Alinma Bank

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

KPMG Professional Services

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Building a better working world

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INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO: THE SHAREHOLDERS OF ALINMA BANK
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim Condensed consolidated statement of financial position of Alinma Bank and its subsidiaries (collectively referred to as "the Bank") as of March 31, 2023, and the related interim consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other regulatory matters

As required by Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (17) 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 submission to SAMA and found no material inconsistencies.

KPMG Professional Services	**For Ernst & Young Professional Services**
Ebrahim Oboud Baeshen	**Hesham A. Alatiqi**
Certified Public Accountant	Certified Public Accountant
License number 382	License number 523

(19 Shawwal 1444H)
(9 May 2023)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	March 31, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	March 31, 2022 (Unaudited) SAR'000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)		**15,302,229**	9,723,259	9,736,875
Due from banks and other financial institutions, net		**1,172,543**	1,454,458	1,313,881
Investments held at fair value through statement of income (FVSI)	4	**2,291,419**	1,652,479	2,679,232
Investments held at fair value through other comprehensive income (FVOCI)	4	**13,190,482**	12,084,604	8,819,831
Investments held at amortized cost, net	4	**24,318,574**	24,721,320	24,462,663
Investments in associate and joint venture	4	**83,392**	70,214	64,313
Financing, net	6	**153,153,288**	146,491,956	128,965,096
Property, equipment and right of use assets, net		**2,667,049**	2,632,794	2,424,796
Other assets		**1,570,282**	1,605,145	1,052,064
TOTAL ASSETS		**213,749,258**	200,436,229	179,518,751
LIABILITIES AND EQUITY				
LIABILITIES				
Due to SAMA, banks and other financial institutions	7	**13,805,035**	16,483,039	13,245,267
Customers' deposits	8	**159,948,452**	145,168,490	128,035,225
Amount due to Mutual Funds' unitholders		**76,940**	136,570	496,880
Other liabilities		**6,755,234**	6,771,817	6,223,159
TOTAL LIABILITIES		**180,585,661**	168,559,916	148,000,531
EQUITY				
Share capital		**20,000,000**	20,000,000	20,000,000
Treasury shares		**(61,457)**	(66,021)	(90,341)
Statutory reserve		**2,168,630**	2,168,630	1,268,845
Other reserves	15	**(154,514)**	(507,396)	95,840
Retained earnings		**5,214,842**	4,285,004	4,448,745
Proposed dividends	17.1	**996,096**	996,096	795,131
Equity attributable to the shareholders of the Bank		**28,163,597**	26,876,313	26,518,220
Tier 1 Sukuk	11	**5,000,000**	5,000,000	5,000,000
TOTAL EQUITY		**33,163,597**	31,876,313	31,518,220
TOTAL LIABILITIES AND EQUITY		**213,749,258**	200,436,229	179,518,751

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

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

		For the three months period ended	
		March 31, 2023	March 31, 2022
	Notes	SAR'000	SAR'000
Income from investments and financing		2,782,657	1,474,206
Return on time investments		(1,047,897)	(162,641)
Income from investments and financing, net		1,734,760	1,311,565
Fee from banking services – income		530,210	419,182
Fee from banking services – expense		(221,883)	(148,228)
Fees from banking services, net		308,327	270,954
Exchange income, net		85,703	72,060
Income from FVSI financial instruments, net		40,215	89,136
Gain from FVOCI sukuk investments, net		-	993
Dividend income on FVOCI equity investments		5,267	4,378
Other operating income		5,138	58,521
Total operating income		2,179,410	1,807,607
Salaries and employee related expenses		366,627	322,816
Rent and premises related expenses		18,510	12,835
Depreciation and amortization		72,507	66,029
Other general and administrative expenses		300,160	240,598
Operating expenses before impairment charges		757,804	642,278
Impairment charge on financing, net of recoveries	16	337,032	241,023
Impairment charge on other financial assets	16	5,499	2,379
Total operating expenses		1,100,335	885,680
Net operating income		1,079,075	921,927
Share of income / (loss) from an associate and a joint venture		2,310	(2,367)
Income for the period before zakat		1,081,385	919,560
Zakat for the period		(111,499)	(94,813)
Net income for the period after zakat		969,886	824,747
Basic and diluted earnings per share (SAR)	13	0.46	0.41

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

Chief Financial Officer	Chief Executive Officer	Authorized Board Member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	For the three months period ended	
	March 31, 2023	March 31, 2022
	SAR'000	SAR'000
Net income for the period after zakat	**969,886**	824,747
Other comprehensive income / (loss):		
Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods		
Net change in fair value of FVOCI equity investments	**200,271**	53,725
Share of an associate's other comprehensive income	**10,868**	-
Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods		
Net change in fair value of FVOCI sukuk investments	**119,756**	(78,407)
Net gain realized on sale of FVOCI sukuk investments	-	(993)
Total other comprehensive income / (loss)	**330,895**	(25,675)
Total comprehensive income for the period	**1,300,781**	799,072

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

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,

2023 (SAR '000)	Notes	Share capital	Treasury shares	Statutory reserve	Other reserves (note 15)	Retained earnings	Proposed dividends (note 17.1)	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
Balance at the beginning of the period		20,000,000	(66,021)	2,168,630	(507,396)	4,285,004	996,096	26,876,313	5,000,000	31,876,313
Net income for the period after zakat		-	-	-	-	969,886	-	969,886	-	969,886
Net change in fair value of FVOCI equity investments		-	-	-	200,271	-	-	200,271	-	200,271
Net change in fair values of FVOCI sukuk investments		-	-	-	119,756	-	-	119,756	-	119,756
Share of an associate's other comprehensive income		-	-	-	10,868	-	-	10,868	-	10,868
Total comprehensive income		-	-	-	330,895	969,886	-	1,300,781	-	1,300,781
Tier 1 Sukuk costs		-	-	-	-	(50,000)	-	(50,000)	-	(50,000)
Employee share based plans and other reserve movements	15	-	4,564	-	21,987	9,952	-	36,503	-	36,503
Balance at the end of the period		20,000,000	(61,457)	2,168,630	(154,514)	5,214,842	996,096	28,163,597	5,000,000	33,163,597

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, (Continued)

2022 (SAR '000)	Notes	Share capital	Treasury shares	Statutory reserve	Other reserves (note 15)	Retained earnings	Proposed dividends (note 17.1)	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
Balance at the beginning of the period		20,000,000	(94,159)	1,268,845	122,601	3,618,609	795,131	25,711,027	5,000,000	30,711,027
Net income for the period after zakat		-	-	-	-	824,747	-	824,747	-	824,747
Net change in fair value of FVOCI equity investments		-	-	-	53,725	-	-	53,725	-	53,725
Net change in fair values of FVOCI sukuk investments		-	-	-	(78,407)	-	-	(78,407)	-	(78,407)
Gain on sale of FVOCI sukuk investments		-	-	-	(993)	-	-	(993)	-	(993)
Total comprehensive income		-	-	-	(25,675)	824,747	-	799,072	-	799,072
Gain on sale of FVOCI equity investments		-	-	-	(3)	3	-	-	-	-
Employee share based plans and other reserve movements	15	-	3,818	-	(1,083)	5,386	-	8,121	-	8,121
Balance at the end of the period		20,000,000	(90,341)	1,268,845	95,840	4,448,745	795,131	26,518,220	5,000,000	31,518,220

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,

	2023 SAR' 000	2022 SAR' 000
OPERATING ACTIVITIES		
Income for the period before zakat	1,081,385	919,560
Adjustments to reconcile income for the period before zakat to net cash from operating activities:		
Depreciation and amortization	72,507	66,029
Unrealized gain from FVSI financial instruments, net	(16,163)	(89,041)
Gain from Sukuk investments held at amortized cost	-	(52,196)
Gain from FVOCI sukuk investments, net	-	(993)
Dividend income on FVOCI equity investments	(5,267)	(4,378)
Impairment charge on financing, net of recoveries	337,032	241,023
Impairment charge on other financial assets	5,499	2,379
Recoveries from written-off accounts	15,037	14,138
Unwinding of deferred payment program modification loss	(6,150)	(10,367)
Unwinding of fair value impact of profit free SAMA deposits	13,849	13,488
Employees share based plans reserve	14,972	8,122
Share of (income) / loss from an associate and a joint venture	(2,310)	2,367
	1,510,391	1,110,131
Net (increase) / decrease in operating assets:		
Statutory deposit with Saudi Central Bank	(15,641)	(267,920)
Due from banks and other financial institutions with original maturity of more than three months	(3,122)	-
Investments held at FVSI	(622,777)	(224,441)
Financing	(6,975,113)	(2,762,625)
Other assets	34,863	576,859
Net (decrease) / increase in operating liabilities:		
Due to SAMA, banks and other financial institutions	(2,704,203)	(2,020,362)
Customers' deposits	14,779,962	6,974,674
Other liabilities	(189,710)	29,788
Financing cost paid on lease liability	(3,396)	(3,772)
Net cash from operating activities	5,811,254	3,412,332
INVESTING ACTIVITIES		
Purchases of investments held at FVOCI	(887,495)	(1,431,874)
Purchases of investments held at amortized cost	(15,939)	(977,616)
Proceeds from sales and maturities of investments held at FVOCI	101,644	105
Proceeds from sales and maturities of investments held at amortized cost	414,011	-
Purchase of property and equipment	(87,145)	(70,566)
Dividends received from FVOCI equity investments	5,267	4,378
Net cash used in investing activities	(469,657)	(2,475,573)

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

Chief Financial Officer	Chief Executive Officer	Authorized Board Member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, (Continued)

	Note	2023 SAR' 000	2022 SAR' 000
FINANCING ACTIVITIES			
Payment for Tier 1 Sukuk costs		**(50,000)**	(50,000)
Cash payment for principal portion of lease liability		**(14,148)**	(19,291)
Net cash used in financing activities		**(64,148)**	(69,291)
Net change in cash and cash equivalents		**5,277,449**	867,468
Cash and cash equivalents at beginning of the period		**3,572,943**	3,210,524
Cash and cash equivalents at end of the period	10	**8,850,392**	4,077,992
Supplemental non-cash information:			
Net change in fair value of FVOCI investments		**320,027**	(25,675)

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

Chief Financial Officer	Chief Executive Officer	Authorized Board Member

1. General

a) Introduction

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No. 173 and Commercial Registration No. 1010250808 both dated 21 Jumada-I 1429H (corresponding to May 26, 2008) and provides banking services through 106 branches (March 31, 2022: 100 branches) in the Kingdom of Saudi Arabia. Its head office address is as follows:

Alinma Bank
Head Office
King Fahad Road
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia (KSA)

The interim condensed consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (collectively referred as the "Bank") which are registered in KSA except for Alinma SPV Ltd which is registered in Cayman Islands:

Subsidiaries	Bank's Ownership	Establishment date	Main Activities
Alinma Investment Company	100%	07 Jumada - II 1430H (corresponding to May 31, 2009)	Asset management, custodianship, advisory, underwriting and brokerage services
Al-Tanweer Real Estate Company	100%	24 Sha'aban 1430H (corresponding to August 15, 2009)	Formed principally to hold legal title of properties financed by the Bank.
Alinma Cooperative Insurance Agency *(Under liquidation)*	100%	29 Rabi Al Awwal 1435H (corresponding to January 30, 2014)	Insurance agent for Alinma Tokio Marine Company (an associated company)
Saudi Fintech Company	100%	6 Dhul Qa'da 1440H (corresponding to July 9, 2019)	Provide Financial technology products and services to the Bank and others.
Esnad Company	100%	24 Ramadan 1440H (corresponding to May 29, 2019)	To provide outsourced staff to the Bank.
Alinma SPV Ltd	100%	22 Jumada - II 1443H (corresponding to January 25, 2022)	Engage and execute financial derivatives transactions and repurchase agreements with international banks.

In addition to above subsidiaries, the management has concluded that the Bank has effective control of the below Funds and started consolidating the Funds' financial statements from the respective dates of effective control:

Funds	Bank's Ownership	Establishment date	Date of effective control	Purpose
Alinma Sukuk ETF	As at March 31, 2023: 97.2% (December 31, 2022: 92.4%; March 31, 2022: 63.7%)	January 22, 2020	January 22, 2020	To invest in a basket of local sovereign Sukuks issued by the Kingdom of Saudi Arabia
Alinma IPO Fund	As at March 31, 2023: 71.0% (December 31, 2022: 70.9%, March 31, 2022: 73.7%)	April 26, 2015	January 1, 2020	To achieve capital appreciation over the long term by investing mainly in Saudi joint stock companies

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Shariah, its By-Laws and laws applicable to banks in the Kingdom of Saudi Arabia. The Bank is regulated by the Saudi Central Bank (SAMA).

b) Shariah Committee

The Bank has established a Shariah Committee in accordance with its commitment to comply with Islamic Shariah laws. Shariah Committee ascertains that all the Bank's activities are subject to its review and approval.

2. Basis of preparation

These interim condensed consolidated financial statements 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 Organisation for Chartered and Professional Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore, these should be read in conjunction with the annual consolidated financial statements of the Bank as of and for the financial year ended December 31, 2022.

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.

a) Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of the financial instruments held at Fair Value through Statement of Income ("FVSI"), Fair Value through Other Comprehensive Income ("FVOCI") investments and end of service benefits which are measured using projected credit unit method under IAS-19.

The interim condensed consolidated statement of financial position is stated broadly in order of liquidity.

b) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals ("SAR") which is the Bank's functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousands.

c) Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of Alinma Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when, it has power over the investee entity, it is exposed to, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

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

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank's current and potential voting rights granted by instruments such as shares

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control.

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

The accounting policies adopted by the subsidiaries are consistent with that of the Bank's accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank's interim condensed consolidated financial statements.

Amounts due to Mutual Funds' unitholders represent the portion of net assets of the mutual funds which are attributable to interests which are not owned, directly or indirectly, by the Bank or its subsidiaries and are presented separately within liability in the interim condensed consolidated statement of financial position.

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

3. Summary of significant accounting policies and estimates

a) Significant accounting estimates and assumptions

In preparing this interim condensed consolidated financial statements, the significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2022.

b) Significant accounting policies

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

c) Adoption of new standards

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after January 1, 2023:

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 1, 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize 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 1, 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 1, 2023.

d) Prospective changes in the International Financial Reporting Standards

In addition, below are the amendments to accounting standards and interpretations which will become applicable for annual reporting periods commencing on or after January 1, 2024:

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 January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	January 1, 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.	January 1, 2024

The management has assessed that the above amendments have no significant impact on the Bank's interim condensed consolidated financial statements.

The Bank has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance with effect from future dates.

IBOR Transition (Interest Rate Benchmark Reforms):

The Bank is running a project on the overall IBOR transition and to implement the changes required to adopt the new benchmarks. The project is significant in terms of scale and complexity, covering possible changes to processes, risk management, systems and valuation models, as well as accounting implications. The Bank has complied with the regulatory deadline of December 31, 2022 for the LIBOR transition and is now offering products based on the new benchmarks.

4. Investments, net

	Notes	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
		SAR'000	SAR'000	SAR'000
Held at FVSI	4.1	2,291,419	1,652,479	2,679,232
Held at FVOCI	4.2	13,190,482	12,084,604	8,819,831
Held at Amortized Cost		24,339,406	24,737,478	24,472,212
Less: Allowance for impairment	4.3	(20,832)	(16,158)	(9,549)
Held at Amortized Cost, net		24,318,574	24,721,320	24,462,663
Investment in an associate	4.4	67,936	56,158	52,293
Investment in a joint venture	4.5	15,456	14,056	12,020
Investment in associate and joint venture		83,392	70,214	64,313
Total		39,883,867	38,528,617	36,026,039

4.1 Held at FVSI

March 31, 2023 (Unaudited)	**SAR'000**		
	Domestic	**International**	**Total**
Equities	**73,768**	**104,209**	**177,977**
Funds and others	**1,248,175**	**865,267**	**2,113,442**
	1,321,943	**969,476**	**2,291,419**

December 31, 2022 (Audited)	SAR'000		
	Domestic	International	Total
Equities	74,498	70,552	145,050
Funds and others	830,074	677,355	1,507,429
	904,572	747,907	1,652,479

March 31, 2022 (Unaudited)	SAR'000		
	Domestic	International	Total
Equities	315,374	29,534	344,908
Funds and others	1,946,884	387,440	2,334,324
	2,262,258	416,974	2,679,232

4.2 Held at FVOCI

March 31, 2023 (Unaudited)	**SAR'000**		
	Domestic	**International**	**Total**
Sukuks	**10,325,666**	**1,175,243**	**11,500,909**
Equities	**1,688,673**	**900**	**1,689,573**
	12,014,339	**1,176,143**	**13,190,482**

December 31, 2022 (Audited)	SAR'000		
	Domestic	International	Total
Sukuks	9,522,306	1,123,839	10,646,145
Equities	1,437,573	886	1,438,459
	10,959,879	1,124,725	12,084,604

March 31, 2022 (Unaudited)	SAR'000		
	Domestic	International	Total
Sukuks	7,697,547	418,721	8,116,268
Equities	702,646	917	703,563
	8,400,193	419,638	8,819,831

4.3 As at March 31, 2023, December 31, 2022 and March 31, 2022, all investments held at amortized cost are classified as Stage 1 credit exposures.

4.4 Investment in an associate represents the Bank's share of ownership at 28.75% (December 31, 2022 and March 31, 2022: 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The company has a paid-up share capital of SAR 300 million.

4.5 Investment in a joint venture represents the Banks's share of ownership at 50% (December 31, 2022 and March 31, 2022: 50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The company has a paid-up share capital of SAR 50 million.

5. Derivative financial instruments

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

March 31, 2023 (Unaudited)	**SAR'000**		
	Positive fair value	**Negative fair value**	**Total notional amount**
Held for trading:			
Profit rate swaps	**83,163**	**70,456**	**8,654,947**
Foreign exchange forward contracts	**741**	**-**	**592,091**

December 31, 2022 (Audited)	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	10,751	13,161	883,750
Foreign exchange forward contracts	232	-	299,171

March 31, 2022 (Unaudited)	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	1,261	-	140,000
Foreign exchange forward contracts	-	9	58,000

6. Financing, net

	SAR'000				
March 31, 2023 (Unaudited)	**Performing**	**Non-performing**	**Gross**	**Allowance for impairment (note 6.1)**	**Financing, net**
Retail	**39,446,825**	**749,879**	**40,196,704**	**(877,584)**	**39,319,120**
Corporate	**114,419,647**	**2,563,457**	**116,983,104**	**(3,148,936)**	**113,834,168**
Total	**153,866,472**	**3,313,336**	**157,179,808**	**(4,026,520)**	**153,153,288**

	SAR'000				
December 31, 2022 (Audited)	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	Financing, net
Retail	36,814,136	461,214	37,275,350	(751,658)	36,523,692
Corporate	110,739,162	2,458,700	113,197,862	(3,229,598)	109,968,264
Total	147,553,298	2,919,914	150,473,212	(3,981,256)	146,491,956

	SAR'000				
March 31, 2022 (Unaudited)	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	Financing, net
Retail	30,663,669	185,289	30,848,958	(444,373)	30,404,585
Corporate	99,641,288	2,493,781	102,135,069	(3,574,558)	98,560,511
Total	130,304,957	2,679,070	132,984,027	(4,018,931)	128,965,096

Below tables show the stage-wise breakdown of gross exposure and allowance for impairment of financing.

March 31, 2023 (Unaudited)

	Gross exposure				**Allowance for impairment**			
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total Gross Exposure**	**12-month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total Allowance for impairment**
	SAR'000							
Retail	**38,507,676**	**939,149**	**749,879**	**40,196,704**	**252,704**	**153,837**	**471,043**	**877,584**
Corporate	**107,528,858**	**6,890,789**	**2,563,457**	**116,983,104**	**524,628**	**1,366,795**	**1,257,513**	**3,148,936**
Total	**146,036,534**	**7,829,938**	**3,313,336**	**157,179,808**	**777,332**	**1,520,632**	**1,728,556**	**4,026,520**

December 31, 2022 (Audited)

	Gross exposure				Allowance for impairment			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Gross Exposure	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Allowance for impairment
	SAR'000							
Retail	35,678,542	1,135,594	461,214	37,275,350	265,329	163,803	322,526	751,658
Corporate	103,416,908	7,322,254	2,458,700	113,197,862	425,859	1,468,250	1,335,489	3,229,598
Total	139,095,450	8,457,848	2,919,914	150,473,212	691,188	1,632,053	1,658,015	3,981,256

March 31, 2022 (Unaudited)

	Gross exposure				Allowance for impairment			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Gross Exposure	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Allowance for impairment
	SAR'000							
Retail	30,328,324	335,345	185,289	30,848,958	286,625	54,689	103,059	444,373
Corporate	91,079,475	8,561,813	2,493,781	102,135,069	363,660	1,649,192	1,561,706	3,574,558
Total	121,407,799	8,897,158	2,679,070	132,984,027	650,285	1,703,881	1,664,765	4,018,931

6.1 Movement in allowance for impairment of financing

	March 31, 2023 (Unaudited)			
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
		SAR'000		
Opening allowance at January 1, 2023	**691,188**	**1,632,053**	**1,658,015**	**3,981,256**
Transfer to 12-month ECL	**31,085**	**(29,401)**	**(1,684)**	**-**
Transfer to life time ECL, not credit impaired	**(7,396)**	**39,879**	**(32,483)**	**-**
Transfer to life time ECL, credit impaired	**(1,446)**	**(168,063)**	**169,509**	**-**
Net charge for the period	**63,901**	**46,164**	**209,866**	**319,931**
Write-off	**-**	**-**	**(274,667)**	**(274,667)**
Balance as at March 31, 2023	**777,332**	**1,520,632**	**1,728,556**	**4,026,520**

	December 31, 2022 (Audited)			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
		SAR'000		
Opening allowance at January 1, 2022	601,485	2,009,810	1,429,418	4,040,713
Transfer to 12-month ECL	11,674	(9,500)	(2,174)	-
Transfer to life time ECL, not credit impaired	(7,795)	38,795	(31,000)	-
Transfer to life time ECL, credit impaired	(1,115)	(519,477)	520,592	-
Net charge for the period	86,939	112,425	869,312	1,068,676
Write-off	-	-	(1,128,133)	(1,128,133)
Balance as at December 31, 2022	691,188	1,632,053	1,658,015	3,981,256

	March 31, 2022 (Unaudited)			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
		SAR'000		
Opening allowance at January 1, 2022	601,485	2,009,810	1,429,418	4,040,713
Transfer to 12-month ECL	6,045	(4,787)	(1,258)	-
Transfer to life time ECL, not credit impaired	(3,002)	33,692	(30,690)	-
Transfer to life time ECL, credit impaired	(393)	(123,405)	123,798	-
Net charge / (reversal) for the period	46,150	(211,429)	244,666	79,387
Write-off	-	-	(101,169)	(101,169)
Balance as at March 31, 2022	650,285	1,703,881	1,664,765	4,018,931

7. Due to SAMA, banks and other financial institutions

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
	SAR'000	SAR'000	SAR'000
Due to SAMA, net	**11,638,491**	11,870,093	6,823,515
Time investments from banks and other financial institutions	**2,116,502**	4,557,615	5,715,348
Current accounts	**50,042**	55,331	706,404
Total	**13,805,035**	16,483,039	13,245,267

As of March 31, 2023, the Bank has outstanding profit free deposits from SAMA with gross amount of SAR 6.4 billion (December 31, 2022: SAR 6.8 billion; March 31, 2022: SAR 7 billion) with varying maturities in order to support the Bank in its implementation of various regulatory relief packages given by the government in response to COVID-19.

8. Customers' deposits

	Note	**March 31, 2023 (Unaudited)**	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
		SAR'000	SAR'000	SAR'000
Demand		**75,398,219**	73,887,522	76,665,311
Savings		**7,859,412**	7,093,170	10,065,520
Customers' time investments	**8.1**	**75,244,148**	62,679,182	40,011,880
Others		**1,446,673**	1,508,616	1,292,514
Total		**159,948,452**	145,168,490	128,035,225

8.1 This represents Murabaha and Mudaraba deposits from customers.

9. Commitments and contingencies

i) The Bank's credit related commitments and contingencies are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	**3,743,557**	4,656,910	3,072,933
Letters of guarantee	**16,561,518**	15,634,566	11,335,585
Acceptances	**544,874**	557,775	298,108
Irrevocable commitments to extend credit	**3,808,377**	2,750,501	512,273
Total	**24,658,326**	23,599,752	15,218,899

ii) Other liabilities include provision for credit-related commitments and contingencies of SAR 551.4 million as at March 31, 2023 (December 31, 2022: SAR 519.2 million; March 31, 2022: SAR 523.0 million).

	March 31, 2023 (Unaudited)			
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
		SAR'000		
Opening allowance at January 1, 2023	**51,580**	**245,464**	**222,195**	**519,239**
Transfer to 12-month ECL	**173**	**(173)**	**-**	**-**
Transfer to life time ECL, not credit impaired	**-**	**642**	**(642)**	**-**
Net charge / (reversal) for the period	**8,346**	**25,073**	**(1,281)**	**32,138**
Balance as at March 31, 2023	**60,099**	**271,006**	**220,272**	**551,377**

	December 31, 2022 (Audited)			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
		SAR'000		
Opening allowance at January 1, 2022	37,428	75,037	234,714	347,179
Transfer to 12-month ECL	4,028	(4,028)	-	-
Transfer to life time ECL, credit impaired	-	(177)	177	-
Net charge / (reversal) for the period	10,124	174,632	(12,696)	172,060
Balance as at December 31, 2022	51,580	245,464	222,195	519,239

	March 31, 2022 (Unaudited)			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
		SAR'000		
Opening allowance at January 1, 2022	37,428	75,037	234,714	347,179
Transfer to life time ECL, credit impaired	-	(177)	177	-
Net (reversal) / charge for the period	(3,071)	173,294	5,551	175,774
Balance as at March 31, 2022	34,357	248,154	240,442	522,953

10. Cash and cash equivalents

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

	March 31, 2023 (Unaudited) SAR'000	December31, 2022 (Audited) SAR'000	March 31, 2022 (Unaudited) SAR'000
Cash in hand	**2,253,346**	1,960,998	2,463,427
Balances with SAMA excluding statutory deposit	**5,549,446**	278,465	300,684
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	**1,047,600**	1,333,480	1,313,881
Total	**8,850,392**	3,572,943	4,077,992

11. Tier 1 Sukuk

On July 1, 2021, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement. These securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of SAMA.

The applicable profit rate is 4% per annum from date of issue up to 2026 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly 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 non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

12. Operating segments

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the key decision makers including Chief Executive Officer ("CEO") and the Assets and Liabilities Committee ("ALCO"), in order to allocate resources to the segments and to assess their performance.

The Bank's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. The majority of the segment assets and liabilities comprise operating assets and liabilities.

The Bank's reportable segments are as follows:

a) Retail banking
Financing, deposit and other products/services for individuals.

b) Corporate banking
Financing, deposit and other products and services for corporate, SME and institutional customers.

c) **Treasury**
Investments, Interbank and other treasury services.

d) **Investment and brokerage**
Investment, asset management and brokerage services through dealing, managing, arranging, advising and custodial services.

Profit is charged or credited to operating segments using internally developed Fund Transfer Pricing (FTP) rates, which approximate the marginal cost of funds.

Following is an analysis of the Bank's assets, liabilities, income and results by operating segments:

	SAR '000				
March 31, 2023 (Unaudited)	**Retail**	**Corporate**	**Treasury**	**Investment and brokerage**	**Total**
Total assets	**38,425,103**	**113,834,168**	**59,025,566**	**2,464,421**	**213,749,258**
Total liabilities	**102,117,900**	**28,417,179**	**49,953,359**	**97,223**	**180,585,661**
Income from investments and financing	1,266,096	941,198	548,404	26,959	2,782,657
Return on time investments	(381,029)	(232,274)	(434,594)	-	(1,047,897)
Income from investments and financing, net	885,067	708,924	113,810	26,959	1,734,760
Fees from banking services and other operating income	63,527	119,068	116,092	145,963	444,650
Total operating income	948,594	827,992	229,902	172,922	2,179,410
Depreciation and amortization	59,635	6,745	4,853	1,274	72,507
Other operating expenses	335,533	194,488	87,931	67,345	685,297
Charge for credit impairment	326,394	10,638	5,499	-	342,531
Total operating expenses	721,562	211,871	98,283	68,619	1,100,335
Net operating income	227,032	616,121	131,619	104,303	1,079,075
Share of income from an associate and joint venture	-	-	2,310	-	2,310
Income for the period before zakat	227,032	616,121	133,929	104,303	1,081,385

March 31, 2022 (Unaudited)	Retail	Corporate	Treasury	Investment and brokerage	Total
			SAR '000		
Total assets	29,425,892	98,594,792	48,683,798	2,814,269	179,518,751
Total liabilities	90,985,223	20,604,397	35,636,635	774,276	148,000,531
Income from investments and financing	616,398	527,393	307,280	23,135	1,474,206
Return on time investments	(46,912)	(32,009)	(83,720)	-	(162,641)
Income from investments and financing, net	569,486	495,384	223,560	23,135	1,311,565
Fees from banking services and other operating income	58,397	87,289	174,216	176,140	496,042
Total operating income	627,883	582,673	397,776	199,275	1,807,607
Depreciation and amortization	55,732	5,090	3,747	1,460	66,029
Other operating expenses	301,445	150,222	65,535	59,047	576,249
(Reversal) / charge for credit impairment	(28,710)	269,733	2,379	-	243,402
Total operating expenses	328,467	425,045	71,661	60,507	885,680
Net operating income	299,416	157,628	326,115	138,768	921,927
Share of loss from an associate and joint venture	-	-	(2,367)	-	(2,367)
Income for the period before zakat	299,416	157,628	323,748	138,768	919,560

March 31, 2023 (Unaudited) **Other information:**	**Retail**	**Corporate**	**Treasury**	**Investment and brokerage**	**Total**
			SAR '000		
Revenue from:					
- External	**180,440**	**1,812,809**	**13,239**	**172,922**	**2,179,410**
- Inter-segment	**768,154**	**(984,817)**	**216,663**	**-**	**-**
Total operating income	**948,594**	**827,992**	**229,902**	**172,922**	**2,179,410**

March 31, 2022 (Unaudited) Other information:	Retail	Corporate	Treasury	Investment and brokerage	Total
			SAR '000		
Revenue from:					
- External	342,876	952,068	313,388	199,275	1,807,607
- Inter-segment	285,007	(369,395)	84,388	-	-
Total operating income	627,883	582,673	397,776	199,275	1,807,607

13. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income adjusted for Tier 1 Sukuk costs by the weighted average number of outstanding shares which were 1,992 million shares at March 31, 2023 (March 31, 2022: 1,988 million shares). The diluted earnings per share is the same as the basic earnings per share.

14. Fair values of financial assets and liabilities

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

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

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

Level 1: quoted prices (unadjusted) in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

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

The Bank uses various valuation techniques used in measuring level 2 and Level 3 fair values at March 31, 2023, December 31, 2022 and March 31, 2022, as well as the significant unobservable inputs used.

For the valuation of investments in mutual funds, the Bank utilizes fund manager reports. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying assets classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk-adjusted discount rates, marketability and liquidity discounts and control premiums.

For the valuation of unquoted Sukuk investments, the Bank utilizes valuation techniques such as discounted cash flows.

14 (a) Fair values of financial assets and liabilities carried at fair value

Following table shows an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

	SAR '000			
March 31, 2023 (Unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held as FVSI				
- Equities	**135,160**	**-**	**42,817**	**177,977**
- Funds and others	**571,285**	**1,318,841**	**223,316**	**2,113,442**
Financial assets held as FVOCI				
- Equities	**1,667,643**	**-**	**21,930**	**1,689,573**
- Sukuks	**3,693,338**	**7,807,571**	**-**	**11,500,909**
Total	**6,067,426**	**9,126,412**	**288,063**	**15,481,901**

December 31, 2022 (Audited)	SAR '000 Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	109,733	-	35,317	145,050
- Funds and others	234,258	1,044,036	229,135	1,507,429
Financial assets held as FVOCI				
- Equities	1,416,680	-	21,779	1,438,459
- Sukuks	3,571,086	7,075,059	-	10,646,145
Total	5,331,757	8,119,095	286,231	13,737,083

March 31, 2022 (Unaudited)	SAR '000 Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	331,371	-	13,537	344,908
- Funds and others	216,661	1,921,879	195,784	2,334,324
Financial assets held as FVOCI				
- Equities	687,378	-	16,185	703,563
- Sukuks	2,512,516	5,603,752	-	8,116,268
Total	3,747,926	7,525,631	225,506	11,499,063

Reconciliation of Level 3 fair values

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

March 31, 2023 (Unaudited)	**SAR '000** **Financial assets held as FVSI**	**Financial assets held as FVOCI**
Balance at January 1, 2023	**264,452**	**21,779**
Additional / new investments	**8,378**	**14**
Capital return and disposals during the period	**(737)**	**(638)**
Net change in fair value (unrealized)	**(5,960)**	**775**
Balance at March 31, 2023	**266,133**	**21,930**

December 31, 2022 (Audited)	Financial assets held as FVSI SAR'000	Financial assets held as FVOCI SAR'000
Balance at January 1, 2022	239,390	16,204
Additional / new investments	59,679	-
Capital return and disposals during the year	(62,701)	(50)
Net change in fair value (unrealized)	28,084	5,625
Balance at December 31, 2022	264,452	21,779

March 31, 2022 (Unaudited)	SAR '000 Financial assets held as FVSI	 Financial assets held as FVOCI
Balance at January 1, 2022	239,390	16,204
Additional / new investments	39,360	-
Capital return and disposals during the period	(62,701)	(19)
Net change in fair value (unrealized)	(6,728)	-
Balance at March 31, 2022	209,321	16,185

There are no transfers between Level 1, 2 and 3 during the period.

14 (b) Fair values of financial assets and liabilities not carried at fair value

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments which are categorized within Level 2 of the fair value hierarchy. Following table shows the fair value of financial instruments carried at amortized cost.

March 31, 2023 (Unaudited)	**SAR '000** **Carrying value**	 **Fair value**
ASSETS		
Due from banks and other financial institutions	**1,172,543**	**1,172,466**
Investments – Murabaha with SAMA	**904,744**	**899,348**
Sukuks – Amortized Cost	**23,434,662**	**23,033,857**
Financing, net	**153,153,288**	**151,989,496**
LIABILITIES		
Due to SAMA, banks and other financial institutions	**13,805,035**	**13,662,627**
Customers' deposits	**159,948,452**	**159,897,297**

December 31, 2022 (Audited)	SAR '000 Carrying value	 Fair value
ASSETS		
Due from banks and other financial institutions	1,454,458	1,451,928
Investments – Murabaha with SAMA	904,901	899,487
Sukuks – Amortized Cost	23,832,577	23,440,021
Financing, net	146,491,956	144,813,324
LIABILITIES		
Due to SAMA, banks and other financial institutions	16,483,039	16,299,059
Customers' deposits	145,168,490	145,079,131

March 31, 2022 (Unaudited)	SAR '000 Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	1,313,881	1,313,881
Investments – Murabaha with SAMA	908,964	911,980
Sukuks – Amortized Cost	23,563,248	23,219,890
Financing, net	128,965,096	128,689,567
LIABILITIES		
Due to SAMA, banks and other financial institutions	13,245,267	13,182,705
Customers' deposits	128,035,225	127,903,435

Other financial instruments not carried at fair value are typically short-term in nature and re-price to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of their fair values.

15. Other reserves

March 31, 2023 (Unaudited)	Fair value reserve for FVOCI investments	Employees share-based plan reserve	Social contribution reserve	Re-measurement of End of Service Benefits	Total
			SAR'000		
Balance at January 1, 2023	**(634,267)**	**33,855**	**113,555**	**(20,539)**	**(507,396)**
Net change in fair value of FVOCI equity investments	**200,271**	**-**	**-**	**-**	**200,271**
Net change in fair value of FVOCI sukuk investments	**119,756**	**-**	**-**	**-**	**119,756**
Share of associate's other comprehensive income	**10,868**	**-**	**-**	**-**	**10,868**
Employee share based plan reserve	**-**	**14,973**	**-**	**-**	**14,973**
Other transfers	**-**	**21,748**	**-**	**-**	**21,748**
Vesting of shares	**-**	**(14,587)**	**-**	**-**	**(14,587)**
Utilization during the period	**-**	**-**	**(147)**	**-**	**(147)**
Balance as at March 31, 2023	**(303,372)**	**55,989**	**113,408**	**(20,539)**	**(154,514)**

March 31, 2022 (Unaudited)	Fair value reserve for FVOCI investments	Employees share-based plan reserve	Social contribution reserve	Re-measurement of End of Service Benefits	Total
			SAR'000		
Balance at January 1, 2022	26,617	43,291	85,458	(32,765)	122,601
Net change in fair value of FVOCI equity investments	53,725	-	-	-	53,725
Net change in fair value of FVOCI sukuk investments	(78,407)	-	-	-	(78,407)
Net gain realized on sale of FVOCI sukuk investments	(993)	-	-	-	(993)
Gain on sale of FVOCI equity investments	(3)	-	-	-	(3)
Employee share based plan reserve	-	8,122	-		8,122
Vesting of shares	-	(9,205)	-	-	(9,205)
Balance as at March 31, 2022	939	42,208	85,458	(32,765)	95,840

16. Financial Risk Management

a) Credit Risk

Credit risk arises when a counterparty fails to fulfil its contractual obligations to the Bank. To minimize the risk of a counterparty failing to meet its obligations, the Bank is committed to a strong pro-active credit process to ensure that origination quality will meet the institutional risk appetite and will fulfil the criteria under which credits are extended. All credit proposals are subjected to a high degree of due diligence intended to identify all risks associated with granting the credit.

An internal credit-rating model is used to determine the Obligor Risk Rating (ORR), a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered where applicable. Target Market is a key component of this process as it provides the first filter for prospective and existing obligors to avoid initiating or maintaining relationships that do not fit the Bank's strategy and desired risk profile. Risk Acceptance Criteria (RAC) is a set of variables indicating the terms under which the Bank is willing to initiate and/or maintain a credit relationship with an obligor that meets the target classification rules. The business team is a front-end marketing team responsible for originating, evaluating and recommending credit proposals. Approval is granted in accordance with the Board approved "Credit Approval Authority Delegation Matrix" through the Credit Committee which is composed of the CEO, Business Heads and Chief Credit Officer. Credits are extended based on the Corporate, Financial Institutions and Retail Banking Credit Policies and Guidelines.

Risk Management, as a stakeholder, controls the policies established for financing and are tasked with the responsibility of regularly reviewing, and revising the Bank's credit policies, guidelines and processes, to ensure that credit risk is managed and controlled within the Risk Appetite Criteria of the Bank and credit related losses are minimized. Risk Management also ensures that credit policies are aligned and adjusted in accordance with the economic, market, regulatory and legal landscape.

Various credit portfolios are managed to achieve diversification. Concentration in the portfolio mix is managed in terms of economic activity, geography, collateral and underlying product. The Bank seeks diversification of its credit portfolios through customer acquisition across different industry and economic activities and geographical presence across the country and by targeting large, medium and small corporate clients as well as individual clients. Obligor and sector concentrations are monitored to assess different types of financing concentrations. The Bank regularly stress tests its credit portfolios, in order to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

The Bank has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of concentrations at granular economic sector, region, counterparty level including consideration of impacts of government and SAMA support, collateral protection, timely review and rating action and appropriately restructuring loans where required. In respect of retail portfolio these include close monitoring of mix of loan types, employer concentrations, the trends in unemployment and the projected levels collateral, delinquencies and timing of government support are going to greatly weigh on performance in this area. All such measures are discussed and endorsed by the Risk Committee for Board review and approval.

b) Expected credit Loss (ECL)

Credit risk grades

The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, strong credit policies, extensive due diligence, credit review and approval processes combined with stringent credit administration and monitoring and control of credit limits.

To generate an internal risk rating, the Bank uses Moody's CreditLens. This rating system is used by many leading banks globally and in the Kingdom. It enables the Bank to assign a risk rating to a single obligor. The risk rating is a point-in-time, 12-month probability of default (PD). The Bank assigns a rating from a 10-point rating scale with 1 as the best through 10 as the worst. The rating uses sub-grades (e.g. 3+, 3, and 3-) for a granular assessment of the PD. As part of the Bank's policy, only obligors with risk ratings of 6- or better are eligible for new financing facilities. The Bank reviews and validates the Moody's CreditLens rating system on a regular basis by calibrating score ranges with rating grades and associated PDs. All credit exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade because of various qualitative and quantitative aspects related to the specific obligor such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment.

Credit risks in the retail portfolio are estimated based on individual credit-worthiness scores, derived from an automated credit scoring platform and is not subject to the Moody's rating system.

Point in time PD

The term structure of PD describes the relationship between PD and time-to-maturity. The Bank formulated three forward-looking scenarios of the economic cycle to generate an estimate of Term Structure PD (which is the expected migration of PD up or down, depending on the various stages of the economic cycle.) For example, it can be expected that if the economic environment is on a down-swing, the PD of an obligor which is already stressed and is classified under Stage 2 with clear signs of credit weaknesses, may tend to deteriorate. Conversely, if the economic environment is on an up-swing, the PD of a similar obligor may improve. Based on this concept, the Bank then designed Long Term Survival Probability Adjusted PD which essentially means that if a stressed obligor survives over a longer period time, the probability of it defaulting reduces.

Determining whether credit risk has increased significantly

In determining whether the credit risk has increased significantly since origination, management looks at the change in the risk of a default occurring over the expected life of the credit exposure rather than the change in the ECL. The Bank compares the risk of default as at the reporting date with the risk of default occurring as at the date of origination. The assessment is primarily driven by PD estimation methodology of 12 month point-in-time and lifetime PD. The Bank groups its credit exposure on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in the credit risk to be identified on a timely basis. Given below is a non-exhaustive list of the shared credit risk characteristics:

a) type of exposure
b) obligor risk ratings
c) collateral type
d) collateral value

e) economic cycle and forward looking scenario
f) date of origination
g) remaining term to maturity
h) geographical location of the obligor
i) industry

The Bank categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- **Stage 1 Performing assets** – Financial asset(s) at origination or existing financial assets, at the reporting date, with no significant increase in credit risk since origination: The Bank recognizes an impairment allowance amounting to 12-month expected credit losses using a point-in-time PD (an estimate of the probability of default over the next 12 months). Profits associated with the asset are recognized on the basis of gross carrying value.

- **Stage 2 Underperforming assets** – Financial asset(s) that have significantly deteriorated in credit quality since origination: In determining whether the credit risk has significantly increased since initiation, the bank assesses the change, if any, in the risk of default over the expected life of the financial asset. The trigger point for classifying an account to Stage 2 and the consequent calculation of lifetime expected credit loss is based on past due obligations (rebuttable assumption if payments are more than 30 days past due). However, the most important consideration for categorization to Stage 2 is a determination by the Impairment Committee that the credit quality has deteriorated to the degree defined by the IFRS 9 guidelines. For retail borrowers, over 30 days past due is typically the trigger point for Stage 2 Classification. The Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD (an estimate of the probability of default over the life of the asset). Profits associated with the asset are recognized on the basis of gross carrying value.

- **Stage 3 Credit-impaired assets** – Financial asset(s) that show objective evidence of impairment: For credit impaired financial asset(s), the Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD as in stage 2. Profits associated with the asset are recognized on the basis of net carrying value.

Definition of 'Default'

The Bank follows the Basel definition for default i.e. "The borrower is more than 90 days past due on principal or profit on any material obligation to the Bank".

c) Loss allowance

The following table shows reconciliations from the opening to the closing balance of the allowance for impairment for due from banks and other financial institutions, investments, financing and credit related contingencies and commitments:

	March 31, 2023 (Unaudited)			
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR in '000'			
Balance at January 1, 2023	**769,340**	**1,879,224**	**1,880,210**	**4,528,774**
Transfer to 12-month ECL	**31,258**	**(29,574)**	**(1,684)**	**-**
Transfer to life time ECL, not credit impaired	**(7,396)**	**40,521**	**(33,125)**	**-**
Transfer to life time ECL, credit impaired	**(1,446)**	**(168,063)**	**169,509**	**-**
Net charge for the period	**75,445**	**73,537**	**208,586**	**357,568**
Write off	**-**	**-**	**(274,667)**	**(274,667)**
Balance as at March 31, 2023	**867,201**	**1,795,645**	**1,948,829**	**4,611,675**

	March 31, 2022 (Unaudited)			
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR in '000'			
Balance at January 1, 2022	651,441	2,085,385	1,664,131	4,400,957
Transfer to 12-month ECL	6,045	(4,787)	(1,258)	-
Transfer to life time ECL, not credit impaired	(3,002)	33,692	(30,690)	-
Transfer to life time ECL, credit impaired	(393)	(123,582)	123,975	-
Net charge / (reversal) for the period	44,161	(36,839)	250,218	257,540
Write off	-	-	(101,169)	(101,169)
Balance as at March 31, 2022	698,252	1,953,869	1,905,207	4,557,328

d) Reconciliation of 'Impairment charge of financing and other financial assets'

	March 31, 2023 (Unaudited) SAR'000	March 31, 2022 (Unaudited) SAR'000
Impairment charge on financing (note 6.1)	**319,931**	79,387
Impairment charge on non-funded financing and credit related commitments (note 9)	**32,138**	175,774
Impairment charge on other financial assets	**5,499**	2,379
Total charge for the period before recoveries from written off bad debts	**357,568**	257,540
Recoveries from written off bad debts	**(15,037)**	(14,138)
Total impairment charge for period, net of recoveries	**342,531**	243,402

17. Capital and capital adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank'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 by the Bank's management. SAMA requires to hold and maintain a ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum percentage.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and commitments at a weighted amount to reflect their relative risk. The current period numbers are presented as per Basel III Post Crisis Reforms regulation issued by SAMA effective from January 1, 2023. Prior period numbers were presented based on the previous Basel III regulations.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2022 (Unaudited)
	SAR’000	SAR’000	SAR’000
Credit risk weighted assets	**178,520,223**	160,491,295	136,838,297
Operational risk weighted assets	**6,040,617**	12,713,318	11,566,486
Market risk weighted assets	**3,158,785**	399,339	829,611
Total Pillar-I Risk Weighted Assets	**187,719,625**	173,603,952	149,234,394
Tier I capital	**33,585,270**	32,358,224	32,180,849
Tier II capital	**2,222,033**	2,006,141	1,710,479
Total Tier I & II Capital	**35,807,303**	34,364,365	33,891,328
Capital Adequacy Ratio %			
Tier I ratio	**18%**	**19%**	**22%**
Tier I + Tier II ratio	**19%**	**20%**	**23%**

17.1 Dividends

The Board of Directors in their meeting held on December 20, 2022 proposed a final 2022 dividends of SAR 996.1 million (2021: SAR 795.1 million). This will result to a net payment of SAR 0.50 per share to the shareholders of the Bank (2021: SAR 0.40 per share). The proposed final dividend is included within equity.

18. Comparative figures

Certain comparative figures have been rearranged or reclassified, wherever necessary, for the purpose of better presentation. No other rearrangements or reclassifications have been made in these interim condensed consolidated financial statements.

19. Events after the reporting period

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed consolidated financial statements as at and for the three months period ended March 31, 2023.

20. Approval of the financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors of the Bank on 10 Shawwal 1444H (corresponding to 30 April 2023).