



THE SAUDI INVESTMENT BANK
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the six-month period ended June 30, 2023

(Unaudited)



ERNST & YOUNG PROFESSIONAL SERVICES (PROFESSIONAL LLC)
Paid-up capital (SR 5,500,000) (Five million and five hundred thousand Saudi Riyal)
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Independent Auditors' Report on Review of the Interim Condensed Consolidated Financial Statements to the Shareholders of The Saudi Investment Bank (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of **The Saudi Investment Bank** ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2023, and the interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", as endorsed in the Kingdom of Saudi Arabia. A review of interim 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 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 the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note 17 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 17 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

Ernst and Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. 366



Deloitte and Touche & Co. Chartered Accountants
P.O. Box 213
Riyadh 11411, Kingdom of Saudi Arabia

Waleed bin Moh'd Sobahi
Certified Public Accountant
License No. 378



13 Muharram 1445H
(July 31, 2023)

THE SAUDI INVESTMENT BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in SAR'000


	Notes	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
ASSETS				
Cash and balances with SAMA	5a	8,149,160	6,401,258	12,727,573
Due from banks and other financial institutions, net	6,14	2,178,918	1,304,701	3,023,405
Investments, net	7a,14	31,706,902	28,179,959	28,381,099
Positive fair values of derivatives, net	11a,14	802,423	713,003	770,891
Loans and advances, net	8a,14	77,304,660	68,883,198	62,262,693
Investments in associates		917,983	922,985	879,096
Other real estate		451,981	451,981	451,981
Property, equipment, and right of use assets, net		1,171,502	1,212,374	969,823
Intangible assets, net		458,247	428,342	404,539
Other assets, net		452,756	572,811	926,708
Total assets		123,594,532	109,070,612	110,797,898
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions, net	9,14	22,287,419	20,892,470	24,703,644
Customers' deposits	10,14	82,664,201	69,578,526	67,458,573
Negative fair values of derivatives, net	11a,14	29,022	47,045	284,205
Other liabilities		1,918,904	1,762,875	1,625,074
Total liabilities		106,899,546	92,280,916	94,071,496
Equity				
Share capital		10,000,000	10,000,000	10,000,000
Statutory reserve		3,376,000	3,376,000	2,999,000
Other reserves	7f	(1,121,042)	(1,207,944)	(769,969)
Retained earnings		1,725,028	956,640	1,282,371
Proposed dividend	21	-	450,000	-
Shareholders' equity		13,979,986	13,574,696	13,511,402
Tier I Sukuk	19	2,715,000	3,215,000	3,215,000
Total equity		16,694,986	16,789,696	16,726,402
Total liabilities and equity		123,594,532	109,070,612	110,797,898



Abdallah Salih Jum'ah
Chairman



Faisal Al-Omran
Chief Executive Officer



Saad Altayyar
Chief Financial Officer

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

THE SAUDI INVESTMENT BANK
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
Amounts in SAR'000

		<u>Three-month period ended</u>		<u>Six-month period ended</u>	
	<u>Notes</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
Special commission income		1,799,810	888,683	3,406,642	1,620,189
Special commission expense		936,304	216,469	1,701,449	358,813
Net special commission income		863,506	672,214	1,705,193	1,261,376
Fee income from banking services, net		80,661	72,059	151,609	168,012
Exchange income, net		53,143	45,601	107,702	88,405
Unrealized loss on FVTPL financial instruments, net		(16,500)	(18,730)	(33,000)	(37,439)
Realized gain on FVTPL financial instruments, net		2,120	1,308	2,229	1,883
Gains on disposals of FVOCI debt securities, net		6,366	3	15,172	7,360
Total operating income		989,296	772,455	1,948,905	1,489,597
Salaries and employee-related expenses		195,252	176,136	393,437	354,455
Rent and premises related expenses		19,130	15,213	37,699	34,629
Depreciation and amortization		41,442	38,549	83,751	75,064
Other general and administrative expenses		150,378	109,491	312,339	219,992
Operating expenses before provisions for credit and other losses		406,202	339,389	827,226	684,140
Provisions for credit and other losses		79,558	53,606	160,910	91,367
Total operating expenses		485,760	392,995	988,136	775,507
Operating income		503,536	379,460	960,769	714,090
Share in earnings of associates		12,537	11,578	30,778	26,967
Income before provisions for Zakat		516,073	391,038	991,547	741,057
Provisions for Zakat	20	72,281	70,388	138,848	133,391
Net income		443,792	320,650	852,699	607,666
Basic and diluted earnings per share (expressed in SAR per share)	16	0.38	0.29	0.77	0.56



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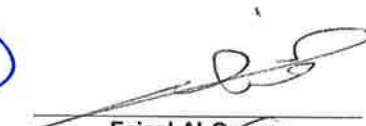
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

Amounts in SAR'000

	Three-month period ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income	443,792	320,650	852,699	607,666
Other comprehensive income (loss)				
Items that cannot be reclassified to the interim consolidated statement of income in subsequent periods:				
Net change in fair value of equity investments held at fair value through other comprehensive income (loss)	33,000	(103,341)	18,237	(104,836)
Items that can be reclassified to the interim consolidated statement of income in subsequent periods:				
Net change in fair value of debt securities held at fair value through other comprehensive income (loss)	(42,004)	(683,389)	84,682	(1,216,992)
Fair value gains transferred to interim consolidated statement of income on disposal of FVOCI debt securities, net	(6,366)	(3)	(15,172)	(7,360)
Total other comprehensive (loss) income	(15,370)	(786,733)	87,747	(1,329,188)
Total comprehensive income (loss)	428,422	(466,083)	940,446	(721,522)



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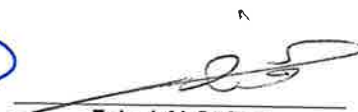
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

Six-month period ended June 30, 2023 (SAR'000)

	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Shareholders' equity	Tier I Sukuk	Total equity
Balances at the beginning of the period (Audited)		10,000,000	3,376,000	(1,207,944)	956,640	450,000	13,574,696	3,215,000	16,789,696
Net income		-	-	-	852,699	-	852,699	-	852,699
Total other comprehensive income		-	-	87,747	-	-	87,747	-	87,747
Total comprehensive income		-	-	87,747	852,699	-	940,446	-	940,446
Dividends paid	21	-	-	-	-	(450,000)	(450,000)	-	(450,000)
Tier I Sukuk costs		-	-	-	(85,156)	-	(85,156)	-	(85,156)
Realized gain on disposal of FVOCI equity securities		-	-	(845)	845	-	-	-	-
Repayment of Tier I Sukuk	19	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Issuance of Tier I Sukuk	19	-	-	-	-	-	-	500,000	500,000
Balances at the end of the period		10,000,000	3,376,000	(1,121,042)	1,725,028	-	13,979,986	2,715,000	16,694,986



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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Continued (Unaudited)

Six-month period ended June 30, 2022 (SAR'000)										
	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Proposed bonus shares issuance	Shareholders' equity	Tier I Sukuk	Total equity
Balances at the beginning of the period (Audited)		7,500,000	2,999,000	562,063	715,412	525,000	2,500,000	14,801,475	1,500,000	16,301,475
Net income		-	-	-	607,666	-	-	607,666	-	607,666
Total other comprehensive loss		-	-	(1,329,188)	-	-	-	(1,329,188)	-	(1,329,188)
Total comprehensive (loss) income		-	-	(1,329,188)	607,666	-	-	(721,522)	-	(721,522)
Dividends paid	21	-	-	-	-	(525,000)	-	(525,000)	-	(525,000)
Tier I Sukuk costs		-	-	-	(43,551)	-	-	(43,551)	-	(43,551)
Realized gain on disposal of FVOCI equity securities		-	-	(2,844)	2,844	-	-	-	-	-
Increase in share capital through issuance of bonus shares	21	2,500,000	-	-	-	-	(2,500,000)	-	-	-
Repayment of Tier I Sukuk	19	-	-	-	-	-	-	-	(285,000)	(285,000)
Issuance of Tier I Sukuk	19	-	-	-	-	-	-	-	2,000,000	2,000,000
Balances at the end of the period		10,000,000	2,999,000	(769,969)	1,282,371	-	-	13,511,402	3,215,000	16,726,402



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THE SAUDI INVESTMENT BANK

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Amounts in SAR'000

	Six-month period ended	
	June 30, 2023	June 30, 2022
Notes		
OPERATING ACTIVITIES		
Net income	852,699	607,666
Adjustments to reconcile net income to net cash generated from operating activities		
Net accretion of discounts and net amortization of premiums on investments, net	(19,113)	3,731
Net change in accrued special commission income	(198,905)	(1,396)
Net change in accrued special commission expense	302,828	60,581
Net change in deferred loan fees	18,706	16,978
Losses on disposal of property and equipment, net	88	-
Gains on disposals of FVOCI debt securities, net	(15,172)	(7,360)
Unrealized loss on FVTPL financial instruments, net	33,000	37,439
Realized gain on FVTPL financial instruments, net	(2,229)	(1,883)
Depreciation and amortization	83,751	75,064
Provisions for credit and other losses	160,910	91,367
Share in earnings of associates	(30,778)	(26,967)
	1,185,785	855,220
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(391,535)	(14,647)
Due from banks and other financial institutions maturing after three months from acquisition date	(1,629)	312
Loans and advances	(8,437,703)	(4,506,210)
Positive fair values of derivatives, net	(88,341)	(165,221)
Other assets	140,253	(684,467)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions, net	1,380,427	2,877,190
Customers' deposits	12,843,999	5,898,523
Negative fair values of derivatives, net	(18,058)	134,849
Other liabilities	282,954	30,466
	6,896,152	4,426,015
Zakat payments	(203,963)	(225,807)
Net cash generated from operating activities	6,692,189	4,200,208
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,491,430	2,396,561
Purchases of investments	(4,862,434)	(3,292,365)
Dividends received from associates	35,779	31,571
Purchase of property, equipment, and intangible assets	(93,150)	(95,654)
Net cash used in investing activities	(3,428,375)	(959,887)



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THE SAUDI INVESTMENT BANK
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS - Continued (Unaudited)
Amounts in SAR'000

	Notes	Six-month period ended	
		June 30, 2023	June 30, 2022
FINANCING ACTIVITY			
Dividend payment		(450,000)	(525,000)
Repayment of Tier I Sukuk		(1,000,000)	(285,000)
Issuance of Tier I Sukuk		500,000	2,000,000
Tier I Sukuk costs		(85,156)	(43,551)
Net cash (used in) / generated from financing activity		(1,035,156)	1,146,449
Net increase in cash and cash equivalents		2,228,658	4,386,770
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		4,156,381	8,007,284
Net increase in cash and cash equivalents		2,228,658	4,386,770
Cash and cash equivalents at the end of the period	5b	6,385,039	12,394,054
Supplemental special commission information			
Special commission received		3,207,737	1,616,088
Special commission paid		1,445,216	360,590
Supplemental non-cash information			
Total other comprehensive income / (loss)		87,747	(1,329,188)



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six-month periods ended June 30, 2023 and 2022

1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976 in the Kingdom of Saudi Arabia ("KSA"). The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 51 branches (December 31, 2022: 51 branches; and June 30, 2022: 51 branches) in KSA. The address of the Bank's Head Office is as follows:

The Saudi Investment Bank
Head Office
P.O. Box 3533
Riyadh 11481, KSA

The Bank offers a full range of commercial and retail banking services. The Bank also offers Shariah compliant (non-interest based) banking products and services, which are approved and supervised by an independent Shariah Board established by the Bank.

2. Basis of preparation

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

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands, except where indicated herein.

The preparation of these 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, liabilities and income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the annual consolidated financial statements as of and for the year ended December 31, 2022.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on Muharram 13, 1445H, corresponding to July 31, 2023.

3. Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and the financial statements of the following subsidiaries (collectively referred to as the "Group" in these interim condensed consolidated financial statements):

- a) "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), a Saudi closed joint stock company, which is registered in KSA under Commercial Registration No. 1010235995 issued on 8 Rajab 1428H (corresponding to July 22, 2007), and is 100% owned by the Bank. The principal activities of Alistithmar Capital include dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, and arrangement, advisory and custody services relating to financial securities;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**Amounts in SAR'000****For the six-month periods ended June 30, 2023 and 2022****3. Basis of consolidation - continued**

- b) "Saudi Investment Real Estate Company", a limited liability company, which is registered in KSA under commercial registration No.1010268297 issued on 29 Jumada Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions;
- c) "SAIB Markets Limited Company", a Cayman Islands limited liability company, registered in the Cayman Islands on July 18, 2017, and is 100% owned by the Bank. The objective of the Company is to conduct derivatives and repurchase activities on behalf of the Bank.

References to the Bank hereafter in these interim condensed consolidated financial statements refer to disclosures that are relevant only to the Bank and not collectively to the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Changes are made to the accounting policies of the subsidiaries when necessary to align with the accounting policies of the Group.

Subsidiaries are investees controlled by the Group. The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee. The financial statements of any such structured entities are consolidated from the date the Group obtains control and until the date when the Group ceases to control the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
Amounts in SAR'000
For the six-month periods ended June 30, 2023 and 2022

3. Basis of consolidation – continued

- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group acts as Fund Manager to several investment funds. Determining whether the Group controls individual investment funds usually focuses on the assessment of the aggregate economic interests of the Group in an individual 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.

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

4. Summary of significant accounting policies

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

Other Standards, amendments or interpretations

The following standards, amendments or interpretations effective for annual periods beginning on or after January 1, 2023, did not have a significant impact on the Group's interim condensed consolidated financial statements:

Standard, interpretation, amendments	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.	Annual periods beginning on or after January 01, 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.
Definition of Accounting Estimates – Amendments to IAS 8	The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.	Annual periods beginning on or after January 01, 2023.

THE SAUDI INVESTMENT BANK

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six-month periods ended June 30, 2023 and 2022

5. Cash and balances with SAMA and cash and cash equivalents

- a) Cash and balances with SAMA as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Cash on hand	1,010,383	721,189	945,012
Reverse repurchase agreement	3,250,000	2,276,000	8,529,000
Other balances, net	(54,087)	(147,260)	(109,541)
Cash and balances before statutory deposit	4,206,296	2,849,929	9,364,471
Statutory deposit	3,942,864	3,551,329	3,363,102
Cash and balances with SAMA	8,149,160	6,401,258	12,727,573

In accordance with the Banking Control Law and regulations issued by the Saudi Central Bank ("SAMA"), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its average demand, savings, time and other deposits, calculated at the end of each previous month. The statutory deposit with SAMA is not available to finance the Bank's day to day operations and therefore do not form a part of cash and cash equivalents.

- b) Cash and cash equivalents included in the interim condensed consolidated statement of cash flows as of June 30, 2023 and 2022 and as of December 31, 2022 are comprised of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Cash and balances with SAMA excluding statutory deposit (note 5a)	4,206,296	2,849,929	9,364,471
Due from banks and other financial institutions maturing within three months from the date of acquisition	2,178,743	1,306,452	3,029,583
Cash and cash equivalents	6,385,039	4,156,381	12,394,054

6. Due from banks and other financial institutions, net

Due from banks and other financial institutions, net as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Current accounts	1,693,769	1,109,990	2,772,427
Money market placements	486,636	196,462	257,194
Total due from banks and other financial institutions	2,180,405	1,306,452	3,029,621
Allowance for credit losses	(1,487)	(1,751)	(6,126)
Due from banks and other financial institutions, net	2,178,918	1,304,701	3,023,495

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7. Investments, net

a) Investments, net as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Held at amortized cost – debt securities	11,017,463	6,226,668	3,861,962
Allowance for credit losses	(3,588)	(2,826)	(2,230)
Held at amortized cost – debt securities, net	11,013,875	6,223,842	3,859,732
FVOCI – debt securities	20,445,882	21,765,769	24,139,694
FVOCI – equity securities	190,577	176,613	249,086
FVTPL	56,568	13,735	132,587
Investments, net	31,706,902	28,179,959	28,381,099

The Group holds strategic investments in equities totaling SAR 190.6 million as of June 30, 2023 (December 31, 2022: SAR 176.6 million, and June 30, 2022: SAR 240.4 million) including the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, SIMAH (the Saudi Credit Bureau), and the Saudi Company for Registration of Finance Lease Contracts.

As of June 30, 2023, investments include SAR 16.8 billion (December 31, 2022: SAR 12.5 billion, and June 30, 2022: SAR 13.5 billion) which have been pledged under repurchase agreements with other financial institutions. Refer note 9.

b) Investments, net are classified by counterparty as of June 30, 2023 and 2022 and as of December 31, 2022 as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Government and quasi-government	19,459,459	18,897,860	18,137,303
Corporate	4,364,878	4,496,381	4,745,344
Banks and other financial institutions	7,882,565	4,785,718	5,498,452
Total	31,706,902	28,179,959	28,381,099

c) The movement of the allowance for credit losses of investments for the six-month periods ended June 30, 2023 and 2022 and for the year ended December 31, 2022 is summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Balances at the beginning of the year/period	10,438	26,185	26,185
Provision for credit losses / (Reversals)	468	(15,747)	2,097
Balances at the end of the year/period	10,906	10,438	28,282

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7. Investments, net – continued

d) Investments, net as of June 30, 2023 and 2022 and as of December 31, 2022 by type of securities are summarized as follows:

	June 30, 2023 (Unaudited)			December 31, 2022 (Audited)			June 30, 2022 (Unaudited)		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
<u>Investments - FVOCI</u>									
Fixed rate debt securities	15,184,731	4,444,564	19,629,295	16,063,799	4,710,587	20,774,386	16,964,406	5,983,988	22,948,394
Bonds	6,376,356	3,678,514	10,054,870	6,831,775	3,931,578	10,763,353	7,342,618	5,194,393	12,537,011
Sukuk	8,808,375	766,050	9,574,425	9,232,024	779,009	10,011,033	9,621,788	789,595	10,411,383
Floating rate debt securities	816,587	-	816,587	819,893	171,490	991,383	1,022,206	169,094	1,191,300
Bonds	-	-	-	-	171,490	171,490	-	169,094	169,094
Sukuk	816,587	-	816,587	819,893	-	819,893	1,022,206	-	1,022,206
Total debt securities	16,001,318	4,444,564	20,445,882	16,883,692	4,882,077	21,765,769	17,986,612	6,153,082	24,139,694
Equities	190,577	-	190,577	176,613	-	176,613	249,086	-	249,086
Investments – FVOCI	16,191,895	4,444,564	20,636,459	17,060,305	4,882,077	21,942,382	18,235,698	6,153,082	24,388,780
<u>Investments – FVTPL</u>									
Mutual funds	53,660	-	53,660	10,034	-	10,034	121,817	-	121,817
Other securities	-	2,908	2,908	-	3,701	3,701	-	10,770	10,770
Investments – FVTPL	53,660	2,908	56,568	10,034	3,701	13,735	121,817	10,770	132,587
<u>Investments – amortized cost, net</u>									
Fixed rate debt securities	3,678,284	7,224,386	10,902,670	2,202,521	3,961,229	6,163,750	1,140,431	2,711,276	3,851,707
Bonds	2,084,747	7,037,782	9,122,529	1,057,889	3,774,353	4,832,242	-	2,524,108	2,524,108
Sukuk	1,593,537	186,604	1,780,141	1,144,632	186,876	1,331,508	1,140,431	187,168	1,327,599
Floating rate debt securities	101,959	9,246	111,205	50,977	9,115	60,092	-	8,025	8,025
Bonds	-	9,246	9,246	-	9,115	9,115	-	8,025	8,025
Sukuk	101,959	-	101,959	50,977	-	50,977	-	-	-
Investments – amortized cost, net	3,780,243	7,233,632	11,013,875	2,253,498	3,970,344	6,223,842	1,140,431	2,719,301	3,859,732
Investments, net	20,025,798	11,681,104	31,706,902	19,323,837	8,856,122	28,179,959	19,497,946	8,883,153	28,381,099

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7. Investments, net – continued

e) The composition of Investments, net as of June 30, 2023 and 2022 and as of December 31, 2022 is as follows:

	June 30, 2023 (Unaudited)			December 31, 2022 (Audited)			June 30, 2022 (Unaudited)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments - FVOCI									
Fixed rate debt securities	19,254,541	374,754	19,629,295	20,404,966	369,420	20,774,386	22,550,899	397,495	22,948,394
Bonds	10,054,870	-	10,054,870	10,763,353	-	10,763,353	12,537,011	-	12,537,011
Sukuk	9,199,671	374,754	9,574,425	9,641,613	369,420	10,011,033	10,013,888	397,495	10,411,383
Floating rate debt securities	-	816,587	816,587	171,490	819,893	991,383	169,094	1,022,207	1,191,301
Bonds	-	-	-	171,490	-	171,490	169,094	-	169,094
Sukuk	-	816,587	816,587	-	819,893	819,893	-	1,022,207	1,022,207
Total debt securities	19,254,541	1,191,341	20,445,882	20,576,456	1,189,313	21,765,769	22,719,993	1,419,702	24,139,695
Equities	185,934	4,643	190,577	171,970	4,643	176,613	235,809	13,276	249,085
Investments – FVOCI	19,440,475	1,195,984	20,636,459	20,748,426	1,193,956	21,942,382	22,955,802	1,432,978	24,388,780
Investments – FVTPL									
Mutual funds	53,660	-	53,660	-	10,034	10,034	110,530	11,287	121,817
Other securities	-	2,908	2,908	-	3,701	3,701	-	10,770	10,770
Investments – FVTPL	53,660	2,908	56,568	-	13,735	13,735	110,530	22,057	132,587
Investments – amortized cost, net									
Fixed rate debt securities	10,499,404	403,266	10,902,670	5,760,456	403,294	6,163,750	3,449,048	402,659	3,851,707
Bonds	9,122,529	-	9,122,529	4,832,242	-	4,832,242	2,524,108	-	2,524,108
Sukuk	1,376,875	403,266	1,780,141	928,214	403,294	1,331,508	924,940	402,659	1,327,599
Floating rate debt securities	9,246	101,959	111,205	9,115	50,977	60,092	8,025	-	8,025
Bonds	9,246	-	9,246	9,115	-	9,115	8,025	-	8,025
Sukuk	-	101,959	101,959	-	50,977	50,977	-	-	-
Investments – amortized cost, net	10,508,650	505,225	11,013,875	5,769,571	454,271	6,223,842	3,457,073	402,659	3,859,732
Investments, net	30,002,785	1,704,117	31,706,902	26,517,997	1,661,962	28,179,959	26,523,405	1,857,694	28,381,099

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7. Investments, net – continued

- f) Other reserves classified in shareholders' equity as of June 30, 2023 and 2022 and as of December 31, 2022 are comprised of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Unrealized (losses) on revaluation of debt securities at FVOCI before allowance for credit losses	(931,415)	(1,001,219)	(639,671)
Allowance for credit losses on debt securities at FVOCI	7,318	7,612	26,052
Unrealized (losses) on revaluation of debt securities at FVOCI after allowance for credit losses	(924,097)	(993,607)	(613,619)
Unrealized (losses) on revaluation of equities held at FVOCI	(186,643)	(204,035)	(129,501)
Actuarial losses on defined benefit plans	(8,751)	(8,751)	(25,298)
Share of other comprehensive loss of associates	(1,551)	(1,551)	(1,551)
Other reserves	(1,121,042)	(1,207,944)	(769,969)

8. Loans and advances, net

- a) Loans and advances, net classified as held at amortized cost as of June 30, 2023 and 2022 and as of December 31, 2022 and are summarized as follows:

	June 30, 2023 (Unaudited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1	58,565,159	4,353,213	10,112,212	73,030,584
Stage 2	2,701,704	749,145	63,588	3,514,437
Stage 3	975,170	564,758	10,014	1,549,942
Total performing loans and advances	62,242,033	5,667,116	10,185,814	78,094,963
Non performing loans and advances	-	1,034,334	97,383	1,131,717
Total loans and advances	62,242,033	6,701,450	10,283,197	79,226,680
Allowance for credit losses	(676,123)	(1,127,458)	(118,439)	(1,922,020)
Loans and advances, net	61,565,910	5,573,992	10,164,758	77,304,660

	December 31, 2022 (Audited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1	50,037,228	4,159,281	10,569,813	64,766,322
Stage 2	2,620,465	717,535	71,272	3,409,272
Stage 3	1,035,361	363,600	6,158	1,405,119
Total performing loans and advances	53,693,054	5,240,416	10,647,243	69,580,713
Non performing loans and advances	-	998,626	108,728	1,107,354
Total loans and advances	53,693,054	6,239,042	10,755,971	70,688,067
Allowance for credit losses	(759,481)	(914,783)	(130,605)	(1,804,869)
Loans and advances, net	52,933,573	5,324,259	10,625,366	68,883,198

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Amounts in SAR'000

For the six-month periods ended June 30, 2023 and 2022

8. Loans and advances, net - continued

	June 30, 2022 (Unaudited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1	42,560,145	4,974,113	10,247,734	57,781,992
Stage 2	1,691,454	1,745,559	62,403	3,499,416
Stage 3	974,480	831,521	884	1,806,885
Total performing loans and advances	45,226,079	7,551,193	10,311,021	63,088,293
Non performing loans and advances	26,767	1,083,451	128,908	1,239,126
Total loans and advances	45,252,846	8,634,644	10,439,929	64,327,419
Allowance for credit losses	(762,051)	(1,159,609)	(143,066)	(2,064,726)
Loans and advances, net	44,490,795	7,475,035	10,296,863	62,262,693

Total loans and advances include Shariah based loans and advances amounting to SAR 51.7 billion (December 31, 2022: SAR 47.3 billion; June 30, 2022: SAR 43.4 billion).

- b) The movement of the allowance for credit losses for the six-month periods ended June 30, 2023 and 2022 and for the year ended December 31, 2022 is summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Balances at the beginning of the year/period	1,804,869	1,962,615	1,962,615
Provision for credit losses	123,538	150,673	74,669
Write-offs	(37,860)	(608,748)	(33,694)
Recoveries	31,473	300,329	61,136
Balances at the end of the year/period (i)	1,922,020	1,804,869	2,064,726

- i. Owing to the challenging macro-economic conditions, the Group recognized an ECL provision of SAR 35.4 million as of June 30, 2023 (June 30, 2022: SAR 122 million) for its loans and advances portfolio as a result of post-model overlays.

9. Due to banks and other financial institutions, net

Due to banks and other financial institutions, net as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Current accounts	15,276	3,327	5,597
Repurchase agreements	15,738,048	12,976,300	14,143,703
Money market deposits	2,033,404	1,807,659	2,025,329
Deposits from SAMA, net	4,500,691	6,105,184	8,529,015
Total	22,287,419	20,892,470	24,703,644

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10. Customers' deposits

Customers' deposits as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Time deposits	46,964,194	35,603,680	28,993,912
Savings deposits	2,426,168	2,739,319	2,663,234
Total special commission bearing deposits	49,390,362	38,342,999	31,657,146
Demand deposits	29,624,381	27,766,576	32,395,420
Other deposits	3,649,458	3,468,951	3,406,007
Customers' deposits	82,664,201	69,578,526	67,458,573

Customers' deposits include Shariah based deposits amounting to SAR 41.8 billion (December 31, 2022: SAR 47.6 billion; June 30, 2022: SAR 49.0 billion).

11. Derivatives

- a) The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts as of June 30, 2023 and 2022 and as of December 31, 2022. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period / year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Group's exposure to credit risk, which is generally limited to the net positive fair value of the derivatives.

	June 30, 2023 (Unaudited)			December 31, 2022 (Audited)			June 30, 2022 (Unaudited)		
	Fair value		Notional amount	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Positive	Negative		Positive	Negative	
Held for trading:									
Forward foreign exchange contracts	5,711	4,971	6,012,006	1,642	6,234	4,251,090	7,855	9,582	1,764,495
Special commission rates instruments	275,884	279,078	15,206,396	290,803	291,282	16,298,410	290,284	288,316	15,393,203
Held as fair value hedges:									
Commission rate swaps	449,865	-	8,296,694	463,182	-	9,076,117	130,708	-	10,523,874
CSA / EMIR cash margins	4,772	(255,027)	-	(141,815)	(250,471)	-	216,444	(13,693)	-
Subtotal	736,232	29,022	29,515,096	613,812	47,045	29,625,617	645,291	284,205	27,681,572
Associated company put option (note 11c)	66,191	-	-	99,191	-	-	125,600	-	-
Total	802,423	29,022	29,515,096	713,003	47,045	29,625,617	770,891	284,205	27,681,572

- b) The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivatives Association ("ISDA") directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Bank are unified. As part of the master agreement, a credit support annex ("CSA") has also been signed. The CSA allows the Bank to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the counterparty.

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11. Derivatives - continued

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation ("EMIR"). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter ("OTC") derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party ("CCP") through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

As of June 30, 2023, the CSA and EMIR net cash collateral amounts held by counterparties in favor of the Bank totaled SAR 250.3 million (December 31, 2022: SAR 108.6 million, and June 30, 2022: SAR 230.1 million). The EMIR net cash margins include initial margin payments made to counterparties.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted / offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the assets and settle the liability simultaneously.

- c) The Bank has a put option arising from an existing master agreement entered into by the Bank relating to an associated company, the estimated value of which is included in note 11a. The terms of the agreement give the Bank a put option and give the counter party a call option that is exercisable for the remaining term of the agreement. The Bank has valued only the put option, as the call option is deemed to be out of the money. The put option, once exercised, grants the Bank the right to receive a payment in exchange for its shares one year after the exercise, based on pre-determined formulas included in the agreement.

12. Commitments, contingencies, and financial guarantee contracts

- a) The Group's credit-related commitments and contingencies as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Letters of credit	2,177,256	2,490,701	2,289,344
Letters of guarantee	10,515,623	9,733,193	8,598,146
Acceptances	816,741	1,078,273	753,125
Total financial guarantee contracts	13,509,620	13,302,167	11,640,615
Irrevocable commitments to extend credit	1,742,861	2,674,461	220,885
Credit-related commitments and contingencies	15,252,481	15,976,628	11,861,500

- b) The credit quality of financial guarantee contracts as of June 30, 2023 and 2022 and as of December 31, 2022 are summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Stage 1	13,002,311	12,873,094	10,970,096
Stage 2	285,255	238,636	471,864
Stage 3	222,054	190,437	198,655
Total	13,509,620	13,302,167	11,640,615

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For the six-month periods ended June 30, 2023 and 2022

12. Commitments, contingencies, and financial guarantee contracts - continued

- c) The movement of the allowance for credit losses for financial guarantee contracts for the six-month periods ended June 30, 2023 and 2022 and for the year ended December 31, 2022 is summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Balances at the beginning of the year/period	241,688	204,131	204,131
Provision for credit losses	28,683	37,557	10,841
Balances at the end of the year/period	270,371	241,688	214,972

- d) The Group is subject to legal proceedings in the ordinary course of business. No provision has been made in cases where professional legal advice indicates that it is not probable that any significant loss will arise. However, provisions are made for legal cases where management foresees the probability of an adverse outcome based on professional advice.

13. Operating segments

- a) Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Bank's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. Performance is measured based on segment profit, as management believes that this indicator is the most relevant in evaluating the results of certain segments relative to other entities that operate within these sectors.

Transactions between the operating segments are on normal commercial terms and conditions as approved by management. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated statement of income. Segment assets and liabilities are comprised of operating assets and liabilities. The Group's primary business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the measurement basis for the segment profit or loss.

The Group's reportable segments are as follows:

Retail banking. Loans, deposits, and other credit products for high-net worth individuals and consumers.

Corporate banking. Loans, deposits and other credit products for corporate, small to medium-sized businesses, and institutional customers.

Treasury and Investments. Money market, investments and treasury services, and investments in associates and related activities.

Asset management and brokerage. Dealing, managing, advising and custody of securities services.

Other. Support functions, special credit, and other management and control units.

Commission is charged to operating segments based on Funds Transfer Price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits (FTP net transfers). All other segment income is from external customers.

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For the six-month periods ended June 30, 2023 and 2022

13. Operating segments - continued

- b) The segment information provided to the Bank's Board of Directors for the reportable segments for the Group's total assets and liabilities as of June 30, 2023 and 2022, and its total operating income, expenses, and Income before provisions for Zakat for the six month periods then ended, are as follows:

	June 30, 2023 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury and Investments	Asset Management and Brokerage	Other	Total
Total assets	21,820,610	55,495,075	42,692,416	732,861	2,853,570	123,594,532
Total liabilities	22,894,907	7,818,419	73,277,292	55,671	2,853,257	106,899,546
Net special commission income (loss)	459,802	1,807,762	(554,748)	27,237	(34,860)	1,705,193
FTP net transfers	92,378	(1,196,205)	1,096,168	-	7,659	-
Net FTP contribution	552,180	611,557	541,420	27,237	(27,201)	1,705,193
Fee income / (loss) from banking services, net	10,297	55,609	15,681	77,624	(7,602)	151,609
Other operating income (loss)	48,062	38,663	89,875	2,229	(86,726)	92,103
Total operating income (loss)	610,539	705,829	646,976	107,090	(121,529)	1,948,905
Direct operating expenses	187,811	37,944	24,063	51,113	-	300,931
Indirect operating expenses	210,518	110,522	205,255	-	-	526,295
Provisions for credit and other losses	54,049	106,581	201	79	-	160,910
Total operating expenses	452,378	255,047	229,519	51,192	-	988,136
Operating income (loss)	158,161	450,782	417,457	55,898	(121,529)	960,769
Share in earnings of associates	-	-	30,778	-	-	30,778
Income (loss) before provisions for Zakat	158,161	450,782	448,235	55,898	(121,529)	991,547

	June 30, 2022 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury and Investments	Asset Management and Brokerage	Other	Total
Total assets	20,256,167	41,507,565	44,826,670	658,704	3,548,792	110,797,898
Total liabilities	23,718,200	10,416,355	58,354,036	54,771	1,528,134	94,071,496
Net special commission income (loss)	345,297	733,597	189,450	21,024	(27,992)	1,261,376
FTP net transfers	116,657	(300,572)	174,854	-	9,061	-
Net FTP contribution	461,954	433,025	364,304	21,024	(18,931)	1,261,376
Fee income from banking services, net	26,650	52,828	11,834	83,716	(7,016)	168,012
Other operating income (loss)	40,820	33,663	58,321	1,886	(74,481)	60,209
Total operating income (loss)	529,424	519,516	434,459	106,626	(100,428)	1,489,597
Direct operating expenses	162,201	35,383	22,449	53,167	-	273,200
Indirect operating expenses	164,376	86,298	160,266	-	-	410,940
Provisions for credit and other losses	49,200	42,529	(409)	47	-	91,367
Total operating expenses	375,777	164,210	182,306	53,214	-	775,507
Operating income (loss)	153,647	355,306	252,153	53,412	(100,428)	714,090
Share in earnings of associates	-	-	26,967	-	-	26,967
Income (loss) before provisions for Zakat	153,647	355,306	279,120	53,412	(100,428)	741,057

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Amounts in SAR'000**For the six-month periods ended June 30, 2023 and 2022****14. Fair values of financial instruments**

- a) The Group measures certain financial instruments, such as derivatives, at fair value at each interim condensed consolidated statement of financial position date.

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 to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to or by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated statement of financial position are categorized within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1. Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date (i.e. without modification or proxy);

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.

For assets and liabilities that are recognized in the interim consolidated statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting date.

The Group determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for any non-recurring measurement, such as assets held for distribution in discontinued operations.

External subject matter experts are involved from time to time for the valuation of certain assets. Involvement of external subject matter experts is decided upon annually. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

At each financial reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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Amounts in SAR'000

For the six-month periods ended June 30, 2023 and 2022

14. Fair values of financial instruments - continued

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics, and the related risks of the asset or liability, and the level of the fair value hierarchy as explained above.

- b) The following table summarizes the fair values of financial assets and financial liabilities by level of fair value hierarchy recorded at fair value as of June 30, 2023 and 2022 and as of December 31, 2022. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	June 30, 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	736,232	66,191	802,423
Investments at FVOCI	19,440,475	1,191,341	4,643	20,636,459
Investments at FVTPL	-	53,660	2,908	56,568
Total	19,440,475	1,981,233	73,742	21,495,450
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	29,022	-	29,022
Total	-	29,022	-	29,022
December 31, 2022 (Audited)				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	613,812	99,191	713,003
Investments at FVOCI	20,748,426	1,189,313	4,643	21,942,382
investments at FVTPL	-	-	13,735	13,735
Total	20,748,426	1,803,125	117,569	22,669,120
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	47,045	-	47,045
Total	-	47,045	-	47,045
June 30, 2022 (Unaudited)				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	645,291	125,600	770,891
Investments at FVOCI	22,955,802	1,419,702	13,276	24,388,780
Investments at FVTPL	110,530	-	22,057	132,587
Total	23,066,332	2,064,993	160,933	25,292,258
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	284,205	-	284,205
Total	-	284,205	-	284,205

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Amounts in SAR'000**For the six-month periods ended June 30, 2023 and 2022****14. Fair values of financial instruments - continued**

The value obtained from any relevant valuation model may differ with a transaction price of a financial instrument. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss'. It is either amortized over the life of the transaction, 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 interim condensed consolidated statement of comprehensive income without reversal of deferred day one profits and losses.

The total amount of the changes in fair value recognized in the June 30, 2023 interim condensed consolidated statement of income, which was estimated using valuation models, is SAR 33 million loss (June 30, 2022: SAR 38 million loss).

Level 2 investments include debt securities which are comprised of Saudi corporate and bank securities, and Saudi Arabian Government securities. These securities are generally unquoted. In the absence of a quoted price in an active market, these securities are valued using observable inputs such as yield information for similar instruments or last executed transaction prices in securities of the same issuer or based on indicative market quotes. Adjustments are also considered as part of the valuations when necessary to account for the different features of the instruments including difference in tenors. Because the significant inputs for these investments are observable, the Bank categorizes these investments within Level 2.

Level 2 derivative financial instruments include various derivatives contracts including forward foreign exchange contracts, foreign exchange options, commission rate options, and commission rate swaps. These derivatives are valued using widely recognized valuation models. The most frequently applied valuation techniques include the use of forward pricing standard models using present value calculations and well-recognized Black - Scholes option pricing models. These models incorporate various market observable inputs including foreign exchange rates, forward rates, and yield curves, and are therefore included within Level 2.

Level 3 investments includes private equity funds and certain unquoted strategic investments in equities. These securities are generally not quoted in an active market, and therefore are valued using indicative market quotes from an issuer / counter-party or valued at cost in the absence of any such alternative reliable indicative estimate.

Level 3 derivative financial instruments include the embedded derivative put option arising from an existing master agreement entered into by the Bank relating to its investment in an associated company (see note 11c). For purposes of determining the fair value of the put option, the Bank uses a well-recognized and frequently used Binomial Option Pricing Model. This model requires certain inputs which are not observable in the current market place. Certain inputs are specifically stated within the master agreement with the associated company. Other inputs are based on the historical results of the associated company. These other inputs may require management's judgement including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. Several of the inputs are also interdependent.

Should the significant estimations of inputs vary by plus or minus ten percent, the fair value could increase or decrease by approximately SAR 21.2 million (June 30, 2022: SAR 33.1 million) due to estimating operating results of the associated company, could increase or decrease by approximately SAR 10.5 million (June 30, 2022: SAR 14.6 million) due to estimating the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and could increase or decrease by approximately SAR 12.3 million (June 30, 2022: SAR 16.1 million) due to estimating the fair value of the underlying investment.

In all respects, the Group's significant estimates are based on experience and judgement relevant to each input, and in all cases, due care is taken to ensure that the inputs are prudent to ensure that the estimation of fair value is reasonable in the circumstances. However, any amounts which may be realized in the future may differ from the Group's estimates of fair value.

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Amounts in SAR'000

For the six-month periods ended June 30, 2023 and 2022

14. Fair values of financial instruments - continued

- c) The movement of the Level 3 fair values for the six-month periods ended June 30, 2023 and 2022, and for the year ended December 31, 2022 is summarized as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Fair values at the beginning of the year/period	117,569	201,764	201,764
Net change in fair value	(43,827)	(82,907)	(40,831)
Sales during the year	-	(1,288)	-
Fair values at the end of the year/period	73,742	117,569	160,933

There were no transfers from either level 1 or level 2 to either level 2 or level 3 during the six months period ended June 30, 2023.

- d) The estimated fair values of financial assets and financial liabilities as of June 30, 2023, and 2022 and as of December 31, 2022 that are not carried at fair value in the interim condensed consolidated financial statements, along with the comparative carrying amounts for each are summarized as follows:

	June 30, 2023 (Unaudited)	
	Carrying values	Estimated fair values
Financial assets:		
Due from banks and other financial institutions, net	2,178,918	2,178,918
Investments held at amortized cost, net	11,013,875	10,748,987
Loans and advances, net	77,304,660	76,896,286
Total	90,497,453	89,824,191
Financial liabilities:		
Due to banks and other financial institutions, net	22,287,419	22,287,419
Customers' deposits	82,664,201	82,370,793
Total	104,951,620	104,658,212
	December 31, 2022 (Audited)	
	Carrying values	Estimated fair values
Financial assets:		
Due from banks and other financial institutions, net	1,304,701	1,304,701
Investments – held at amortized cost, net	6,223,842	5,965,667
Loans and advances, net	68,883,198	66,342,387
Total	76,411,741	73,612,755
Financial liabilities:		
Due to banks and other financial institutions, net	20,892,470	20,892,470
Customers' deposits	69,578,526	68,939,563
Total	90,470,996	89,832,033

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Amounts in SAR'000
For the six-month periods ended June 30, 2023 and 2022
14. Fair values of financial instruments - continued

	June 30, 2022 (Unaudited)	
	Carrying values	Estimated fair values
Financial assets:		
Due from banks and other financial institutions, net	3,023,495	3,023,495
Investments – held at amortized cost, net	3,859,732	3,645,310
Loans and advances, net	62,262,693	62,981,991
Total	69,145,920	69,650,796
Financial liabilities:		
Due to banks and other financial institutions, net	24,703,644	24,703,644
Customers' deposits	67,458,573	66,129,510
Total	92,162,217	90,833,154

The estimated fair values of loans and advances, net are calculated using market based discounted cash flow models of individual loan portfolios using the weighted average estimated maturities of each individual loan portfolio. The estimated fair values of customers' deposits are calculated using market based discounted cash flow models of individual deposit classes using the weighted average estimated maturities of each individual deposit class. The fair value for investments held at amortized cost are considered as level 1 in the fair value hierarchy. The fair value estimates for due from banks and other financial institutions, due to banks and other financial institutions, loans and advances, net and customers' deposits are considered as level 3 in the fair value hierarchy.

The fair values of other financial instruments that are not carried in the interim condensed consolidated financial statements at fair value are not significantly different from the carrying values. The fair values of due from banks and other financial institutions and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the special commission rates at initial recognition, and because of the short duration of due from banks and other financial institutions.

15. Credit and financial risk management
a) Credit Risk

The Group manages its exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in customer lending activities that lead to loans and advances, and other investment activities. There is also credit risk in off consolidated statement of financial position financial instruments, such as loan commitments and financial guarantee contracts. The Group assesses the Probability of Default (PD) of counterparties using internal rating tools which can be mapped to external ratings where available. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation, and to control the level of credit risk taken. The Group assesses wholesale counterparties using the same techniques as for its lending activities to clients.

Concentrations of credit risk arise when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
Amounts in SAR'000**For the six-month periods ended June 30, 2023 and 2022****15. Credit and financial risk management – continued**

The Group has a comprehensive Board approved framework for managing credit risk, which includes an independent credit risk, review function and credit risk monitoring process. The Group seeks to control credit risk by monitoring credit exposures, limiting concentration risks, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are regularly monitored. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

b) Credit Risk management

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations, business, or economic sectors.

The Group uses a credit classification system as a tool to assist in managing the quality of credit risk within the lending portfolio. It maintains classification grades that differentiate between portfolios and allocates expected credit loss allowances. The Group determines each individual borrower's grade based on specific objective and subjective financial and business assessment criteria covering debt service, profitability, liquidity, capital structure, industry, management quality, and company standing. The Group conducts periodic quality classification exercises over all of its existing borrowers and the results of these exercises are validated by the independent risk management unit established for that purpose. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, external economic environment, emerging best practices, and regulatory guidance.

c) Credit Risk Mitigation ("CRM")

The Group in the ordinary course of lending activities holds collateral as security for Credit Risk Mitigation (CRM) on its lending portfolio. The collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets. The collateral is held mainly against commercial and similar loans and is managed against relevant exposures at their net realizable value. Management monitors the market value of collateral, requests additional collateral in accordance with underlying agreements, and assesses the adequacy of the allowance for credit losses. The Group also seeks additional collateral from counterparties when impairment indicators are observed.

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15. Credit and financial risk management - continued

d) Reconciliations of gross carrying amounts and allowance for credit losses

Due from banks and other financial institutions

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for due from banks and other financial institutions for the six-month periods ended June 30, 2023 and 2022 is summarized as follows:

		June 30, 2023 (Unaudited)							
		Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2022		1,305,673	779	-	1,306,452	1,661	90	-	1,751
Changes in exposures and re-measurements		873,180	773	-	873,953	(276)	12	-	(264)
Balances as of June 30, 2023		2,178,853	1,552	-	2,180,405	1,385	102	-	1,487

		June 30, 2022 (Unaudited)							
		Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021		5,453,353	1,057	-	5,454,410	8,465	167	-	8,632
Changes in exposures and re-measurements		(2,424,964)	175	-	(2,424,789)	(2,532)	26	-	(2,506)
Balances as of June 30, 2022		3,028,389	1,232	-	3,029,621	5,933	193	-	6,126

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15. Credit and financial risk management - continued**d) Reconciliations of gross carrying amounts and allowance for credit losses - continued****Investments – debt securities**

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for debt securities for the six-month periods ended June 30, 2023 and 2022 is summarized as follows:

	June 30, 2023 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2022	27,992,437	-	-	27,992,437	10,438	-	-	10,438
Changes in exposures and re-measurements	3,470,908	-	-	3,470,908	468	-	-	468
Balances as of June 30, 2023	31,463,345	-	-	31,463,345	10,906	-	-	10,906

	June 30, 2022 (Unaudited)							
	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	28,343,072	-	-	28,343,072	26,185	-	-	26,185
Changes in exposures and re-measurements	(341,416)	-	-	(341,416)	2,097	-	-	2,097
Balances as of June 30, 2022	28,001,656	-	-	28,001,656	28,282	-	-	28,282

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For the six-month periods ended June 30, 2023 and 2022

15. Credit and financial risk management - continued

d) Reconciliations of gross carrying amounts and allowance for credit losses - continued

Loans and advances

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for loans and advances for the six-month periods ended June 30, 2023 and 2022 is summarized as follows:

June 30, 2023 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2022	64,766,322	3,409,272	2,512,473	70,688,067	362,199	328,272	1,114,398	1,804,869
Transfers from Stage 1 to Stage 2	(456,050)	456,050	-	-	(2,154)	11,516	-	9,362
Transfers from Stage 1 to Stage 3	(68,745)	-	68,745	-	(1,338)	-	35,009	33,671
Transfers from Stage 2 to Stage 1	69,498	(69,498)	-	-	799	(2,926)	-	(2,127)
Transfers from Stage 2 to Stage 3	-	(104,559)	104,559	-	-	(4,240)	41,331	37,091
Transfers from Stage 3 to Stage 1	1,769	-	(1,769)	-	26	-	(876)	(850)
Transfers from Stage 3 to Stage 2	-	738	(738)	-	-	147	(499)	(352)
Post-model overlays	-	-	-	-	(15,251)	(1,125)	8,522	(7,854)
Changes in exposures and re-measurements	8,717,790	(177,566)	4,776	8,545,000	74	(15,192)	69,715	54,597
Net movement for the period	8,264,262	105,165	175,573	8,545,000	(17,844)	(11,820)	153,202	123,538
Write-offs, net	-	-	(6,387)	(6,387)	-	-	(6,387)	(6,387)
Balances as of June 30, 2023	73,030,584	3,514,437	2,681,659	79,226,680	344,355	316,452	1,261,213	1,922,020

June 30, 2022 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	52,870,856	4,205,369	2,692,122	59,768,347	342,068	423,593	1,196,954	1,962,615
Transfers from Stage 1 to Stage 2	(388,605)	388,605	-	-	(3,550)	11,423	-	7,873
Transfers from Stage 1 to Stage 3	(80,840)	-	80,840	-	(949)	-	42,958	42,009
Transfers from Stage 2 to Stage 1	341,138	(341,138)	-	-	2,237	(6,632)	-	(4,395)
Transfers from Stage 2 to Stage 3	-	(332,598)	332,598	-	-	(54,072)	163,139	109,067
Transfers from Stage 3 to Stage 1	3,901	-	(3,901)	-	30	-	(2,332)	(2,302)
Transfers from Stage 3 to Stage 2	-	43,166	(43,166)	-	-	4,764	(17,521)	(12,757)
Post-model overlays	-	-	-	-	(49,044)	(28,434)	(25,555)	(103,033)
Changes in exposures and re-measurements	5,035,542	(463,988)	(39,924)	4,531,630	22,447	(1,763)	17,523	38,207
Net movement for the period	4,911,136	(705,953)	326,447	4,531,630	(28,829)	(74,714)	178,212	74,669
Write-offs, net	-	-	27,442	27,442	-	-	27,442	27,442
Balances as of June 30, 2022	57,781,992	3,499,416	3,046,011	64,327,419	313,239	348,879	1,402,608	2,064,726

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15. Credit and financial risk management - continued

d) Reconciliations of gross carrying amounts and allowance for credit losses - continued

Financial guarantee contracts

A reconciliation from the opening to the closing balances of the gross carrying amounts and allowances for credit losses for financial guarantee contracts for the six-month periods ended June 30, 2023 and 2022 is summarized as follows:

June 30, 2023 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2022	12,873,094	238,636	190,437	13,302,167	84,756	25,127	131,805	241,688
Transfers from Stage 1 to Stage 2	(112,784)	112,784	-	-	(1,195)	1,746	-	551
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	429	(429)	-	-	1	(3)	-	(2)
Transfers from Stage 2 to Stage 3	-	(43,322)	43,322	-	-	(4,083)	20,168	16,085
Transfers from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
Changes in exposures and re-measurements	241,572	(22,414)	(11,705)	207,453	5,576	(910)	7,383	12,049
Net movement for the period	129,217	46,619	31,617	207,453	4,382	(3,250)	27,551	28,683
Balances as of June 30, 2023	13,002,311	285,255	222,054	13,509,620	89,138	21,877	159,356	270,371

June 30, 2022 (Unaudited)

	Gross Carrying Amounts SAR'000				Allowances for credit losses SAR '000			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances as of December 31, 2021	11,377,970	685,228	400,432	12,463,630	74,558	38,718	90,855	204,131
Transfers from Stage 1 to Stage 2	(57,998)	57,998	-	-	(1,341)	4,238	-	2,897
Transfers from Stage 1 to Stage 3	(12,575)	-	12,575	-	(98)	-	6,024	5,926
Transfers from Stage 2 to Stage 1	150,393	(150,393)	-	-	1,998	(5,705)	-	(3,707)
Transfers from Stage 2 to Stage 3	-	(80,344)	80,344	-	-	(23,869)	38,723	14,854
Transfers from Stage 3 to Stage 2	-	2,190	(2,190)	-	-	14	(219)	(205)
Changes in exposures and re-measurements	(487,694)	(42,815)	(292,506)	(823,015)	(3,574)	(752)	(4,598)	(8,924)
Net movement for the period	(407,874)	(213,364)	(201,777)	(823,015)	(3,015)	(26,074)	39,930	10,841
Balances as of June 30, 2022	10,970,096	471,864	198,655	11,640,615	71,543	12,644	130,785	214,972

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16. Basic and diluted earnings per share

Details of basic and diluted earnings per share for the three month and six month periods ended June 30, 2023 and 2022 are as follows:

	Three month period ended		Six-month period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income	443,792	320,650	852,699	607,666
Tier I Sukuk costs	(66,646)	(28,551)	(85,156)	(43,551)
Net income adjusted for Tier I Sukuk costs	377,146	292,099	767,543	564,115
Weighted average number of outstanding shares (in '000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share (SAR)	0.38	0.29	0.77	0.56

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.

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

The following table summarizes the Bank's Pillar I Risk Weighted Assets (RWA), Tier I and Tier II Capital, and corresponding Capital adequacy ratio percentages as of June 30, 2023 and 2022 and as of December 31, 2022.

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
Credit Risk RWA	76,215,452	89,789,240	81,872,030
Operational Risk RWA	4,000,357	5,410,981	5,091,578
Market Risk RWA	6,941,069	3,010,686	740,561
Total Pillar- I RWA	87,156,878	98,210,907	87,704,169
Tier I Capital	16,950,876	17,319,772	17,256,478
Tier II Capital	569,499	574,960	541,143
Total Tier I plus Tier II Capital	17,520,375	17,894,732	17,797,621
Capital Adequacy Ratios:			
CET I Ratio	16.02%	13.80%	15.38%
Tier I Ratio	19.45%	17.64%	19.68%
Tier I plus Tier II Ratio	20.10%	18.22%	20.29%

Capital adequacy and the use of Regulatory capital are regularly monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total Regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

As of June 30, 2023 and 2022, and as of December 31, 2022, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III.

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17. Capital adequacy - continued

SAMA under its circular no. 391000029731 dated 15 Rabi Al Awwal 1439H (corresponding to December 3, 2017) on the ECL accounting transitional arrangement for regulatory capital, allowed banks to transition the Day 1 impact of IFRS 9 on regulatory capital over five years by using a dynamic approach to reflect the impact of the transition.

In April 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". Under the guidance, banks have been allowed to add-back up to 100% of the Day 1 impact of IFRS 9 as a transitional adjustment amount to Common Equity Tier 1 (CET1) for the two-year periods comprising 2020 and 2021. The add-back amount is then required to be phased-out on a straight-line basis over the subsequent 3 years. In this respect, the Group has opted to apply the transitional adjustment, and has included the Day 1 impact of IFRS 9 in its Tier I regulatory capital. As a result, the IFRS 9 transitional adjustment add back has reduced to SAR 274.2 million as of June 30, 2023 from SAR 548.3 million as of June 30, 2022 and December 31, 2022.

18. Related party disclosures

- a) In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and regulations issued by SAMA.
- b) The balances as of June 30, 2023 and 2022 and as of December 31, 2022, resulting from such transactions included in the consolidated financial statements are as follows:

	Jun. 30, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	Jun. 30, 2022 (Unaudited)
Management of the Bank, their relatives and/or their affiliated entities:			
Loans and advances	182,037	248,303	243,096
Customers' deposits	877,301	2,134,535	465,808
Tier I Sukuk	25,300	25,300	25,300
Commitments and contingencies	775,520	508,353	557,578
Investments	249,887	607,740	249,887
Principal shareholders of the Bank and its management:			
Customers' deposits	5,613,321	3,823,077	4,509,027
Tier I Sukuk	50,000	50,000	50,000
Affiliates of the Bank, entities for which the investment is accounted for by the equity method of accounting, their management and relatives:			
Loans and advances	1,325,546	1,805,981	958,444
Customers' deposits	915,466	442,785	347,152
Tier I Sukuk	12,000	12,000	12,000
Commitments, contingencies and derivatives	308,334	277,259	102,050
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:			
Customers' deposits and other liabilities	272,410	303,092	250,461

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18. Related party disclosures - continued

- c) Income and expense for the six-month periods ended June 30, 2023 and 2022, pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	Jun. 30, 2023 (Unaudited)	Jun. 30, 2022 (Unaudited)
Management of the Bank, their relatives and/or their affiliated entities:		
Special commission income	23,737	14,917
Special commission expense	28,355	5,255
Other expense	19,539	21,613
Fee income from banking services	21	24
Principal shareholders of the Bank and its management:		
Special commission expense	73,621	16,481
Rent and premises-related expenses (Building rental)	3,879	3,879
Affiliates of the Bank, entities for which the investment is accounted for by the equity method of accounting, their management and relatives:		
Special commission income	111,174	19,282
Special commission expense	13,227	215
Fee income from banking services	122	694
Other income	3,633	4,364
Other expense	5,347	2,415
Board of Directors and other Board Committee member remuneration	3,953	4,301

19. Tier I Sukuk

The Bank completed the establishment of a Shari'a compliant Tier I Sukuk Program (the Program) in 2016. The Program was approved by the Bank's regulatory authorities and shareholders. The following tranches of Tier I Sukuk issued under the program on the dates indicated below are outstanding as of June 30, 2023 and 2022 and as of December 31, 2022:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	June 30, 2022 (Unaudited)
March 21, 2018	-	1,000,000	1,000,000
April 15, 2019	215,000	215,000	215,000
June 29, 2022	2,000,000	2,000,000	2,000,000
February 6, 2023	500,000	-	-
Total	2,715,000	3,215,000	3,215,000

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

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

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20. Zakat

- a) The Bank has filed the required Zakat declarations with the Zakat, Tax, and Customs Authority ("ZATCA") which are due on April 30 each year, through the year ended December 31, 2022. The bank calculated the provision for Zakat during the period in accordance with the guidelines issued by ZATCA.

On March 14, 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it will not fall below the minimum floor nor would exceed the maximum cap as prescribed by the Rules.

- b) During 2018, the Bank agreed to settle prior year Zakat assessments with the ZATCA for the years 2006 to 2017. The settlement totaled SAR 775 million. The outstanding balance of approximately SAR 124 million is payable in December 2023.

21. Dividend and Bonus shares issuance

During the three-month period ended December 31, 2021, the Board of Directors proposed cash dividend of SAR 525 million equal to SAR 0.7 per share to 750 million eligible shares. The Board of Directors also proposed capital increase by way of issuing bonus shares to the bank's shareholders by granting one share for every three shares held. The capital increase was proposed by way of capitalization from statutory reserve. The proposed cash dividend and bonus shares issuance was approved by the Bank's shareholders in an extraordinary general assembly meeting held on February 1, 2022. During the six-month period ended June 30, 2022, the cash dividends were paid, bonus shares were distributed and share capital was accordingly increased.

During the three-month period ended December 31, 2022, the Board of Directors proposed another cash dividend of SAR 450 million equal to SAR 0.45 per share, for the second half of 2022, to 1,000 million eligible shares. The proposed cash dividend was approved by the Bank's shareholders in an ordinary general assembly meeting held on April 10, 2023. During the six-month period ended June 30, 2023, the cash dividends were paid.

22. IBOR ("Interbank Offer Rate") Transition - Interest Rate Benchmark Reforms

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

The bank had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Bank has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of June 30, 2023, most of the impacted financial instruments have transitioned to alternate reference rate except for few complex legacy contracts referencing USD IBOR and transactions which will be repriced after 30 June, 2023, and will transition to alternate rate at the next repricing date. The Bank has no exposure to any other LIBOR rates.

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23. Prospective changes to the International Financial Reporting Framework

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2024. The standards and amendments, when applicable, will not have any material impact to the group Financial Statements.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or 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	1 January 2024
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

24. Comparative Figures

Certain prior period amounts have been reclassified to conform to current period presentation. However, there was no impact of such reclassifications on the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows.

25. Events after the reporting date

Subsequent to period end, the Bank announced the Board of Directors resolution to distribute an interim dividend of SAR 0.40 per share amounting to SAR 400 million. The dividends will be paid to the shareholders during the third quarter.

There were no other events after the reporting date which require disclosure or adjustment to these interim condensed consolidated financial statements.