

# Riyad Bank

(A Saudi Joint Stock Company)

Interim condensed consolidated financial statements  
for period ended 30 September 2023



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

Head Office  
Al Faisaliah Office Tower, 14th Floor  
King Fahad Road, P.O. Box 2732  
Riyadh 11461  
Kingdom of Saudi Arabia

C.R. No. 1010383821  
Tel: +966 11 215 9898  
+966 11 273 4740  
Fax: +966 11 273 4730  
ey.ksa@sa.ey.com  
ey.com\_

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To: THE SHAREHOLDERS OF RIYAD BANK  
(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2023, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes (collectively referred to as the "interim condensed consolidated financial statements").

The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

We conducted our review in accordance with 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 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 (19) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (19) to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

**PricewaterhouseCoopers**

**Bader I. Benmohareb**  
Certified Public Accountant  
License No. 471



PricewaterhouseCoopers, License No. 25,  
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of  
Saudi Arabia  
T: +966 (11) 211-0400, F: +966 (11) 211-0401,  
www.pwc.com/middle-east

**For Ernst & Young Professional Services**

**Hesham A. Alatiqi**  
Certified Public Accountant  
License No. 523

14 Rabi Al-Thani 1445H  
(29 October 2023)



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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	30 September 2023 SAR'000 Note	31 December 2022 SAR'000 (Audited)	30 September 2022 SAR'000 (Unaudited)
<b>ASSETS</b>			
Cash and balances with Saudi Central Bank (SAMA), net	<b>26,608,637</b>	33,366,652	23,782,388
Due from banks and other financial institutions, net	<b>12,004,290</b>	20,613,232	20,202,195
Positive fair value of derivatives	6 <b>5,085,449</b>	3,790,841	3,699,840
Investments, net	7 <b>57,882,296</b>	52,196,120	53,245,812
- Investment at fair value through income statement (FVIS)	<b>1,437,222</b>	1,363,419	1,344,045
- Investment at amortised cost, net	<b>36,629,338</b>	33,366,959	35,305,949
- Investments at fair value through other comprehensive income(FVOCI)	<b>19,815,736</b>	17,465,742	16,595,818
Loans and advances, net	8 <b>267,150,996</b>	242,364,947	241,585,644
Other assets	<b>3,555,167</b>	3,175,946	1,309,013
Investment in associates	<b>376,000</b>	371,215	569,210
Other real estate, net	<b>424,737</b>	465,249	324,030
Property, equipment and right of use assets, net	<b>3,924,065</b>	3,308,655	3,162,786
<b>Total assets</b>	<b>377,011,637</b>	359,652,857	347,880,918
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	<b>34,047,518</b>	38,760,068	38,346,511
Negative fair value of derivatives	6 <b>4,851,586</b>	2,854,285	2,888,396
Customer deposits	9 <b>254,719,260</b>	240,007,085	235,891,686
Debt securities in issue and term loan	10 <b>13,201,404</b>	8,758,419	8,672,495
Other liabilities	<b>12,747,723</b>	13,099,651	12,486,646
<b>Total liabilities</b>	<b>319,567,491</b>	303,479,508	298,285,734
<b>Shareholders' equity</b>			
Share capital	<b>30,000,000</b>	30,000,000	30,000,000
Treasury shares	11 <b>(165,912)</b>	-	-
Statutory reserve	<b>10,942,054</b>	10,942,054	9,187,224
Other reserves	<b>(1,278,395)</b>	(790,260)	(1,708,070)
Retained earnings	<b>11,383,561</b>	7,500,430	9,296,630
Proposed dividends	-	1,950,000	-
<b>Equity attributable to the shareholders of the Bank</b>	<b>50,881,308</b>	49,602,224	46,775,784
<b>Tier 1 Sukuk</b>	<b>6,562,838</b>	6,571,125	2,819,400
<b>Total equity</b>	<b>57,444,146</b>	56,173,349	49,595,184
<b>Total liabilities and equity</b>	<b>377,011,637</b>	359,652,857	347,880,918

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

  
Abdullah A. Al-Oraini  
Chief Financial Officer

  
Tareq A. Al-Sadhan  
Chief Executive Officer

  
Eng. Abdullah M. Al-Issa  
Chairman of the Board

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)**

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2023	2022	2023	2022
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		5,307,606	3,527,247	15,005,640	8,815,253
Special commission expense		2,232,735	855,058	5,733,304	1,614,459
<b>Net special commission income</b>		<b>3,074,871</b>	<b>2,672,189</b>	<b>9,272,336</b>	<b>7,200,794</b>
Fee and commission income		968,628	860,283	2,731,778	2,640,268
Fee and commission expense		321,510	267,899	901,621	802,285
<b>Fee and commission income, net</b>		<b>647,118</b>	<b>592,384</b>	<b>1,830,157</b>	<b>1,837,983</b>
Exchange income, net		152,318	168,124	457,541	415,389
Trading income, net		67,578	42,376	348,196	151,535
Dividend income		10,629	11,637	33,240	71,117
(Losses)/ gains on disposal of non-trading investments, net		(2,954)	1,640	(31,465)	133,776
Other operating income		28,584	36,775	56,686	46,530
<b>Total operating income, net</b>		<b>3,978,144</b>	<b>3,525,125</b>	<b>11,966,691</b>	<b>9,857,124</b>
Salaries and employee-related expenses		657,360	584,259	1,915,782	1,687,560
Rent and premises-related expenses		56,840	49,189	152,207	148,779
Depreciation of property, equipment and right of use assets		182,470	137,420	502,339	399,793
Other general and administrative expenses		377,121	341,470	1,070,356	933,770
Other operating expenses		25,110	62,140	54,082	102,597
<b>Total operating expenses before impairment charge</b>		<b>1,298,901</b>	<b>1,174,478</b>	<b>3,694,766</b>	<b>3,272,499</b>
Impairment charge for credit losses and other financial assets, net	8 c)	321,001	227,760	1,411,435	658,396
Impairment charge for investments, net		31,516	80,670	77,212	258,132
<b>Total operating expenses, net</b>		<b>1,651,418</b>	<b>1,482,908</b>	<b>5,183,413</b>	<b>4,189,027</b>
<b>Net operating income</b>		<b>2,326,726</b>	<b>2,042,217</b>	<b>6,783,278</b>	<b>5,668,097</b>
Share in profits/(losses) of associates, net		3,443	(2,548)	8,331	(75,013)
<b>Income before zakat</b>		<b>2,330,169</b>	<b>2,039,669</b>	<b>6,791,609</b>	<b>5,593,084</b>
Zakat for the period		240,800	212,000	700,329	601,593
<b>Net income for the period</b>		<b>2,089,369</b>	<b>1,827,669</b>	<b>6,091,280</b>	<b>4,991,491</b>
<b>Basic and diluted earnings per share (in SAR)</b>	18	<b>0.67</b>	<b>0.60</b>	<b>1.95</b>	<b>1.64</b>


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



**Abdullah A. Al-Oraini**  
Chief Financial Officer



**Tareq A. Al-Sadhan**  
Chief Executive Officer




**Eng. Abdullah M. Al-Issa**  
Chairman of the Board

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	SAR'000	SAR'000	SAR'000	SAR'000
<b>Net income for the period</b>	<b>2,089,369</b>	1,827,669	<b>6,091,280</b>	4,991,491
<b>Other comprehensive income (OCI):</b>				
<b><u>a) Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods</u></b>				
- Fair value through other comprehensive income (FVOCI- debt instruments)				
- Net change in fair value	(256,808)	(389,435)	(644,042)	(2,611,860)
- Net amounts transferred to interim condensed consolidated statement of income	2,954	(2,977)	31,465	(98,145)
- Net changes in allowance for expected credit losses (ECL)	32,259	81,448	79,810	257,573
- Effective portion of net change in fair value of cash flow hedge	2,427	201,139	(44,237)	130,474
<b><u>b) Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods</u></b>				
- Net change in fair value of equity instruments at fair value through other comprehensive income	(10,394)	(21,150)	88,869	(12,129)
<b>Other comprehensive loss for the period</b>	<b>(229,562)</b>	(130,975)	<b>(488,135)</b>	(2,334,087)
<b>Total comprehensive income for the period</b>	<b>1,859,807</b>	1,696,694	<b>5,603,145</b>	2,657,404

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

  
Abdullah A. Al-Oraini  
Chief Financial Officer

Tareq A. Al-Sadhan  
Chief Executive Officer


Eng. Abdullah M. Al-Issa  
Chairman of the Board


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**


For the nine months ended 30 September 2023 &amp; 2022

SAR'000	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Equity attributable to the shareholders of the Bank	Tier 1 sukuk	Total equity
<b>30 September 2023</b>									
Balance at the beginning of the period	30,000,000	-	10,942,054	(790,260)	7,500,430	1,950,000	49,602,224	6,571,125	56,173,349
<b>Total comprehensive income</b>									
Net changes in fair values of									
- FVOCI -equity instruments	-	-	-	88,869	-	-	88,869	-	88,869
- FVOCI -debt instruments	-	-	-	(644,042)	-	-	(644,042)	-	(644,042)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments	-	-	-	31,465	-	-	31,465	-	31,465
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	-	79,810	-	-	79,810	-	79,810
Net change in fair value of cash flow hedge	-	-	-	(44,237)	-	-	(44,237)	-	(44,237)
Net income for the period	-	-	-	-	6,091,280	-	6,091,280	-	6,091,280
Total comprehensive (loss) income	-	-	-	(488,135)	6,091,280	-	5,603,145	-	5,603,145
Tier 1 sukuk costs	-	-	-	-	(260,923)	-	(260,923)	(8,287)	(269,210)
Treasury shares	-	(165,912)	-	-	-	-	(165,912)	-	(165,912)
Final proposed dividend - 2022 (note 17)	-	-	-	-	-	(1,950,000)	(1,950,000)	-	(1,950,000)
Interim dividend - 2023 (note 17)	-	-	-	-	(1,947,226)	-	(1,947,226)	-	(1,947,226)
Balance at the end of the period	<b>30,000,000</b>	<b>(165,912)</b>	<b>10,942,054</b>	<b>(1,278,395)</b>	<b>11,383,561</b>	<b>-</b>	<b>50,881,308</b>	<b>6,562,838</b>	<b>57,444,146</b>
<b>30 September 2022</b>									
Balance at the beginning of the period	30,000,000	-	9,187,224	1,637,436	4,855,111	1,620,000	47,299,771	-	47,299,771
<b>Total comprehensive income</b>									
Net changes in fair values of									
- FVOCI -equity instruments	-	-	-	(12,129)	-	-	(12,129)	-	(12,129)
- FVOCI -debt instruments	-	-	-	(2,611,860)	-	-	(2,611,860)	-	(2,611,860)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments	-	-	-	(98,145)	-	-	(98,145)	-	(98,145)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	-	257,573	-	-	257,573	-	257,573
Net change in fair value of cash flow hedge	-	-	-	130,474	-	-	130,474	-	130,474
Net income for the period	-	-	-	-	4,991,491	-	4,991,491	-	4,991,491
Total comprehensive (loss) income	-	-	-	(2,334,087)	4,991,491	-	2,657,404	-	2,657,404
Disposal of FVOCI-equity instruments	-	-	-	(1,011,419)	1,011,419	-	-	-	-
Final dividends paid - 2021	-	-	-	-	-	(1,620,000)	(1,620,000)	-	(1,620,000)
Tier 1 sukuk issued	-	-	-	-	-	-	-	2,813,625	2,813,625
Tier 1 sukuk costs	-	-	-	-	(61,391)	-	(61,391)	5,775	(55,616)
Interim dividend - 2022	-	-	-	-	(1,500,000)	-	(1,500,000)	-	(1,500,000)
Balance at the end of the period	<b>30,000,000</b>	<b>-</b>	<b>9,187,224</b>	<b>(1,708,070)</b>	<b>9,296,630</b>	<b>-</b>	<b>46,775,784</b>	<b>2,819,400</b>	<b>49,595,184</b>

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


 Abdullah A. Al-Oraini  
 Chief Financial Officer


 Tareq A. Al-Sadhan  
 Chief Executive Officer


 Eng. Abdullah M. Al-Issa  
 Chairman of the Board

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS(Unaudited)**

		For the nine months ended 30 September	
		2023	2022
	Note	SAR'000	SAR'000
<b>OPERATING ACTIVITIES</b>			
<b>Income before zakat</b>		<b>6,791,609</b>	<b>5,593,084</b>
<b>Adjustments to reconcile income for the period to net cash from operating activities:</b>			
Accretion of discounts and amortisation of premium on non-FVIS instruments, net		(318,485)	(51,843)
Losses/ (gains) on disposal of non-trading investments, net		31,465	(133,776)
Gains on trading investments, net		(35,289)	(16,553)
Losses/ (gains) on sale of property and equipment, net		4,563	(20,370)
Dividend income		(33,240)	(71,117)
Depreciation of property, equipment and right of use assets		502,339	399,793
Share in (profits)/ losses of associates, net		(8,331)	75,013
Impairment charge for credit losses and other financial assets, net	8 c)	1,411,435	658,396
Impairment charge for investments, net		77,212	258,132
		<b>8,423,278</b>	<b>6,690,759</b>
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA		(406,792)	(2,421,260)
Due from banks and other financial institutions maturing after three months from date of acquisition		-	500,000
Positive fair value of derivatives		(1,294,608)	(2,285,325)
Investments at FVIS		(38,514)	(150,718)
Loans and advances, net		(26,155,578)	(24,948,121)
Other real estate, net		40,512	(10,466)
Other assets		(379,221)	183,173
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		(4,712,550)	(4,787,629)
Negative fair value of derivatives		1,997,301	1,428,252
Customer deposits		14,712,175	24,213,389
Interest on lease liabilities		(13,423)	(14,250)
Other liabilities		(103,570)	(855,734)
		<b>(7,930,990)</b>	<b>(2,457,930)</b>
Zakat paid		(807,169)	(692,682)
<b>Net cash used in operating activities</b>		<b>(8,738,159)</b>	<b>(3,150,612)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments not held as FVIS instruments		5,176,947	132,301,748
Purchase of investments not held as FVIS instruments		(11,028,448)	(129,073,054)
Purchase of property and equipment		(1,188,312)	(727,322)
Proceeds from sale of property and equipment		66,000	45,001
<b>Net cash (used in) from investing activities</b>		<b>(6,973,813)</b>	<b>2,546,373</b>
<b>FINANCING ACTIVITIES</b>			
Principal on lease liabilities		(192,964)	(172,623)
Debt securities in issue and term loan, net		4,442,985	(44,082)
Tier 1 sukuk issuance		-	2,819,400
Dividend paid		(3,876,676)	(3,108,155)
Tier 1 sukuk related costs		(269,210)	(61,391)
Purchase of treasury shares		(165,912)	-
<b>Net cash used in financing activities</b>		<b>(61,777)</b>	<b>(566,851)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(15,773,749)</b>	<b>(1,171,090)</b>
Cash and cash equivalents at beginning of the period		41,486,081	32,406,686
<b>Cash and cash equivalents at end of the period</b>	13	<b>25,712,332</b>	<b>31,235,596</b>
Special commission received during the period		14,704,573	8,508,456
Special commission paid during the period		5,089,208	1,307,662
<b>Supplemental non-cash information</b>			
Net changes in fair value and transfers to interim condensed consolidated statement of income		(567,945)	(2,591,660)
Right of use (ROU) assets		(43,064)	20,274
Lease liabilities		(77,788)	(2,401)

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

**Abdullah A. Al-Oraini**  
Chief Financial Officer

**Tareq A. Al-Sadhan**  
Chief Executive Officer

**Eng. Abdullah M. Al-Issa**  
Chairman of the Board



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 2023 & 2022

### 1. GENERAL

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 335 licensed branches (30 September 2022: 339 licensed branches) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The registered address of the Bank's Head Office is as follows:

Granada Oasis - A1 Tower  
 Riyadh - Al Shuhada District  
 P.O. Box 22622  
 Riyadh 11416  
 Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers Islamic (non-interest based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries (the Bank and the subsidiaries are collectively referred to as "the Group") given below:

Subsidiary	Ownership	Description
Riyad Capital	100%	engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority, incorporated in the Kingdom of Saudi Arabia
Ithra Al-Riyad Real Estate Company	100%	formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities, incorporated in the Kingdom of Saudi Arabia
Riyad Company for Insurance Agency	100%	acts as an agent for selling insurance products owned and managed by another principal insurance company, incorporated in the Kingdom of Saudi Arabia
Esnad Al-Riyadh	100%	a limited liability company registered in the Kingdom of Saudi Arabia to provide human resources services to the Group, incorporated in the Kingdom of Saudi Arabia
Curzon Street Properties Limited	100%	a property holding company, incorporated in the Isle of Man
Riyad Financial Markets	100%	a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank, incorporated in the Cayman Islands
Jeel Digital Innovation Company	100%	engaged in systems analysis, application and operating systems development, hosting websites, financial technology solutions and related activities, incorporated in the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the nine months period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2022.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 2023 & 2022

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### 2. BASIS OF PREPARATION(continued)

The consolidated financial statements of the Group as at and for the year ended 31 December 2022, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. The condensed interim consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand except where otherwise stated and the functional currency of the Group is Saudi Arabian Riyal except where otherwise stated in the notes to the financial statements. The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 30 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the By-Laws to the provisions of the Law. Consequently, the Bank shall present the amended By-Laws to the shareholders in an Extraordinary General Assembly meeting for their ratification.

### 3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the financial statements of the subsidiaries which are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

During the period, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments, given below, apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

<u>Standard</u>	<u>Description</u>
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.
IFRS 17, 'Insurance contracts', as amended in June 2020	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.
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.

**New /amended standards not yet effective**

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
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 non-current, 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
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
IFRS S1 - General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2 - Climate-related disclosures	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**5. 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 as at and for the year ended 31 December 2022.

**6. 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.

	30 September 2023 (Unaudited)			31 December 2022 (Audited)			30 September 2022 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
<b>Held for trading:</b>									
Special commission rate swaps	4,916,748	(4,647,973)	156,350,834	2,796,918	(2,638,063)	92,709,388	2,635,473	(2,479,673)	94,017,782
Forward foreign exchange contracts	66,938	(52,350)	10,432,537	165,318	(68,193)	45,903,516	153,202	(210,206)	42,245,162
Currency options	2,124	(470)	259,682	229	(2,105)	157,019	7,923	(2,686)	106,249
Commodity swaps	23,104	(21,222)	1,456,320	18,323	(17,281)	1,210,279	66,499	(65,568)	1,100,724
<b>Held as fair value hedges:</b>									
Special commission rate swaps	76,535	-	1,592,988	564,842	-	5,813,868	609,059	-	6,634,085
<b>Held as cash flow hedges:</b>									
Special commission rate swaps	-	(129,571)	1,375,000	245,211	(128,643)	5,258,049	227,684	(130,263)	5,256,440
<b>Total</b>	<b>5,085,449</b>	<b>(4,851,586)</b>	<b>171,467,361</b>	<b>3,790,841</b>	<b>(2,854,285)</b>	<b>151,052,119</b>	<b>3,699,840</b>	<b>(2,888,396)</b>	<b>149,360,442</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2023 &amp; 2022

**7. INVESTMENTS, NET**
**a) Investments by type of securities**

SAR'000	Domestic			International			Total		
	30 September 2023	31 December 2022	30 September 2022	30 September 2023	31 December 2022	30 September 2022	30 September 2023	31 December 2022	30 September 2022
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
<b>i) Investment at FVIS</b>									
Mutual Funds	1,437,222	1,363,419	1,344,045	-	-	-	1,437,222	1,363,419	1,344,045
<b>Total</b>	<b>1,437,222</b>	<b>1,363,419</b>	<b>1,344,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,437,222</b>	<b>1,363,419</b>	<b>1,344,045</b>
<b>ii) Investment at amortised cost, net</b>									
Fixed rate securities	33,804,244	30,172,615	32,091,885	103,669	467,889	461,381	33,907,913	30,640,504	32,553,266
Floating rate securities	2,721,425	2,726,455	2,752,683	-	-	-	2,721,425	2,726,455	2,752,683
<b>Total</b>	<b>36,525,669</b>	<b>32,899,070</b>	<b>34,844,568</b>	<b>103,669</b>	<b>467,889</b>	<b>461,381</b>	<b>36,629,338</b>	<b>33,366,959</b>	<b>35,305,949</b>
<b>iii) Investments at FVOCI, net</b>									
Fixed rate securities	-	-	-	18,307,301	16,047,992	15,437,279	18,307,301	16,047,992	15,437,279
Equities	545,962	505,758	499,995	962,473	911,992	658,544	1,508,435	1,417,750	1,158,539
<b>Total</b>	<b>545,962</b>	<b>505,758</b>	<b>499,995</b>	<b>19,269,774</b>	<b>16,959,984</b>	<b>16,095,823</b>	<b>19,815,736</b>	<b>17,465,742</b>	<b>16,595,818</b>
<b>Total</b>	<b>38,508,853</b>	<b>34,768,247</b>	<b>36,688,608</b>	<b>19,373,443</b>	<b>17,427,873</b>	<b>16,557,204</b>	<b>57,882,296</b>	<b>52,196,120</b>	<b>53,245,812</b>

Above investments include sukuks amounting to SAR 23.9 billion as at 30 September 2023 (31 December 2022: SAR 25.8 billion and 30 September 2022 : SAR 25.8 billion).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023 & 2022

### 7. INVESTMENTS, NET (continued)

b) An analysis of changes in loss allowance is as follows:

Debt instruments carried at amortised cost  
(SAR'000)

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u>	<u>Stage 2</u> <u>lifetime ECL -</u> <u>not credit</u> <u>impaired</u>	<u>Stage 3</u> <u>lifetime ECL</u> <u>- credit</u> <u>impaired</u>	<u>Total</u>
Balance at 1 January 2023	4,022	1,407	-	5,429
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements*	(2,477)	(122)	-	(2,599)
Balance as at 30 September 2023	<u>1,545</u>	<u>1,285</u>	<u>-</u>	<u>2,830</u>
Balance at 1 January 2022	2,168	3,449	-	5,617
Transfer from Stage 2 & Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	-	-	-
Net other movements*	2,962	(2,403)	-	559
Balance as at 30 September 2022	<u>5,130</u>	<u>1,046</u>	<u>-</u>	<u>6,176</u>

Debt instruments carried at FVOCI  
(SAR'000)

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u>	<u>Stage 2</u> <u>lifetime ECL -</u> <u>not credit</u> <u>impaired</u>	<u>Stage 3</u> <u>lifetime ECL</u> <u>- credit</u> <u>impaired</u>	<u>Total</u>
Balance at 1 January 2023	18,600	45,527	310,040	374,167
Transfer from Stage 2 & Stage 3 to Stage 1	2,917	(2,917)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(906)	906	-	-
Transfer from Stage 1 & Stage 2 to Stage 3	(21)	(1,439)	1,460	-
Net other movements*	6,557	22,200	51,054	79,811
Balance as at 30 September 2023	<u>27,147</u>	<u>64,277</u>	<u>362,554</u>	<u>453,978</u>
Balance at 1 January 2022	38,098	35,702	38,937	112,737
Transfer from Stage 2 & Stage 3 to Stage 1	5,860	(2,152)	(3,708)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(2,695)	7,256	(4,561)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(3,351)	(12,959)	16,310	-
Net other movements*	(18,805)	9,333	267,045	257,573
Balance as at 30 September 2022	<u>19,107</u>	<u>37,180</u>	<u>314,023</u>	<u>370,310</u>

\* Includes remeasurement

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**8. LOANS AND ADVANCES, NET**
**a) Loans and advances held at amortised cost**

These comprise the following:

<u>30 September 2023 (Unaudited)</u>	Overdraft	Credit Cards	Consumer Loans*	Commercial Loans	Others	Total
<b>SAR'000</b>						
Performing loans and advances	4,375,108	1,364,533	93,147,125	168,007,575	1,291,146	268,185,487
Non-performing loans and advances	111,233	51,201	1,142,238	2,395,986	1,729	3,702,387
<b>Total loans and advances</b>	<b>4,486,341</b>	<b>1,415,734</b>	<b>94,289,363</b>	<b>170,403,561</b>	<b>1,292,875</b>	<b>271,887,874</b>
Allowance for impairment	(49,485)	(64,051)	(1,101,118)	(3,521,384)	(840)	(4,736,878)
<b>Loans and advances, net</b>	<b>4,436,856</b>	<b>1,351,683</b>	<b>93,188,245</b>	<b>166,882,177</b>	<b>1,292,035</b>	<b>267,150,996</b>
<u>31 December 2022 (Audited)</u>	Overdraft	Credit Cards	Consumer Loans*	Commercial Loans	Others	Total
<b>SAR'000</b>						
Performing loans and advances	4,192,438	1,133,417	84,958,190	151,766,818	824,920	242,875,783
Non-performing loans and advances	238,237	46,259	1,264,370	2,690,618	4,478	4,243,962
<b>Total loans and advances</b>	<b>4,430,675</b>	<b>1,179,676</b>	<b>86,222,560</b>	<b>154,457,436</b>	<b>829,398</b>	<b>247,119,745</b>
Allowance for impairment	(179,927)	(60,018)	(986,072)	(3,526,098)	(2,683)	(4,754,798)
<b>Loans and advances, net</b>	<b>4,250,748</b>	<b>1,119,658</b>	<b>85,236,488</b>	<b>150,931,338</b>	<b>826,715</b>	<b>242,364,947</b>
<u>30 September 2022 (Unaudited)</u>	Overdraft	Credit Cards	Consumer Loans*	Commercial Loans	Others	Total
<b>SAR'000</b>						
Performing loans and advances	4,529,266	1,103,788	84,026,378	151,739,896	777,520	242,176,848
Non-performing loans and advances	295,159	37,552	1,102,961	2,381,743	1,711	3,819,126
<b>Total loans and advances</b>	<b>4,824,425</b>	<b>1,141,340</b>	<b>85,129,339</b>	<b>154,121,639</b>	<b>779,231</b>	<b>245,995,974</b>
Allowance for impairment	(183,572)	(44,433)	(911,050)	(3,268,154)	(3,121)	(4,410,330)
<b>Loans and advances, net</b>	<b>4,640,853</b>	<b>1,096,907</b>	<b>84,218,289</b>	<b>150,853,485</b>	<b>776,110</b>	<b>241,585,644</b>

Loans and advances, net, include non-conventional banking products of SAR 184.2 billion as at 30 September 2023 (31 December 2022: SAR 168.9 billion and 30 September 2022: SAR 165.0 billion).

**b) An analysis of changes in loss allowance for total loans and advances is, as follows:**

<u>ECL on total loans and advances (SAR'000)</u>	Stage 1	Stage 2	Stage 3	Total
<b>(Unaudited)</b>				
Balance at 1 January 2023	528,970	1,549,537	2,676,291	4,754,798
Transfer from Stage 2 & Stage 3 to Stage 1	151,553	(40,002)	(111,551)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(13,112)	44,338	(31,226)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(5,272)	(48,046)	53,318	-
Net re-measurement of loss allowance**	(66,222)	382,930	951,947	1,268,655
Write-offs	-	-	(1,286,575)	(1,286,575)
<b>Balance as at 30 September 2023</b>	<b>595,917</b>	<b>1,888,757</b>	<b>2,252,204</b>	<b>4,736,878</b>
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	628,944	1,472,072	2,413,141	4,514,157
Transfer from Stage 2 & Stage 3 to Stage 1	85,855	(48,371)	(37,484)	-
Transfer from Stage 1 & Stage 3 to Stage 2	(14,408)	86,815	(72,407)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(2,569)	(43,881)	46,450	-
Net re-measurement of loss allowance**	(106,870)	41,690	738,808	673,628
Write-offs	-	-	(777,455)	(777,455)
<b>Balance as at 30 September 2022</b>	<b>590,952</b>	<b>1,508,325</b>	<b>2,311,053</b>	<b>4,410,330</b>

\* Includes consumer mortgage loans

\*\* Includes charge-offs (consumer loans and credit cards) .

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**8. LOANS AND ADVANCES, NET (continued)**

- c) Impairment charges for credit losses and other financial assets, net as reflected in the interim condensed consolidated statement of income are detailed as follows:

SAR'000	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Impairment charge for credit losses, net	304,204	203,528	1,369,529	652,712
Impairment charge for other financial assets, net	16,797	24,232	41,906	5,684
Total	<u>321,001</u>	<u>227,760</u>	<u>1,411,435</u>	<u>658,396</u>

**9. CUSTOMER DEPOSITS**

Customer deposits comprise the following:

SAR'000	30 September 2023 (Unaudited)	31 December 2022 (Audited)	30 September 2022 (Unaudited)
Demand	115,418,132	123,376,426	123,710,036
Saving	1,429,302	1,269,928	1,281,682
Time	117,906,803	96,102,144	88,577,371
Others	19,965,023	19,258,587	22,322,597
Total	<u>254,719,260</u>	<u>240,007,085</u>	<u>235,891,686</u>

Customer time deposits include non-conventional banking deposits of SAR 30,833 million as at 30 September 2023 (31 December 2022: SAR 32,559 million and 30 September 2022: SAR 25,109 million).

**10. DEBT SECURITIES IN ISSUE AND TERM LOAN**

During Q3 2023, in order to support business growth and diversify its funding base, the Bank raised an unsecured USD-denominated syndicated loan of USD 1,200 million, at floating SOFR + margin of 85 bps (all in) for a period of 3 years.

**11. TREASURY SHARES**

The Extraordinary General Assembly Meeting on 26 March 2023, approved the Employee Stock Incentive program for which five million shares were to be purchased as treasury shares for the purpose of allocating them to the Employee Stock Incentive Plan.

The Bank has completed the above purchases during the current period and as at 30 September 2023, treasury shares held was five million.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**12. CREDIT RELATED COMMITMENTS AND CONTINGENCIES**

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

<u>SAR'000</u>	30 September 2023 <u>(Unaudited)</u>	31 December 2022 <u>(Audited)</u>	30 September 2022 <u>(Unaudited)</u>
Letters of credit	9,002,289	8,679,430	8,840,523
Letters of guarantee	87,586,895	77,159,876	73,421,990
Acceptances	4,296,049	3,644,844	3,722,804
Irrevocable commitments to extend credit	25,484,957	24,364,249	23,705,102
<b>Total</b>	<b><u>126,370,190</u></b>	<b><u>113,848,399</u></b>	<b><u>109,690,419</u></b>

b) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

<u>SAR'000</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at January 1, 2023	24,463	17,364	165,117	206,944
Transfer from Stage 2 & Stage 3 to Stage 1	1,265	(1,265)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(357)	466	(109)	-
Transfer from Stage 1 & Stage 2 to Stage 3	-	(9)	9	-
Net re-measurement of loss allowance	19,687	(6,341)	28,532	41,878
Transfer to write-off reserves	-	-	(46,271)	(46,271)
<b>Balance as at 30 September 2023</b>	<b><u>45,058</u></b>	<b><u>10,215</u></b>	<b><u>147,278</u></b>	<b><u>202,551</u></b>

<u>SAR'000</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at January 1, 2022	38,779	19,975	197,384	256,138
Transfer from Stage 2 & Stage 3 to Stage 1	2,063	(2,063)	-	-
Transfer from Stage 1 & Stage 3 to Stage 2	(873)	876	(3)	-
Transfer from Stage 1 & Stage 2 to Stage 3	(23)	(534)	557	-
Net re-measurement of loss allowance	(8,974)	(3,102)	21,939	9,863
Transfer to write-off reserves	-	-	(37,337)	(37,337)
<b>Balance as at 30 September 2022</b>	<b><u>30,972</u></b>	<b><u>15,152</u></b>	<b><u>182,540</u></b>	<b><u>228,664</u></b>

Other liabilities as at 30 September 2023, include write-off reserves amounting to SAR 569 million (31 December 2022: SAR 586 million and 30 September 2022: SAR 574 million).

**13. CASH AND CASH EQUIVALENTS**

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

	30 September 2023 <u>(Unaudited)</u>	31 December 2022 <u>(Audited)</u>	30 September 2022 <u>(Unaudited)</u>
	SAR'000	SAR'000	SAR'000
Cash and balances with SAMA excluding statutory deposit	13,708,042	20,872,849	11,033,063
Due from banks and other financial institutions maturing within three months from date of acquisition	12,004,290	20,613,232	20,202,533
<b>Total</b>	<b><u>25,712,332</u></b>	<b><u>41,486,081</u></b>	<b><u>31,235,596</u></b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 2023 & 2022

### 14. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

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.

Following are the financial instruments carried at fair value in the interim condensed consolidated financial statements.

#### Fair value and fair value hierarchy

30 September 2023

SAR'000 (Unaudited)

#### Financial assets measured at fair value

	Level 1	Level 2	Level 3	Total
- Positive fair value of derivatives	-	5,085,449	-	5,085,449
- Investments held at FVIS	1,437,222	-	-	1,437,222
Mutual Funds	1,437,222	-	-	1,437,222
- Investments held at FVOCI	19,198,828	-	616,908	19,815,736
Fixed rate securities	18,307,301	-	-	18,307,301
Equities	891,527	-	616,908	1,508,435

#### Financial liabilities measured at fair value

- Negative fair value of derivatives	-	4,851,586	-	4,851,586
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31 December 2022

SAR'000 (Audited)

#### Financial assets measured at fair value

	Level 1	Level 2	Level 3	Total
- Positive fair value of derivatives	-	3,790,841	-	3,790,841
- Investments held at FVIS	1,363,419	-	-	1,363,419
Mutual Funds	1,363,419	-	-	1,363,419
- Investments held at FVOCI	16,911,166	-	554,576	17,465,742
Fixed rate securities	16,047,992	-	-	16,047,992
Equities	863,174	-	554,576	1,417,750

#### Financial liabilities measured at fair value

- Negative fair value of derivatives	-	2,854,285	-	2,854,285
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30 September 2022

SAR'000 (Unaudited)

#### Financial assets measured at fair value

	Level 1	Level 2	Level 3	Total
- Positive fair value of derivatives	-	3,699,840	-	3,699,840
- Investments held at FVIS	1,344,045	-	-	1,344,045
Mutual Funds	1,344,045	-	-	1,344,045
- Investments held at FVOCI	16,058,120	-	537,698	16,595,818
Fixed rate securities	15,437,279	-	-	15,437,279
Equities	620,841	-	537,698	1,158,539

#### Financial liabilities measured at fair value

- Negative fair value of derivatives	-	2,888,396	-	2,888,396
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**14. FAIR VALUES OF FINANCIAL INSTRUMENTS(continued)**

	For the nine months ended 30 September 2023 (Unaudited) SAR'000	For the year ended 31 December 2022 (Audited) SAR'000	For the nine months ended 30 September 2022 (Unaudited) SAR'000
<b>Reconciliation of movement in Level 3</b>			
Opening balance	554,576	537,534	537,534
Total gains or losses, net: - recognised in interim condensed consolidated statement of other comprehensive income	60,864	(8,907)	(9,037)
Other movements	1,468	(18,801)	9,201
Purchases	-	44,750	-
<b>Closing balance</b>	<b>616,908</b>	<b>554,576</b>	<b>537,698</b>

There were no transfers between the fair value hierarchy levels during the current or prior period.

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

The fair values of on-balance sheet financial instruments, except for loans and advances and investments held at amortised cost are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of customer deposits, debt securities in issue and term loan, cash and balances with SAMA, due from and due to banks and other financial institutions, other assets and other liabilities which are carried at amortised 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 contracted rates, and for the short duration of due from and due to banks and other financial institutions, other assets and other liabilities.

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances, which are categorised within level 3 of fair value hierarchy. The estimated fair values of loans and advances was SAR 264.9 billion (carrying value: SAR 271.9 billion), as at 30 September 2023 (31 December 2022: SAR 240.6 billion, carrying value: SAR 247.1 billion and 30 September 2022: SAR 240.1 billion, carrying value: SAR 246.0 billion).

The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The estimated fair values of these investments was SAR 33.9 billion as at 30 September 2023 (carrying value: SAR 36.6 billion), (31 December 2022: SAR 30.7 billion , carrying value: SAR 33.4 billion and 30 September 2022: SAR 33.1 billion, carrying value: SAR 35.3 billion).

**15. OPERATING SEGMENTS**

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, the representative office and the agency are not material to the Group's overall interim condensed consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments. With effect from 1 January 2023, based on management decision and in line with changes in management reporting, there have been revisions to the operating segments income based on an internally agreed approach. Accordingly segment information for prior period are restated in line with current period presentation.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
**For the nine months ended 30 September 2023 & 2022**
**15. OPERATING SEGMENTS (continued)**

The Group's reportable segments under IFRS 8 are as follows:

**Retail banking**

Deposits, credit and investment products for individuals and small to medium sized businesses.

**Investment banking and brokerage**

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

**Corporate banking**

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

**Treasury and investment**

Principally providing money market, trading and treasury services as well as the management of the Group's investment portfolios.

The Group's total assets and liabilities at 30 September 2023 and 2022 and its net total operating income, total operating expenses and income before zakat for the nine months periods then ended, by operating segments, are as follows:

**30 September 2023**

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	109,353,313	4,308,201	180,351,999	82,998,124	377,011,637
Total liabilities	108,489,744	456,465	174,232,303	36,388,979	319,567,491
Operating income from external customers	2,938,553	478,054	6,037,099	2,512,985	11,966,691
Inter segment income/(expense)	184,730	143,651	273,365	(601,746)	-
Total operating income, net of which	3,123,283	621,705	6,310,464	1,911,239	11,966,691
- Net special commission income	3,024,038	187,550	4,944,144	1,116,604	9,272,336
- Fee and commission income, net	135,781	385,707	1,296,980	11,689	1,830,157
Total operating expenses, net of which	2,772,729	235,230	1,944,334	231,120	5,183,413
- Depreciation of property, equipment and right of use assets	355,832	28,443	97,711	20,353	502,339
- Impairment charge for credit losses and other financial assets, net	394,514	-	1,015,709	1,212	1,411,435
- Impairment charge for investments, net	-	-	-	77,212	77,212
Share in profits of associates, net	-	-	-	8,331	8,331
Income for the period before zakat	350,554	386,475	4,366,130	1,688,450	6,791,609

**30 September 2022**

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	99,441,004	2,834,052	162,122,750	83,483,112	347,880,918
Total liabilities	99,321,725	799,225	172,902,092	25,262,692	298,285,734
Operating income from external customers	3,058,648	563,406	4,350,570	1,884,500	9,857,124
Inter segment income/(expense)	138,668	168,876	273,878	(581,422)	-
Total operating income, net of which	3,197,316	732,282	4,624,448	1,303,078	9,857,124
- Net special commission income	3,062,215	186,232	3,417,599	534,748	7,200,794
- Fee and commission income, net	155,325	511,893	1,157,134	13,631	1,837,983
Total operating expenses, net of which	2,389,177	229,419	1,210,868	359,563	4,189,027
- Depreciation of property, equipment and right of use assets	294,227	23,189	60,267	22,110	399,793
- Impairment (reversal)/ charge for credit losses and other financial assets, net	194,856	-	465,640	(2,100)	658,396
- Impairment charge for investment, net	-	-	-	258,132	258,132
Share in losses of associates, net	-	-	-	(75,013)	(75,013)
Income for the period before zakat	808,139	502,863	3,413,580	868,502	5,593,084

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 2023 & 2022

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### 16. FINANCIAL RISK MANAGEMENT

#### Credit risk

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable.

The Group attempts to control credit risk by appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, 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 monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /service sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

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 or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 2023 & 2022

### 17. DIVIDENDS

Final dividends of SAR 1,950 million (SAR 0.65 per share) were approved by the Extraordinary General Assembly meeting on 26 March 2023 and the distribution date for the dividend was 3 April 2023.

During July 2023, interim dividends of SAR 1,948 million at SAR 0.65 per share (2022: SAR 1,500 million at SAR 0.50 per share) were declared by the Bank with 7 August 2023 as the distribution date.

### 18. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended 30 September 2023 & 2022 are calculated on weighted average basis by dividing the net income attributable to common equity holders of the Bank, adjusted for Tier 1 sukuk costs, for the periods by 2,995 million shares after excluding 5 million treasury shares as of 30 September 2023 (30 September 2022: 3,000 million shares, treasury shares: nil).

### 19. CAPITAL ADEQUACY

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

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

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

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

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

	30 September 2023	31 December 2022	30 September 2022
	(Unaudited)	(Audited)	(Unaudited)
	<u>SAR Millions</u>	<u>SAR Millions</u>	<u>SAR Millions</u>
<b>Risk weighted assets</b>			
Credit	304,536	283,848	281,155
Operational	13,461	21,401	20,671
Market	7,149	5,176	6,564
Total Pillar-I Risk Weighted Assets	<u>325,146</u>	<u>310,425</u>	<u>308,390</u>
<b>Eligible capital</b>			
Common equity Tier 1 (CET 1) Capital	50,659	49,465	46,657
Total Tier I Capital	57,222	56,036	49,476
Tier II Capital	10,088	9,317	9,300
Total Tier I and II Capital	<u>67,310</u>	<u>65,353</u>	<u>58,776</u>
CET 1 Ratio %	15.6%	15.9%	15.1%
Tier I Capital Adequacy Ratio %	17.6%	18.1%	16.0%
Total Capital Adequacy Ratio %	20.7%	21.1%	19.1%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**For the nine months ended 30 September 2023 & 2022**

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**20. IBOR 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 a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR").

Management 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 30 September 2023, most of the impacted financial instruments have transitioned to alternate reference rate.

**21. BOARD OF DIRECTORS APPROVAL**

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 4 Rabi Al-Thani 1445H (corresponding to 19 October 2023).



**Abdullah A. Al-Oraini**  
Chief Financial Officer



**Tareq A. Al-Sadhan**  
Chief Executive Officer



**Eng. Abdullah M. Al-Issa**  
Chairman of the Board