



THE SAUDI NATIONAL BANK

(A Saudi Joint Stock Company)

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

30 SEPTEMBER 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 September 2023 and the related interim condensed consolidated statements of income and comprehensive income for the three months and nine months periods ended 30 September 2023, and the interim condensed consolidated statements of changes in equity and cash flows for the nine 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

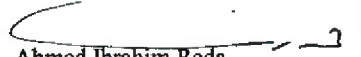
As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 17 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 17 to the relevant analysis prepared by the Bank for submission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

Ernst & Young Professional Services

P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia


1 November 2023

(Corresponding to 17 Rabi Al-Thani 1445H)


Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

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KPMG Professional Services is a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as KPMG Al Fozan & Partners Certified Public Accountants) and is a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company, the KPMG network. All rights reserved.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in SAR'000) AS AT

| | | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|--|------|-------------------------------------|----------------------------------|-------------------------------------|
| | Note | | | |
| ASSETS | | | | |
| Cash and balances with SAMA | | 50,144,349 | 41,611,004 | 56,280,205 |
| Due from banks and other financial institutions, net | | 28,647,751 | 16,496,730 | 32,174,736 |
| Investments, net | 4 | 266,771,792 | 258,291,891 | 252,182,103 |
| Financing and advances, net | 5 | 595,721,407 | 545,310,659 | 536,176,174 |
| Positive fair value of derivatives | 6 | 25,795,800 | 20,574,129 | 19,042,676 |
| Investments in associates, net | | 246,049 | 246,049 | 246,048 |
| Property, equipment and software, net | | 10,580,198 | 9,993,143 | 9,705,659 |
| Goodwill | | 34,006,782 | 34,006,782 | 34,006,782 |
| Intangible assets | | 6,767,318 | 7,382,528 | 7,587,598 |
| Right of use assets, net | | 1,092,788 | 1,533,960 | 1,675,095 |
| Other assets | | 7,358,394 | 10,049,291 | 15,343,903 |
| Total assets | | 1,027,132,628 | 945,496,166 | 964,420,979 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Due to banks and other financial institutions | | 169,113,795 | 150,994,919 | 143,527,806 |
| Customers' deposits | 7 | 624,768,561 | 568,283,076 | 596,886,444 |
| Debt securities issued | 8 | 13,665,725 | 12,987,176 | 12,318,220 |
| Negative fair value of derivatives | 6 | 24,885,781 | 19,420,104 | 18,535,344 |
| Other liabilities | | 25,727,985 | 27,033,260 | 29,970,254 |
| Total liabilities | | 858,161,847 | 778,718,535 | 801,238,068 |
| EQUITY | | | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | | |
| 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 | | (2,105,881) | (2,027,503) | (2,027,915) |
| Statutory reserve | | 36,076,269 | 36,020,442 | 31,364,343 |
| Other reserves (cumulative changes in fair values) | | (6,768,185) | (7,807,848) | (6,608,302) |
| Employees' share based payments reserve | | 445,875 | 409,021 | 360,069 |
| Retained earnings | | 9,573,214 | 19,278,912 | 21,918,207 |
| Proposed dividend | 11 | - | 2,686,800 | - |
| Foreign currency translation reserve | | (7,790,200) | (6,555,990) | (6,534,300) |
| Equity attributable to shareholders of the Bank | | 153,132,892 | 150,485,634 | 146,953,902 |
| Tier 1 Sukuk | 13 | 15,187,500 | 15,487,500 | 15,487,500 |
| Equity attributable to equity holders of the Bank | | 168,320,392 | 165,973,134 | 162,441,402 |
| Non-controlling interests | | 650,389 | 804,497 | 741,509 |
| Total equity | | 168,970,781 | 166,777,631 | 163,182,911 |
| Total liabilities and equity | | 1,027,132,628 | 945,496,166 | 964,420,979 |

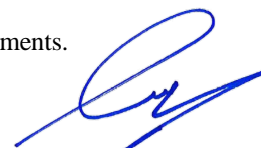
The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.



 Ahmed A. Aldhabi
 Group Chief Financial Officer



 Talal A. Alkhereiji
 Acting Chief Executive Officer



 Saeed M. Al-Ghamdi
 Chairman

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER (Amounts in SAR'000)

| | | For the three months period ended | For the nine months period ended |
|---|------|-----------------------------------|----------------------------------|
| | | 30 September | 30 September |
| | Note | 2023 | 2022 |
| Special commission income | | 13,136,918 | 8,955,413 |
| Special commission expense | | (6,317,207) | (2,377,611) |
| Net special commission income | | 6,819,711 | 6,577,802 |
| Fee income from banking services, net | | 1,016,532 | 851,843 |
| Exchange income, net | | 508,623 | 487,510 |
| Gain from fair value through income statement (FVIS) financial instruments, net | | 568,053 | 632,025 |
| Gains/income on non-FVIS financial instruments, net | | 178,534 | 159,874 |
| Other operating expenses, net | | (354,684) | (261,231) |
| Total operating income | | 8,736,769 | 8,447,823 |
| Salaries and employee-related expenses | | 1,227,896 | 1,105,160 |
| Rent and premises related expenses | | 147,441 | 138,946 |
| Depreciation/amortisation of property, equipment, software, and right of use assets | | 366,533 | 355,436 |
| Amortisation of intangible assets | | 205,070 | 205,070 |
| Other general and administrative expenses | | 814,729 | 626,120 |
| Total operating expenses before expected credit losses | | 2,761,669 | 2,430,732 |
| Impairment charge for expected credit losses, net | | (77,039) | 540,545 |
| Total operating expenses | | 2,684,630 | 2,971,277 |
| Income from operations, net | | 6,052,139 | 5,476,546 |
| Other non-operating expenses, net | | (379,301) | (69,920) |
| Income for the period before zakat and income tax | | 5,672,838 | 5,406,626 |
| Zakat and income tax expense | 12 | (716,204) | (645,670) |
| Net income for the period | | 4,956,634 | 4,760,956 |
| Net income for the period attributable to: | | | |
| Equity holders of the Bank | | 5,009,624 | 4,724,559 |
| Non-controlling interests | | (52,990) | 36,397 |
| Net income for the period | | 4,956,634 | 4,760,956 |
| Basic earnings per share (expressed in SAR per share) | 14 | 0.80 | 0.76 |
| Diluted earnings per share (expressed in SAR per share) | 14 | 0.80 | 0.76 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER (Amounts in SAR'000)

| | For the three months period ended 30 September 2023 | 30 September 2022 | For the nine months period ended 30 September 2023 | 30 September 2022 |
|---|---|----------------------|--|----------------------|
| Net income for the period | 4,956,634 | 4,760,956 | 15,174,319 | 13,937,677 |
| Other comprehensive loss | | | | |
| <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 | (353,464) | (369,777) | (3,342,335) | (475,376) |
| <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 | (431,542) | (256,082) | (1,807,357) | (680,169) |
| Fair value through other comprehensive income - debt instruments: | | | | |
| - Net change in fair values | (1,400,854) | (802,690) | (591,593) | (6,135,653) |
| - Net amounts transferred to the consolidated statement of income | 71,629 | 21,352 | 49,474 | (165,648) |
| Cash flow hedges: | | | | |
| - Effective portion of changes in fair values | (163,767) | (264,373) | (165,388) | (665,863) |
| - Net amounts transferred to the consolidated statement of income | 154,699 | 27,922 | 270,586 | 7,286 |
| Total other comprehensive loss | (2,123,299) | (1,643,648) | (5,586,613) | (8,115,423) |
| Total comprehensive income for the period | 2,833,335 | 3,117,308 | 9,587,706 | 5,822,254 |
| Attributable to: | | | | |
| Equity holders of the Bank | 3,009,969 | 3,136,785 | 9,969,904 | 5,830,000 |
| Non-controlling interests | (176,634) | (19,477) | (382,198) | (7,746) |
| Total comprehensive income for the period | 2,833,335 | 3,117,308 | 9,587,706 | 5,822,254 |

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. Alkhareiji
Acting Chief Executive Officer



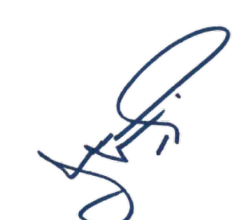
Saeed M. Al-Ghamdi
Chairman

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER (Amounts in SAR'000)**

| Attributable to equity holders of the Bank | | | | | | | | | | | | | | | |
|--|-------------------|-------------------|--------------------|-------------------|--------------------------|-------------------------------------|---|-------------------|-------------------|--------------------------------------|---|-------------------|---|---------------------------|--------------------|
| Note | Other reserves | | | | | | | | | | | | | | |
| | Share capital | Share premium | Treasury shares | Statutory reserve | Cash flow hedge reserves | FVOCI financial instruments reserve | Employees' share based payments reserve | Retained earnings | Proposed dividend | Foreign currency translation reserve | Total equity attributable to shareholders of the Bank | Tier 1 Sukuk | Total equity attributable to equity holders of the Bank | Non-controlling interests | Total equity |
| 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 | (6,555,990) | 150,485,634 | 15,487,500 | 165,973,134 | 804,497 | 166,777,631 |
| Net income for the period | - | - | - | - | - | - | - | 15,046,724 | - | - | 15,046,724 | - | 15,046,724 | 127,595 | 15,174,319 |
| Other comprehensive income/(loss) for the period | - | - | - | - | 105,199 | (3,947,809) | - | - | - | (1,234,210) | (5,076,820) | - | (5,076,820) | (509,793) | (5,586,613) |
| Total comprehensive income/(loss) for the period | - | - | - | - | 105,199 | (3,947,809) | - | 15,046,724 | - | (1,234,210) | 9,969,904 | - | 9,969,904 | (382,198) | 9,587,706 |
| Impact arising from the application of IAS 29 at a foreign subsidiary | - | - | - | 55,827 | - | 84,732 | - | 1,029,176 | - | - | 1,169,735 | - | 1,169,735 | 228,090 | 1,397,825 |
| Bonus shares issued | 10 | 15,220,000 | - | - | - | - | - | (15,220,000) | - | - | - | - | - | - | - |
| Tier 1 Sukuk issued | 13 | - | - | - | - | - | - | - | - | - | - | 1,000,000 | 1,000,000 | - | 1,000,000 |
| Tier 1 Sukuk called | 13 | - | - | - | - | - | - | - | - | - | - | (1,300,000) | (1,300,000) | - | (1,300,000) |
| Tier 1 Sukuk related costs | 13 | - | - | - | - | - | - | (624,395) | - | - | (624,395) | - | (624,395) | - | (624,395) |
| Purchase of treasury shares for employee's based payment plan | - | - | (223,603) | - | - | - | - | (182) | - | - | (223,785) | - | (223,785) | - | (223,785) |
| Settlement of vested share based payment plan via treasury shares | - | - | 145,225 | - | - | - | (105,445) | (39,480) | - | - | 300 | - | 300 | - | 300 |
| Employees' share based payments plan reserve - charged to the interim condensed consolidated statement of income | - | - | - | - | - | - | 142,299 | - | - | - | 142,299 | - | 142,299 | - | 142,299 |
| Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings | - | - | - | - | - | 4,797,541 | - | (4,797,541) | - | - | - | - | - | - | - |
| Final dividend paid for 2022 | 11 | - | - | - | - | - | - | - | (2,686,800) | - | (2,686,800) | - | (2,686,800) | - | (2,686,800) |
| Interim dividend paid for 2023 | 11 | - | - | - | - | - | - | (5,100,000) | - | - | (5,100,000) | - | (5,100,000) | - | (5,100,000) |
| Balance as at 30 September 2023 | 60,000,000 | 63,701,800 | (2,105,881) | 36,076,269 | (664,072) | (6,104,113) | 445,875 | 9,573,214 | - | (7,790,200) | 153,132,892 | 15,187,500 | 168,320,392 | 650,389 | 168,970,781 |

| Attributable to equity holders of the Bank | | | | | | | | | | | | | | | |
|--|-------------------|-------------------|--------------------|-------------------|--------------------------|-------------------------------------|---|-------------------|-------------------|--------------------------------------|---|-------------------|---|---------------------------|--------------------|
| Note | Other reserves | | | | | | | | | | | | | | |
| | Share capital | Share premium | Treasury shares | Statutory reserve | Cash flow hedge reserves | FVOCI financial instruments reserve | Employees' share based payments reserve | Retained earnings | Proposed dividend | Foreign currency translation reserve | Total equity attributable to shareholders of the Bank | Tier 1 Sukuk | Total equity attributable to equity holders of the Bank | Non-controlling interests | Total equity |
| Balance as at 1 January 2022 | 44,780,000 | 63,701,800 | (2,137,887) | 31,262,024 | (140,568) | 1,024,290 | 347,885 | 13,211,790 | 4,030,200 | (6,069,092) | 150,010,442 | 12,187,500 | 162,197,942 | 571,570 | 162,769,512 |
| Net income for the period | - | - | - | - | - | - | - | 13,815,261 | - | - | 13,815,261 | - | 13,815,261 | 122,416 | 13,937,677 |
| Other comprehensive income/(loss) for the period | - | - | - | - | (658,577) | (6,861,476) | - | - | - | (465,208) | (7,985,261) | - | (7,985,261) | (130,162) | (8,115,423) |
| Total comprehensive income/(loss) for the period | - | - | - | - | (658,577) | (6,861,476) | - | 13,815,261 | - | (465,208) | 5,830,000 | - | 5,830,000 | (7,746) | 5,822,254 |
| Other consolidation adjustments | - | - | - | - | - | - | - | 5,918 | - | - | 5,918 | - | 5,918 | - | 5,918 |
| Impact arising from the application of IAS 29 at a foreign subsidiary | - | - | - | 102,319 | - | 28,029 | - | 258,924 | - | - | 389,272 | - | 389,272 | 177,685 | 566,957 |
| Bonus shares issued | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tier 1 Sukuk issued | 13 | - | - | - | - | - | - | - | - | - | - | 3,300,000 | 3,300,000 | - | 3,300,000 |
| Tier 1 Sukuk called | 13 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tier 1 Sukuk related costs | 13 | - | - | - | - | - | - | (431,036) | - | - | (431,036) | - | (431,036) | - | (431,036) |
| Purchase of treasury shares for employee's based payment plan | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Settlement of vested share based payments plan via treasury shares | - | - | 109,972 | - | - | - | - | (141,372) | - | - | (31,400) | - | (31,400) | - | (31,400) |
| Share based payments reversal | - | - | - | - | - | - | (124,522) | 124,522 | - | - | - | - | - | - | - |
| Employees' share based payments plan reserve - charged to the interim condensed consolidated statement of income | - | - | - | - | - | - | 136,706 | - | - | - | 136,706 | - | 136,706 | - | 136,706 |
| Transfer of realized fair value gain/(loss) for FVOCI equity instruments to retained earnings | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Final dividend paid for 2021 | 11 | - | - | - | - | - | - | - | (4,030,200) | - | (4,030,200) | - | (4,030,200) | - | (4,030,200) |
| Interim dividend paid for 2022 | 11 | - | - | - | - | - | - | (4,925,800) | - | - | (4,925,800) | - | (4,925,800) | - | (4,925,800) |
| Balance as at 30 September 2022 | 44,780,000 | 63,701,800 | (2,027,915) | 31,364,343 | (799,145) | (5,809,157) | 360,069 | 21,918,207 | - | (6,534,300) | 146,953,902 | 15,487,500 | 162,441,402 | 741,509 | 163,182,911 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER (Amounts in SAR'000)

| | <u>Note</u> | 30 September 2023 | 30 September 2022 |
|---|-------------|----------------------|----------------------|
| <u>OPERATING ACTIVITIES</u> | | | |
| Income for the period before zakat and income tax | | 17,262,080 | 15,871,525 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Amortisation of discount on non-trading financial instruments, net | | (17,501) | 188,220 |
| Gains on non-FVIS financial instruments, net | | (198,520) | (363,686) |
| Gains on disposal of property, equipment and software, net | | (26,417) | (159,970) |
| Loss on disposal of other repossessed assets | | 42,482 | 54,243 |
| Depreciation/amortisation of property, equipment, software, and right of use assets | | 1,047,538 | 1,048,757 |
| Net impairment charge for expected credit losses | | 491,822 | 1,518,986 |
| Amortisation of intangible assets | | 615,210 | 639,795 |
| Share based payments plan expense | | 142,299 | 136,706 |
| Net monetary loss from the application of IAS 29-Hyperinflationary economies | | 379,274 | 144,253 |
| | | 19,738,267 | 19,078,829 |
| Net (increase)/decrease in operating assets: | | | |
| Statutory deposits with SAMA | | (1,404,117) | 741,367 |
| Due from banks and other financial institutions with original maturity of more than three months, net | | (3,586,124) | (3,065,376) |
| Held at fair value through income statement (FVIS) investments | | (1,749,942) | 1,605,365 |
| Financing and advances, net | | (58,046,299) | (45,601,850) |
| Positive fair value of derivatives | | (5,407,467) | (10,857,431) |
| Other assets | | 5,146,461 | 3,816,191 |
| Net increase/(decrease) in operating liabilities: | | | |
| Due to banks and other financial institutions | | 18,623,656 | 26,831,958 |
| Customers' deposits | | 63,900,858 | 15,312,847 |
| Negative fair value of derivatives | | 5,492,928 | 9,154,298 |
| Other liabilities | | (3,105,026) | (1,594,069) |
| Net cash generated from/(used in) operating activities | | 39,603,195 | 15,422,129 |
| <u>INVESTING ACTIVITIES</u> | | | |
| Proceeds from sale and maturity of non-FVIS investments | | 26,398,134 | 34,993,402 |
| Purchase of non-FVIS investments | | (38,972,787) | (53,787,624) |
| Purchase of property, equipment and software | | (1,566,963) | (1,359,933) |
| Proceeds from disposal of property and equipment | | 246,427 | 224,836 |
| Net cash (used in) investing activities | | (13,895,189) | (19,929,319) |
| <u>FINANCING ACTIVITIES</u> | | | |
| Debt securities issued | 8 | 2,526,788 | 8,467,643 |
| Debt securities payment | 8 | (1,815,688) | (2,222,872) |
| Tier 1 Sukuk issuance | | 1,000,000 | 3,300,000 |
| Tier 1 Sukuk called | | (1,300,000) | - |
| Tier 1 Sukuk related costs | | (624,395) | (431,036) |
| Purchase of treasury shares | | (223,603) | - |
| Final dividend paid for 2022 and 2021 | 11 | (2,686,800) | (4,030,200) |
| Interim dividend paid for first half of 2023 and 2022 | 11 | (5,100,000) | (4,925,800) |
| Net cash (used in)/generated from financing activities | | (8,223,698) | 157,735 |
| Net increase/(decrease) in cash and cash equivalents | | 17,484,308 | (4,349,455) |
| Foreign currency translation reserve - net movement in cash and cash equivalents at the beginning of the period | | (557,245) | (641,225) |
| 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 | 37,085,496 | 46,735,680 |
| Special commission income received during the period | | 35,648,827 | 23,385,867 |
| Special commission expense paid during the period | | 15,416,008 | 3,450,113 |
| <u>Supplemental non-cash information</u> | | | |
| Movement in other reserves and transfers to the interim condensed consolidated statement of income | | (436,921) | (6,959,878) |



Ahmed A. Aldhabi
Group Chief Financial Officer



Talal A. Alkhereiji
Acting Chief Executive Officer



Saeed M. Al-Ghamdi
Chairman

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

The Saudi National Bank

(A Saudi Joint Stock Company)

Notes To The Interim Condensed Consolidated Financial Statements

AS AT 30 SEPTEMBER 2023 (Amounts in SAR'000) (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 477 branches (31 December 2022: 494 branches), 19 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 SEPTEMBER 2023 (Amounts in SAR'000) (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 September 2023 | 31 December 2022 | 30 September 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 | <p>A participation bank registered in Turkey that collects funds through current accounts, profit sharing accounts and lends funds to consumer and corporate customers, through finance leases and profit/loss sharing partnerships.</p> <p>TFKB fully owns the issued share capital of TF Varlık Kiralama AŞ, (TFVK) and TFKB Varlik Kiralama A.Ş., which are special purpose entities (SPEs) established in connection with issuance of sukuks by TFKB.</p> |
| 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. |
| 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

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Notes To The Interim Condensed Consolidated Financial Statements (continued)

AS AT 30 SEPTEMBER 2023 (Amounts in SAR'000) (UNAUDITED)

1 GENERAL (continued)

(1.2) Group's subsidiaries (continued)

| Name of subsidiary | Ownership % | | | Functional currency | Description |
|------------------------------------|-------------------|------------------|-------------------|---------------------|--|
| | 30 September 2023 | 31 December 2022 | 30 September 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. |
| 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 September 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.

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 in these interim condensed consolidated financial statements.

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

(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 September 2023 | 1,691.04 | 1.0000 |
| 31 December 2022 | 1,128.45 | 1.4986 |

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Notes To The Interim Condensed Consolidated Financial Statements (continued)
AS AT 30 SEPTEMBER 2023 (Amounts in SAR'000) (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.

| Standards, amendments, interpretations | Description | Effective date |
|---|--|--|
| 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.The amendments had no impact on the interim condensed financial statements of the Bank. | 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.The amendments had no impact on the interim condensed financial statements of the Bank. | 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.The amendments had no impact on the interim condensed financial statements of the Bank. | 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.

| Standards, amendments, interpretations | Description | Effective date |
|--|---|--|
| Amendments to IAS 1, Presentation of financial statements’, on classification of liabilities | These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or 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 |
| 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. | 1 January 2024 |
| Amendments to IAS 21 | Lack of exchangeability | 1 January 2025 |

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Notes To The Interim Condensed Consolidated Financial Statements (continued)
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3 CASH AND CASH EQUIVALENTS

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|--|--|---|--|
| Cash and balances with SAMA - excluding statutory deposit | 14,757,607 | 7,628,379 | 22,832,860 |
| Due from banks and other financial institutions with original maturity of three months or less | 22,327,889 | 12,530,054 | 23,902,820 |
| Total | 37,085,496 | 20,158,433 | 46,735,680 |

4 INVESTMENTS, NET

(4.1) Investments are classified as follows:

| | 30 September 2023 (Unaudited) | | |
|--------------------------------------|--------------------------------------|----------------------|--------------------|
| | Domestic | International | Total |
| Fixed rate securities | 1,192,019 | 1,496,279 | 2,688,298 |
| Equity instruments | 677,735 | 396,903 | 1,074,638 |
| Mutual Funds, Hedge Funds and Others | 1,366,284 | 14,362,505 | 15,728,789 |
| Held at FVIS | 3,236,038 | 16,255,687 | 19,491,725 |
| Fixed rate securities | 26,633,315 | 40,433,736 | 67,067,051 |
| Floating rate securities | 1,797,900 | 11,125,375 | 12,923,275 |
| Equity instruments | 4,840,473 | 2,516,086 | 7,356,559 |
| Held at FVOCI, net | 33,271,688 | 54,075,197 | 87,346,885 |
| Fixed rate securities | 111,374,083 | 16,448,766 | 127,822,849 |
| Floating rate securities | 30,107,512 | 2,021,477 | 32,128,989 |
| Expected credit loss allowance | (3,573) | (15,083) | (18,656) |
| Held at amortised cost, net | 141,478,022 | 18,455,160 | 159,933,182 |
| Investments, net | 177,985,748 | 88,786,044 | 266,771,792 |

| | 31 December 2022 (Audited) | | |
|--------------------------------------|-----------------------------------|----------------------|--------------------|
| | Domestic | International | Total |
| Fixed rate securities | 1,245,434 | 907,974 | 2,153,408 |
| Equity instruments | 404,480 | 84,533 | 489,013 |
| Mutual Funds, Hedge Funds and Others | 1,533,330 | 12,841,344 | 14,374,674 |
| Held at FVIS | 3,183,244 | 13,833,851 | 17,017,095 |
| Fixed rate securities | 23,898,468 | 28,846,782 | 52,745,250 |
| Floating rate securities | 6,115,263 | 14,298,170 | 20,413,433 |
| Equity instruments | 5,335,631 | 5,311,358 | 10,646,989 |
| Held at FVOCI, net | 35,349,362 | 48,456,310 | 83,805,672 |
| Fixed rate securities | 106,997,030 | 12,988,037 | 119,985,067 |
| Floating rate securities | 33,244,658 | 4,270,830 | 37,515,488 |
| Expected credit loss allowance | (3,678) | (27,753) | (31,431) |
| Held at amortised cost, net | 140,238,010 | 17,231,114 | 157,469,124 |
| Investments, net | 178,770,616 | 79,521,275 | 258,291,891 |

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Notes To The Interim Condensed Consolidated Financial Statements (continued)
AS AT 30 SEPTEMBER 2023 (Amounts in SAR'000) (UNAUDITED)

4 INVESTMENTS, NET (continued)

(4.1) Investments are classified as follows (continued):

| | 30 September 2022 (Unaudited) | | |
|--------------------------------------|-------------------------------|-------------------|--------------------|
| | Domestic | International | Total |
| Fixed rate securities | 1,601,767 | 869,236 | 2,471,003 |
| Equity instruments | 382,011 | 545,295 | 927,306 |
| Mutual Funds, Hedge Funds and Others | 1,543,004 | 12,148,310 | 13,691,314 |
| Held at FVIS | 3,526,782 | 13,562,841 | 17,089,623 |
| Fixed rate securities | 22,019,660 | 34,390,124 | 56,409,784 |
| Floating rate securities | 911,060 | 9,692,099 | 10,603,159 |
| Equity instruments | 5,488,162 | 1,274,068 | 6,762,230 |
| Held at FVOCI, net | 28,418,882 | 45,356,291 | 73,775,173 |
| Fixed rate securities | 104,855,158 | 11,021,580 | 115,876,738 |
| Floating rate securities | 41,841,620 | 3,635,987 | 45,477,607 |
| Expected credit loss allowance | (9,287) | (27,751) | (37,038) |
| Held at amortised cost, net | 146,687,491 | 14,629,816 | 161,317,307 |
| Investments, net | 178,633,155 | 73,548,948 | 252,182,103 |

- a) Investments held at amortised cost, net include investments amounted to SAR 2,147 million (31 December 2022: SAR 6,687 million and 30 September 2022: SAR 4,976 million) which are held under a fair value hedge relationship. As at 30 September 2023, the fair value of these investments amounted to SAR 1,771 million (31 December 2022: SAR 3,513 million and 30 September 2022: SAR 4,025 million).
- b) Investments, net include debt securities that are issued by the Ministry of Finance of Kingdom of Saudi Arabia amounted to SAR 156,266 million (31 December 2022: SAR 151,713 million and 30 September 2022: SAR 151,642 million).
- c) Dividend income recognized during the nine-month period ended 30 September 2023 for FVOCI investments amounted to SAR 317 million (31 December 2022: SAR 392 million and 30 September 2022: SAR 318 million).
- d) Total investments include Shariah based investments amounted to SAR 156,654 million (31 December 2022: SAR 151,025 million and 30 September 2022: SAR 152,216 million).
- e) During the nine-month period ended 30 September 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.

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Notes To The Interim Condensed Consolidated Financial Statements (continued)
AS AT 30 SEPTEMBER 2023 (Amounts in SAR'000) (UNAUDITED)

4 INVESTMENTS, NET (continued)

(4.2) An analysis of changes in expected credit loss allowance for debt instruments carried at amortized cost and FVOCI, is as follows:

| | 30 September 2023 (Unaudited) | | | |
|--|-------------------------------|----------------------------------|------------------------------|---------------|
| | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> | Total |
| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | |
| Balance as at 1 January 2023 | 28,789 | 26,487 | - | 55,276 |
| Net ECL charge/(reversal) | 16,554 | (27,502) | - | (10,948) |
| Transfer to stage 1 | 250 | (250) | - | - |
| Transfer to stage 2 | (190) | 190 | - | - |
| Transfer to stage 3 | - | - | - | - |
| Foreign currency translation and other adjustments | (301) | - | - | (301) |
| Balance as at 30 September 2023 | 45,102 | (1,075) | - | 44,027 |

| | 31 December 2022 (Audited) | | | |
|--|----------------------------|----------------------------------|------------------------------|----------------|
| | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> | Total |
| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | |
| Balance as at 1 January 2022 | 46,686 | 69,293 | - | 115,979 |
| Net ECL charge/(reversal) | (17,946) | (42,494) | - | (60,440) |
| Transfer to stage 1 | 992 | (992) | - | - |
| Transfer to stage 2 | (680) | 680 | - | - |
| Transfer to stage 3 | - | - | - | - |
| Foreign currency translation and other adjustments | (263) | - | - | (263) |
| Balance as at 31 December 2022 | 28,789 | 26,487 | - | 55,276 |

| | 30 September 2022 (Unaudited) | | | |
|--|-------------------------------|----------------------------------|------------------------------|----------------|
| | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> | Total |
| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | |
| Balance as at 1 January 2022 | 46,686 | 69,293 | - | 115,979 |
| Net ECL charge/(reversal) | 7,259 | (43,457) | - | (36,198) |
| Transfer to stage 1 | - | - | - | - |
| Transfer to stage 2 | (272) | 272 | - | - |
| Transfer to stage 3 | - | - | - | - |
| Foreign currency translation and other adjustments | (259) | - | - | (259) |
| Balance as at 30 September 2022 | 53,414 | 26,108 | - | 79,522 |

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Notes To The Interim Condensed Consolidated Financial Statements (continued)
AS AT 30 SEPTEMBER 2023 (Amounts in SAR'000) (UNAUDITED)

5 FINANCING AND ADVANCES, NET

(5.1) Financing and advances, net

| | 30 September 2023 (Unaudited) | | | | |
|--|---------------------------------------|--------------------|----------------------|-------------------|--------------------|
| | <u>Consumer & credit card</u> | <u>Corporate</u> | <u>International</u> | <u>Others*</u> | <u>Total</u> |
| Performing financing and advances | 316,504,684 | 230,829,368 | 16,044,035 | 32,214,083 | 595,592,170 |
| Non-performing financing and advances | 1,468,766 | 6,333,479 | 467,720 | - | 8,269,965 |
| Total financing and advances | 317,973,450 | 237,162,847 | 16,511,755 | 32,214,083 | 603,862,135 |
| Allowance for financing losses (ECL allowance) | (2,414,154) | (8,319,537) | (575,794) | (71,601) | (11,381,086) |
| Purchased or originated credit impaired | 13,729 | 3,226,629 | - | - | 3,240,358 |
| Financing and advances, net | 315,573,025 | 232,069,939 | 15,935,961 | 32,142,482 | 595,721,407 |
| | 31 December 2022 (Audited) | | | | |
| | <u>Consumer & 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 |
| Total financing and advances | 295,623,796 | 215,432,352 | 17,528,349 | 25,177,303 | 553,761,800 |
| 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 |
| Financing and advances, net | 293,430,094 | 210,048,593 | 16,740,009 | 25,091,963 | 545,310,659 |
| | 30 September 2022 (Unaudited) | | | | |
| | <u>Consumer & credit card</u> | <u>Corporate</u> | <u>International</u> | <u>Others*</u> | <u>Total</u> |
| Performing financing and advances | 289,402,348 | 207,224,950 | 16,904,825 | 22,426,250 | 535,958,373 |
| Non-performing financing and advances | 1,368,868 | 6,716,548 | 465,889 | - | 8,551,305 |
| Total financing and advances | 290,771,216 | 213,941,498 | 17,370,714 | 22,426,250 | 544,509,678 |
| Allowance for financing losses (ECL allowance) | (2,096,913) | (8,344,177) | (765,317) | (64,938) | (11,271,345) |
| Purchased or originated credit impaired | 22,256 | 2,915,585 | - | - | 2,937,841 |
| Financing and advances, net | 288,696,559 | 208,512,906 | 16,605,397 | 22,361,312 | 536,176,174 |

*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 506,361 million (31 December 2022: SAR 467,925 million and 30 September 2022: SAR 461,417 million).

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Notes To The Interim Condensed Consolidated Financial Statements (continued)
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5 FINANCING AND ADVANCES, NET (continued)

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

| | 30 September 2023 (Unaudited) | | | |
|---|-------------------------------|-------------------------|------------------------------------|-------------|
| | Gross carrying amount | | | |
| | 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 | 58,427,815 | (488,195) | (27,894) | 57,911,726 |
| Transfer to stage 1 | 1,722,771 | (1,575,223) | (147,548) | - |
| Transfer to stage 2 | (3,410,306) | 3,483,643 | (73,337) | - |
| Transfer to stage 3 | (570,291) | (1,066,225) | 1,636,516 | - |
| Foreign exchange losses and other movements | (4,944,884) | (412,804) | (183,051) | (5,540,739) |
| Bad debts written off | - | - | (2,270,652) | (2,270,652) |
| Balance as at 30 September 2023 | 570,714,697 | 25,095,875 | 8,051,563 | 603,862,135 |
| | 31 December 2022 (Audited) | | | |
| | Gross carrying amount | | | |
| | 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 September 2022 (Unaudited) | | | |
| | Gross carrying amount | | | |
| | 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 | 46,749,418 | (232,024) | 382,829 | 46,900,223 |
| Transfer to stage 1 | 1,362,918 | (1,293,815) | (69,103) | - |
| Transfer to stage 2 | (7,387,307) | 7,426,980 | (39,673) | - |
| Transfer to stage 3 | (725,476) | (1,596,047) | 2,321,523 | - |
| Foreign exchange losses and other movements | (5,315,877) | (802,645) | (428,955) | (6,547,477) |
| Bad debts written off | - | - | (1,803,962) | (1,803,962) |
| Balance as at 30 September 2022 | 513,834,131 | 21,864,428 | 8,811,119 | 544,509,678 |

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5 FINANCING AND ADVANCES, NET (continued)

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

| | 30 September 2023 (Unaudited) | | | |
|----------------------------------|--------------------------------|--|------------------------------------|-------------|
| | Expected credit loss allowance | | | |
| | 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 | (147,649) | 416,464 | 2,275,744 | 2,544,559 |
| Transfer to stage 1 | 442,373 | (323,953) | (118,420) | - |
| Transfer to stage 2 | (61,716) | 92,340 | (30,624) | - |
| Transfer to stage 3 | (562) | (292,927) | 293,489 | - |
| Bad debts written off | - | - | (2,270,652) | (2,270,652) |
| Foreign exchange losses | (33,399) | (67,965) | (190,254) | (291,618) |
| Other movements | - | (9,067) | - | (9,067) |
| Balance as at 30 September 2023 | 2,021,020 | 3,083,848 | 6,276,218 | 11,381,086 |

| | 31 December 2022 (Audited) | | | |
|----------------------------------|--------------------------------|--|------------------------------------|-------------|
| | Expected credit loss allowance | | | |
| | 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 September 2022 (Unaudited) | | | |
|----------------------------------|--------------------------------|--|------------------------------------|-------------|
| | Expected credit loss allowance | | | |
| | 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 | (376,121) | 608,950 | 2,164,504 | 2,397,333 |
| Transfer to stage 1 | 148,823 | (120,169) | (28,654) | - |
| Transfer to stage 2 | (53,038) | 65,512 | (12,474) | - |
| Transfer to stage 3 | (14,794) | (150,558) | 165,352 | - |
| Bad debts written off | - | - | (1,803,962) | (1,803,962) |
| Foreign exchange losses | (10,384) | (146,625) | (172,314) | (329,323) |
| Other movements | 13,462 | - | (22,772) | (9,310) |
| Balance as at 30 September 2022 | 2,072,371 | 3,073,579 | 6,125,395 | 11,271,345 |

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 September 2023 (Unaudited) | | | 31 December 2022 (Audited) | | | 30 September 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 |
| Held for trading: | | | | | | | | | |
| Special commission rate instruments | 21,691,601 | (20,875,823) | 608,713,840 | 18,386,533 | (17,560,871) | 574,561,781 | 16,473,074 | (15,885,106) | 602,399,451 |
| Forward/future foreign exchange contracts | 2,826,299 | (2,582,268) | 112,264,630 | 537,416 | (416,866) | 232,028,764 | 738,414 | (848,701) | 243,111,601 |
| Options | 66,542 | (51,419) | 3,407,283 | 29,949 | (32,859) | 4,592,927 | 442,090 | (335,974) | 5,072,502 |
| Held as fair value hedges: | | | | | | | | | |
| Special commission rate instruments | 1,028,165 | (580,572) | 15,815,319 | 1,318,713 | (442,882) | 19,280,981 | 1,068,877 | (426,265) | 16,780,135 |
| Held as cash flow hedges: | | | | | | | | | |
| Special commission rate instruments and cross currency swaps | 183,193 | (795,699) | 11,706,283 | 301,518 | (966,626) | 15,566,853 | 320,221 | (1,039,298) | 15,515,320 |
| Total | 25,795,800 | (24,885,781) | 751,907,355 | 20,574,129 | (19,420,104) | 846,031,306 | 19,042,676 | (18,535,344) | 882,879,009 |

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7 CUSTOMERS' DEPOSITS

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|---------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Current and call accounts | 455,081,883 | 427,245,252 | 437,045,308 |
| Time | 145,785,948 | 116,646,379 | 137,091,014 |
| Others | 23,900,730 | 24,391,445 | 22,750,122 |
| Total | 624,768,561 | 568,283,076 | 596,886,444 |

Customers' deposits include Shariah based deposits amounted to SAR 438,410 million (31 December 2022: SAR 438,491 million; 30 September 2022: SAR 456,943 million).

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|---------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| Current and call accounts | 7,334,115 | 9,047,056 | 9,123,571 |
| Time | 16,415,184 | 12,871,846 | 16,115,240 |
| Others | 1,638,337 | 3,155,855 | 1,573,491 |
| Total | 25,387,636 | 25,074,757 | 26,812,302 |

8 DEBT SECURITIES ISSUED

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|--|-------------------------------------|----------------------------------|-------------------------------------|
| Balance at beginning of the period/year | 12,987,176 | 6,112,447 | 6,112,447 |
| Debt securities issued | 2,526,788 | 10,556,960 | 8,467,643 |
| Debt securities payment | (1,815,688) | (3,606,452) | (2,222,872) |
| Foreign currency translation adjustment | (32,551) | (75,779) | (38,998) |
| Balance at end of the period/year | 13,665,725 | 12,987,176 | 12,318,220 |

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9 CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|--|-------------------------------------|----------------------------------|-------------------------------------|
| Letters of credit | 20,078,408 | 16,071,217 | 17,484,230 |
| Guarantees | 62,812,138 | 58,723,367 | 57,334,451 |
| Acceptances | 6,545,329 | 5,325,073 | 4,868,263 |
| Irrevocable commitments to extend credit | 18,437,047 | 17,964,252 | 12,948,202 |
| Total | 107,872,922 | 98,083,909 | 92,635,146 |

(9.2) The analysis of changes in expected credit losses on commitments and contingencies is as follows:

| | 30 September 2023 (Unaudited) | | | | |
|--|-------------------------------|--|---------------------------------|------------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | | |
| Balance as at 1 January 2023 | 180,148 | 40,978 | 323,473 | 3,733,918 | 4,278,517 |
| Net re-measurement of loss allowance | (19,826) | (21,407) | (49,947) | (253,632) | (344,812) |
| Transfer to stage 1 | 467 | (194) | (273) | - | - |
| Transfer to stage 2 | (241) | 300 | (59) | - | - |
| Transfer to stage 3 | (361) | (1,126) | 1,487 | - | - |
| Foreign currency translation and other adjustments | (1,348) | (186) | (6,941) | - | (8,475) |
| Balance as at 30 September 2023 | 158,839 | 18,365 | 267,740 | 3,480,286 | 3,925,230 |

| | 31 December 2022 (Audited) | | | | |
|--|----------------------------|--|---------------------------------|------------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | | |
| Balance as at 1 January 2022 | 177,569 | 7,469 | 309,319 | 3,821,435 | 4,315,792 |
| Net re-measurement of loss allowance | 7,893 | 30,945 | 20,705 | (87,517) | (27,974) |
| Transfer to stage 1 | 72 | (72) | - | - | - |
| Transfer to stage 2 | (3,597) | 3,597 | - | - | - |
| Transfer to stage 3 | (495) | (789) | 1,284 | - | - |
| Foreign currency translation and other adjustments | (1,295) | (171) | (7,835) | - | (9,301) |
| Balance as at 31 December 2022 | 180,147 | 40,979 | 323,473 | 3,733,918 | 4,278,517 |

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9 CREDIT RELATED COMMITMENTS AND CONTINGENCIES (continued)

(9.2) The analysis of changes in expected credit losses on commitments and contingencies is as follows (continued):

| | 30 September 2022 (Unaudited) | | | | |
|--|-------------------------------|----------------------------------|------------------------------|-----------|-----------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | | |
| Balance as at 1 January 2022 | 177,569 | 7,469 | 309,319 | 3,821,435 | 4,315,792 |
| Net re-measurement of loss allowance | 32,297 | 36,225 | 18,695 | (68,692) | 18,525 |
| Transfer to stage 1 | 73 | (73) | - | - | - |
| Transfer to stage 2 | (2,524) | 2,524 | - | - | - |
| Transfer to stage 3 | (229) | (706) | 935 | - | - |
| Foreign currency translation and other adjustments | (1,274) | (169) | (7,709) | - | (9,152) |
| Balance as at 30 September 2022 | 205,912 | 45,270 | 321,240 | 3,752,743 | 4,325,165 |

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 September 2022: 4,478,000,000 shares of SAR 10 each). The share capital of the Bank excluding treasury shares consists of 5,944,034,842 shares of SAR 10 each (31 December 2022: 4,438,259,561 and 30 September 2022: 4,438,251,499 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:

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

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 September 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.

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13 TIER 1 SUKUK

During 2023, the Bank exercised the call option on its existing Tier 1 Sukuk (the Sukuk) amounting to SAR 1.3 billion. In adddtion, 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). These arrangements were approved by the regulatory authorities, the Board of Directors of the Bank 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 September 2023 and 30 September 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 September 2023 and 30 September 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.

| | |
|----------------|--|
| Retail | 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. |
| Wholesale | 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. |
| Capital Market | Provides wealth management, asset management, investment banking and shares brokerage services (local, regional and international). |
| International | 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 September 2023 (Unaudited) | | | | |
|--|--------------------------------------|------------------|-----------------------|----------------------|-------------------|
| | <u>Retail</u> | <u>Wholesale</u> | <u>Capital Market</u> | <u>International</u> | <u>Total</u> |
| Total operating income from external customers | 12,358,405 | 9,556,204 | 1,478,366 | 2,571,750 | 25,964,725 |
| Intersegment operating income/(expense) | (322,525) | 431,611 | (109,086) | - | - |
| Total operating income | 12,035,880 | 9,987,815 | 1,369,280 | 2,571,750 | 25,964,725 |
| of which: | | | | | |
| - Net special commission income | 11,740,347 | 6,928,775 | 256,771 | 1,195,922 | 20,121,816 |
| - Fee income from banking services, net | 747,458 | 798,699 | 992,017 | 593,074 | 3,131,248 |
| Total operating expenses | 5,368,972 | 1,215,043 | 427,100 | 1,292,330 | 8,303,445 |
| of which: | | | | | |
| - Depreciation/amortisation of property, equipment, software and right of use assets | 632,663 | 175,224 | 21,045 | 218,606 | 1,047,538 |
| - Amortisation of intangible assets | 414,092 | 135,658 | 65,460 | - | 615,210 |
| - Net impairment charge for expected credit losses | 494,170 | (224,522) | 1,503 | 220,671 | 491,822 |
| Other non-operating income/(expenses), net | (19,493) | (63,205) | (5,904) | (310,598) | (399,200) |
| Income for the period before zakat and income tax | 6,647,415 | 8,709,567 | 936,276 | 968,822 | 17,262,080 |

| | 30 September 2022 (Unaudited) | | | | |
|--|--------------------------------------|-------------------|-----------------------|----------------------|-------------------|
| | <u>Retail</u> | <u>Wholesale</u> | <u>Capital Market</u> | <u>International</u> | <u>Total</u> |
| Total operating income from external customers | 10,450,337 | 11,034,019 | 1,398,352 | 2,003,187 | 24,885,895 |
| Intersegment operating income/(expense) | 506,176 | (471,273) | (34,903) | - | - |
| Total operating income | 10,956,513 | 10,562,746 | 1,363,449 | 2,003,187 | 24,885,895 |
| of which: | | | | | |
| - Net special commission income | 10,230,486 | 7,577,475 | 180,532 | 1,521,664 | 19,510,157 |
| - Fee income from banking services, net | 887,985 | 656,455 | 1,116,934 | 93,439 | 2,754,813 |
| Total operating expenses | 5,265,925 | 2,260,342 | 427,781 | 986,053 | 8,940,101 |
| of which: | | | | | |
| - Depreciation/amortisation of property, equipment, software and right of use assets | 727,151 | 152,490 | 19,072 | 150,044 | 1,048,757 |
| - Amortisation of intangible assets | 416,667 | 146,422 | 76,706 | - | 639,795 |
| - Net impairment charge for expected credit losses | 376,477 | 850,684 | 842 | 290,983 | 1,518,986 |
| Other non-operating income/(expenses), net | 28,445 | 44,312 | (79) | (146,947) | (74,269) |
| Income for the period before zakat and income tax | 5,719,033 | 8,346,716 | 935,589 | 870,187 | 15,871,525 |

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15 OPERATING SEGMENTS (continued)

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

| | 30 September 2023 (Unaudited) | | | | |
|--------------------------|--------------------------------------|-------------------------|------------------------------|-----------------------------|----------------------|
| | <u>Retail</u> | <u>Wholesale</u> | <u>Capital Market</u> | <u>International</u> | <u>Total</u> |
| Total assets | 400,981,535 | 579,656,661 | 14,823,752 | 31,670,680 | 1,027,132,628 |
| Total liabilities | 361,844,181 | 464,852,231 | 3,859,791 | 27,605,644 | 858,161,847 |
| - Customers' deposits | 349,178,984 | 250,173,069 | 28,872 | 25,387,636 | 624,768,561 |
| | 31 December 2022 (Audited) | | | | |
| | <u>Retail</u> | <u>Wholesale</u> | <u>Capital Market</u> | <u>International</u> | <u>Total</u> |
| Total assets | 380,314,319 | 519,029,669 | 13,843,869 | 32,308,309 | 945,496,166 |
| Total liabilities | 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 September 2022 (Unaudited) | | | | |
| | <u>Retail</u> | <u>Wholesale</u> | <u>Capital Market</u> | <u>International</u> | <u>Total</u> |
| Total assets | 373,444,620 | 544,165,168 | 11,916,257 | 34,894,934 | 964,420,979 |
| Total liabilities | 353,225,324 | 413,517,900 | 3,107,676 | 31,387,168 | 801,238,068 |
| - Customers' deposits | 340,416,015 | 229,240,712 | 417,415 | 26,812,302 | 596,886,444 |

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 September 2023 (Unaudited) | | | | |
|---|-------------------------------|------------|------------|------------|-------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Derivative financial instruments | 25,795,800 | - | 25,795,800 | - | 25,795,800 |
| Financial assets held at FVIS | 19,491,724 | 1,708,097 | 8,007,769 | 9,775,858 | 19,491,724 |
| Financial assets held at FVOCI | 87,346,886 | 62,182,105 | 24,447,712 | 717,069 | 87,346,886 |
| Investments held at amortised cost, net | | | | | |
| - Fair value hedged | 1,771,451 | - | 1,771,451 | - | 1,771,451 |
| Total | 134,405,861 | 63,890,202 | 60,022,732 | 10,492,927 | 134,405,861 |
| Financial liabilities | | | | | |
| Derivative financial instruments | 24,885,781 | - | 24,885,781 | - | 24,885,781 |
| Total | 24,885,781 | - | 24,885,781 | - | 24,885,781 |

| | 31 December 2022 (Audited) | | | | |
|---|----------------------------|-------------------|-------------------|------------------|--------------------|
| | <u>Carrying value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Financial assets</u> | | | | | |
| Derivative financial instruments | 20,574,129 | - | 20,574,129 | - | 20,574,129 |
| Financial assets held at FVIS | 17,017,095 | 520,348 | 7,613,086 | 8,883,661 | 17,017,095 |
| Financial assets held at FVOCI | 83,805,672 | 53,611,989 | 30,065,560 | 128,123 | 83,805,672 |
| Investments held at amortised cost, net | | | | | |
| - Fair value hedged | 3,512,644 | - | 3,512,644 | - | 3,512,644 |
| Total | 124,909,540 | 54,132,337 | 61,765,419 | 9,011,784 | 124,909,540 |
| <u>Financial liabilities</u> | | | | | |
| Derivative financial instruments | 19,420,104 | - | 19,420,104 | - | 19,420,104 |
| Total | 19,420,104 | - | 19,420,104 | - | 19,420,104 |

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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 September 2022 (Unaudited) | | | | Total |
|---|-------------------------------|-------------------|-------------------|------------------|--------------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Derivative financial instruments | 19,042,676 | - | 19,042,676 | - | 19,042,676 |
| Financial assets held at FVIS | 17,089,623 | 1,429,891 | 7,148,992 | 8,510,740 | 17,089,623 |
| Financial assets held at FVOCI | 73,775,173 | 47,166,453 | 26,489,120 | 119,600 | 73,775,173 |
| Investments held at amortised cost, net | | | | | |
| - Fair value hedged | 4,025,259 | - | 4,025,259 | - | 4,025,259 |
| Total | 113,932,731 | 48,596,344 | 56,706,047 | 8,630,340 | 113,932,731 |
| <u>Financial liabilities</u> | | | | | |
| Derivative financial instruments | 18,535,344 | - | 18,535,344 | - | 18,535,344 |
| Total | 18,535,344 | - | 18,535,344 | - | 18,535,344 |

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 September 2023 on a business as usual basis applying the guidance of IFRS 13, "Fair Value Measurement", was 2.4% lower than the corresponding book value (31 December 2022: 3.3% lower than the corresponding book value and 30 September 2022: 1.2% lower 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 September 2023, 31 December 2022 and 30 September 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 September 2023 (31 December 2022: Nil and 30 September 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 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|---|-------------------------------------|----------------------------------|-------------------------------------|
| Movement of Level 3 is as follows: | | | |
| Balance at beginning of the period/year | 9,011,784 | 7,629,856 | 7,629,856 |
| Total gains/(losses), realised and unrealised | 113,945 | (304,988) | (45,729) |
| Purchases | 2,036,243 | 3,190,488 | 1,934,856 |
| Sales/Maturities | (669,045) | (1,503,572) | (950,673) |
| Others | - | - | 62,030 |
| Balance at end of the period/year | 10,492,927 | 9,011,784 | 8,630,340 |

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17 CAPITAL ADEQUACY

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

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:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2022 (Unaudited) |
|---|-------------------------------------|----------------------------------|-------------------------------------|
| Risk Weighted Assets | | | |
| Credit risk | 630,358,994 | 619,906,133 | 611,124,600 |
| Operational risk | 37,283,015 | 61,288,606 | 59,678,379 |
| Market risk | 31,993,330 | 14,887,480 | 20,535,905 |
| Total Pillar-1 - Risk Weighted Assets | 699,635,339 | 696,082,219 | 691,338,884 |
| Common Equity Tier 1 Capital (CET1) | 114,407,893 | 111,851,304 | 108,181,493 |
| Core capital (Tier 1) | 128,797,322 | 127,338,804 | 123,668,993 |
| Supplementary capital (Tier 2) | 5,116,111 | 5,212,922 | 5,368,559 |
| Core and supplementary capital (Tier 1 and Tier 2) | 133,913,433 | 132,551,726 | 129,037,552 |
| Capital Adequacy Ratio (Pillar 1) | | | |
| Common Equity Tier 1 Capital (CET1) Ratio | 16.4% | 16.1% | 15.6% |
| Core capital (Tier 1) | 18.4% | 18.3% | 17.9% |
| Core and supplementary capital (Tier 1 and Tier 2) | 19.1% | 19.0% | 18.7% |

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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 September 2023 | | |
|-----------|------------------------------------|---|-------------------------------|
| | Non-derivative financial assets | Non-derivative financial liabilities | Derivatives nominal amount |
| LIBOR-USD | 68,967,633 | 5,351,250 | 52,129,103 |
| Total | 68,967,633 | 5,351,250 | 52,129,103 |

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 24 October 2023 (corresponding to 09 Rabia Al-Thani 1445H).

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Ahmed A. Aldhabi
Group Chief Financial Officer



Talal A. Alkhereiji
Acting Chief Executive Officer



Saeed M. Al-Ghamdi
Chairman