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**Alinma Bank**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**FOR THE NINE MONTHS PERIOD ENDED**  
**September 30, 2023**

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**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 September 30, 2023, and the related interim condensed consolidated statements of income and comprehensive income for the three-months and nine-months periods then ended, and interim condensed consolidated statements of changes in equity and cash flows for the nine-months period then ended and explanatory notes. Board of Directors 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.

**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**

**Ernst & Young Professional Services**

**Ebrahim Oboud Baeshen**  
Certified Public Accountant  
License number 382

**Hesham A. Alatiqi**  
Certified Public Accountant  
License number 523

(16 Rabi Al Thani 1445H)  
(31 October 2023)

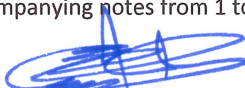



KPMG Professional Services, a professional joint stock company registered in the Kingdom of Saudi Arabia, has a paid-up capital of SR 5,000,000 (previously known as "KPMG Al Fozan & Partners Certified Professional Services") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

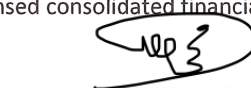
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		September 30, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	September 30, 2022 (Unaudited) SAR'000
	Notes			
<b>ASSETS</b>				
Cash and balances with Saudi Central Bank (SAMA)		12,329,092	9,723,259	10,225,099
Due from banks and other financial institutions, net		4,627,432	1,454,458	709,685
Investments held at fair value through statement of income (FVSI)	4	2,554,946	1,641,496	1,460,629
Investments held at fair value through other comprehensive income (FVOCI)	4	12,761,177	12,084,604	12,044,083
Investments held at amortized cost, net	4	25,562,455	24,721,320	24,693,227
Investments in associate and joint venture	4	91,806	70,214	67,804
Financing, net	6	169,063,342	146,491,956	139,987,366
Property, equipment and right of use assets, net		2,724,271	2,632,794	2,514,429
Other assets		2,870,792	1,616,128	1,527,005
<b>TOTAL ASSETS</b>		<b>232,585,313</b>	<b>200,436,229</b>	<b>193,229,327</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to SAMA, banks and other financial institutions	7	10,123,139	16,483,039	23,224,724
Customers' deposits	8	180,233,168	145,168,490	132,048,325
Amount due to Mutual Funds' unitholders		86,172	136,570	503,717
Other liabilities		8,682,411	6,771,817	6,150,079
<b>TOTAL LIABILITIES</b>		<b>199,124,890</b>	<b>168,559,916</b>	<b>161,926,845</b>
<b>EQUITY</b>				
Share capital		20,000,000	20,000,000	20,000,000
Treasury shares	17.2	(225,657)	(66,021)	(66,247)
Statutory reserve		2,168,630	2,168,630	1,268,845
Other reserves	15	(157,626)	(507,396)	(305,876)
Retained earnings		6,675,076	4,285,004	5,405,760
Proposed dividends	17.1	-	996,096	-
<b>Equity attributable to the shareholders of the Bank</b>		<b>28,460,423</b>	<b>26,876,313</b>	<b>26,302,482</b>
Tier 1 Sukuk	11	5,000,000	5,000,000	5,000,000
<b>TOTAL EQUITY</b>		<b>33,460,423</b>	<b>31,876,313</b>	<b>31,302,482</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>232,585,313</b>	<b>200,436,229</b>	<b>193,229,327</b>

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 INCOME (Unaudited)**

	Notes	For the three months		For the nine months	
		period ended		period ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		SAR'000	SAR'000	SAR'000	SAR'000
Income from investments and financing		3,514,662	2,049,371	9,473,378	5,176,140
Return on time investments		(1,508,761)	(375,717)	(3,873,037)	(777,481)
<b>Income from investments and financing, net</b>		<b>2,005,901</b>	<b>1,673,654</b>	<b>5,600,341</b>	<b>4,398,659</b>
Fee from banking services – income		662,703	483,294	1,809,329	1,366,719
Fee from banking services – expense		(255,612)	(176,102)	(709,212)	(491,628)
Fees from banking services, net		407,091	307,192	1,100,117	875,091
Exchange income, net		74,165	69,020	251,031	206,203
Income from FVSI financial instruments, net		34,706	10,628	153,826	235,751
Gain from FVOCI sukuk investments, net		-	-	-	993
Dividend income on FVOCI equity investments		10,884	8,454	25,390	23,757
Other operating income		7,892	6,480	26,214	74,721
<b>Total operating income</b>		<b>2,540,639</b>	<b>2,075,428</b>	<b>7,156,919</b>	<b>5,815,175</b>
Salaries and employee related expenses		366,590	334,492	1,092,563	967,570
Rent and premises related expenses		17,995	14,347	54,863	44,878
Depreciation and amortization		85,979	70,278	238,760	204,935
Other general and administrative expenses		294,951	290,409	883,755	797,661
<b>Operating expenses before impairment charges</b>		<b>765,515</b>	<b>709,526</b>	<b>2,269,941</b>	<b>2,015,044</b>
Impairment charge on financing, net of recoveries	16	300,991	272,531	963,567	761,908
Impairment charge / (reversal) on other financial assets	16	5,437	(8,284)	10,743	(14,376)
<b>Total operating expenses</b>		<b>1,071,943</b>	<b>973,773</b>	<b>3,244,251</b>	<b>2,762,576</b>
<b>Net operating income</b>		<b>1,468,696</b>	<b>1,101,655</b>	<b>3,912,668</b>	<b>3,052,599</b>
Share of income from an associate and a joint venture		7,397	1,069	10,725	1,124
<b>Income for the period before zakat</b>		<b>1,476,093</b>	<b>1,102,724</b>	<b>3,923,393</b>	<b>3,053,723</b>
Zakat for the period		(152,196)	(113,699)	(404,531)	(314,861)
<b>Net income for the period after zakat</b>		<b>1,323,897</b>	<b>989,025</b>	<b>3,518,862</b>	<b>2,738,862</b>
<b>Basic and diluted earnings per share (SAR)</b>	13	<b>0.64</b>	<b>0.48</b>	<b>1.69</b>	<b>1.33</b>

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

  
Chief Financial Officer

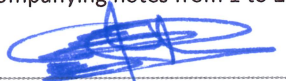
  
Chief Executive Officer


  
Authorized Board Member

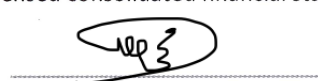
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**

	<u>For the three months</u>		<u>For the nine months</u>	
	<u>period ended</u>		<u>period ended</u>	
	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2022</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
<b>Net income for the period after zakat</b>	<b>1,323,897</b>	<b>989,025</b>	<b>3,518,862</b>	<b>2,738,862</b>
<b>Other comprehensive income / (loss):</b>				
<b><i>Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods</i></b>				
Net change in fair value of FVOCI equity investments	(77,245)	(146,101)	459,945	(175,859)
Share of an associate's other comprehensive income	-	-	10,868	-
<b><i>Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods</i></b>				
Net change in fair value of FVOCI sukuk investments	(130,237)	(70,150)	(61,706)	(229,154)
Net gain realized on sale of FVOCI sukuk investments	-	-	-	(993)
<b>Total other comprehensive (loss) / income</b>	<b>(207,482)</b>	<b>(216,251)</b>	<b>409,107</b>	<b>(406,006)</b>
<b>Total comprehensive income for the period</b>	<b>1,116,415</b>	<b>772,774</b>	<b>3,927,969</b>	<b>2,332,856</b>

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

Signed on 30 Oct 2023, 12:48 AST

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

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
<b>Balance at the beginning of the period</b>		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		-	-	-	-	3,518,862	-	3,518,862	-	3,518,862
Net change in fair value of FVOCI equity investments		-	-	-	459,945	-	-	459,945	-	459,945
Net change in fair values of FVOCI sukuk investments		-	-	-	(61,706)	-	-	(61,706)	-	(61,706)
Share of an associate's other comprehensive income		-	-	-	10,868	-	-	10,868	-	10,868
Total comprehensive income		-	-	-	409,107	3,518,862	-	3,927,969	-	3,927,969
Gain on sale of FVOCI equity investments		-	-	-	(103,553)	103,553	-	-	-	-
Tier 1 Sukuk costs		-	-	-	-	(150,000)	-	(150,000)	-	(150,000)
Final dividends paid for 2022	17.1	-	-	-	-	-	(996,096)	(996,096)	-	(996,096)
Interim dividends paid for 2023	17.1	-	-	-	-	(1,094,211)	-	(1,094,211)	-	(1,094,211)
Employee share based plans and other reserve movements	15, 17.2	-	(159,636)	-	44,216	11,868	-	(103,552)	-	(103,552)
<b>Balance at the end of the period</b>		<b>20,000,000</b>	<b>(225,657)</b>	<b>2,168,630</b>	<b>(157,626)</b>	<b>6,675,076</b>	<b>-</b>	<b>28,460,423</b>	<b>5,000,000</b>	<b>33,460,423</b>

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

  
Chief Financial Officer

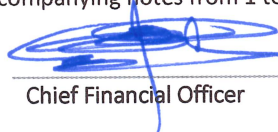
  
Chief Executive Officer

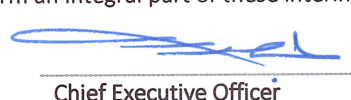
  
Authorized Board Member

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, (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		-	-	-	-	2,738,862	-	2,738,862	-	2,738,862
Net change in fair value of FVOCI equity investments		-	-	-	(175,859)	-	-	(175,859)	-	(175,859)
Net change in fair values of FVOCI sukuk investments		-	-	-	(229,154)	-	-	(229,154)	-	(229,154)
Gain on sale of FVOCI sukuk investments		-	-	-	(993)	-	-	(993)	-	(993)
Total comprehensive income		-	-	-	(406,006)	2,738,862	-	2,332,856	-	2,332,856
Loss on sale of FVOCI equity investments		-	-	-	307	(307)	-	-	-	-
Tier 1 Sukuk costs		-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
Dividends paid for 2021	17.1	-	-	-	-	-	(795,131)	(795,131)	-	(795,131)
Interim dividends paid for 2022	17.1	-	-	-	-	(896,121)	-	(896,121)	-	(896,121)
Employee share based plans and other reserve movements	15	-	27,912	-	(22,778)	44,717	-	49,851	-	49,851
Balance at the end of the period		20,000,000	(66,247)	1,268,845	(305,876)	5,405,760	-	26,302,482	5,000,000	31,302,482

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30,**

	2023 SAR' 000	2022 SAR' 000
<b>OPERATING ACTIVITIES</b>		
Income for the period before zakat	3,923,393	3,053,723
<b>Adjustments to reconcile income for the period before zakat to net cash from operating activities:</b>		
Depreciation and amortization	238,760	204,935
Gain on disposal of property and equipment, net	(7,878)	-
Unrealized gain from FVSI financial instruments, net	(45,285)	(217,777)
Gain from Sukuk investments held at amortized cost	-	(52,196)
Gain from FVOCI sukuk investments, net	-	(993)
Dividend income on FVOCI equity investments	(25,390)	(23,757)
Impairment charge on financing, net of recoveries	963,567	761,908
Impairment charge on other financial assets	10,743	(14,376)
Recoveries from written-off accounts	97,833	34,760
Unwinding of deferred payment program modification loss	(18,449)	(28,481)
Unwinding of fair value impact of profit free SAMA deposits	44,232	43,265
Employees share based plans reserve	43,538	20,207
Share of income from an associate and a joint venture	(10,725)	(1,124)
Financing cost on lease liability	(10,237)	(10,683)
	<u>5,204,102</u>	<u>3,769,411</u>
<b>Net (increase) / decrease in operating assets:</b>		
Statutory deposit with Saudi Central Bank	(1,102,425)	(869,705)
Due from banks and other financial institutions with original maturity of more than three months	(77,155)	(187,602)
Investments held at FVSI	(868,165)	(8,951)
Financing	(23,585,734)	(14,304,526)
Other assets	(1,261,666)	128,948
<b>Net increase / (decrease) in operating liabilities:</b>		
Due to SAMA, banks and other financial institutions	(6,441,593)	7,904,207
Customers' deposits	35,064,678	10,987,774
Other liabilities	1,899,228	127,618
	<u>8,831,270</u>	<u>7,547,174</u>
<b>Net cash from operating activities before Zakat paid</b>	<u>8,831,270</u>	<u>7,547,174</u>
Zakat paid	(413,759)	(311,545)
<b>Net cash from operating activities</b>	<u>8,417,511</u>	<u>7,235,629</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments held at FVOCI	(1,464,174)	(4,221,754)
Purchases of investments held at amortized cost	(1,882,088)	(2,934,520)
Proceeds from sales and maturities of investments held at FVOCI	1,185,840	315,081
Proceeds from sales and maturities of investments held at amortized cost	1,037,373	1,722,738
Purchase of property and equipment	(302,013)	(280,143)
Proceeds from disposal of property and equipment	45,378	-
Dividends received from FVOCI equity investments	25,390	23,757
<b>Net cash used in investing activities</b>	<u>(1,354,294)</u>	<u>(5,374,841)</u>

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, (Continued)**

	Note	2023 SAR' 000	2022 SAR' 000
<b>FINANCING ACTIVITIES</b>			
Payment for Tier 1 Sukuk costs		(150,000)	(150,000)
Cash payment for principal portion of lease liability		(59,141)	(57,072)
Dividend paid		(2,090,307)	(1,691,252)
Purchase of treasury shares		(166,384)	-
<b>Net cash used in financing activities</b>		<b>(2,465,832)</b>	<b>(1,898,324)</b>
<b>Net change in cash and cash equivalents</b>		<b>4,597,385</b>	<b>(37,536)</b>
Cash and cash equivalents at beginning of the period		3,572,943	3,210,524
<b>Cash and cash equivalents at end of the period</b>	<b>10</b>	<b>8,170,328</b>	<b>3,172,988</b>
<b>Supplemental non-cash information:</b>			
Net change in fair value of FVOCI investments		398,239	(406,006)

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

Signed on 30 Oct 2023, 12:49 AST

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

**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 108 branches (September 30, 2022: 105 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:

<b>Subsidiaries</b>	<b>Bank's Ownership</b>	<b>Establishment date</b>	<b>Main Activities</b>
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 September 30, 2023: 92.2% (December 31, 2022: 92.4%; September 30, 2022: 63.6%)	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 September 30, 2023:69.5% (December 31, 2022: 70.9%, September 30, 2022: 71.5%)	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 September 30, 2023:100% (December 31, 2022: Nil, September 30, 2022: 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 Cooperative Insurance Agency, a fully-owned subsidiary of the Bank, established on 29 Rabi Al Awwal 1435H (corresponding to January 30, 2014), was liquidated during the current period 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, 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.
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	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
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

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 (Profit Rate Benchmark Reforms):**

Management has completed the Bank's overall transition activities through engagement with various stakeholders to support an orderly transition and concluded on the transition plan for the exposures not yet transitioned to alternate benchmark profit rates. As of September 30, 2023, all impacted financial instruments have transitioned to alternate reference rates except two financing contracts totaling SAR 983.1 million which will transition to alternate rates at the next repricing date. All relevant policies, procedures, models and client contracts have been amended.

#### 4. Investments, net

		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2022 (Unaudited)
	Notes	SAR'000	SAR'000	SAR'000
<b>Held at FVSI</b>	<b>4.1</b>	<b>2,554,946</b>	1,641,496	1,460,629
<b>Held at FVOCI</b>	<b>4.2</b>	<b>12,761,177</b>	12,084,604	12,044,083
Held at Amortized Cost		25,582,193	24,737,478	24,706,378
Less: Allowance for impairment	4.3	(19,738)	(16,158)	(13,151)
<b>Held at Amortized Cost, net</b>		<b>25,562,455</b>	24,721,320	24,693,227
Investment in an associate	4.4	77,465	56,158	54,493
Investment in a joint venture	4.5	14,341	14,056	13,311
<b>Investment in associate and joint venture</b>		<b>91,806</b>	70,214	67,804
<b>Total</b>		<b>40,970,384</b>	38,517,634	38,265,743

##### 4.1 Held at FVSI

###### September 30, 2023 (Unaudited)

	SAR'000		
	Domestic	International	Total
Equities	101,088	115,129	216,217
Funds	1,088,190	1,250,539	2,338,729
	<b>1,189,278</b>	<b>1,365,668</b>	<b>2,554,946</b>

###### December 31, 2022 (Audited)

	SAR'000		
	Domestic	International	Total
Equities	74,498	70,552	145,050
Funds	819,091	677,355	1,496,446
	<b>893,589</b>	<b>747,907</b>	<b>1,641,496</b>

###### September 30, 2022 (Unaudited)

	SAR'000		
	Domestic	International	Total
Equities	82,800	67,538	150,338
Funds	814,469	495,822	1,310,291
	<b>897,269</b>	<b>563,360</b>	<b>1,460,629</b>

#### 4.2 Held at FVOCI

September 30, 2023 (Unaudited)	SAR'000		
	Domestic	International	Total
Sukuks	10,320,867	1,288,303	11,609,170
Equities	1,148,236	3,771	1,152,007
	<u>11,469,103</u>	<u>1,292,074</u>	<u>12,761,177</u>

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
	<u>10,959,879</u>	<u>1,124,725</u>	<u>12,084,604</u>

September 30, 2022 (Unaudited)	SAR'000		
	Domestic	International	Total
Sukuks	9,260,518	1,083,502	10,344,020
Equities	1,699,256	807	1,700,063
	<u>10,959,774</u>	<u>1,084,309</u>	<u>12,044,083</u>

**4.3** As at September 30, 2023, December 31, 2022 and September 30, 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 September 30, 2022: 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The company has a paid-up share capital of SAR 300 million. On December 14, 2022, the company entered into a binding agreement with Arabian Shield for Corporative Insurance Company ("Arabian Shield") by share swap to transfer all of its assets and liabilities to Arabian Shield. As of September 30, 2023, legal and regulatory requirements to implement the agreement are not yet complete.

**4.5** Investment in a joint venture represents the Banks's share of ownership at 50% (December 31, 2022 and September 30, 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.

September 30, 2023 (Unaudited)	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	357,087	324,152	14,214,486
Foreign exchange forward contracts	448	-	1,465,197



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

September 30, 2022 (Unaudited)

	SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	318	7,037	530,000
Foreign exchange forward contracts	1,733	-	1,226,000

## 6. Financing, net

September 30, 2023 (Unaudited)	SAR'000				Financing, net
	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	
Retail	41,496,943	805,211	42,302,154	(1,039,988)	41,262,166
Corporate	129,060,143	2,132,444	131,192,587	(3,391,411)	127,801,176
<b>Total</b>	<b>170,557,086</b>	<b>2,937,655</b>	<b>173,494,741</b>	<b>(4,431,399)</b>	<b>169,063,342</b>

December 31, 2022 (Audited)	SAR'000				Financing, net
	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	
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
<b>Total</b>	<b>147,553,298</b>	<b>2,919,914</b>	<b>150,473,212</b>	<b>(3,981,256)</b>	<b>146,491,956</b>

September 30, 2022 (Unaudited)	SAR'000				Financing, net
	Performing	Non-performing	Gross	Allowance for impairment (note 6.1)	
Retail	35,650,540	199,795	35,850,335	(567,475)	35,282,860
Corporate	105,671,048	2,203,093	107,874,141	(3,169,635)	104,704,506
<b>Total</b>	<b>141,321,588</b>	<b>2,402,888</b>	<b>143,724,476</b>	<b>(3,737,110)</b>	<b>139,987,366</b>

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

**September 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	40,406,156	1,090,787	805,211	42,302,154	254,804	166,170	619,014	1,039,988
Corporate	121,210,857	7,849,286	2,132,444	131,192,587	491,555	1,366,018	1,533,838	3,391,411
<b>Total</b>	<b>161,617,013</b>	<b>8,940,073</b>	<b>2,937,655</b>	<b>173,494,741</b>	<b>746,359</b>	<b>1,532,188</b>	<b>2,152,852</b>	<b>4,431,399</b>

**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
<b>Total</b>	<b>139,095,450</b>	<b>8,457,848</b>	<b>2,919,914</b>	<b>150,473,212</b>	<b>691,188</b>	<b>1,632,053</b>	<b>1,658,015</b>	<b>3,981,256</b>

**September 30, 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	34,944,183	706,357	199,795	35,850,335	299,326	121,460	146,689	567,475
Corporate	97,370,868	8,300,180	2,203,093	107,874,141	387,175	1,581,980	1,200,480	3,169,635
<b>Total</b>	<b>132,315,051</b>	<b>9,006,537</b>	<b>2,402,888</b>	<b>143,724,476</b>	<b>686,501</b>	<b>1,703,440</b>	<b>1,347,169</b>	<b>3,737,110</b>

## 6.1 Movement in allowance for impairment of financing

	September 30, 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	64,936	(55,286)	(9,650)	-
Transfer to life time ECL, not credit impaired	(13,043)	46,306	(33,263)	-
Transfer to life time ECL, credit impaired	(5,628)	(137,865)	143,493	-
Net charge for the period	8,906	46,980	976,911	1,032,797
Write-off	-	-	(582,654)	(582,654)
<b>Balance as at September 30, 2023</b>	<b>746,359</b>	<b>1,532,188</b>	<b>2,152,852</b>	<b>4,431,399</b>
	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)
<b>Balance as at December 31, 2022</b>	<b>691,188</b>	<b>1,632,053</b>	<b>1,658,015</b>	<b>3,981,256</b>
	September 30, 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	10,203	(7,952)	(2,251)	-
Transfer to life time ECL, not credit impaired	(5,643)	50,525	(44,882)	-
Transfer to life time ECL, credit impaired	(798)	(418,399)	419,197	-
Net charge for the period	81,254	69,456	466,422	617,132
Write-off	-	-	(920,735)	(920,735)
<b>Balance as at September 30, 2022</b>	<b>686,501</b>	<b>1,703,440</b>	<b>1,347,169</b>	<b>3,737,110</b>

## 7. Due to SAMA, banks and other financial institutions

	September 30, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	September 30, 2022 (Unaudited) SAR'000
Due to SAMA, net	7,050,749	11,870,093	9,957,992
Time investments from banks and other financial institutions	2,293,019	4,557,615	13,197,827
Current accounts	779,371	55,331	68,905
<b>Total</b>	<b>10,123,139</b>	<b>16,483,039</b>	<b>23,224,724</b>

As of September 30, 2023, the Bank has outstanding profit free deposits from SAMA with gross amount of SAR 5.9 billion (December 31, 2022: SAR 6.8 billion; September 30, 2022: SAR 6.9 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

	September 30, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	September 30, 2022 (Unaudited) SAR'000
	Note		
Demand	79,286,776	73,887,522	78,151,337
Savings	9,073,975	7,093,170	6,940,752
Customers' time investments	8.1 90,244,908	62,679,182	45,602,936
Others	1,627,509	1,508,616	1,353,300
<b>Total</b>	<b>180,233,168</b>	<b>145,168,490</b>	<b>132,048,325</b>

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:

	September 30, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	September 30, 2022 (Unaudited) SAR'000
Letters of credit	3,943,139	4,656,910	4,320,001
Letters of guarantee	19,065,711	15,634,566	14,508,543
Acceptances	935,723	557,775	354,257
Irrevocable commitments to extend credit	9,704,374	2,750,501	512,273
<b>Total</b>	<b>33,648,947</b>	<b>23,599,752</b>	<b>19,695,074</b>

- ii) Other liabilities include provision for credit-related commitments and contingencies of SAR 549.7 million as at September 30, 2023 (December 31, 2022: SAR 519.2 million; September 30, 2022: SAR 526.7 million).

	September 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	173	(173)	-	-
Transfer to life time ECL, not credit impaired	(144)	786	(642)	-
Net charge for the period	2,091	24,343	4,067	30,501
<b>Balance as at September 30, 2023</b>	<b>53,700</b>	<b>270,420</b>	<b>225,620</b>	<b>549,740</b>

	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
<b>Balance as at December 31, 2022</b>	<b>51,580</b>	<b>245,464</b>	<b>222,195</b>	<b>519,239</b>

	September 30, 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 12-month ECL	4,025	(4,025)	-	-
Transfer to life time ECL, credit impaired	-	(177)	177	-
Net (reversal) / charge for the period	(1,724)	187,384	(6,124)	179,536
<b>Balance as at September 30, 2022</b>	<b>39,729</b>	<b>258,219</b>	<b>228,767</b>	<b>526,715</b>

## 10. Cash and cash equivalents

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

	September 30, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	September 30, 2022 (Unaudited) SAR'000
Cash in hand	1,916,590	1,960,998	2,557,943
Balances with SAMA excluding statutory deposit	1,826,281	278,465	92,607
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	4,427,457	1,333,480	522,438
<b>Total</b>	<b>8,170,328</b>	<b>3,572,943</b>	<b>3,172,988</b>

## 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				
	Retail	Corporate	Treasury	Investment and brokerage	Total
<b>September 30, 2023 (Unaudited)</b>					
<b>Total assets</b>	<b>40,379,709</b>	<b>127,801,176</b>	<b>60,949,121</b>	<b>3,455,307</b>	<b>232,585,313</b>
<b>Total liabilities</b>	<b>118,200,523</b>	<b>27,604,445</b>	<b>53,255,110</b>	<b>64,812</b>	<b>199,124,890</b>
Income from investments and financing	4,396,205	3,034,214	1,965,442	77,517	9,473,378
Return on time investments	(1,507,650)	(871,395)	(1,493,992)	-	(3,873,037)
<b>Income from investments and financing, net</b>	<b>2,888,555</b>	<b>2,162,819</b>	<b>471,450</b>	<b>77,517</b>	<b>5,600,341</b>
Fees from banking services and other operating income	338,520	264,540	371,917	581,601	1,556,578
<b>Total operating income</b>	<b>3,227,075</b>	<b>2,427,359</b>	<b>843,367</b>	<b>659,118</b>	<b>7,156,919</b>
Depreciation and amortization	194,272	23,728	16,972	3,788	238,760
Other operating expenses	1,077,449	472,386	260,794	220,552	2,031,181
Charge / (reversal) for credit impairment	766,448	207,706	1,845	(1,689)	974,310
<b>Total operating expenses</b>	<b>2,038,169</b>	<b>703,820</b>	<b>279,611</b>	<b>222,651</b>	<b>3,244,251</b>
<b>Net operating income</b>	<b>1,188,906</b>	<b>1,723,539</b>	<b>563,756</b>	<b>436,467</b>	<b>3,912,668</b>
Share of income from an associate and joint venture	-	-	10,725	-	10,725
<b>Income for the period before zakat</b>	<b>1,188,906</b>	<b>1,723,539</b>	<b>574,481</b>	<b>436,467</b>	<b>3,923,393</b>

SAR '000					
	Retail	Corporate	Treasury	Investment and brokerage	Total
September 30, 2022 (Unaudited)					
Total assets	34,379,032	104,704,506	51,290,965	2,854,824	193,229,327
Total liabilities	91,113,636	23,653,229	46,611,610	548,370	161,926,845
Income from investments and financing	2,281,825	1,799,758	1,027,796	66,761	5,176,140
Return on time investments	(259,151)	(158,967)	(360,727)	1,364	(777,481)
Income from investments and financing, net	2,022,674	1,640,791	667,069	68,125	4,398,659
Fees from banking services and other operating income	354,654	167,688	432,458	461,716	1,416,516
Total operating income	2,377,328	1,808,479	1,099,527	529,841	5,815,175
Depreciation and amortization	178,290	13,542	8,959	4,144	204,935
Other operating expenses	1,085,179	354,720	179,521	190,689	1,810,109
Charge / (reversal) for credit impairment	124,990	635,120	9,753	(22,331)	747,532
Total operating expenses	1,388,459	1,003,382	198,233	172,502	2,762,576
Net operating income	988,869	805,097	901,294	357,339	3,052,599
Share of income from an associate and joint venture	-	-	1,124	-	1,124
Income for the period before zakat	988,869	805,097	902,418	357,339	3,053,723

SAR '000					
September 30, 2023 (Unaudited)	Retail	Corporate	Treasury	Investment and brokerage	Total
Other information:					
Revenue from:					
- External	471,911	5,994,186	31,704	659,118	7,156,919
- Inter-segment	2,755,164	(3,566,827)	811,663	-	-
<b>Total operating income</b>	<b>3,227,075</b>	<b>2,427,359</b>	<b>843,367</b>	<b>659,118</b>	<b>7,156,919</b>

SAR '000					
September 30, 2022 (Unaudited)	Retail	Corporate	Treasury	Investment and brokerage	Total
Other information:					
Revenue from:					
- External	1,217,842	3,233,861	833,631	529,841	5,815,175
- Inter-segment	1,159,486	(1,425,382)	265,896	-	-
Total operating income	2,377,328	1,808,479	1,099,527	529,841	5,815,175



### 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 1,989.8 million shares at September 30, 2023 (September 30, 2022: 1,990.1 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 September 30, 2023, December 31, 2022 and September 30, 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:

September 30, 2023 (Unaudited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	173,400	-	42,817	216,217
- Funds	312,609	1,668,042	358,078	2,338,729
Financial assets held as FVOCI				
- Equities	1,127,205	-	24,801	1,152,006
- Sukuks	3,670,273	7,938,898	-	11,609,171
<b>Total</b>	<b>5,283,487</b>	<b>9,606,940</b>	<b>425,696</b>	<b>15,316,123</b>

December 31, 2022 (Audited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	109,733	-	35,317	145,050
- Funds	234,258	1,033,053	229,135	1,496,446
Financial assets held as FVOCI				
- Equities	1,416,680	-	21,779	1,438,459
- Sukuks	3,571,086	7,075,059	-	10,646,145
<b>Total</b>	<b>5,331,757</b>	<b>8,108,112</b>	<b>286,231</b>	<b>13,726,100</b>

September 30, 2022 (Unaudited)	SAR '000			Total
	Level 1	Level 2	Level 3	
Financial assets held as FVSI				
- Equities	115,021	-	35,317	150,338
- Funds	262,115	817,113	231,063	1,310,291
Financial assets held as FVOCI				
- Equities	1,678,363	-	21,700	1,700,063
- Sukuks	2,640,256	7,703,764	-	10,344,020
<b>Total</b>	<b>4,695,755</b>	<b>8,520,877</b>	<b>288,080</b>	<b>13,504,712</b>

### Reconciliation of Level 3 fair values

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

September 30, 2023	SAR '000	
	Financial assets held as FVSI	Financial assets held as FVOCI
Balance at January 1, 2023	264,452	21,779
Additional / new investments	141,837	2,897
Capital return and disposals during the period	(3,595)	(13)
Net change in fair value (unrealized)	(1,799)	138
<b>Balance at September 30, 2023</b>	<b>400,895</b>	<b>24,801</b>

December 31, 2022 (Audited)	Financial assets held as FVSI	Financial assets held as FVOCI
	SAR'000	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
<b>Balance at December 31, 2022</b>	<b>264,452</b>	<b>21,779</b>

September 30, 2022	SAR '000	
	Financial assets held as FVSI	Financial assets held as FVOCI
Balance at January 1, 2022	239,390	16,204
Additional / new investments	44,235	-
Capital return and disposals during the period	(62,701)	(19)
Net change in fair value (unrealized)	45,456	5,515
Balance at September 30, 2022	266,380	21,700

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.

September 30, 2023 (Unaudited)	SAR '000	
	Carrying value	Fair value
<b>ASSETS</b>		
Due from banks and other financial institutions	4,627,432	4,619,879
Investments – Murabaha with SAMA	1,382,003	1,379,708
Sukuks – Amortized Cost	24,200,190	23,779,681
Financing, net	169,063,342	168,346,254
<b>LIABILITIES</b>		
Due to SAMA, banks and other financial institutions	10,123,139	9,990,514
Customers' deposits	180,233,168	180,104,029

December 31, 2022 (Audited)	SAR '000	
	Carrying value	Fair value
<b>ASSETS</b>		
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
<b>LIABILITIES</b>		
Due to SAMA, banks and other financial institutions	16,483,039	16,299,059
Customers' deposits	145,168,490	145,079,131

September 30, 2022 (Unaudited)	SAR '000	
	Carrying value	Fair value
<b>ASSETS</b>		
Due from banks and other financial institutions	709,685	709,510
Investments – Murabaha with SAMA	902,670	891,302
Sukuks – Amortized Cost	23,803,708	23,721,038
Financing, net	139,987,366	139,125,791
<b>LIABILITIES</b>		
Due to SAMA, banks and other financial institutions	23,244,724	23,219,576
Customers' deposits	132,048,325	131,915,574

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

September 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				
<b>Balance at January 1, 2023</b>	<b>(634,267)</b>	<b>33,855</b>	<b>113,555</b>	<b>(20,539)</b>	<b>(507,396)</b>
Net change in fair value of FVOCI equity investments	459,945	-	-	-	459,945
Net change in fair value of FVOCI sukuk investments	(61,706)	-	-	-	(61,706)
Share of associate's other comprehensive income	10,868	-	-	-	10,868
Gain on sale of FVOCI equity investments	(103,553)	-	-	-	(103,553)
Employee share based plan reserve	-	43,538	-	-	43,538
Other transfers	-	21,748	-	-	21,748
Vesting of shares	-	(18,776)	-	-	(18,776)
Utilization during the period	-	-	(2,294)	-	(2,294)
<b>Balance as at September 30, 2023</b>	<b>(328,713)</b>	<b>80,365</b>	<b>111,261</b>	<b>(20,539)</b>	<b>(157,626)</b>

September 30, 2022 (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, 2022	26,616	43,293	85,457	(32,765)	122,601
Net change in fair value of FVOCI equity investments	(175,859)	-	-	-	(175,859)
Net change in fair value of FVOCI sukuk investments	(229,154)	-	-	-	(229,154)
Net gain realized on sale of FVOCI sukuk investments	(993)	-	-	-	(993)
Loss on sale of FVOCI equity investments	307	-	-	-	307
Employee share based plan reserve	-	20,207	-	-	20,207
Vesting of shares	-	(38,037)	-	-	(38,037)
Utilization during the period	-	-	(4,948)	-	(4,948)
Balance as at September 30, 2022	(379,083)	25,463	80,509	(32,765)	(305,876)

## 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.

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 rate including 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 – (minus) or better are eligible for new financing facilities. The Bank reviews and validates the Moody’s CreditLens rating system on a regular basis as part of a periodic model validation activity 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:

	<b>September 30, 2023 (Unaudited)</b>			
	<b>12 month ECL</b>	<b>Life time ECL</b>	<b>Lifetime ECL</b>	<b>Total</b>
		<b>not credit impaired</b>	<b>credit impaired</b>	
<b>SAR in ‘000’</b>				
<b>Balance at January 1, 2023</b>	<b>769,340</b>	<b>1,879,224</b>	<b>1,880,210</b>	<b>4,528,774</b>
Transfer to 12 month ECL	65,109	(55,459)	(9,650)	-
Transfer to life time ECL, not credit impaired	(13,187)	47,092	(33,905)	-
Transfer to life time ECL, credit impaired	(5,628)	(137,865)	143,493	-
Net charge for the period	14,290	69,872	980,979	1,065,141
Write off	-	-	(582,654)	(582,654)
<b>Balance as at September 30, 2023</b>	<b>829,924</b>	<b>1,802,864</b>	<b>2,378,473</b>	<b>5,011,261</b>

September 30, 2022 (Unaudited)

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
SAR in '000'				
Balance at January 1, 2022	651,442	2,085,384	1,664,131	4,400,957
Transfer to 12 month ECL	14,228	(11,977)	(2,251)	-
Transfer to life time ECL, not credit impaired	(5,643)	50,525	(44,882)	-
Transfer to life time ECL, credit impaired	(797)	(418,577)	419,374	-
Net charge for the period	88,715	258,257	460,299	807,271
Write off	-	-	(920,735)	(920,735)
Balance as at September 30, 2022	747,945	1,963,612	1,575,936	4,287,493

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

	September 30, 2023 SAR'000	September 30, 2022 SAR'000
Impairment charge on financing (note 6.1)	1,032,797	617,132
Impairment charge of non-funded financing and credit related commitments (note 9)	30,501	179,536
Impairment charge on other financial exposures	1,843	10,603
Total charge for the period before recoveries from written off bad debts	1,065,141	807,271
Charge / (reversal) of impairment of other financial assets	7,002	(24,979)
Recoveries from written off bad debts	(97,833)	(34,760)
<b>Total impairment charge for period, net of recoveries</b>	<b>974,310</b>	<b>747,532</b>

**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. The current period numbers are presented as per Basel III Post Crisis Reforms regulation issued by SAMA (circular number 44047144) effective from January 1, 2023, while the prior period is based on Basel III regulations.



	September 30, 2023 (Unaudited) SAR'000	December 31, 2022 (Audited) SAR'000	September 30, 2022 (Unaudited) SAR'000
Credit risk weighted assets	194,125,063	160,491,295	153,478,926
Operational risk weighted assets	6,040,617	12,713,318	12,317,977
Market risk weighted assets	6,092,616	399,339	2,439,959
<b>Total Pillar-I Risk Weighted Assets</b>	<b>206,258,296</b>	<b>173,603,952</b>	<b>168,236,862</b>
Tier I capital	33,821,857	32,358,224	31,844,632
Tier II capital	2,300,034	2,006,141	1,918,487
<b>Total Tier I &amp; II Capital</b>	<b>36,121,891</b>	<b>34,364,365</b>	<b>33,763,119</b>
<b>Capital Adequacy Ratio %</b>			
Common Equity Tier I	14%	16%	16%
Tier I ratio	16%	19%	19%
Tier I + Tier II ratio	18%	20%	20%

#### 17.1 Dividends

The Board of Directors approved on July 26, 2023 an interim dividend of SAR 596.2 million for the second quarter of 2023 (2022: Nil). This resulted to a net payment of SAR 0.30 per share to the shareholders of the Bank (2022: Nil). This has brought the total interim dividends paid for the period ended June 30, 2023 SAR 1,094.2 million (2022: SAR 896.1 million).

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) which was approved in the extraordinary general assembly held on April 3, 2023. This resulted to a net payment of SAR 0.50 per share to the shareholders of the Bank (2021: SAR 0.40 per share).

#### 17.2 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.

### 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 nine months period ended September 30, 2023.

### 20. Approval of the financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors of the Bank on Rabi Thani 8, 1445H (corresponding to October 23, 2023).