
Alinma Bank
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED
June 30, 2024



KPMG Professional Services
Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh



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

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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 June 30, 2024, and the related interim condensed consolidated statements of income and comprehensive income for the three-months and six-months periods then ended, and interim condensed consolidated statement of changes in equity and cash flows for the six-months period then ended and 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 condensed consolidated financial statement 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.

KPMG Professional Services

Ebrahim Oboud Baeshen
Certified Public Accountant
License number 382



Ernst & Young Professional Services

Abdullah A. Alshenaibir
Certified Public Accountant
License number 583



(7 Safar 1446H)
(11 August 2024)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2023 (Unaudited)
	Notes	SAR'000	SAR'000	SAR'000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)		13,875,424	12,598,444	16,745,373
Due from banks and other financial institutions, net		3,323,900	1,700,907	3,473,843
Investments held at fair value through statement of income (FVSI)	4	2,922,719	2,610,274	2,440,983
Investments held at fair value through other comprehensive income (FVOCI)	4	13,482,651	13,505,282	13,055,155
Investments held at amortized cost, net	4	29,994,876	27,105,159	24,535,962
Investments in associate and joint ventures	4	230,339	15,637	84,409
Financing, net	6	189,911,986	173,624,044	161,773,128
Property, equipment and right of use assets, net		3,019,412	2,888,209	2,643,043
Other assets		3,377,134	2,667,142	2,148,491
TOTAL ASSETS		260,138,441	236,715,098	226,900,387
LIABILITIES AND EQUITY				
LIABILITIES				
Due to SAMA, banks and other financial institutions	7	7,650,515	7,431,230	9,959,345
Customers' deposits	8	205,356,595	187,900,581	177,873,778
Amount due to Mutual Funds' unitholders		132,529	93,510	72,574
Other liabilities		6,961,490	6,956,176	6,018,087
TOTAL LIABILITIES		220,101,129	202,381,497	193,923,784
EQUITY				
Share capital		25,000,000	20,000,000	20,000,000
Treasury shares	18.3	(205,216)	(225,611)	(226,711)
Statutory reserve		3,378,431	3,378,431	2,168,630
Other reserves	15	(94,450)	62,359	59,376
Retained earnings		3,207,047	1,118,422	5,975,308
Proposed issue of bonus shares	18.2	-	5,000,000	-
Equity attributable to the shareholders of the Bank		31,285,812	29,333,601	27,976,603
Tier 1 Sukuk	11	8,751,500	5,000,000	5,000,000
TOTAL EQUITY		40,037,312	34,333,601	32,976,603
TOTAL LIABILITIES AND EQUITY		260,138,441	236,715,098	226,900,387

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


Chief Financial Officer


Chief Executive Officer

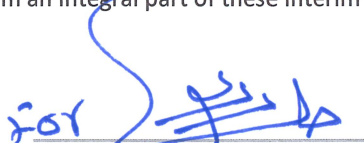

Authorized Board Member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	For the three months		For the six months	
		period ended		period ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
		SAR'000	SAR'000	SAR'000	SAR'000
Income from investments and financing		3,961,712	3,176,059	7,760,554	5,958,716
Return on time investments		(1,810,955)	(1,316,379)	(3,597,841)	(2,364,276)
Income from investments and financing, net		2,150,757	1,859,680	4,162,713	3,594,440
Fee from banking services – income		726,799	616,416	1,428,926	1,146,626
Fee from banking services – expense		(322,594)	(231,717)	(630,364)	(453,600)
Fees from banking services, net		404,205	384,699	798,562	693,026
Exchange income, net		102,605	91,163	179,518	176,866
Income from FVSI financial instruments, net		78,096	78,905	141,811	119,120
Gain from FVOCI sukuk investments, net		-	-	911	-
Dividend income on FVOCI equity investments		8,181	9,239	16,600	14,506
Other operating income		1,888	13,184	10,118	18,322
Total operating income		2,745,732	2,436,870	5,310,233	4,616,280
Salaries and employee related expenses		408,197	359,346	821,080	725,973
Rent and premises related expenses		18,584	18,358	37,068	36,868
Depreciation and amortization		87,400	80,274	174,381	152,781
Other general and administrative expenses		319,892	288,644	635,074	588,804
Operating expenses before impairment charges		834,073	746,622	1,667,603	1,504,426
Impairment charge on financing, net of recoveries	16	319,813	325,544	585,988	662,576
Impairment charge / (reversal) on other financial assets	16	6,787	(193)	5,046	5,306
Total operating expenses		1,160,673	1,071,973	2,258,637	2,172,308
Net operating income		1,585,059	1,364,897	3,051,596	2,443,972
Share of (loss) / income from associate and joint ventures		(5,643)	1,018	(6,303)	3,328
Net income for the period before zakat		1,579,416	1,365,915	3,045,293	2,447,300
Zakat for the period		(162,849)	(140,836)	(313,992)	(252,335)
Net income for the period after zakat		1,416,567	1,225,079	2,731,301	2,194,965
Basic and diluted earnings per share (SAR)	13	0.55	Restated 0.47	1.06	Restated 0.84

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


Chief Financial Officer

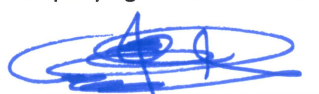

Chief Executive Officer


Authorized Board Member

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	Notes	For the three months		For the six months	
		period ended		period ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
		SAR'000	SAR'000	SAR'000	SAR'000
Net income for the period after zakat		1,416,567	1,225,079	2,731,301	2,194,965
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	15	(41,638)	336,919	57,965	537,190
Share of associate and joint venture's other comprehensive income	15	2,425	-	2,425	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	15	(19,830)	(51,225)	(114,571)	68,531
Effective portion of change in the fair value of cash flow hedge	15	(1,654)	-	(12,610)	-
Gain from FVOCI sukuk investments, net	15	-	-	(911)	-
Total other comprehensive (loss) / income		(60,697)	285,694	(67,702)	616,589
Total comprehensive income for the period		1,355,870	1,510,773	2,663,599	2,811,554

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


Chief Financial Officer

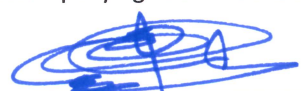
for 
Chief Executive Officer


Authorized Board Member

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30,**

2024 (SAR '000)	Notes	Share capital	Treasury shares (Note 18.3)	Statutory reserve	Other reserves (Note 15)	Retained earnings	Proposed issue of bonus shares (Note 18.2)	Total equity attributable to the shareholders	Tier 1 Sukuk (Note 11)	Total equity
Balance at the beginning of the period		20,000,000	(225,611)	3,378,431	62,359	1,118,422	5,000,000	29,333,601	5,000,000	34,333,601
Net income for the period after zakat		-	-	-	-	2,731,301	-	2,731,301	-	2,731,301
Net change in fair value of FVOCI equity investments	15	-	-	-	57,965	-	-	57,965	-	57,965
Net change in fair values of FVOCI sukuk investments	15	-	-	-	(114,571)	-	-	(114,571)	-	(114,571)
Gain from FVOCI sukuk investments, net	15	-	-	-	(911)	-	-	(911)	-	(911)
Effective portion of change in the fair value of cash flow hedge	15	-	-	-	(12,610)	-	-	(12,610)	-	(12,610)
Share of a joint venture's other comprehensive income	15	-	-	-	2,425	-	-	2,425	-	2,425
Total comprehensive income		-	-	-	(67,702)	2,731,301	-	2,663,599	-	2,663,599
Issuance of bonus shares	18.2	5,000,000	-	-	-	-	(5,000,000)	-	-	-
Net gain realized on sale of FVOCI equity investments	15	-	-	-	(85,979)	85,979	-	-	-	-
Tier 1 Sukuk costs	11	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
Issuance of Tier 1 sukuk	11	-	-	-	-	(10,847)	-	(10,847)	3,751,500	3,740,653
Interim dividends paid for 2024	18.1	-	-	-	-	(621,371)	-	(621,371)	-	(621,371)
Employee share based plans and other reserve movements	15	-	20,395	-	(3,128)	3,563	-	20,830	-	20,830
Balance at the end of the period		25,000,000	(205,216)	3,378,431	(94,450)	3,207,047	-	31,285,812	8,751,500	40,037,312

The accompanying notes from 1 to 21 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 CHANGES IN EQUITY (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, (Continued)**

2023 (SAR '000)	Notes	Share capital	Treasury shares (Note 18.3)	Statutory reserve	Other reserves (note 15)	Retained earnings	Proposed dividends (Note 18.1)	Total equity attributable to the shareholders	Tier 1 Sukuk (Note 11)	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		-	-	-	-	2,194,965	-	2,194,965	-	2,194,965
Net change in fair value of FVOCI equity investments	15	-	-	-	537,190	-	-	537,190	-	537,190
Net change in fair values of FVOCI sukuk investments	15	-	-	-	68,531	-	-	68,531	-	68,531
Share of an associate's other comprehensive income	15	-	-	-	10,868	-	-	10,868	-	10,868
Total comprehensive income		-	-	-	616,589	2,194,965	-	2,811,554	-	2,811,554
Gain on sale of FVOCI equity investments	15	-	-	-	(81,538)	81,538	-	-	-	-
Tier 1 Sukuk costs	11	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
Final dividends paid for 2022	18.1	-	-	-	-	-	(996,096)	(996,096)	-	(996,096)
Interim dividends paid for 2023	18.1	-	-	-	-	(498,050)	-	(498,050)	-	(498,050)
Employee share based plans and other reserve movements	15, 18.3	-	(160,690)	-	31,721	11,851	-	(117,118)	-	(117,118)
Balance at the end of the period		20,000,000	(226,711)	2,168,630	59,376	5,975,308	-	27,976,603	5,000,000	32,976,603

The accompanying notes from 1 to 21 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 SIX MONTHS PERIOD ENDED JUNE 30,**

	Notes	2024 SAR' 000	2023 SAR' 000
OPERATING ACTIVITIES			
Net income for the period before zakat		3,045,293	2,447,300
Adjustments to reconcile income for the period before zakat to net cash from operating activities:			
Depreciation and amortization		174,381	152,781
Loss / (gain) on disposal of property and equipment, net		4,427	(6,555)
Unrealized gain from FVSI financial instruments, net		(50,901)	(72,552)
Gain from FVOCI sukuk investments, net		(911)	-
Dividend income on FVOCI equity investments		(16,600)	(14,506)
Impairment charge on financing, net of recoveries	16	585,988	662,576
Impairment charge on other financial assets	16	5,046	5,306
Recoveries of previously written-off accounts	16	41,459	38,370
Unwinding of deferred payment program modification loss		(7,614)	(12,299)
Unwinding of fair value impact of profit free SAMA deposits		5,016	29,927
Employees share based plans reserve	15	32,279	29,813
Share of loss / (income) from associate and joint ventures		6,303	(3,328)
		<u>3,824,166</u>	<u>3,256,833</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank		(1,430,053)	(694,122)
Due from banks and other financial institutions with original maturity of more than three months		22,415	121,841
Investments held at FVSI		(261,544)	(726,935)
Financing		(16,924,916)	(15,946,693)
Other assets		(722,820)	(532,710)
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions		214,269	(6,578,458)
Customers' deposits		17,456,014	32,705,288
Other liabilities		302,705	(617,516)
Financing cost paid on lease liability		(7,300)	(6,591)
Net cash from operating activities before Zakat paid		<u>2,472,936</u>	<u>10,980,937</u>
Zakat Paid		(556,318)	(413,759)
Net cash from operating activities		<u>1,916,618</u>	<u>10,567,178</u>
INVESTING ACTIVITIES			
Purchases of investments held at FVOCI		(784,940)	(1,376,884)
Purchases of investments held at amortized cost		(5,986,494)	(743,722)
Purchases of investment in joint venture		(218,579)	-
Proceeds from sales and maturities of investments held at FVOCI		750,965	1,017,809
Proceeds from sales and maturities of investments held at amortized cost		3,096,887	919,604
Purchase of property and equipment		(268,531)	(141,300)
Proceeds from disposal of property and equipment		1,208	12,756
Dividends received from FVOCI equity investments		16,600	14,506
Net cash used in investing activities		<u>(3,392,884)</u>	<u>(297,231)</u>

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


Chief Financial Officer


Chief Executive Officer

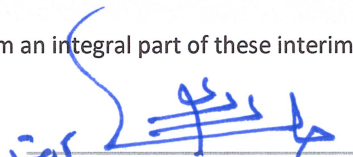

Authorized Board Member


INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, (Continued)

	Notes	2024 SAR' 000	2023 SAR' 000
FINANCING ACTIVITIES			
Proceeds for the issuance of Tier 1 Sukuk, net of related costs	11	3,740,653	-
Payment for Tier 1 Sukuk costs		(100,000)	(100,000)
Cash payment for principal portion of lease liability		(51,602)	(41,062)
Dividend paid		(621,371)	(1,494,146)
Purchase of treasury shares		-	(166,384)
Net cash from / (used in) financing activities		2,967,680	(1,801,592)
Net change in cash and cash equivalents		1,491,414	8,468,355
Cash and cash equivalents at beginning of the period		5,172,847	3,572,943
Cash and cash equivalents at end of the period	10	6,664,261	12,041,298
Income received from investments and financing		7,371,661	5,262,469
Return paid on time investments		3,407,565	1,590,337
Supplemental non-cash information:			
Right-of-use assets		(40,153)	(27,879)
Lease liabilities		(8,914)	(13,134)
Net change in fair value of FVOCI investments		56,606	605,721

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


Chief Financial Officer

for 
Chief Executive Officer


Authorized Board Member

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2024**

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 112 branches (June 30, 2023: 107 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.
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 June 30, 2024: 92.3% (December 31, 2023: 92.2%; June 30, 2023: 91.5%)	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 June 30, 2024: 63.6% (December 31, 2023: 69.2%, June 30, 2023: 69.9%)	April 26, 2015	January 1, 2020	To achieve capital appreciation over the long term by investing mainly in Saudi joint stock companies.
Dhahban Real Estate Fund	As at June 30, 2024: 100% (December 31, 2023: 99.8%, June 30, 2023: Nil)	September 15, 2023	September 15, 2023	To achieve medium-term capital growth through direct investment in the real estate sector in the city of Jeddah.
Alinma Fund for Private Equity Investments	As at June 30, 2024: 99.9% (December 31, 2023: 99.9%, June 30, 2023: Nil)	February 27, 2020	December 18, 2023	To distribute cash returns and/or achieve capital growth through investments in private equity.

Alinma Cooperative Insurance Agency, a fully-owned subsidiary of the Bank, established on 29 Rabi Al Awwal 1435H (corresponding to January 30, 2014), was liquidated and its commercial registration cancelled on 15 Muharram 1445H (corresponding to August 2, 2023).

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, 2023.

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 derivatives, 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 entity, it is exposed to, or has rights, 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 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 entity;
- Rights arising from other contractual arrangements; and
- Bank’s current and potential voting rights granted by instruments such as shares.

The Bank re-assesses whether or not it controls an 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 material accounting policies and estimates

a) Significant accounting estimates and assumptions

In preparing these 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, 2023.

b) Material 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, 2023, except for the adoption of new standards effective as of January 1, 2024 and the accounting policy for the cash flow hedge, which is explained below. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognized asset or a liability or a highly probable forecast transaction that could affect the statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognized directly in other comprehensive income and the ineffective portion, if any, is recognized in the interim condensed consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in other reserves, are transferred to the interim condensed consolidated statement of income in the same period in which the hedged item affects the interim condensed consolidated statement of income. However, if the Bank expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the statement of income as a reclassification adjustment the amount that is not to be recognized.

When the hedging instrument is expired or sold, terminated, or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur, or the Bank revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and the transaction affects the statement of income, the net cumulative gain or loss recognized in "other comprehensive income" is transferred immediately to the interim condensed consolidated statement of income for the period.

c) Adoption of new standards

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after January 1, 2024:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 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.	January 1, 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.	January 1, 2024 subject to endorsement from SOCPA

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, 2025:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 1, 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	January 1, 2027
IFRS 19, Reducing subsidiaries' disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	January 1, 2027

Except for IFRS 18, 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.

4. Investments, net

	Notes	June 30, 2024 (Unaudited) SAR'000	December 31, 2023 (Audited) SAR'000	June 30, 2023 (Unaudited) SAR'000
Held at FVSI	4.1	2,922,719	2,610,274	2,440,983
Held at FVOCI	4.2	13,482,651	13,505,282	13,055,155
Held at Amortized Cost		30,014,620	27,125,013	24,555,841
Less: Allowance for impairment	4.3	(19,744)	(19,854)	(19,879)
Held at Amortized Cost, net		29,994,876	27,105,159	24,535,962
Investment in an associate	4.4	-	-	68,638
Investment in joint ventures	4.5	230,339	15,637	15,771
Investment in associate and joint ventures		230,339	15,637	84,409
Total		46,630,585	43,236,352	40,116,509

4.1 Held at FVSI

June 30, 2024 (Unaudited)	SAR'000		
	Domestic	International	Total
Equities	108,612	122,156	230,768
Funds	1,407,103	1,284,848	2,691,951
	1,515,715	1,407,004	2,922,719

December 31, 2023 (Audited)	SAR'000		
	Domestic	International	Total
Equities	110,456	120,089	230,545
Funds	1,102,891	1,276,838	2,379,729
	1,213,347	1,396,927	2,610,274

June 30, 2023 (Unaudited)	SAR'000		
	Domestic	International	Total
Equities	73,313	111,035	184,348
Funds	1,188,197	1,068,438	2,256,635
	1,261,510	1,179,473	2,440,983

4.2 Held at FVOCI

June 30, 2024 (Unaudited)	SAR'000		
	Domestic	International	Total
Sukuks	11,322,434	1,357,857	12,680,291
Equities	796,164	6,196	802,360
	<u>12,118,598</u>	<u>1,364,053</u>	<u>13,482,651</u>
December 31, 2023 (Audited)	SAR'000		
	Domestic	International	Total
Sukuks	11,039,153	1,319,134	12,358,287
Equities	1,143,187	3,808	1,146,995
	<u>12,182,340</u>	<u>1,322,942</u>	<u>13,505,282</u>
June 30, 2023 (Unaudited)	SAR'000		
	Domestic	International	Total
Sukuks	10,442,032	1,268,938	11,710,970
Equities	1,343,284	901	1,344,185
	<u>11,785,316</u>	<u>1,269,839</u>	<u>13,055,155</u>

4.3 As at June 30, 2024, December 31, 2023 and June 30, 2023, all investments held at amortized cost are classified as Stage 1 credit exposures.

4.4 Investment in an associate represented the Bank's share of investment of 28.75% as of June 30, 2023, in Alinma Tokio Marine Company (a cooperative insurance company). During the year ended December 31, 2023, Bank's investee Alinma Tokio Marine Company (a cooperative insurance company) merged with Arabian Shield Cooperative Insurance Company and therefore has ceased to exist as a legal entity.

4.5 Investment in joint ventures represent the Banks's share of ownership in the following entities:

Company name	Bank's Ownership	Paid-up share capital
ERSAL Financial Remittance Company (a joint venture between the Bank and Saudi Post)	As at June 30, 2024: 50% (December 31, 2023: 50%, June 30, 2023: 50%)	SAR 50 million.
International Water Distribution Company ("Tawzea") (a joint venture between the Bank and Saudi Industrial Services Company (SISCO))	As at June 30, 2024: 50% (December 31, 2023: Nil, June 30, 2023: Nil)	SAR 180 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.

June 30, 2024 (Unaudited)	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	294,356	238,154	21,141,316
Foreign exchange forward contracts	1,991	887	540,994
Held as cash flow hedges:			
Profit rate swaps	4,824	20,362	2,501,000
December 31, 2023 (Audited)			
	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	144,040	110,321	16,492,135
Foreign exchange forward contracts	289	-	270,476
June 30, 2023 (Unaudited)			
	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	196,132	171,139	8,737,535
Foreign exchange forward contracts	2,080	-	1,266,045

6. Financing, net

June 30, 2024 (Unaudited)	SAR'000				Financing, net
	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	
Retail	44,698,564	427,226	45,125,790	(573,394)	44,552,396
Corporate	147,341,276	1,091,254	148,432,530	(3,072,940)	145,359,590
Total	192,039,840	1,518,480	193,558,320	(3,646,334)	189,911,986
December 31, 2023 (Audited)					
	SAR'000				Financing, net
	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	
Retail	42,374,048	851,915	43,225,963	(979,914)	42,246,049
Corporate	132,820,236	2,010,546	134,830,782	(3,452,787)	131,377,995
Total	175,194,284	2,862,461	178,056,745	(4,432,701)	173,624,044

SAR'000

June 30, 2023 (Unaudited)	Performing	Non- performing	Gross	Allowance for impairment (note 6.1)	Financing, net
Retail	40,993,761	625,714	41,619,475	(847,216)	40,772,259
Corporate	121,724,085	2,510,680	124,234,765	(3,233,896)	121,000,869
Total	162,717,846	3,136,394	165,854,240	(4,081,112)	161,773,128

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

June 30, 2024 (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	43,880,504	818,060	427,226	45,125,790	241,153	77,449	254,792	573,394
Corporate	137,672,436	9,668,840	1,091,254	148,432,530	570,837	2,016,356	485,747	3,072,940
Total	181,552,940	10,486,900	1,518,480	193,558,320	811,990	2,093,805	740,539	3,646,334

December 31, 2023 (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	41,365,515	1,008,533	851,915	43,225,963	225,433	115,840	638,641	979,914
Corporate	123,254,867	9,565,369	2,010,546	134,830,782	460,499	1,600,519	1,391,769	3,452,787
Total	164,620,382	10,573,902	2,862,461	178,056,745	685,932	1,716,359	2,030,410	4,432,701

June 30, 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	40,142,245	851,516	625,714	41,619,475	289,482	146,579	411,155	847,216
Corporate	115,550,958	6,173,127	2,510,680	124,234,765	517,552	1,337,437	1,378,907	3,233,896
Total	155,693,203	7,024,643	3,136,394	165,854,240	807,034	1,484,016	1,790,062	4,081,112

6.1 Movement in allowance for impairment of financing

	June 30, 2024 (Unaudited)			
	SAR'000			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Opening allowance at January 1, 2024	685,932	1,716,359	2,030,410	4,432,701
Transfer to 12-month ECL	50,582	(25,783)	(24,799)	-
Transfer to life time ECL, not credit impaired	(11,639)	13,671	(2,032)	-
Transfer to life time ECL, credit impaired	(1,201)	(64,656)	65,857	-
Net charge for the period	88,316	454,214	102,058	644,588
Write-off	-	-	(1,430,955)	(1,430,955)
Balance as at June 30, 2024	811,990	2,093,805	740,539	3,646,334

	December 31, 2023 (Audited)			
	SAR'000			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Opening allowance at January 1, 2023	691,188	1,632,053	1,658,015	3,981,256
Transfer to 12-month ECL	92,989	(81,319)	(11,670)	-
Transfer to life time ECL, not credit impaired	(60,365)	93,823	(33,458)	-
Transfer to life time ECL, credit impaired	(6,526)	(141,620)	148,146	-
Net (reversal) / charge for the period	(31,354)	213,422	1,095,117	1,277,185
Write-off	-	-	(825,740)	(825,740)
Balance as at December 31, 2023	685,932	1,716,359	2,030,410	4,432,701

	June 30, 2023 (Unaudited)			
	SAR'000			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Opening allowance at January 1, 2023	691,188	1,632,053	1,658,015	3,981,256
Transfer to 12-month ECL	103,750	(96,882)	(6,868)	-
Transfer to life time ECL, not credit impaired	(12,054)	44,625	(32,571)	-
Transfer to life time ECL, credit impaired	(5,910)	(180,974)	186,884	-
Net charge for the period	30,060	85,194	562,566	677,820
Write-off	-	-	(577,964)	(577,964)
Balance as at June 30, 2023	807,034	1,484,016	1,790,062	4,081,112

7. Due to SAMA, banks and other financial institutions

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2023 (Unaudited)
	SAR'000	SAR'000	SAR'000
Due to SAMA, net	2,751,192	1,934,512	7,266,370
Time investments from banks and other financial institutions	4,462,448	5,180,322	2,614,029
Current accounts	436,875	316,396	78,946
Total	7,650,515	7,431,230	9,959,345

As of June 30, 2024, the Bank has outstanding profit free deposits from SAMA with gross amount of SAR 509.3 million (December 31, 2023: SAR 509.3 million; June 30, 2023: SAR 6.1 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

		June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2023 (Unaudited)
	Note	SAR'000	SAR'000	SAR'000
Demand		91,940,335	78,955,995	77,031,916
Savings		10,144,030	9,833,634	8,637,070
Customers' time investments	8.1	101,503,276	97,348,367	90,705,283
Others		1,768,954	1,762,585	1,499,509
Total		205,356,595	187,900,581	177,873,778

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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2023 (Unaudited)
	SAR'000	SAR'000	SAR'000
Letters of credit	4,302,805	3,923,977	3,174,724
Letters of guarantee	20,938,360	19,052,144	18,159,354
Acceptances	1,182,316	1,254,199	601,770
Irrevocable commitments to extend credit	10,122,660	12,136,338	4,172,565
Total	36,546,141	36,366,658	26,108,413

- ii) Other liabilities include provision for credit-related commitments and contingencies of SAR 638.7 million as at June 30, 2024 (December 31, 2023: SAR 655.9 million; June 30, 2023: SAR 545.3 million).

June 30, 2024 (Unaudited)				
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
SAR'000				
Opening allowance at January 1, 2024	40,469	402,016	213,378	655,863
Transfer to 12-month ECL	20	(20)	-	-
Transfer to life time ECL, not credit impaired	(50)	50	-	-
Transfer to life time ECL, credit impaired	-	(3,850)	3,850	-
Net (reversal) / charge for the period	(5,188)	14,910	(26,863)	(17,141)
Balance as at June 30, 2024	35,251	413,106	190,365	638,722

December 31, 2023 (Audited)				
	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	256	(256)	-	-
Transfer to life time ECL, not credit impaired	(23,309)	23,951	(642)	-
Net charge / (reversal) for the period	11,942	132,857	(8,175)	136,624
Balance as at December 31, 2023	40,469	402,016	213,378	655,863

June 30, 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	9,365	(9,365)	-	-
Transfer to life time ECL, not credit impaired	-	642	(642)	-
Net charge / (reversal) for the period	1,947	26,358	(2,245)	26,060
Balance as at June 30, 2023	62,892	263,099	219,308	545,299

10. Cash and cash equivalents

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

	June 30, 2024 (Unaudited) SAR'000	December 31, 2023 (Audited) SAR'000	June 30, 2023 (Unaudited) SAR'000
Cash in hand	2,213,139	1,807,396	1,865,907
Balances with SAMA excluding statutory deposit	1,242,937	1,801,753	6,701,548
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	3,208,185	1,563,698	3,473,843
Total	6,664,261	5,172,847	12,041,298

11. Tier 1 Sukuk

On July 1, 2021, the Bank through a Shariah compliant arrangement issued Tier I Sukuk of SAR 5 billion with a profit rate of 4% payable on quarterly basis.

In addition, on March 6, 2024, the Bank issued additional Tier I sukuk of USD 1 billion with a profit rate of 6.5% payable on semi-annual basis.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represent 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 on the Sukuks is payable in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such 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. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2023.

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	June 30, 2024 (Unaudited)				
	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	43,430,343	145,359,590	67,890,726	3,457,782	260,138,441
Total liabilities	129,436,216	36,791,360	53,727,622	145,931	220,101,129
Income from investments and financing	3,722,999	2,237,347	1,742,870	57,338	7,760,554
Return on time investments	(1,416,487)	(808,789)	(1,372,565)	-	(3,597,841)
Income from investments and financing, net	2,306,512	1,428,558	370,305	57,338	4,162,713
Fees from banking services and other operating income	217,907	180,197	273,511	475,905	1,147,520
Total operating income	2,524,419	1,608,755	643,816	533,243	5,310,233
Depreciation and amortization	140,674	17,889	12,741	3,077	174,381
Other operating expenses	791,830	331,792	183,491	186,109	1,493,222
Charge for credit impairment	77,442	509,343	3,929	320	591,034
Total operating expenses	1,009,946	859,024	200,161	189,506	2,258,637
Net operating income	1,514,473	749,731	443,655	343,737	3,051,596
Share of loss from associate and joint ventures	-	-	(6,303)	-	(6,303)
Income for the period before zakat	1,514,473	749,731	437,352	343,737	3,045,293

June 30, 2023 (Unaudited)

SAR '000	Retail	Corporate	Treasury	Investment and brokerage	Total
Total assets	39,763,336	121,024,817	63,391,637	2,720,597	226,900,387
Total liabilities	112,048,824	38,597,688	43,233,944	43,328	193,923,784
Income from investments and financing	2,733,411	1,964,471	1,207,494	53,340	5,958,716
Return on time investments	(902,950)	(562,672)	(898,654)	-	(2,364,276)
Income from investments and financing, net	1,830,461	1,401,799	308,840	53,340	3,594,440
Fees from banking services and other operating income	146,792	234,944	255,919	384,185	1,021,840
Total operating income	1,977,253	1,636,743	564,759	437,525	4,616,280
Depreciation and amortization	124,698	14,883	10,667	2,533	152,781
Other operating expenses	649,785	382,684	176,638	142,538	1,351,645
Charge / (reversal) for credit impairment	581,365	86,281	2,025	(1,789)	667,882
Total operating expenses	1,355,848	483,848	189,330	143,282	2,172,308
Net operating income	621,405	1,152,895	375,429	294,243	2,443,972
Share of income from an associate and joint venture	-	-	3,328	-	3,328
Income for the period before zakat	621,405	1,152,895	378,757	294,243	2,447,300

June 30, 2024 (Unaudited)

SAR '000	Retail	Corporate	Treasury	Investment and brokerage	Total
Other information:					
Revenue from:					
- External	112,621	4,850,210	(185,841)	533,243	5,310,233
- Inter-segment	2,411,798	(3,241,455)	829,657	-	-
Total operating income	2,524,419	1,608,755	643,816	533,243	5,310,233

June 30, 2023 (Unaudited)

SAR '000	Retail	Corporate	Treasury	Investment and brokerage	Total
Other information:					
Revenue from:					
- External	296,551	3,802,034	80,170	437,525	4,616,280
- Inter-segment	1,680,702	(2,165,291)	484,589	-	-
Total operating income	1,977,253	1,636,743	564,759	437,525	4,616,280

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 2,485 million shares at June 30, 2024 (June 30, 2023: 2,489 million shares restated to give a retroactive effect of change in the number of shares increased as a result of the bonus share issuance). 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 June 30, 2024, December 31, 2023 and June 30, 2023, 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:

June 30, 2024 (Unaudited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	187,951	-	42,817	230,768
- Funds	431,958	1,845,981	414,012	2,691,951
Financial assets held as FVOCI				
- Equities	775,134	-	27,226	802,360
- Sukuks	4,255,441	8,424,850	-	12,680,291
Total	5,650,484	10,270,831	484,055	16,405,370

December 31, 2023 (Audited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	187,728	-	42,817	230,545
- Funds	337,927	1,657,753	384,049	2,379,729
Financial assets held as FVOCI				
- Equities	1,122,156	-	24,839	1,146,995
- Sukuks	3,823,085	8,535,202	-	12,358,287
Total	5,470,896	10,192,955	451,705	16,115,556

June 30, 2023 (Unaudited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	141,531	-	42,817	184,348
- Funds	433,833	1,550,165	272,637	2,256,635
Financial assets held as FVOCI				
- Equities	1,322,254	-	21,931	1,344,185
- Sukuks	3,685,383	8,025,587	-	11,710,970
Total	5,583,001	9,575,752	337,385	15,496,138

Reconciliation of Level 3 fair values

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

June 30, 2024 (Unaudited)	SAR '000	
	Financial assets held as FVSI	Financial assets held as FVOCI
Balance at January 1, 2024	426,866	24,839
Additional / new investments	32,681	2,407
Capital return and disposals during the period	(4,423)	(20)
Net change in fair value (unrealized)	1,705	-
Balance at June 30, 2024	456,829	27,226

December 31, 2023 (Audited)	SAR '000	
	Financial assets held as FVSI	Financial assets held as FVOCI
Balance at January 1, 2023	264,452	21,779
Additional / new investments	170,584	2,923
Capital return and disposals during the period	(4,732)	-
Net change in fair value (unrealized)	(3,438)	137
Balance at December 31, 2023	426,866	24,839

June 30, 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	10,056	15
Capital return and disposals during the period	(820)	-
Net change in fair value (unrealized)	41,766	137
Balance at June 30, 2023	315,454	21,931

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.

June 30, 2024 (Unaudited)	SAR '000	
	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	3,323,900	3,325,696
Investments – Murabaha with SAMA	2,146,353	2,154,935
Sukuks – Amortized Cost	27,868,267	27,623,085
Financing, net	189,911,986	190,045,611
LIABILITIES		
Due to SAMA, banks and other financial institutions	7,650,515	7,661,842
Customers' deposits	205,356,595	205,382,424

December 31, 2023 (Audited)	SAR '000	
	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	1,700,907	1,693,958
Investments – Murabaha with SAMA	1,626,379	1,619,862
Sukuks – Amortized Cost	25,498,634	25,039,413
Financing, net	173,624,044	173,043,853
LIABILITIES		
Due to SAMA, banks and other financial institutions	7,431,230	7,378,987
Customers' deposits	187,900,581	187,898,339

June 30, 2023 (Unaudited)	SAR '000	
	Carrying value	Fair value
ASSETS		
Due from banks and other financial institutions	3,473,843	3,463,379
Investments – Murabaha with SAMA	905,339	896,453
Sukuks – Amortized Cost	23,650,502	23,261,068
Financing, net	161,773,128	161,042,311
LIABILITIES		
Due to SAMA, banks and other financial institutions	9,959,345	9,793,127
Customers' deposits	177,873,778	177,794,193

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

June 30, 2024 (Unaudited)	Fair value reserve for FVOCI investments	Employees share-based plan reserve	Social contribution reserve	Remeasurement of End of Service Benefits	Cash flow hedge reserve	Total
SAR'000						
Balance at January 1, 2024	(184,028)	93,886	153,403	(902)	-	62,359
Net change in fair value of FVOCI equity investments	57,965	-	-	-	-	57,965
Net change in fair value of FVOCI sukuk investments	(114,571)	-	-	-	-	(114,571)
Share of joint venture's other comprehensive income	2,425	-	-	-	-	2,425
Gain on sale of FVOCI sukuk investments	(911)	-	-	-	-	(911)
Net gain realized on sale of FVOCI equity investments	(85,979)	-	-	-	-	(85,979)
Effective portion of change in the fair value of cash flow hedge	-	-	-	-	(12,610)	(12,610)
Employee share based plan reserve	-	32,279	-	-	-	32,279
Vesting of shares	-	(33,740)	-	-	-	(33,740)
Utilization during the period	-	-	(1,667)	-	-	(1,667)
Balance as at June 30, 2024	(325,099)	92,425	151,736	(902)	(12,610)	(94,450)

June 30, 2023 (Unaudited)	Fair value reserve for FVOCI investments	Employees share-based plan reserve	Social contribution reserve	Remeasurement 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	537,190	-	-	-	537,190
Net change in fair value of FVOCI sukuk investments	68,531	-	-	-	68,531
Share of associate's other comprehensive income	10,868	-	-	-	10,868
Net gain realized on sale of FVOCI equity investments	(81,538)	-	-	-	(81,538)
Employee share based plan reserve	-	29,813	-	-	29,813
Other transfers	-	21,748	-	-	21,748
Vesting of shares	-	(17,547)	-	-	(17,547)
Utilization during the period	-	-	(2,293)	-	(2,293)
Balance as at June 30, 2023	(99,216)	67,869	111,262	(20,539)	59,376

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 a credit that is originated 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, when available and disclosed by clients. 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 market. 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, Group Head, Business Senior Credit Officer, and Chief Credit Officer. Credits are extended based on the Corporate, Financial Institutions and Retail Banking Credit Policies and Guidelines.

Risk Management, as a key 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 credits 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 on periodic basis 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 industries, 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.

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, credit policies framework and extensive due diligence process. The credit review and approval process is ably supported with stringent credit administration control and limit monitoring function 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, with 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 – (minus) or better are eligible for new financing facilities. The Bank reviews and validates the Moody’s CreditLens rating system on a regular basis through independent internal or external consultants. All credit exposures are subject to on-going monitoring and annual review activity, 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 approach. 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:

	June 30, 2024 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR in ‘000’			
Balance at January 1, 2024	761,502	2,118,631	2,243,788	5,123,921
Transfer to 12 month ECL	50,602	(25,803)	(24,799)	-
Transfer to life time ECL, not credit impaired	(11,689)	13,721	(2,032)	-
Transfer to life time ECL, credit impaired	(1,201)	(68,506)	69,707	-
Net charge for the period	75,571	468,899	75,195	619,665
Write off	-	-	(1,430,955)	(1,430,955)
Balance as at June 30, 2024	874,785	2,506,942	930,904	4,312,631

June 30, 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	113,115	(106,247)	(6,868)	-
Transfer to life time ECL, not credit impaired	(12,054)	45,267	(33,213)	-
Transfer to life time ECL, credit impaired	(5,910)	(180,974)	186,884	-
Net charge for the period	35,459	110,126	560,320	705,905
Write off	-	-	(577,964)	(577,964)
Balance as at June 30, 2023	899,950	1,747,396	2,009,369	4,656,715

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

	June 30, 2024	June 30, 2023
	SAR'000	SAR'000
Impairment charge on financing (note 6.1)	644,588	677,820
(Reversal) / impairment charge of non-funded financing and credit related commitments (note 9)	(17,141)	26,060
(Reversal) / impairment charge on other financial exposures	(7,782)	2,025
Total charge for the period before recoveries from written off bad debts	619,665	705,905
Impairment charge of other financial assets	12,828	347
Recoveries from written off bad debts	(41,459)	(38,370)
Total impairment charge for period, net of recoveries	591,034	667,882

17. Related party balances and transactions

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

The balances as at June 30, 2024, December 31, 2023 and June 30, 2023, resulting from such transactions included in the interim condensed consolidated financial statements are as follows:

	June 30, 2024 (Unaudited) SAR'000	December 31, 2023 (Audited) SAR'000	June 30, 2023 (Unaudited) SAR'000
Directors, key management personnel, major shareholders and affiliates			
Financing to key management personnel	130,273	56,022	100,489
Financing to other related parties	1,768,658	1,433,866	1,372,459
Customers' deposits	3,156,665	58,959	5,096,693
Investments in associate and joint ventures	230,339	15,637	259,577
Bank's mutual funds			
Investments in mutual funds	1,048,647	953,614	932,756
Deposits from mutual funds	408,567	335,531	270,998

Customers' deposits mainly include deposits from major shareholders, affiliates and directors. The Bank has transactions with government and government-related entities which are conducted within normal course of business.

(i) Income and expenses pertaining to transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	June 30, 2024 (Unaudited) SAR'000	June 30, 2023 (Unaudited) SAR'000
Income on financing	61,237	32,458
Return on time investments	39,718	81,028
Fee from banking services, net	241,280	434,278
Directors' remuneration	2,708	1,983

The advances and expenses related to executives are in line with the normal employment terms.

(ii) The total amount of compensation paid to key management personnel during the period is as follow:

	June 30, 2024 (Unaudited) SAR'000	June 30, 2023 (Unaudited) SAR'000
Short-term employees' benefits	68,865	64,029
End of service benefit	4,325	2,097

18. 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, commitments and notional amounts of derivatives at a weighted amount to reflect their relative risk.

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2023 (Unaudited)
	SAR'000	SAR'000	SAR'000
Credit risk weighted assets	220,902,201	200,114,001	187,285,191
Operational risk weighted assets	7,321,465	6,040,617	6,040,617
Market risk weighted assets	3,345,795	5,439,506	574,542
Total Pillar-I Risk Weighted Assets	231,569,461	211,594,124	193,900,350
Tier I capital	40,170,400	34,574,557	33,338,036
Tier II capital	2,745,143	2,423,433	2,313,659
Total Tier I & II Capital	42,915,543	36,997,990	35,651,695
Capital Adequacy Ratio %			
Common Equity Tier I	14%	14%	15%
Tier I ratio	17%	16%	17%
Tier I + Tier II ratio	19%	17%	18%

18.1 Dividends

The Board of Directors approved on May 5, 2024 an interim dividend of SAR 621.4 million for the first quarter of 2024 (2023: SAR 498.1 million). This resulted to a net payment of SAR 0.25 per share to the shareholders of the Bank (2023: SAR 0.25 per share).

The Board of Directors in their meeting held on December 20, 2022 proposed a final 2022 dividends of SAR 996.1 million which was approved in the extraordinary general assembly held on April 30, 2023. This resulted to a net payment of SAR 0.50 per share to the shareholders of the Bank.

18.2 Proposed issue of bonus shares

On December 31, 2023, the Board of Directors recommended to the Extraordinary General Assembly of the Bank to increase the capital by SAR 5,000 million through capitalization from the retained earnings by way of granting one share for every four shares. On April 23, 2024, the Shareholders, in their Extraordinary General Assembly meeting approved the increase of share capital by issuance of bonus shares. Accordingly, the total shares increased by 500 million shares to be 2,500 million shares and share capital increased by SAR 5,000 million to be SAR 25,000 million.

18.3 Treasury shares

The Extraordinary General Assembly Meeting on April 30, 2023, approved the Employee Stock Incentive Program for which 5 million shares were to be purchased as treasury shares for allocating them to the Employee Stock Plan. The Bank has completed the purchase of these shares during the period ended June 30, 2023.

19. Comparative figures

Except for the restatement mentioned in note 13, there have been no rearrangements or reclassifications made in these interim condensed consolidated financial statements.

20. 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 six months period ended June 30, 2024.

21. Approval of the financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors of the Bank on 29 Muharram 1446H (corresponding to August 4, 2024).