



Arab National Bank
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements
For the period ended September 30, 2023

(Unaudited)



KPMG Professional Services

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

Headquarters in Riyadh



**Deloitte and Touche & Co.
Chartered Accountants**

Head office - Riyadh
License #323/11/96
Date 10/3/1419
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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: The Shareholders of Arab National Bank
(A Saudi Joint Stock Company)

Introduction

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

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Regulatory Matters

As required by the Saudi Central Bank ("SAMA"), certain capital adequacy information has been disclosed in note (20) to the accompanying interim condensed consolidated financial statements. As part of our review, we traced the information in note (20) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

KPMG Professional Services

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Saleh Mohammed S Mostafa
Certified Public Accountant
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Mazen A. Al-Omari
Certified Public Accountant
License No. 480



Rabi Al-Thani 11, 1445H
(October 26, 2023)

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") 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

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
Amounts in SAR '000

		September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
	Notes			
ASSETS				
Cash and balances with SAMA	5	11,486,783	12,434,197	9,701,518
Due from banks and other financial institutions, net	6	1,998,085	6,048,035	1,917,429
Positive fair value of derivatives	13	2,798,671	2,959,669	3,526,561
Investments, net	7	45,356,423	41,017,758	39,953,157
Loans and advances, net	8	149,371,942	143,828,819	145,474,566
Investments in associates		972,995	978,683	975,859
Other real estate owned		1,300,220	1,318,150	1,261,125
Property, equipment and right of use assets, net		2,441,959	2,231,227	2,159,534
Other assets		2,462,574	1,811,555	2,295,974
Total assets		218,189,652	212,628,093	207,265,723
LIABILITIES AND EQUITY				
Liabilities				
Due to banks, SAMA and other financial institutions	11	16,988,413	13,511,268	15,363,489
Negative fair value of derivatives	13	1,790,350	2,164,241	2,197,029
Customers' deposits	12	154,219,732	154,871,266	147,805,628
Sukuk		2,852,241	2,829,092	2,852,241
Other liabilities		8,580,041	6,894,569	7,275,903
Total liabilities		184,430,777	180,270,436	175,494,290
Equity				
Equity attributable to equity holders of the Bank				
Share capital	18	15,000,000	15,000,000	15,000,000
Statutory reserve		9,630,000	9,630,000	8,862,000
Other reserves		41,863	58,504	263,839
Retained earnings		9,060,238	6,819,244	7,622,983
Proposed dividends	18	-	826,616	-
Total equity attributable to equity holders of the Bank		33,732,101	32,334,364	31,748,822
Total equity attributable to non-controlling interests		26,774	23,293	22,611
Total equity		33,758,875	32,357,657	31,771,433
Total liabilities and equity		218,189,652	212,628,093	207,265,723

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Saad Al-Dughish
Chief Financial Officer

Obaid Al-Rasheed
Managing Director

Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME
Amounts in SAR '000 (Unaudited)

	Notes	For the three months ended September 30		For the nine months ended September 30	
		2023	2022	2023	2022
Special commission income		3,249,576	2,089,778	9,114,271	5,135,825
Special commission expense		1,409,379	592,978	3,811,106	1,144,718
Net special commission income		1,840,197	1,496,800	5,303,165	3,991,107
Fees and commission income		451,736	391,471	1,288,164	1,073,147
Fees and commission expense		272,523	227,854	773,340	656,200
Fees and commission income, net		179,213	163,617	514,824	416,947
Exchange income, net		83,699	101,270	245,801	248,056
Gain on FVSI financial instruments, net		22,870	2,239	35,914	69,150
Trading income, net		503	2,014	27,929	35,705
Dividend income		47,659	32,525	110,825	130,456
(Loss)/ gain on sale of non-trading investments, net		(368)	-	155,485	-
Other operating income, net		28,683	16,894	76,784	52,084
Total operating income		2,202,456	1,815,359	6,470,727	4,943,505
Salaries and employee related expenses		395,905	344,185	1,130,667	1,006,501
Rent and premises related expenses		16,045	15,283	40,924	40,483
Depreciation and amortisation		57,273	53,191	169,326	160,063
Other general and administrative expenses		253,937	182,987	714,982	537,582
Total operating expenses before impairment charges		723,160	595,646	2,055,899	1,744,629
Impairment charges for expected credit losses (ECL), net	9	243,891	172,847	759,787	610,255
Impairment charge for other real estate owned		-	-	50,000	-
Total operating expenses		967,051	768,493	2,865,686	2,354,884
Net operating income		1,235,405	1,046,866	3,605,041	2,588,621
Share in earnings of associates, net		10,254	21,181	36,732	54,922
Gain on disposal of investment in associate	10	-	-	-	36,050
Net income before zakat and income tax		1,245,659	1,068,047	3,641,773	2,679,593
Zakat	16	77,370	67,982	236,940	199,946
Income tax	16	100,943	82,879	288,966	208,871
Reversal of deferred tax		(10,418)	(111)	(17,418)	(4,718)
Net income for the period		1,077,764	917,297	3,133,285	2,275,494
Attributable to:					
Equity holders of the Bank		1,076,244	921,110	3,129,804	2,279,526
Non-controlling interest		1,520	(3,813)	3,481	(4,032)
Net income for the period		1,077,764	917,297	3,133,285	2,275,494
Basic and diluted earnings per share (expressed in SAR per share)	18	0.72	0.61	2.09	1.52

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Saad Al-Dughish
Chief Financial Officer

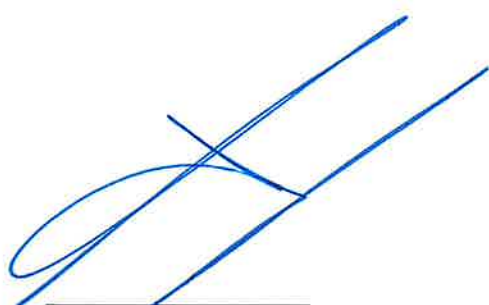
Obaid Al-Rasheed
Managing Director

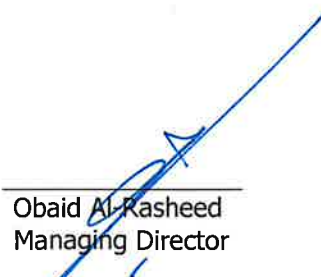
Hesham Al-Jabr
Authorized Board Member


ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in SAR '000 (Unaudited)

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income for the period	1,077,764	917,297	3,133,285	2,275,494
Other comprehensive income:				
<i>Items that will not be reclassified to interim consolidated statement of income in subsequent periods</i>				
Equity instruments at FVOCI:				
- Net changes in fair value	(51,571)	(141,365)	123,090	(84,123)
<i>Items that may be reclassified to interim consolidated statement of income in subsequent periods</i>				
Debt instruments at FVOCI:				
- Net changes in fair value	(102,480)	(21,279)	(122,629)	(68,314)
Cash flow hedge:				
- Effective portion of change in the fair value	258	(37,886)	(5,553)	(113,455)
Total other comprehensive loss for the period	(153,793)	(200,530)	(5,092)	(265,892)
Total comprehensive income for the period	923,971	716,767	3,128,193	2,009,602
Attributable to:				
Equity holders of the Bank	922,451	720,580	3,124,712	2,013,634
Non-controlling interests	1,520	(3,813)	3,481	(4,032)
Total comprehensive income for the period	923,971	716,767	3,128,193	2,009,602

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.


 Saad Al-Dughish
 Chief Financial Officer


 Obaid Al-Rasheed
 Managing Director


 Hesham Al-Jabr
 Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
Amounts in SAR '000 (Unaudited)

Attributable to equity holders of the Bank										
Notes	Other Reserves						Non-		Total	equity
	Share capital	Statutory reserve	Instruments at FVOCI	Cash flow hedge reserve	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total		
2023	15,000,000	9,630,000	303,579	(116,139)	(128,936)	6,819,244	826,616	32,334,364	23,293	32,357,657
Balance as at December 31, 2022	-	-	123,090	-	-	-	-	123,090	-	123,090
Changes in equity for the period:										
Net changes in fair values of FVOCI equity investments	-	-	(122,629)	-	-	-	-	(122,629)	-	(122,629)
Net changes in fair values of FVOCI debt instruments	-	-	-	(5,553)	-	-	-	(5,553)	-	(5,553)
Net changes in fair value of cash flow hedges	-	-	-	-	-	3,129,804	-	3,129,804	3,481	3,133,285
Net income for the period	-	-	461	(5,553)	-	3,129,804	-	3,124,712	3,481	3,128,193
Total comprehensive income for the period	-	-	(11,549)	-	-	11,549	-	-	-	-
Gain on derecognition of FVOCI equity investments, net	-	-	-	-	-	-	(826,616)	(826,616)	-	(826,616)
2022 final dividends	-	-	-	-	-	(900,359)	-	(900,359)	-	(900,359)
2023 interim dividend	-	-	-	-	-	9,060,238	-	33,732,101	26,774	33,758,875
Balance as at September 30, 2023	15,000,000	9,630,000	292,491	(121,692)	(128,936)	9,060,238	-	33,732,101	26,774	33,758,875
2022										
Balance as at December 31, 2021	15,000,000	8,862,000	644,360	(423)	(101,069)	6,046,534	649,692	31,101,094	26,643	31,127,737
Changes in equity for the period:										
Net changes in fair values of FVOCI equity investments	-	-	(84,123)	-	-	-	-	(84,123)	-	(84,123)
Net changes in fair values of FVOCI debt instruments	-	-	(68,314)	-	-	-	-	(68,314)	-	(68,314)
Net changes in fair value of cash flow hedges	-	-	-	(113,455)	-	2,279,526	-	(113,455)	-	(113,455)
Net income for the period	-	-	-	-	-	2,279,526	-	2,279,526	(4,032)	2,275,494
Total comprehensive income for the period	-	-	(152,437)	(113,455)	-	2,279,526	-	2,013,634	(4,032)	2,009,602
Net gain on derecognition of FVOCI equity investments	-	-	(13,137)	-	-	13,137	-	(649,692)	-	(649,692)
2021 final dividends	-	-	-	-	-	(716,214)	-	(716,214)	-	(716,214)
2022 interim dividend	-	-	-	-	-	7,622,983	-	31,748,822	22,611	31,771,433
Balance as at September 30, 2022	15,000,000	8,862,000	478,786	(113,878)	(101,069)	7,622,983	-	31,748,822	22,611	31,771,433

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Saad Al-Dughish
Chief Financial Officer

Obaid Al-Rasheed
Managing Director

Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
Amounts in SAR '000 (Unaudited)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES			
Net income before zakat and income tax		3,641,773	2,679,593
Adjustments to reconcile net income to net cash generated from/ (used in) operating activities:			
Accretion of discounts and amortisation of premium on investments not held as FVSI, net		(58,540)	6,825
Special commission expense on Sukuk		69,898	69,898
Gain on sale of non-trading investments, net		(155,485)	-
Gain on FVSI financial instruments, net		(35,914)	(69,150)
Dividend income		(110,825)	(130,456)
Depreciation and amortisation		169,326	160,063
Gain on disposal of property and equipment, net		(17,327)	(2,030)
Impairment charges for expected credit losses (ECL), net		759,787	610,255
Impairment charges for other real estate owned		50,000	-
Share in earnings of associates, net		(36,732)	(54,922)
Gain on disposal of investment in associate	10	-	(36,050)
		4,275,961	3,234,026
Net (increase)/ decrease in operating assets:			
Statutory deposit with SAMA		(331,355)	(701,863)
Investments held at FVSI		(60,079)	49,730
Positive fair value of derivatives		160,998	(2,559,076)
Loans and advances		(4,768,720)	(20,510,368)
Other real estate owned		(32,070)	72,938
Other assets		(651,021)	1,107,006
Net increase/ (decrease) in operating liabilities:			
Due to banks, SAMA and other financial institutions		3,477,145	1,156,381
Negative fair value of derivatives		(373,891)	2,836,830
Customers' deposits		(651,534)	12,091,743
Other liabilities		166,930	691,304
Zakat and income tax paid		(578,788)	(474,988)
Net cash generated from/ (used in) operating activities		633,576	(3,006,337)
INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments not held as FVSI		1,217,721	2,465,800
Purchase of investments not held as FVSI		(5,252,063)	(1,172,125)
Dividend received on investment in associates, net		42,420	270,848
Proceeds from sale of property and equipment		20,552	29,799
Purchase of property and equipment		(283,204)	(133,206)
Dividend received		110,825	130,456
Net cash (used in)/ generated from investing activities		(4,143,749)	1,591,572
FINANCING ACTIVITIES			
Dividend paid		(1,726,975)	(1,365,906)
Special commission paid on Sukuk		(93,047)	(46,757)
Net cash used in financing activities		(1,820,022)	(1,412,663)
Net decrease in cash and cash equivalents		(5,330,195)	(2,827,428)
Cash and cash equivalents at the beginning of the period		10,409,597	6,572,336
Cash and cash equivalents at the end of the period	15	5,079,402	3,744,908

Supplemental non-cash information

Net changes in fair value of investments held at FVOCI	461	(152,437)
Net changes in fair value of cash flow hedges	(5,553)	(113,455)

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Saad Al-Dughish
Chief Financial Officer

Obaid Al-Rasheed
Managing Director

Hesham Al-Jabr
Authorized Board Member

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

1. General

Arab National Bank (a Saudi Joint Stock Company) (the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18, 1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 126 branches (December 31, 2022: 127 and September 30, 2022: 129 branches), 60 remittance centres (December 31, 2022: 75 and September 30, 2022: 78 remittance centres) in the Kingdom of Saudi Arabia (the Kingdom) and one branch in the United Kingdom. The address of the Group's head office is as follows:

Arab National Bank
P.O. Box 56921
Riyadh 11564
Kingdom of Saudi Arabia

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

The Bank is regulated by the Saudi Central Bank (SAMA).

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and the following subsidiaries (collectively referred to as the Group):

ANB Capital (formerly ANB Invest)

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary and a Saudi closed joint stock company registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities consisting of dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above-mentioned subsidiary on Muharram 3, 1429H (corresponding to January 12, 2008). On Muharram 19, 1436H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha'ban 26, 1437H (corresponding to June 2, 2016) to provide loans to the subsidiary's customers to trade in financial papers as per the Saudi Central Bank (SAMA) circular No. 371000014867 dated Safar 5, 1437H, and the CMA's circular No. S/6/16287/15 dated Rabi' Al-Awal 10, 1437H. The General Assembly of ANB Capital approved on Dhu Al-Qi'dah, 28, 1443H (corresponding to June 27, 2022) to change the name of the company from ANB Invest to ANB Capital.

Arabian Heavy Equipment Leasing Company (AHEL)

An 87.5% owned subsidiary incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations.

ANB Insurance Agency

A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from SAMA to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014).

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

1. General (continued)

ANB Insurance Agency (continued)

In reference to the Article No (75) of the Insurance Companies Control Law, the company requested to discontinue its operation on July 19, 2020 (corresponding to Dhul Qadah 28, 1441H). The request was approved by SAMA on November 19, 2020 (corresponding to Rabih Al-Thani 4, 1442H). The same was communicated to the Ministry of Commerce. In July 17, 2023 (corresponding to Dhul Hijjah 29, 1444H), the company has completed the process of closure procedures with the relevant regulatory bodies.

Al-Manzil Al-Mubarak Real Estate Financing Limited

A wholly owned limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase of land and real estate and invest them through sale or rent in favor of the company, maintenance and management of owners and others' assets as guarantee, sale and purchase of real estates for financing purposes as per SAMA approval No. 361000109161 dated Shaban 10, 1436H.

ANB Global Markets Limited

The Bank established ANB Global Markets Limited on Jumada I 3, 1438H (corresponding to January 31, 2017), as a limited liability company registered in the Cayman Islands. The Bank has 100% ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

2. Basis of preparation

The interim condensed consolidated financial statements of the Group as at and for the nine months period ended September 30, 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom and other standards and announcements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

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

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

3. Impact of changes in accounting policies due to adoption of new standards

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group'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. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- *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. Effective for annual periods beginning on or after January 1, 2023.

ARAB NATIONAL BANK
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

3. Impact of changes in accounting policies due to adoption of new standards (continued)

New standards, interpretations and amendments adopted by the Group (continued)

- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction: These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. Effective 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 Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
- 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. Effective for annual periods beginning on or after January 1, 2023.

Accounting standards issued but not yet effective

- 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. Effective date is deferred until accounting periods starting not earlier than 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. Effective date is 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. Effective date is 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. Effective date is January 1, 2024 subject to the endorsement by 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. Effective date is January 1, 2024 subject to the endorsement by SOCPA.

4. Significant accounting policies and estimates

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group'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 as disclosed in note 3 above.

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5. Cash and balances with SAMA

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Cash in hand	1,033,188	1,200,580	1,311,120
Cash held with others*	511,763	421,275	418,307
Statutory deposit	8,407,752	8,076,397	7,880,988
Reverse repo with SAMA	1,533,000	2,722,000	65,994
Current account with SAMA	1,080	13,945	25,109
Total	11,486,783	12,434,197	9,701,518

* Cash held in custody with SAMA approved custodians.

6. Due from banks and other financial institutions, net

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Current accounts	1,037,752	911,515	761,789
Money market placements	962,619	5,140,282	1,162,589
Less: ECL allowance	(2,286)	(3,762)	(6,949)
Total	1,998,085	6,048,035	1,917,429

7. Investments, net

Investment securities are classified as follows:

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Investments at amortised cost	36,991,095	36,758,208	35,844,942
Investments at FVOCI - equity	2,579,892	2,335,427	2,324,399
Investments at FVOCI - debt	5,088,975	1,327,381	1,167,817
Investments at FVSI	714,804	618,811	633,149
Less: ECL allowance	(18,343)	(22,069)	(17,150)
Total	45,356,423	41,017,758	39,953,157

Equity investment designated as at FVOCI

Dividend income recognised from equity investment at FVOCI in the interim consolidated statement of income amounted to SAR 86,799 thousand for the nine months ended September 30, 2023 (September 30, 2022: SAR 67,049 thousand).

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8. Loans and advances, net

Loans and advances are held at amortised cost and comprise the following:

September 30, 2023 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,662,750	980,107	39,905,666	105,615,823	150,164,346
Non-performing loans and advances	13,437	40,755	147,384	2,369,196	2,570,772
Total loans and advances	3,676,187	1,020,862	40,053,050	107,985,019	152,735,118
Less: ECL allowance	(136,933)	(103,945)	(455,480)	(2,666,818)	(3,363,176)
Loans and advances, net	3,539,254	916,917	39,597,570	105,318,201	149,371,942

December 31, 2022 (Audited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,018,285	726,303	36,202,582	105,154,502	145,101,672
Non-performing loans and advances	26,729	12,076	70,894	2,537,256	2,646,955
Total loans and advances	3,045,014	738,379	36,273,476	107,691,758	147,748,627
Less: ECL allowance	(183,314)	(63,458)	(366,072)	(3,306,964)	(3,919,808)
Loans and advances, net	2,861,700	674,921	35,907,404	104,384,794	143,828,819

September 30, 2022 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,028,942	690,948	35,667,006	107,164,517	146,551,413
Non-performing loans and advances	27,446	10,034	77,325	2,534,466	2,649,271
Total loans and advances	3,056,388	700,982	35,744,331	109,698,983	149,200,684
Less: ECL allowance	(153,692)	(65,490)	(376,275)	(3,130,661)	(3,726,118)
Loans and advances, net	2,902,696	635,492	35,368,056	106,568,322	145,474,566

The movement in the expected credit losses of loans and advances to customers is as follows:

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Balance at the beginning of the period/ year	3,919,808	3,113,457	3,113,457
Charge for the period/ year, net	765,498	1,076,393	825,126
Bad debts written off against impairment allowance	(1,322,130)	(270,042)	(212,465)
Balance at the end of the period/ year	3,363,176	3,919,808	3,726,118

The bad debts directly written-off to interim consolidated statement of income amounting to SAR 10,898 thousand (December 31, 2022: SAR 39,575 thousand; September 30, 2022: SAR 38,672 thousand) and net of recoveries amounting to SAR 91,993 thousand (December 31, 2022: SAR 219,296 thousand; September 30, 2022: SAR 193,380 thousand).

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8. Loans and advances, net (continued)

The following table further explains changes in gross carrying amount:

September 30, 2023				
Total Loans and advances (Unaudited)	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at January 1, 2023	133,134,295	11,885,608	2,728,724	147,748,627
Transfer to 12-month ECL	1,600,378	(1,572,885)	(27,493)	-
Transfer to lifetime ECL not credit - impaired	(4,852,054)	4,878,857	(26,803)	-
Transfer to lifetime ECL credit impaired	(185,748)	(1,122,413)	1,308,161	-
Changes in exposures	1,598,865	4,724,087	(14,331)	6,308,621
Write-offs	-	-	(1,322,130)	(1,322,130)
Balance at September 30, 2023	131,295,736	18,793,254	2,646,128	152,735,118

December 31, 2022				
Total Loans and advances (Audited)	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at January 1, 2022	114,858,544	12,711,783	2,217,235	129,787,562
Transfer to 12-month ECL	2,109,972	(2,097,200)	(12,772)	-
Transfer to lifetime ECL not credit - impaired	(2,740,753)	2,755,855	(15,102)	-
Transfer to lifetime ECL credit impaired	(178,175)	(737,535)	915,710	-
Changes in exposures	19,084,707	(747,295)	(106,305)	18,231,107
Write-offs	-	-	(270,042)	(270,042)
Balance at December 31, 2022	133,134,295	11,885,608	2,728,724	147,748,627

September 30, 2022				
Total Loans and advances (Unaudited)	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross carrying amount as at January 1, 2022	114,858,544	12,711,783	2,217,235	129,787,562
Transfer to 12-month ECL	2,203,718	(2,191,580)	(12,138)	-
Transfer to lifetime ECL not credit - impaired	(2,475,465)	2,491,273	(15,808)	-
Transfer to lifetime ECL credit impaired	(173,258)	(738,739)	911,997	-
Changes in exposures	21,369,656	(1,556,022)	(188,047)	19,625,587
Write-offs	-	-	(212,465)	(212,465)
Balance at September 30, 2022	135,783,195	10,716,715	2,700,774	149,200,684

An analysis of changes in the ECL allowance of loans and advances as follows:

	Stage1 (12-month ECL)	Stage 2 (Life time ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
September 30, 2023 (Unaudited)				
Balance at January 1, 2023	1,012,772	1,348,817	1,558,219	3,919,808
Transfer to 12-month ECL	52,855	(39,492)	(13,363)	-
Transfer to lifetime ECL not credit impaired	(59,977)	70,061	(10,084)	-
Transfer to lifetime ECL credit impaired	(2,653)	(499,180)	501,833	-
Net (reversal)/ charge for the period	(27,618)	86,250	706,866	765,498
Write-offs	-	-	(1,322,130)	(1,322,130)
Balance at September 30, 2023	975,379	966,456	1,421,341	3,363,176

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8. Loans and advances, net (continued)

	Stage1 (12-month ECL)	Stage 2 (Life time ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
December 31, 2022 (Audited)				
Balance at January 1, 2022	1,014,039	948,641	1,150,777	3,113,457
Transfer to 12-month ECL	45,939	(35,328)	(10,611)	-
Transfer to lifetime ECL not credit impaired	(48,059)	56,614	(8,555)	-
Transfer to lifetime ECL credit impaired	(2,126)	(42,442)	44,568	-
Net charge for the period	2,979	421,332	652,082	1,076,393
Write-offs	-	-	(270,042)	(270,042)
Balance at December 31, 2022	<u>1,012,772</u>	<u>1,348,817</u>	<u>1,558,219</u>	<u>3,919,808</u>
September 30, 2022 (Unaudited)				
Balance at January 1, 2022	1,014,039	948,641	1,150,777	3,113,457
Transfer to 12-month ECL	83,255	(76,969)	(6,286)	-
Transfer to lifetime ECL not credit impaired	(33,806)	42,227	(8,421)	-
Transfer to lifetime ECL credit impaired	(1,688)	(42,278)	43,966	-
Net (reversal)/ charge for the period	(158,132)	444,421	538,837	825,126
Write-offs	-	-	(212,465)	(212,465)
Balance at September 30, 2022	<u>903,668</u>	<u>1,316,042</u>	<u>1,506,408</u>	<u>3,726,118</u>

Lifetime ECL credit impaired (stage 3) loans and advances includes loss allowance for the non-performing loans portfolio along with the impact of other factors of IFRS 9.

9. Impairment charge for expected credit losses (ECL), net

Net ECL allowance charges as reflected in the interim consolidated statement of income are detailed as follows:

	For the three months ended		For the Nine months ended	
	September 30 2023 (Unaudited)	September 30 2022 (Unaudited)	September 30 2023 (Unaudited)	September 30 2022 (Unaudited)
ECL allowance charges for loans and advances, net	205,094	149,595	774,403	670,418
Charges of other ECL allowance, net	4,170	6,304	4,579	2,894
Charge/ (reversal) of provisions for credit-related commitments and contingencies, net	34,627	16,948	(19,195)	(63,057)
Total	243,891	172,847	759,787	610,255

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10. Investments in associates

Saudi Home Loans Company

The Bank participated in the setting up of Saudi Home Loans Company (SHL). The associate's authorised issued and paid-up capital was SAR 1 billion. The Bank's share of the paid-up capital amounted to SAR 400 million, (40 million shares at SAR 10 per share), representing 40% of the issued share capital of the associate.

The associate is a specialised Islamic home and real estate finance company with all its products and services being fully Shariah compliant. The associate was launched at the end of the fourth quarter of 2007 and is equity accounted.

During Q1 2022, the Group offered 30% of its shareholding (12 million shares) as part of the company's initial public offering (IPO) for a gain of SAR 36.05 million, which was recognised as a realised gain on partial disposal of an investment in an associate in the interim consolidated statement of income.

In Q2 2022, the Group purchased 1.4 million shares for an amount of SAR 28 million (SAR 20 per share), representing 1.4% of the issued share capital of SHL.

The Group continues to classify its remaining interest of 29.4% in the company (29.4 million shares) as an Associate as the Bank still exercises significant influence over SHL. Details of the Group's other investments in associates can be found in the annual financial statements for the year ended December 31, 2022.

11. Due to banks, SAMA and other financial institutions

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Current accounts	186,355	264,253	181,068
Money market deposits	5,626,336	1,565,181	6,414,041
Repo with SAMA	4,832,652	3,699,076	813,000
Deposits from SAMA	6,343,070	7,982,758	7,955,380
Total	16,988,413	13,511,268	15,363,489

12. Customers' deposits

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Demand	75,276,008	75,063,732	74,066,110
Time	74,422,222	73,200,002	67,495,308
Saving	355,261	311,438	342,852
Others	4,166,241	6,296,094	5,901,358
Total	154,219,732	154,871,266	147,805,628

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13. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by their term to maturity. The notional amounts provide an indication of the volumes of transactions outstanding at the end of the period. It does not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of derivatives, nor to market risk.

	September 30, 2023 (Unaudited)			December 31, 2022 (Audited)			September 30, 2022 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate and cross currency swaps	1,663,064	1,624,622	35,714,160	880,647	842,540	27,343,969	875,595	838,714	33,290,814
Commission rate futures and options	26,502	24,934	1,216,757	1,172,982	1,170,846	14,855,479	1,203,762	1,201,480	14,974,285
Forward foreign exchange and commodity contracts	41,006	18,945	2,803,194	58,254	34,502	3,756,307	63,179	42,400	6,929,671
Currency and commodity options	2	157	48,294	30	142	51,937	410	450	179,402
Held as fair value hedges:									
Commission rate swaps	1,068,097	-	8,174,987	847,756	72	9,033,594	1,383,615	107	14,088,542
Held as cash flow hedges:									
Commission rate swaps	-	121,692	1,800,000	-	116,139	1,800,000	-	113,878	1,800,000
Total	2,798,671	1,790,350	49,757,392	2,959,669	2,164,241	56,841,286	3,526,561	2,197,029	71,262,714

Derivatives have not been netted off by cash margins placed or received.

14. Commitments and contingencies

a) Legal proceedings

The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as disclosed in December 31, 2022 annual financial statements.

b) Credit related commitments and contingencies

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

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Letters of credit	5,648,320	4,482,890	4,643,826
Letters of guarantee	23,300,558	18,893,151	18,457,484
Acceptances	1,440,314	1,142,586	986,775
Irrevocable commitments to extend credit	4,949,935	1,926,584	1,183,493
Others	9,750	13,500	13,500
Total	35,348,877	26,458,711	25,285,078

The unutilised portion of non-firm commitments as at September 30, 2023 that can be revoked unilaterally at any time by the Group, amounted to SAR 25,911 million (December 31, 2022: SAR 24,516 million; September 30, 2022: SAR 21,059 million).

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15. Cash and cash equivalents

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

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	3,079,031	4,357,800	1,820,530
Due from banks and other financial institutions maturing within 90 days from the acquisition date	2,000,371	6,051,797	1,924,378
Total	5,079,402	10,409,597	3,744,908

16. Zakat and Income Tax

Zakat attributable to Saudi shareholders for the period ended September 30, 2023 amounted to SAR 237 million (September 30, 2022: SAR 200 million). Income tax attributable to the non-Saudi shareholder on the current period's share of net income is SAR 289 million (September 30, 2022: SAR 209 million). The provision for zakat and income tax is estimated based on the respective interim consolidated financial position as at September 30, 2023 and the results of the operations of the Group for the nine months then ended. There are no significant changes in the Bank's zakat and income tax assessments to those mentioned in the Group's annual financial statements for the year ended December 31, 2022.

17. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to segments and to assess their performance.

For management purposes, the Group is organised into the following major operating segments:

Retail banking

Deposit, credit and investment products for individuals and the Bank's London Branch.

Corporate banking

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

Treasury

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission rate risks.

Investment and brokerage services

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

Other

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head Office and other supporting departments.

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/expense for the current period are consistent with the basis used for the year ended December 31, 2022. Segment assets and liabilities comprise mainly operating assets and liabilities.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in United Kingdom. However, total assets, liabilities, commitments and results of operations of this Branch are not material to the Group's overall interim condensed consolidated financial statements.

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17. Operating segments (continued)

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

September 30, 2023 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	62,306,237	92,177,619	60,529,260	689,352	2,487,184	218,189,652
Investments in associates	-	-	-	347,526	625,469	972,995
Total liabilities	84,668,706	74,389,709	23,089,641	125,507	2,157,214	184,430,777
Operating income from external customers	1,575,544	4,631,794	69,771	266,145	(72,527)	6,470,727
Intersegment operating income/(expense)	1,460,178	(2,220,322)	485,466	-	274,678	-
Total operating income	3,035,722	2,411,472	555,237	266,145	202,151	6,470,727
Of which:						
Net special commission income	2,924,695	1,997,806	35,734	125,410	219,520	5,303,165
Impairment charge for expected credit losses (ECL), net	322,257	432,951	4,579	-	-	759,787
Impairment charges for other real estate owned	-	-	-	-	50,000	50,000
Depreciation and amortization	140,410	7,243	485	3,707	17,481	169,326
Total operating expenses	1,689,235	949,968	123,449	92,355	10,679	2,865,686
Share in earnings of associates, net	-	-	-	24,660	12,072	36,732
Net income before zakat and income tax	1,346,487	1,461,504	431,788	198,450	203,544	3,641,773
September 30, 2022 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	54,131,820	96,846,092	53,923,000	556,637	1,808,174	207,265,723
Investments in associates	-	-	-	349,483	626,376	975,859
Total liabilities	69,979,129	81,836,656	22,196,394	98,285	1,383,826	175,494,290
Operating income from external customers	1,643,526	2,820,843	362,972	238,307	(122,143)	4,943,505
Intersegment operating income/(expense)	(13,364)	(957,380)	703,406	-	267,338	-
Total operating income	1,630,162	1,863,463	1,066,378	238,307	145,195	4,943,505
Of which:						
Net special commission income	1,614,383	1,432,480	681,544	64,283	198,417	3,991,107
Impairment charge for expected credit losses (ECL), net	134,314	473,047	2,894	-	-	610,255
Depreciation and amortization	115,941	22,902	510	3,098	17,612	160,063
Total operating expenses	1,115,058	1,080,454	86,110	67,477	5,785	2,354,884
Share in earnings of associates, net	-	-	-	25,890	65,082	90,972
Net income before zakat and income tax	515,104	783,009	980,268	196,720	204,492	2,679,593

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18. Share capital, dividends and basic and diluted earnings per share

Share capital

As at September 30, 2023, the authorised, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (September 30, 2022 and December 31, 2022: 1,500 million shares of SAR 10 each).

Dividends

- a) In December 12, 2021 the Board recommended to pay cash dividends of SAR 675 million from net income for the year after deducting zakat for the second half of 2021. This proposed final dividend resulted in a net payment of SAR 0.45 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period was deducted from their share of the dividend. This cash dividend distribution was approved in the Extraordinary General Assembly meeting dated April 12, 2022.
- b) On June 26, 2022 the Board approved to pay cash dividends of SAR 750 million for the first half of 2022 after deducting zakat. This interim dividend resulted in a net payment of SAR 0.50 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period was deducted from their share of the dividend. This interim dividend was distributed on July 18, 2022.
- c) In December 20, 2022 the Board recommended to pay cash dividends of SAR 900 million from net income for the year after deducting zakat for the second half of 2022. This proposed final dividend resulted in a net payment of SAR 0.60 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period was deducted from their share of the dividend. This cash dividend distribution was approved by the General Assembly in the meeting held on March 28, 2023.
- d) On July 23, 2023 the Board approved to pay cash dividends of SAR 975 million for the first half of 2023 after deducting zakat. This interim dividend resulted in a net payment of SAR 0.65 per share to Saudi shareholders. The income tax liability of the foreign shareholders for the current and prior period was deducted from their share of the dividend. This interim dividend was distributed on August 8, 2023.

Basic and diluted earnings per share

Basic and diluted earnings per share for the periods ended September 30, 2023 and 2022 are calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares. The diluted earnings per share is the same as the basic earnings per share.

19. Fair values of financial assets and liabilities

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

- i) In the accessible principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

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

- Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

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19. Fair values of financial assets and liabilities (continued)

a. Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
September 30, 2023 (Unaudited)					
Financial assets measured at fair value					
Investments at FVSI	714,804	-	61,246	653,558	714,804
Investments at FVOCI	7,668,867	2,578,999	5,088,975	893	7,668,867
Positive fair value of derivatives	2,798,671	-	2,798,671	-	2,798,671
Financial assets not measured at fair value					
Investments at amortised cost, net	36,972,752	-	36,397,343	-	36,397,343
Loans and advances, net	149,371,942	-	-	143,600,345	143,600,345
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2022 (Audited)					
Financial assets measured at fair value					
Investments at FVSI	618,811	-	136,727	482,084	618,811
Investments at FVOCI	3,662,808	2,335,427	1,326,488	893	3,662,808
Positive fair value of derivatives	2,959,669	-	2,959,669	-	2,959,669
Financial assets not measured at fair value					
Investments at amortised cost, net	36,736,139	-	34,737,144	-	34,737,144
Loans and advances, net	143,828,819	-	-	142,194,677	142,194,677
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
September 30, 2022 (Unaudited)					
Financial assets measured at fair value					
Investments at FVSI	633,149	-	133,290	499,859	633,149
Investments at FVOCI	3,492,216	2,324,399	1,166,924	893	3,492,216
Positive fair value of derivatives	3,526,561	-	3,526,561	-	3,526,561
Financial assets not measured at fair value					
Investments at amortised cost, net	35,827,792	-	36,389,832	-	36,389,832
Loans and advances, net	145,474,566	-	-	144,109,987	144,109,987

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19. Fair values of financial assets and liabilities (continued)

a. Carrying amounts and fair value (continued)

Financial Liabilities

		Fair value			
September 30, 2023 (Unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	1,790,350	-	1,790,350	-	1,790,350
Financial liabilities not measured at fair value					
Sukuk	2,852,241	-	2,646,788	-	2,646,788
December 31, 2022 (Audited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,164,241	-	2,164,241	-	2,164,241
Financial liabilities not measured at fair value					
Sukuk	2,829,092	-	2,654,409	-	2,654,409
September 30, 2022 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	2,197,029	-	2,197,029	-	2,197,029
Financial liabilities not measured at fair value					
Sukuk	2,852,241	-	2,626,875	-	2,626,875

b. Measurement of fair values

i. Transfer between levels of the fair value hierarchy

There have been no transfers within levels of the fair value hierarchy during the nine months period ended September 30, 2023 and 2022.

ii. Level 3 fair values

The following table shows the movement of Level 3 fair values.

	September 30, 2023		September 30, 2022	
	Investments at FVSI	Investments at FVOCI	Investments at FVSI	Investments at FVOCI
Balance at the beginning of the period	482,084	893	431,713	893
Total unrealised gain in the interim consolidated statement of income	16,535	-	68,644	-
Settlements / adjustments	154,939	-	(498)	-
Balance at the end of the period	653,558	893	499,859	893

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19. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at September 30, 2023 and 2022 and December 31, 2022 as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVSI investments	Fair value is determined based on the investee fund's most recent reported net assets value.	None	Not applicable
FVOCI investments classified as Level 2 include plain vanilla bonds for which market quotes are not available	Fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	None	Not applicable
FVOCI investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net assets value.	None	Not applicable
Derivatives classified as Level 2 are comprised of over the counter special commission rate swaps, currency swaps, options, spot and forward foreign exchange contracts, currency and commodity options and other derivative financial instruments	These instruments are fair valued using the Bank's proprietary valuation models that are mainly based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.	None	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 2 include investments held at amortized cost	These instruments are fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable

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19. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include loans and advances and debt issuances	These instruments are fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to the credit spreads to account for any potential model discrepancy or any stressed market conditions.	The higher the credit spread, the lower is the valuation; vice versa.
Other real estate asset	Earning Before Tax, Depreciation and Amortization (EBITDA) margins has been forecasted based on market and similar properties, assuming construction of a hotel on the property, taking into account the expected growth rate, room occupancy rate, rate per room, discount rate, yield, construction cost and other costs.	<ul style="list-style-type: none"> – EBITDA forecast – Discount rate and Yield rate – Room occupancy rate – Rent per room 	<ul style="list-style-type: none"> – EBITDA has been forecasted as higher or (lower). – The discount rate or yield were lower or (higher). – The occupancy rate were higher or (lower). – The rent per room were higher or (lower).

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20. Capital Adequacy

The Group's objectives when managing capital is to comply with the capital requirements set by SAMA; to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base. During the period, the Group fully complied with regulatory capital requirements.

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

The current period figures are presented as per Basel III revised framework issued by SAMA effective from January 1, 2023 and applied prospectively. The prior periods figures are not restated, but are presented based on Basel III previous framework and guidance.

Accordingly, the Group's Pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	September 30 2023 (Unaudited)	December 31 2022 (Audited)	September 30 2022 (Unaudited)
Credit Risk RWA	170,625,882	163,404,276	163,112,360
Operational Risk RWA	9,113,477	15,716,196	15,394,301
Market Risk RWA	3,261,758	1,981,945	2,572,955
Total Pillar-I RWA	183,001,117	181,102,417	181,079,616
Tier I Capital	33,915,864	31,875,272	32,116,347
Tier II Capital	3,989,773	3,953,833	3,832,233
Total Tier I & II Capital	37,905,637	35,829,105	35,948,580
Capital Adequacy Ratio %			
CETI	18.53%	17.60%	17.74%
Tier I ratio	18.53%	17.60%	17.74%
Tier I + Tier II ratio	20.71%	19.78%	19.85%

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the SAMA in supervising the Bank.

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21. IBOR Transition (Interest Rate Benchmark Reforms):

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

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Group has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of September 30, 2023, the Group has completed the transition to alternate reference rate. The Bank has no exposure to any other LIBOR rates.

22. Board of Directors' approval

The interim condensed consolidated financial statements were approved by the Board on Rabia Al-Thani 4, 1445 (corresponding to October 19, 2023).