)					
SAR '000					
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
<b>Total assets</b>	395,896,693	555,740,636	14,861,538	29,663,787	996,162,654
<b>Total liabilities</b>	358,302,971	437,411,461	3,928,786	25,641,368	825,284,586
- Customers' deposits	347,891,849	231,239,291	13,601	23,064,458	602,209,199

  

31 December 2022 (Audited)					
SAR '000					
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
<b>Total assets</b>	380,314,319	519,029,669	13,843,869	32,308,309	945,496,166
<b>Total liabilities</b>	343,085,724	403,053,452	3,951,301	28,628,058	778,718,535
- Customers' deposits	331,222,696	210,982,140	1,003,483	25,074,757	568,283,076

  

30 June 2022 (Unaudited)					
SAR '000					
	<u>Retail</u>	<u>Wholesale</u>	<u>Capital Market</u>	<u>International</u>	<u>Total</u>
<b>Total assets</b>	361,478,825	550,892,022	10,773,816	35,328,514	958,473,177
<b>Total liabilities</b>	374,040,707	388,176,672	2,655,629	31,879,156	796,752,164
- Customers' deposits	357,887,418	207,888,329	408,668	26,827,014	593,011,429

**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
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**16. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY**

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

Fair value information of the Group's financial instruments is analysed below:

**a. Fair value information for financial instruments at fair value and investments held at amortized cost - fair value hedged**

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

Level 1: quoted market prices in active markets for identical assets or liabilities;

Level 2: quoted prices in active markets for similar assets and liabilities or 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.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The following table shows an analysis of financial instruments recorded by level of the fair value hierarchy:

30 June 2023 (Unaudited)				
SAR '000				
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial instruments	-	23,382,611	-	23,382,611
Financial assets held at FVIS	1,161,244	7,856,891	9,532,030	18,550,165
Financial assets held at FVOCI	61,825,708	24,768,872	145,984	86,740,564
Investments held at amortised cost, net	-	2,586,593	-	2,586,593
- Fair value hedged				
<b>Total</b>	<b>62,986,952</b>	<b>58,594,967</b>	<b>9,678,014</b>	<b>131,259,933</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	22,964,761	-	22,964,761
<b>Total</b>	<b>-</b>	<b>22,964,761</b>	<b>-</b>	<b>22,964,761</b>
31 December 2022 (Audited)				
SAR '000				
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial instruments	-	20,574,129	-	20,574,129
Financial assets held at FVIS	520,348	7,613,086	8,883,661	17,017,095
Financial assets held at FVOCI	53,611,989	30,065,560	128,123	83,805,672
Investments held at amortised cost, net	-	3,512,644	-	3,512,644
- Fair value hedged				
<b>Total</b>	<b>54,132,337</b>	<b>61,765,419</b>	<b>9,011,784</b>	<b>124,909,540</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	19,420,104	-	19,420,104
<b>Total</b>	<b>-</b>	<b>19,420,104</b>	<b>-</b>	<b>19,420,104</b>

**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**AS AT 30 JUNE 2023 (UNAUDITED)**

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

**a. Fair value information for financial instruments at fair value and investments held at amortized cost - fair value hedged (continued)**

	30 June 2022 (Unaudited)			
	SAR '000			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Derivative financial instruments	-	12,730,262	-	12,730,262
Financial assets held at FVIS	570,946	8,701,689	8,462,879	17,735,514
Financial assets held at FVOCI	52,044,852	33,649,522	119,600	85,813,974
Investments held at amortised cost, net				
- Fair value hedged	561,340	3,798,539	-	4,359,879
Total	53,177,138	58,880,012	8,582,479	120,639,629
<u>Financial liabilities</u>				
Derivative financial instruments	-	12,016,844	-	12,016,844
Total	-	12,016,844	-	12,016,844

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

The fair value of the Group's financing and advances as at 30 June 2023 on a business as usual basis applying the guidance of IFRS 13, "Fair Value Measurement", was 2.9% lower than the corresponding book value (31 December 2022: 3.3% lower than the corresponding book value and 30 June 2022: 0.7% higher than the corresponding book value).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits and debt securities issued at 30 June 2023, 31 December 2022 and 30 June 2022 are not materially different from their respective carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counterparty at the time of their respective maturities.

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

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

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

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

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

There were no transfers between Level 1 and Level 2 during the period ended 30 June 2023 (31 December 2022: Nil and 30 June 2022: Nil).

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

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

	30 June 2023 (Unaudited) SAR '000	31 December 2022 (Audited) SAR '000	30 June 2022 (Unaudited) SAR '000
<b>Movement of Level 3 is as follows:</b>			
Balance at beginning of the period/year	9,011,784	7,629,856	7,629,856
Total gains/(losses), realised and unrealised	68,992	(304,988)	263,257
Purchases	1,031,757	3,190,488	1,374,652
Sales/Maturities	(434,519)	(1,503,572)	(685,286)
<b>Balance at end of the period/year</b>	<b>9,678,014</b>	<b>9,011,784</b>	<b>8,582,479</b>



## The Saudi National Bank

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

AS AT 30 JUNE 2023 (UNAUDITED)

#### 17. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored regularly by management. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above Basel prescribed minimum.

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 current period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from 01 January 2023, while the prior period is based on Basel III regulations.

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

	<b>30 June 2023 (Unaudited) SAR '000</b>	<b>31 December 2022 (Audited) SAR '000</b>	<b>30 June 2022 (Unaudited) SAR '000</b>
<b>Risk Weighted Assets</b>			
Credit risk	<b>619,362,606</b>	619,906,133	620,972,377
Operational risk	<b>37,283,015</b>	61,288,606	57,593,534
Market risk	<b>27,615,436</b>	14,887,480	13,547,761
<b>Total Pillar-1 - Risk Weighted Assets</b>	<b>684,261,057</b>	696,082,219	692,113,672
<b>Common Equity Tier 1 Capital (CET1) Ratio</b>	<b>116,134,516</b>	111,851,304	109,585,889
<b>Core capital (Tier 1)</b>	<b>130,417,746</b>	127,338,804	121,773,389
<b>Supplementary capital (Tier 2)</b>	<b>5,005,571</b>	5,212,922	5,559,377
<b>Core and supplementary capital (Tier 1 and Tier 2)</b>	<b>135,423,317</b>	132,551,726	127,332,766
<b>Capital Adequacy Ratio (Pillar 1)</b>			
Common Equity Tier 1 Capital (CET1) Ratio	<b>17.0%</b>	16.1%	15.8%
Core capital (Tier 1)	<b>19.1%</b>	18.3%	17.6%
Core and supplementary capital (Tier 1 and Tier 2)	<b>19.8%</b>	19.0%	18.4%

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**Notes To The Interim Condensed Consolidated Financial Statements (continued)**  
**AS AT 30 JUNE 2023 (UNAUDITED)**

**18. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)**

Management is engaged with various stakeholders on the Group's overall transition activities for an orderly transition to IBOR impacting its products, internal systems and processes. Further, the Bank has actively approached customers for awareness and led communication and negotiations with relevant counterparties. The Group has complied with the regulatory requirements for the LIBOR transition and is now offering products based on Secured Overnight Financing Rate (SOFR).

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. The Group has no exposure to any other LIBOR rates.

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

	30 June 2023		
	SAR '000		
	Non-derivative financial assets	Non-derivative financial liabilities	Derivatives nominal amount
LIBOR-USD	63,338,336	5,087,772	157,599,673
LIBOR-JPY	-	-	-
<b>Total</b>	<b>63,338,336</b>	<b>5,087,772</b>	<b>157,599,673</b>

**19. COMPARATIVE FIGURES**

Certain prior period figures have been reclassified to conform to current period presentation.

**20. BOARD OF DIRECTORS' APPROVAL**

The interim condensed consolidated financial statements were approved by the Board of Directors on 25 July 2023 (corresponding to 07 Muharram 1445H).

**Ahmed A. Aldhabi**  
Group Chief Financial Officer

**Talal A. Alkhereiji**  
Acting Chief Executive Officer

**Saeed M. Al-Ghamdi**  
Chairman