

Saudi Awwal Bank
(formerly known as The Saudi British Bank)
Interim Condensed Consolidated Financial Information
For the three month period ended

31 March 2024

(Unaudited)



CONTENTS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	Page No.
Independent auditors' review report on the interim condensed consolidated financial information	1
Interim condensed consolidated statement of financial position – Unaudited	2
Interim condensed consolidated statement of income - Unaudited	3
Interim condensed consolidated statement of comprehensive income – Unaudited	4
Interim condensed consolidated statement of changes in equity – Unaudited	5
Interim condensed consolidated statement of cash flows – Unaudited	6
1. General	7
2. Basis of preparation	8
3. Basis of consolidation	8
4. Material accounting policies and impact of changes due to adoption of new standards	9
5. Cash and balances with SAMA	10
6. Due from banks and other financial institutions, net	10
7. Investments, net	12
8. Loans and advances, net	13
9. Investment in an associate	15
10. Goodwill and other intangibles	15
11. Derivatives	16
12. Customers' deposits	16
13. Debt securities in issue	16
14. Commitments and contingencies	17
15. Additional Tier 1 Sukuk	18
16. Zakat and income tax	18
17. Basic and diluted earnings per share	18
18. Cash and cash equivalents	19
19. Operating segments	19
20. Financial risk management	21
21. Fair values of financial instruments	22
22. Capital adequacy	24
23. Proposed Dividends	25
24. Government grant	25
25. Board of Directors' approval	25



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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To: The shareholders of Saudi Awwal Bank (formerly known as The Saudi British Bank)
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Awwal Bank (formerly known as The Saudi British Bank) ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2024, and the interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

Other regulatory matters

As required by the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 22 to the accompanying interim condensed consolidated financial information. As part of our review, we compared the information in note 22 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License number: 447



1 Dhul Qadah 1445H
(9 May 2024)

KPMG Professional Services

Fahad Mubark Aldossari
Certified Public Accountant
License number: 469



Interim condensed consolidated statement of financial position – Unaudited

	Notes	As at 31 March 2024 Unaudited SAR' 000	As at 31 December 2023 Audited SAR' 000	As at 31 March 2023 Unaudited SAR' 000
ASSETS				
Cash and balances with Saudi Central Bank ("SAMA")	5	18,339,418	16,741,235	21,908,075
Due from banks and other financial institutions, net	6	9,205,509	7,407,481	6,040,552
Investments, net	7	91,956,640	96,566,836	90,978,616
Positive fair value derivatives, net	11	2,648,785	2,368,382	2,116,844
Loans and advances, net	8	228,539,158	215,935,845	191,001,016
Investment in an associate	9	497,448	462,046	629,004
Other assets		3,776,760	2,758,518	1,832,217
Property, equipment and right of use assets, net		4,099,020	3,844,926	3,606,790
Goodwill and other intangibles, net	10	10,549,088	10,556,367	10,771,480
Total assets		369,611,826	356,641,636	328,884,594
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		31,169,731	32,196,102	26,353,867
Customers' deposits	12	251,760,141	240,940,306	225,983,336
Negative fair value derivatives, net	11	2,477,642	2,231,470	1,686,387
Debt securities in issue	13	5,076,207	5,177,862	5,070,852
Other liabilities		16,108,399	14,196,333	12,756,246
Total liabilities		306,592,120	294,742,073	271,850,688
Equity				
Equity attributable to equity holders of the Bank				
Share capital		20,547,945	20,547,945	20,547,945
Share premium		8,524,882	8,524,882	8,524,882
Statutory reserve		20,547,945	20,547,945	20,547,945
Other reserves		(2,260,085)	(1,414,343)	(596,216)
Retained earnings		9,660,320	9,708,134	6,488,802
Proposed dividend	23	2,013,699	-	1,520,548
Total equity attributable to equity holders of the Bank		59,034,706	57,914,563	57,033,906
Additional Tier 1 Sukuk	15	3,985,000	3,985,000	-
Total equity		63,019,706	61,899,563	57,033,906
Total liabilities and equity		369,611,826	356,641,636	328,884,594

The accompanying notes 1 to 25 form an integral part of this interim condensed consolidated financial information.

Lama A GHAZZAOU

Lama Ghazzaoui
Chief Financial Officer

Tony CRIPPS

Tony Cripps
Managing Director & Authorized Member

Interim condensed consolidated statement of income - Unaudited

For the three month period ended

	Notes	31 March 2024 SAR'000	31 March 2023 SAR'000
Special commission income		4,866,703	3,801,114
Special commission expense		(2,157,951)	(1,267,078)
Net special commission income		2,708,752	2,534,036
Fee and commission income		995,042	776,905
Fee and commission expense		(637,666)	(493,203)
Net fee and commission income		357,376	283,702
Exchange income, net		250,604	205,567
Gain from FVSI financial instruments, net		195,838	220,751
Dividend income		897	-
Losses on FVOCI debt instruments, net		(7,934)	(4,892)
Losses on amortised cost investments, net		(40,117)	(15,043)
Other operating expenses, net		(17,994)	(6,547)
Total operating income		3,447,422	3,217,574
Provision for expected credit losses, net	19 (a)	(80,656)	(228,964)
Operating expenses			
Salaries and employee related expenses		(550,813)	(509,560)
Rent and premises related expenses		(18,178)	(17,814)
Depreciation and amortization		(133,436)	(116,882)
General and administrative expenses		(348,815)	(361,852)
Total operating expenses		(1,051,242)	(1,006,108)
Income from operating activities		2,315,524	1,982,502
Share in earnings of an associate	9	35,402	29,715
Net income for the period before Zakat and income tax		2,350,926	2,012,217
Provision for Zakat and income tax	16	(307,907)	(247,647)
Net income for the period after Zakat and income tax		2,043,019	1,764,570
Basic and diluted earnings per share (in SAR)	17	0.96	0.86

The accompanying notes 1 to 25 form an integral part of this interim condensed consolidated financial information.

Lama A GHAZZAOU

Lama Ghazzaoui
Chief Financial Officer

Tony CRIPPS

Tony Cripps
Managing Director & Authorized Member

Interim condensed consolidated statement of comprehensive income – Unaudited

For the three month period ended

	31 March 2024 SAR'000	31 March 2023 SAR'000
Net income for the period after Zakat and income tax	2,043,019	1,764,570
Other comprehensive income / (loss) for the period		
Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods		
Net changes in fair value of FVOCI equity instruments	138,826	(18,259)
Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods		
Debt instrument at FVOCI:		
Net changes in fair value	(937,042)	539,246
Transfer to interim condensed consolidated statement of income, net	7,934	4,892
Cash flow hedges:		
Net changes in fair value	58,889	141,640
Transfer to interim condensed consolidated statement of income, net	(123,627)	(90,664)
Total other comprehensive (loss) / income for the period	(855,020)	576,855
Total comprehensive income for the period	1,187,999	2,341,425

The accompanying notes 1 to 25 form an integral part of this interim condensed consolidated financial information.

Lama A GHAZZAOU

Lama Ghazzaoui
Chief Financial Officer

Tony CRIPPS

Tony Cripps
Managing Director & Authorized Member

Saudi Awwal Bank (formerly known as The Saudi British Bank)
Interim condensed consolidated statement of changes in equity - Unaudited



For the three month period

	Note	Attributable to equity holders of the Bank						Additional Tier 1 Sukuk SAR'000	Total equity SAR'000	
		Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000			Total SAR'000
31 March 2024										
Balance at the beginning of the period		20,547,945	8,524,882	20,547,945	(1,414,343)	9,708,134	-	57,914,563	3,985,000	61,899,563
Total comprehensive income / (loss) for the period										
Net income for the period after Zakat and income tax		-	-	-	-	2,043,019	-	2,043,019	-	2,043,019
Net changes in fair value of cash flow hedges		-	-	-	58,889	-	-	58,889	-	58,889
Net changes in fair value of FVOCI equity instruments		-	-	-	138,826	-	-	138,826	-	138,826
Net changes in fair value of FVOCI debt instruments		-	-	-	(937,042)	-	-	(937,042)	-	(937,042)
Transfer to interim condensed consolidated statement of income		-	-	-	(115,693)	-	-	(115,693)	-	(115,693)
		-	-	-	(855,020)	2,043,019	-	1,187,999	-	1,187,999
Employee share plan reserve net charge and shares vested		-	-	-	9,278	-	-	9,278	-	9,278
Profit paid on additional Tier 1 Sukuk		-	-	-	-	(77,134)	-	(77,134)	-	(77,134)
2023 proposed dividend, net of Zakat and income tax	23	-	-	-	-	(2,013,699)	2,013,699	-	-	-
Balance at the end of the period		20,547,945	8,524,882	20,547,945	(2,260,085)	9,660,320	2,013,699	59,034,706	3,985,000	63,019,706

	Note	Attributable to equity holders of the Bank						Additional Tier 1 Sukuk SAR'000	Total equity SAR'000	
		Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed dividends SAR'000			Total SAR'000
31 March 2023										
Balance at the beginning of the period		20,547,945	8,524,882	20,547,945	(1,182,348)	6,244,780	-	54,683,204	-	54,683,204
Total comprehensive income / (loss) for the period										
Net income for the period after Zakat and income tax		-	-	-	-	1,764,570	-	1,764,570	-	1,764,570
Net changes in fair value of cash flow hedges		-	-	-	141,640	-	-	141,640	-	141,640
Net changes in fair value of FVOCI equity instruments		-	-	-	(18,259)	-	-	(18,259)	-	(18,259)
Net changes in fair value of FVOCI debt instruments		-	-	-	539,246	-	-	539,246	-	539,246
Transfer to interim condensed consolidated statement of income		-	-	-	(85,772)	-	-	(85,772)	-	(85,772)
		-	-	-	576,855	1,764,570	-	2,341,425	-	2,341,425
Employee share plan reserve net charge and shares vested		-	-	-	9,277	-	-	9,277	-	9,277
2022 final dividend, net of Zakat and income tax	23	-	-	-	-	(1,520,548)	1,520,548	-	-	-
Balance at the end of the period		20,547,945	8,524,882	20,547,945	(596,216)	6,488,802	1,520,548	57,033,906	-	57,033,906

The accompanying notes 1 to 25 form an integral part of this interim condensed consolidated financial information.

Lama A GHAZZAOU

Lama Ghazzaoui
Chief Financial Officer

Tony CRIPPS

Tony Cripps
Managing Director & Authorized Member

Saudi Awwal Bank (formerly known as The Saudi British Bank)
Interim condensed consolidated statement of cash flows – Unaudited
For the three month period



	Notes	31 March 2024 SAR'000	31 March 2023 SAR'000
OPERATING ACTIVITIES			
Net income for the period before Zakat and income tax		2,350,926	2,012,217
Adjustments to reconcile net income before Zakat and income tax to net cash from operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(81,943)	(67,129)
Depreciation and amortization		133,436	116,882
Special commission expense on debt securities in issue		99,841	88,673
Special commission expense on lease liabilities		3,518	4,175
Losses on amortised cost financial instruments		40,117	15,043
Income transferred to interim condensed consolidated statement of income		(115,693)	(85,772)
Share in earnings of an associate	9	(35,402)	(29,715)
Provision for expected credit losses, net	19 (a)	80,656	228,964
Employee share plan reserve		9,278	9,277
		2,484,734	2,292,615
Change in operating assets:			
Statutory deposit with SAMA		(521,852)	18,168
Due from banks and other financial institutions		42,501	(42,218)
Investments held as FVSI		94,197	292,649
Loans and advances		(12,729,373)	(8,058,517)
Positive fair value derivatives		(221,514)	562,870
Other assets		(1,018,242)	396,760
Change in operating liabilities:			
Due to banks and other financial institutions		(1,026,371)	836,564
Customers' deposits		10,819,835	11,704,485
Negative fair value derivatives		246,172	(221,049)
Other liabilities		1,689,913	(414,783)
		(140,000)	7,367,544
Zakat and income tax paid		-	(39,623)
Net cash (used in) / generated from operating activities		(140,000)	7,327,921
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		7,268,944	3,184,825
Purchase of investments not held as FVSI		(3,511,360)	(7,521,092)
Purchase of property, equipment and intangibles, net		(380,251)	(36,473)
Net cash generated from / (used in) investing activities		3,377,333	(4,372,740)
FINANCING ACTIVITIES			
Special commission paid on debt securities in issue		(201,496)	(132,657)
Payment of lease liabilities		(31,416)	(27,524)
Profit paid on additional Tier 1 Sukuk		(77,134)	-
Dividends paid		(9,759)	(180)
Net cash used in financing activities		(319,805)	(160,361)
Net change in cash and cash equivalents		2,917,528	2,794,820
Cash and cash equivalents at beginning of the period	18	10,198,684	11,808,078
Cash and cash equivalents at end of the period	18	13,116,212	14,602,898
Special commission income received			
		4,961,626	3,740,012
Special commission income paid			
		2,159,730	1,091,735
Supplemental non cash information			
Net changes in fair value and transfers to interim condensed consolidated statement of income		(855,020)	576,855

The accompanying notes 1 to 25 form an integral part of this interim condensed consolidated financial information.

Lama A GHAZZAOU
Lama Ghazzaoui
Chief Financial Officer

Tony CRIPPS
Tony Cripps
Managing Director & Authorized Member

Notes to the interim condensed consolidated financial information

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

1. General

Saudi Awwal Bank (formerly known as The Saudi British Bank) ("SAB") is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by a Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SAB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SAB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 103 branches (31 December 2023: 104 branches) in the Kingdom of Saudi Arabia. The address of SAB's head office is as follows:

Saudi Awwal Bank
7287 King Fahad Branch Rd
2383 Al Yasmeen Dist.
13325
Riyadh
Kingdom of Saudi Arabia

The shareholders of the Saudi British Bank and Alawwal Bank ("AAB") approved the merger of the two banks at Extraordinary General Meetings held on 15 May 2019 pursuant to Articles 191-193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G) (the "Companies Law"), and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA").

Subsequent to the above merger, the Group has changed its commercial name from "The Saudi British Bank" to "Saudi Awwal Bank" effective from 11 June 2023.

The objectives of SAB are to provide a range of banking services. SAB also provides Shariah-compliant products, which are approved and supervised by an independent Shariah Committee established by SAB.

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

Name of subsidiaries / associate	Ownership %		Description
	2024	2023	
Arabian Real Estate Company Limited ("ARECO")	100%	100%	A limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). ARECO is engaged in the real estate activities.
SAB Markets Limited (formerly known as SABB Markets Limited) ("SAB Markets")	100%	100%	A limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SAB Markets is engaged in derivatives trading and repo activities.
Alawwal Invest Company ("SAB Invest")	100%	100%	A closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No.1010242378 dated 30 Thul-Hijjah 1428H (9 January 2008). Alawwal Invest was formed and licensed as a capital market institution in accordance with the CMA's Resolution No. 1 39 2007. SAB Invest's principal activity is to engage in security activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.
Alawwal Real Estate Company ("AREC")	100%	100%	A limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC is engaged in the real estate activities.
HSBC Saudi Arabia	49%	49%	A closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada II 1427H (23 July 2006). HSBC Saudi Arabia was formed and licensed as a capital market institution in accordance with the Resolution No. 37-05008 of the CMA dated 05 Thul-Hijjah 1426H corresponding to 05 January 2006. HSBC Saudi Arabia's principal activity is to engage in the full range of securities activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

SAB has participated in the following two structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia. These entities have no other business operations. The details of the entities are as follows:

Name of Entity	Ownership %		Description
	2024	2023	
Saudi Kayan Assets Leasing Company	50%	50%	The entity was incorporated for the purpose of effecting syndicated loan transactions and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structure.
Rabigh Asset Leasing Company	50%	50%	(the company is currently under liquidation).

SAB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities. The related underlying funding to the relevant borrowers is recorded on SAB’s consolidated statement of financial position.

2. Basis of preparation

This interim condensed consolidated financial information of the Group as at and for the period ended 31 March 2024 has been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”). The interim condensed consolidated statements information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with Group’s annual consolidated financial statements as at 31 December 2023.

SAB presents its interim condensed consolidated statement of financial position in the order of liquidity.

This interim condensed consolidated financial information is expressed in Saudi Arabian Riyals (SAR) and is rounded off to the nearest thousands, except where otherwise indicated.

3. Basis of consolidation

This interim condensed consolidated financial information comprises the financial information of SAB and its subsidiaries, as mentioned in note 1 (collectively referred to as “the Group”). The financial information of the subsidiaries is prepared for the same reporting period as that of SAB, using consistent accounting policies.

Subsidiaries are entities which are directly or indirectly controlled by SAB. SAB controls an entity (“the Investee”) over which it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to SAB and cease to be consolidated from the date on which the control is transferred from SAB. Intra-group transactions and balances have been eliminated in preparing this interim condensed consolidated financial information.

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

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

4. Material accounting policies and impact of changes due to adoption of new standards

The accounting policies used in the preparation of this interim condensed consolidated financial information is consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2023 unless otherwise stated.

The following standards, interpretations or amendments are effective from the current year and are adopted by the Group, however, these do not have any significant impact on the interim condensed consolidated financial information of the period:

Accounting Standards, interpretations, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	Annual periods beginning on or after 1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024
Amendment to IAS 7 and IFRS 7 - Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity'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.	Annual periods beginning on or after 1 January 2024

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards and / or amendments, which will become effective from periods beginning on or after 1 January 2025. The Group has opted not to early adopt these pronouncements and is in the process of assessing the impact on the interim condensed consolidated financial information of the Group.

Accounting Standards, interpretations, amendments	Description	Effective periods beginning on or after
Amendments to IAS 21 - Lack of exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

IFRS 18 - Presentation and Disclosure in Financial Statements	<p>The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:</p> <ul style="list-style-type: none"> the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. <p>IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.</p>	1 January 2027
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.</p>	Effective date deferred indefinitely

5. Cash and balances with SAMA

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Cash in hand	2,058,550	1,775,854	1,872,040
Statutory deposit	14,268,793	13,746,941	13,305,892
Placements with SAMA	1,257,000	56,000	6,647,153
Other balances	755,075	1,162,440	82,990
Total	18,339,418	16,741,235	21,908,075

6. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions are classified as follows:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Current accounts	8,218,724	6,381,300	4,507,828
Money market placements	988,213	1,026,941	1,535,105
Provision for expected credit losses	(1,428)	(760)	(2,381)
Total	9,205,509	7,407,481	6,040,552

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

b) Credit quality analysis

The following table sets out information about the credit quality of due from banks and other financial institutions, net:

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit Impaired	Total
31 March 2024 (Unaudited)	9,205,509	-	-	-	9,205,509
31 December 2023 (Audited)	7,406,882	-	599	-	7,407,481
31 March 2023 (Unaudited)	6,040,552	-	-	-	6,040,552

Balances under due from banks and other financial institutions are held with investment grade financial institutions except for lifetime ECL credit impaired.

c) Movement in provision for expected credit losses

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against due from banks and other financial institutions:

	31 March 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2024	550	-	210	760
Net charge for the period	878	-	(210)	668
Balance as at 31 March 2024	1,428	-	-	1,428

	31 December 2023 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	1,888	-	-	1,888
Transfer to lifetime ECL credit impaired	(12)	-	12	-
Net change for the year	(1,326)	-	198	(1,128)
Balance as at 31 December 2023	550	-	210	760

	31 March 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	1,888	-	-	1,888
Net charge for the period	493	-	-	493
Balance as at 31 March 2023	2,381	-	-	2,381

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

7. Investments, net

Investment securities are classified as follows:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
FVOCI – Debt	47,540,228	47,759,449	35,836,231
FVOCI – Equity	561,655	423,852	200,612
FVSI	922,865	1,017,062	670,625
Held at amortised cost	42,944,270	47,377,847	54,281,039
Provision for expected credit losses for investments held at amortised cost	(12,378)	(11,374)	(9,891)
Total	91,956,640	96,566,836	90,978,616

The following table sets out information about the credit quality of debt instruments measured at amortised cost and FVOCI.

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 March 2024 (Unaudited)					
Debt instruments at amortised cost, net	42,931,892	-	-	-	42,931,892
Debt instruments at FVOCI	47,540,228	-	-	-	47,540,228

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 December 2023 (Audited)					
Debt instruments at amortised cost, net	47,377,847	-	-	-	47,377,847
Debt instruments at FVOCI	47,759,449	-	-	-	47,759,449

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 March 2023 (Unaudited)					
Debt instruments at amortised cost, net	54,271,148	-	-	-	54,271,148
Debt instruments at FVOCI	35,836,231	-	-	-	35,836,231

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

An analysis of changes in provision for ECL of debt instruments not measured at fair value through profit or loss, is as follows:

	31 March 2024 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2024	21,526	-	-	21,526
Net re-measurement of loss allowance	2,024	-	-	2,024
Balance as at 31 March 2024	23,550	-	-	23,550

	31 December 2023 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	16,814	-	-	16,814
Net re-measurement of loss allowance	4,712	-	-	4,712
Balance as at 31 December 2023	21,526	-	-	21,526

	31 March 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	16,814	-	-	16,814
Net re-measurement of loss allowance	1,234	-	-	1,234
Balance as at 31 March 2023	18,048	-	-	18,048

8. Loans and advances, net

Loans and advances comprise of the following:

	31 March 2024 (Unaudited)			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	3,024,255	53,143,870	149,291,714	205,459,839
Lifetime ECL not credit impaired	108,614	2,924,245	18,247,461	21,280,320
Lifetime ECL credit impaired	55,345	655,369	3,671,583	4,382,297
Purchased or originated credit impaired	259	119,674	3,502,411	3,622,344
Total loans and advances, gross	3,188,473	56,843,158	174,713,169	234,744,800
Provision for expected credit losses	(222,914)	(755,388)	(5,227,340)	(6,205,642)
Loans and advances, net	2,965,559	56,087,770	169,485,829	228,539,158

	31 December 2023 (Audited)			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,967,942	49,078,628	138,385,203	190,431,773
Lifetime ECL not credit impaired	111,496	2,147,838	21,300,335	23,559,669
Lifetime ECL credit impaired	54,937	679,699	3,525,019	4,259,655
Purchased or originated credit impaired	184	127,141	3,685,794	3,813,119
Total loans and advances, gross	3,134,559	52,033,306	166,896,351	222,064,216
Provision for expected credit losses	(213,565)	(741,663)	(5,173,143)	(6,128,371)
Loans and advances, net	2,920,994	51,291,643	161,723,208	215,935,845

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

	31 March 2023 (Unaudited)			Total
	Credit cards	Other retail Lending	Corporate and institutional lending	
12 month ECL	2,431,487	43,466,064	118,870,269	164,767,820
Lifetime ECL not credit impaired	97,656	2,471,945	21,330,514	23,900,115
Lifetime ECL credit impaired	55,350	615,560	3,784,918	4,455,828
Purchased or originated credit impaired	79	140,272	3,644,612	3,784,963
Total loans and advances, gross	2,584,572	46,693,841	147,630,313	196,908,726
Provision for expected credit losses	(183,039)	(660,783)	(5,063,888)	(5,907,710)
Loans and advances, net	2,401,533	46,033,058	142,566,425	191,001,016

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 3,916 million (31 December 2023: SAR 3,875 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category.

The financial assets recorded in each stage have the following characteristics:

- 12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12 month allowance (or lower if the tenor of the facility is less than 12 months) for ECL is recognised;
- Lifetime ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Lifetime ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the expected lifetime credit losses at time of purchase or origination. A lifetime ECL is recognised if further credit losses are expected. POCI includes non-performing loans and advances acquired through the merger with Alawwal Bank (AAB) that were recorded at fair value as of acquisition date.

The following table shows reconciliations from the opening to the closing balance of the provision for credit losses against loans and advances:

31 March 2024 (Unaudited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2024	814,617	2,345,382	2,274,799	693,573	6,128,371
Transfer to Stage 1	20,073	(15,784)	(4,289)	-	-
Transfer to Stage 2	(17,599)	45,688	(28,089)	-	-
Transfer to Stage 3	(2,870)	(47,767)	50,637	-	-
Net re-measurement of loss allowance	15,129	(86,097)	(14,788)	195,292	109,536
Write-offs	-	-	(32,265)	-	(32,265)
Balance as at 31 March 2024	829,350	2,241,422	2,246,005	888,865	6,205,642

31 December 2023 (Audited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2023	573,972	2,177,072	2,806,054	453,382	6,010,480
Transfer to Stage 1	94,271	(30,377)	(63,894)	-	-
Transfer to Stage 2	(12,241)	89,006	(76,765)	-	-
Transfer to Stage 3	(3,225)	(31,520)	34,745	-	-
Net re-measurement of loss allowance	161,840	141,201	388,386	240,191	931,618
Write-offs	-	-	(813,727)	-	(813,727)
Balance as at 31 December 2023	814,617	2,345,382	2,274,799	693,573	6,128,371

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

31 March 2023 (Unaudited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2023	573,972	2,177,072	2,806,054	453,382	6,010,480
Transfer to Stage 1	25,089	(10,754)	(14,335)	-	-
Transfer to Stage 2	(12,746)	97,716	(84,970)	-	-
Transfer to Stage 3	(1,532)	(34,853)	36,385	-	-
Net re-measurement of loss allowance	(16,516)	20,954	84,623	124,276	213,337
Write-offs	-	-	(316,107)	-	(316,107)
Balance as at 31 March 2023	568,267	2,250,135	2,511,650	577,658	5,907,710

9. Investment in an associate

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
HSBC Saudi Arabia			
Balance at beginning of the period / year	462,046	599,289	599,289
Share in earnings	35,402	188,214	29,715
Dividend received	-	(325,457)	-
Balance at end of the period / year	497,448	462,046	629,004

10. Goodwill and other intangibles

Intangibles are comprised of the following:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Amounts arising from acquisitions:			
Goodwill	8,778,091	8,778,091	8,778,091
Other intangibles	1,476,419	1,519,279	1,699,786
Software	294,578	258,997	293,603
Total	10,549,088	10,556,367	10,771,480

Impairment testing of goodwill

The goodwill acquired through business combination is reviewed annually for impairment. However, at each reporting period, an assessment is made for indicators of impairment. If indicators exist, an impairment test is required. The impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU. The goodwill has been allocated to the following cash-generating units:

- Wealth & personal banking
- Corporate and institutional banking
- Treasury

As at 31 March 2024, no impairment indicators were identified. Therefore, no impairment test was performed.

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

11. Derivatives

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

	31 March 2024 (Unaudited)			31 December 2023 (Audited)			31 March 2023 (Unaudited)		
	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
Derivatives held for trading:									
Special commission rate swaps	2,185,576	(2,064,860)	99,708,173	1,809,112	(1,692,732)	88,912,539	1,537,724	(1,395,354)	78,384,107
Special commission rate options	286,377	(288,119)	6,925,678	221,240	(227,245)	6,545,126	192,466	(196,568)	9,053,541
Forward foreign exchange contracts	30,374	(23,437)	9,830,327	94,477	(64,097)	16,189,169	67,154	(43,058)	14,149,050
Currency options	-	-	-	-	-	-	6,633	(6,639)	1,920,272
Currency swaps	295	(37)	1,687,500	785	(465)	1,687,500	6,352	(559)	5,553,750
Commodity options	-	-	-	-	-	-	12,563	(12,572)	190,593
Derivatives held as fair value hedges:									
Special commission rate swaps	146,146	(54,514)	6,262,500	214,550	(222,705)	9,075,000	263,875	(11,201)	5,342,500
Derivatives held as cash flow hedges:									
Special commission rate swaps	17	(46,675)	3,566,000	24,624	(22,574)	3,566,000	29,677	(20,211)	3,566,000
Currency swaps	-	-	-	3,594	(1,652)	75,000	400	(225)	75,000
Total	2,648,785	(2,477,642)	127,980,178	2,368,382	(2,231,470)	126,050,334	2,116,844	(1,686,387)	118,234,813
Fair values of netting arrangements	744,211	(41,225)		526,248	(177,869)		759,108	(2,378)	
Cash collateral, net	(267,150)	173,754		(355,372)	300,450		(520,987)	76,238	
Fair values after netting	477,061	132,529		170,876	122,581		238,121	73,860	

12. Customers' deposits

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Demand	137,727,551	138,953,931	149,316,773
Time	109,867,933	98,578,400	73,273,625
Savings	2,651,349	2,092,397	2,190,367
Margin and others	1,513,308	1,315,578	1,202,571
Total	251,760,141	240,940,306	225,983,336

13. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

SAB issued SAR 5 billion Tier II Sukuk on 22 July 2020 under the Group's local Sukuk Programme (the "Local Programme"). The Sukuk are unsecured and due in 2030, with SAB having an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The Sukuk carry effective special commission income at six months' SAIBOR plus margin of 195 bps payable semi-annually.

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

14. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal matters against the Group.

b) Credit related commitments and contingencies

Credit related commitments and contingencies are as follows:

31 March 2024 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	14,887,092	1,175,069	1,286	57,990	16,121,437
Letters of guarantee	96,700,351	6,123,031	1,133,481	1,245,782	105,202,645
Acceptances	3,435,030	200,599	-	4,285	3,639,914
Irrevocable commitments to extend credit	13,353,169	-	-	177,873	13,531,042
Total	128,375,642	7,498,699	1,134,767	1,485,930	138,495,038

31 December 2023 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	14,746,763	874,480	2,893	38,833	15,662,969
Letters of guarantee	88,243,609	7,844,758	1,241,777	1,232,269	98,562,413
Acceptances	3,672,874	194,943	520	830	3,869,167
Irrevocable commitments to extend credit	11,953,358	537,713	-	217,829	12,708,900
Total	118,616,604	9,451,894	1,245,190	1,489,761	130,803,449

31 March 2023 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,223,444	1,333,774	5,407	30,714	16,593,339
Letters of guarantee	69,909,473	8,463,231	1,248,277	1,513,941	81,134,922
Acceptances	3,029,561	323,270	-	11,110	3,363,941
Irrevocable commitments to extend credit	5,980,958	-	-	-	5,980,958
Total	94,143,436	10,120,275	1,253,684	1,555,765	107,073,160

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses on loan commitments and financial guarantee contracts:

31 March 2024 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2024	121,810	249,985	606,108	48,074	1,025,977
Transfer to stage 1	36,793	(36,793)	-	-	-
Transfer to stage 2	(1,088)	1,088	-	-	-
Transfer to stage 3	-	-	-	-	-
Net re-measurement of loss allowance	(29,180)	(15,598)	773	(4,092)	(48,097)
Balance as at 31 March 2024	128,335	198,682	606,881	43,982	977,880

31 December 2023 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	52,215	288,017	606,250	7,255	953,737
Transfer to stage 1	3,353	(3,353)	-	-	-
Transfer to stage 2	(1,050)	1,050	-	-	-
Transfer to stage 3	-	(2,232)	2,232	-	-
Net charge for the year	67,292	(33,497)	(2,374)	40,819	72,240
Balance as at 31 December 2023	121,810	249,985	606,108	48,074	1,025,977

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

31 March 2023 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	52,215	288,017	606,250	7,255	953,737
Transfer to stage 1	486	(486)	-	-	-
Transfer to stage 2	(1,208)	1,208	-	-	-
Transfer to stage 3	-	(1,187)	1,187	-	-
Net re-measurement of loss allowance	5,054	124	21,007	11,302	37,487
Balance as at 31 March 2023	56,547	287,676	628,444	18,557	991,224

15. Additional Tier 1 Sukuk

On 31 October 2023, the Bank has issued SAR 4 billion Additional Tier 1 Capital Sukuk (SAR-denominated) by way of private placement, which 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. The applicable profit rate on the Sukuk is payable on each periodic distribution date, except in the event of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment elections are not considered to be events of default.

16. Zakat and income tax

The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability. In addition, SAB is subject to pay corporate income tax to reflect the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, applied to the share of taxable income of the non-Saudi shareholders.

As of 31 March 2024, SAB has filed its Zakat and income tax return for the years 2022 and 2021 and they are under ZATCA reviews. Income tax assessments from 2015 to 2018 have not been received by the Bank. The remaining assessments are closed and settled.

17. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net income / (loss) after Zakat and income tax for the period ended 31 March 2024 (adjusted by profit paid on additional Tier 1 Sukuk) by the weighted average number of shares outstanding during the period.

	31 March 2024 (Unaudited)	31 March 2023 (Unaudited)
Net income after Zakat and income tax	2,043,019	1,764,570
Profit paid on additional Tier 1 Sukuk	(77,134)	-
Net income after Zakat and income tax (adjusted by profit paid on additional Tier 1 Sukuk)	1,965,885	1,764,570
Weighted average number of ordinary shares*	2,054,795	2,054,795
Basic and diluted earnings per share	0.96	0.86

* The impact of treasury shares is immaterial

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

18. Cash and cash equivalents

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

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Cash and balances with SAMA excluding the statutory deposit (note 5)	4,070,625	2,994,294	8,602,183
Due from banks and other financial institutions with an original maturity of three month or less from date of the acquisition	9,045,587	7,204,390	6,000,715
Total	13,116,212	10,198,684	14,602,898

19. Operating segments

The Group's primary business is conducted in the Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance. The Group's reportable segments are as follows:

Wealth and Personal Banking – Caters mainly to the banking requirements of personal and private banking customers.

Corporate and Institutional Banking – Caters mainly to the banking requirements of corporate and institutional banking customers.

Treasury – Manages the Group's liquidity, currency and special commission rate risks. It is also responsible for funding the Group's operations and managing the Group's investment portfolio and liquidity position.

Capital Markets – Includes activities of the Group's investment in its subsidiary for brokerage and assets management, SAB Invest.

Others – Includes activities of the Group's investment in its associate, HSBC Saudi Arabia and equity investments. It also includes elimination of inter-group income and expense items.

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

Transactions between the operating segments are reported as per by the Group's transfer pricing policy. The Group's total assets and liabilities as at 31 March 2024 and 31 March 2023, its total operating income and expenses, and the results for the periods then ended, by operating segment, are as follows:

31 March 2024 (Unaudited)	Wealth and Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	68,100,768	173,927,121	123,840,127	2,357,301	1,386,509	369,611,826
Loans and advances, net	57,654,991	169,485,829	-	1,398,338	-	228,539,158
Investments, net	-	-	91,006,672	388,313	561,655	91,956,640
Investment in an associate	-	-	-	-	497,448	497,448
Total liabilities	89,424,232	164,919,013	52,026,300	174,780	47,795	306,592,120
Operating income / (expense) from external customers	501,562	2,120,679	716,272	110,232	(1,323)	3,447,422
Inter-segment operating income / (expense)	463,488	(311,710)	(151,778)	-	-	-
Total operating income (expense), of which:	965,050	1,808,969	564,494	110,232	(1,323)	3,447,422
Net special commission income	818,568	1,533,662	324,012	32,510	-	2,708,752
Net fees and commission income (expenses)	67,354	216,486	(990)	74,526	-	357,376
Provision for expected credit losses, net	(67,619)	(10,345)	(2,692)	-	-	(80,656)
Total operating expenses	(476,212)	(411,411)	(96,796)	(59,420)	(7,403)	(1,051,242)
Share in earnings of an associate	-	-	-	-	35,402	35,402
Net income for the period before Zakat and income tax	421,219	1,387,213	465,006	50,812	26,676	2,350,926

31 March 2023 (Unaudited)	Wealth and Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	56,282,205	145,415,908	122,735,092	1,953,500	2,497,889	328,884,594
Loans and advances, net	47,170,582	142,566,425	-	1,264,009	-	191,001,016
Investments, net	-	-	90,499,264	278,740	200,612	90,978,616
Investment in an associate	-	-	-	-	629,004	629,004
Total liabilities	79,402,162	157,049,518	35,164,213	182,387	52,408	271,850,688
Operating income from external customers	490,978	1,688,736	972,819	64,678	363	3,217,574
Inter-segment operating income / (expense)	322,493	2,792	(325,285)	-	-	-
Total operating income / (expense), of which:	813,471	1,691,528	647,534	64,678	363	3,217,574
Net special commission income	716,258	1,434,982	358,567	24,229	-	2,534,036
Net fees and commission income	44,679	198,745	663	39,615	-	283,702
Reversal of / (Provision for) expected credit losses, net	31,193	(258,430)	(1,727)	-	-	(228,964)
Total operating (expenses)	(478,878)	(358,435)	(94,080)	(54,029)	(20,686)	(1,006,108)
Share in earnings of an associate	-	-	-	-	29,715	29,715
Net income for the period before Zakat and income tax	365,786	1,074,663	551,727	10,649	9,392	2,012,217

20. Financial risk management

Credit Risk

The Group follows SAMA Rules on Credit Risk Management whereby the Board of Directors has ultimate responsibility for the effective management of risk and approves the risk appetite. The Board has constituted a Board Risk Committee (BRC) for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework. Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making.

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing activities, but also from other products such as guarantees and derivatives.

The Group continues to assess the impact of economic developments on specific customers, customer segments or portfolios. As credit conditions change, the Group takes mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, the Group continues to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Credit approval authorities are delegated by the Board to the Managing Director together with the authority to sub-delegate them. The Credit Risk function is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the Group's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

Concentrations of credit risk arise when a number of counterparties have comparable economic characteristics, or such counterparties are engaged in similar business activities, or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political, or other conditions. The Group uses a number of controls and measures to minimize undue concentration of exposure in the portfolios. These include portfolio and counterparty limits, approval and review controls, and stress testing.

a. Provision for expected credit losses, net

The following table shows the provision for expected credit losses for due from banks and other financial institutions, investments, loans and advances and off balance sheet exposures:

	Notes	31 March 2024 (Unaudited)	31 March 2023 (Unaudited)
Net provision for expected credit losses:			
Due from banks and other financial institutions	6	(668)	(493)
Investments	7	(2,024)	(1,234)
Loans and advances	8	(109,536)	(213,337)
Loan commitments and financial guarantees	14	48,097	(37,487)
Write-offs net of recoveries		(16,525)	23,587
Net charge for the period		(80,656)	(228,964)

b. Collateral

The Group in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collateral is held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

21. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

Determination of fair value and fair value hierarchy:

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

- **Level 1:** quoted prices in active markets for the same instrument (e.g, without modification or repacking);
- **Level 2:** quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- **Level 3:** valuation techniques for which any significant input is not based on observable market data.

31 March 2024 (Unaudited)	Carrying Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Derivative financial instruments	2,648,785	-	2,648,785	-	2,648,785
Investments held as FVSI	922,865	510,588	412,277	-	922,865
Investments held as FVOCI – Debt	47,540,228	-	47,540,228	-	47,540,228
Investments held as FVOCI – Equity	561,655	388,873	-	172,782	561,655
Financial assets not measured at fair value:					
Due from banks and other financial institutions	9,205,509	-	9,205,509	-	9,205,509
Investments held at amortised cost	42,931,892	-	40,167,840	-	40,167,840
Loans and advances	228,539,158	-	-	228,147,132	228,147,132
Financial liabilities measured at fair value:					
Derivative financial instruments	2,477,642	-	2,477,642	-	2,477,642
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	31,169,731	-	31,169,731	-	31,169,731
Customers deposits	251,760,141	-	251,530,325	-	251,530,325
Debt securities in issue	5,076,207	-	5,076,207	-	5,076,207

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

31 December 2023 (Audited)	Carrying Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivative financial instruments	2,368,382	-	2,368,382	-	2,368,382
Investments held as FVSI	1,017,062	502,444	514,618	-	1,017,062
Investments held as FVOCI – Debt	47,759,449	-	47,759,449	-	47,759,449
Investments held as FVOCI – Equity	423,852	250,046	-	173,806	423,852
Financial assets not measured at fair value					
Due from banks and other financial institutions	7,407,481	-	7,407,481	-	7,407,481
Investments held at amortised cost	47,366,473	-	44,893,595	-	44,893,595
Loans and advances	215,935,845	-	-	215,808,170	215,808,170
Financial liabilities measured at fair value					
Derivative financial instruments	2,231,470	-	2,231,470	-	2,231,470
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	32,196,102	-	32,196,102	-	32,196,102
Customers deposits	240,940,306	-	240,768,784	-	240,768,784
Debt securities in issue	5,177,862	-	5,177,862	-	5,177,862

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. The difference between the transaction price and the model value is commonly referred to as 'day one profit or loss'. It is either amortised over the life of the transaction or deferred until the instrument's fair value can be determined using market observable data or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

Derivatives classified as Level 2 comprise Over the Counter (OTC) special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

FVOCI equity investments include investments in local listed shares carried at market price listed on local stock exchange.

FVOCI investments classified as Level 2 include bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

FVOCI investments classified as Level 3 represents private equity investments, the fair value of which is determined based on the latest reported net assets value as at the reporting date. The movement in Level 3 financial instruments during the period relates to fair value and capital repayment movements only.

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

Fair values of listed investments are determined using mid marked prices. Fair values of unlisted investments are determined using valuation techniques that incorporate the prices and future earning streams of equivalent quoted securities.

Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SAIBOR rates.

The fair values of due from and due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial information, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates.

The fair values of demand deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue are floating rate instruments that re-price within a year (every 6 months) and accordingly, the fair value of this portfolio approximates the carrying value. The fair value of the remaining portfolio is not significantly different from its carrying value.

There were no transfers between the levels of fair value hierarchies during the period. The values obtained from valuation models may be different from the transaction price of financial instruments on transaction date.

22. Capital adequacy

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

SAMA through its Circular Number 391000029731 dated 15 Rabi Al-Awwal 1439H (3 December 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years, however, As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two-year period comprising 2020 and 2021 effective from 31 March 2021 financial statement reporting. Starting from 2022, the add-back amount will be then phased-out on a straight-line basis over the 3 years. The impact of these revised transitional arrangements to the Group's Tier 1 ratio have been an improvement of 29 bps for the period ended 31 March 2024.

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

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

For the three month period ended 31 March 2024

All amounts in thousands of Saudi Riyals unless otherwise stated

	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2023 (Unaudited)
Risk Weighted Assets (RWA)			
Credit Risk RWA	280,678,238	279,968,368	250,601,448
Operational Risk RWA	12,233,759	10,458,162	10,458,162
Market Risk RWA	2,041,692	3,724,396	15,037,434
Total RWA	294,953,689	294,150,926	276,097,044
Common Equity Tier I Capital	49,007,153	48,053,574	47,479,333
Additional Tier I Capital (Note 15)	3,985,000	3,985,000	-
Tier I Capital	52,992,153	52,038,574	47,479,333
Tier II Capital	5,982,660	5,958,473	5,761,557
Total Tier I and Tier II Capital	58,974,813	57,997,047	53,240,890
Capital Adequacy Ratio %			
CET1	16.62%	16.34%	17.20%
Tier I ratio	17.97%	17.69%	17.20%
Tier I + Tier II ratio	19.99%	19.72%	19.28%

23. Proposed Dividends

The Board of Directors has proposed on 10 February 2024 a net dividend of SAR 2,014 million for the year 2023 (2023: SAR 1,521 million for the year 2022), resulting in SAR 0.98 per share for Saudi shareholders net of Zakat (2022: SAR 0.74). The income tax of the foreign shareholders will be deducted from their share of the dividends.

24. Government grant

During the year of 2023, the Real Estate Development Fund ("REDF") launched a new programme ("the programme") to support residential mortgage finance to certain eligible customers at a subsidized profit rate and within a specified period. The Bank signed an agreement with REDF to become a party to this programme on 11 November 2023

In accordance with the requirements of IFRS 9, the programme will result in a fair value loss being booked on origination of the subsidized mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the compensation amount received from REDF qualifies as a government grant under IAS 20, that will be recognized as income on a systematic basis to off-set the fair value losses arising over the course of the programme. Pending origination of mortgages under the programme, the pro-rata compensation balance amount received from REDF has been classified under "Other liabilities".

25. Board of Directors' approval

This interim condensed consolidated financial information was approved and authorized for issue by the Board of Directors of the Group on 25 Shawwal 1445H (Corresponding to May 4 2024).