

Saudi Awwal Bank
(formerly known as The Saudi British Bank)
Interim Condensed Consolidated Financial Statements
For the six month period ended

30 June 2023

(Unaudited)



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

**To: The shareholders of Saudi Awwal Bank (formerly known as The Saudi British Bank)
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Awwal Bank (formerly known as The Saudi British Bank) ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2023, and the interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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 21 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 21 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers

Mufaddal A. Ali
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2 August 2023
(15 Muharram 1445 AH)

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KPMG Professional Services
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Interim condensed consolidated statement of financial position

	Notes	As at 30 June 2023 Unaudited SAR' 000	As at 31 December 2022 Audited SAR' 000	As at 30 June 2022 Unaudited SAR' 000
ASSETS				
Cash and balances with Saudi Central Bank ("SAMA")	5	15,937,530	19,258,717	24,716,348
Due from banks and other financial institutions, net	6	6,018,502	5,871,533	9,140,612
Assets classified as held for sale		-	-	1,305,454
Positive fair value derivatives, net	11	2,490,654	2,538,074	1,554,439
Investments, net	7	93,529,882	86,363,159	73,063,646
Loans and advances, net	8	198,671,023	183,132,249	176,214,326
Investment in an associate	9	423,793	599,289	548,030
Other assets		3,451,384	2,228,977	1,896,306
Property, equipment and right of use assets, net		3,687,844	3,621,644	3,419,524
Goodwill and other intangibles, net	10	10,702,327	10,837,035	10,680,387
Total assets		334,912,939	314,450,677	302,539,072
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		32,957,105	25,517,303	22,627,082
Customers' deposits	12	222,733,814	214,278,851	207,451,005
Negative fair value derivatives, net	11	2,137,416	1,907,436	1,165,074
Liabilities directly associated with assets classified as held for sale		-	-	805,178
Debt securities in issue	13	5,167,354	5,114,836	5,065,915
Other liabilities		15,224,639	12,949,047	11,518,101
Total liabilities		278,220,328	259,767,473	248,632,355
Equity				
Equity attributable to equity holders of the Bank				
Share capital		20,547,945	20,547,945	20,547,945
Share premium		8,524,882	8,524,882	8,524,882
Statutory reserve		20,547,945	20,547,945	20,547,945
Other reserves		(1,004,538)	(1,182,348)	(535,287)
Retained earnings		8,076,377	6,244,780	4,722,016
Total equity attributable to equity holders of the Bank		56,692,611	54,683,204	53,807,501
Total equity attributable to non-controlling interest		-	-	99,216
Total equity		56,692,611	54,683,204	53,906,717
Total liabilities and equity		334,912,939	314,450,677	302,539,072

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui



Chief Financial Officer

Tony Cripps



Managing Director & Authorized Member

Interim condensed consolidated statement of income - Unaudited

		For three month ended		For six month ended	
	Notes	30 June 2023 SAR'000	30 June 2022 SAR'000	30 June 2023 SAR'000	30 June 2022 SAR'000
Continuing operations					
Special commission income		4,088,927	2,012,867	7,890,041	3,602,443
Special commission expense		(1,561,588)	(294,607)	(2,828,666)	(470,530)
Net special commission income		2,527,339	1,718,260	5,061,375	3,131,913
Fee and commission income		781,695	705,553	1,558,600	1,378,778
Fee and commission expense	26	(512,434)	(463,037)	(1,005,637)	(875,406)
Net fee and commission income		269,261	242,516	552,963	503,372
Exchange income, net		208,407	180,765	413,974	359,371
Income from FVSI financial instruments		54,384	92,142	275,135	196,288
Dividend income		705	-	705	-
Losses on FVOCI debt instruments, net		-	-	(4,892)	-
(Losses) / gains on amortised cost investments, net		-	-	(15,043)	30,505
Other operating income, net		6,645	8,254	98	33,013
Total operating income		3,066,741	2,241,937	6,284,315	4,254,462
Provision for expected credit losses, net	19 (a)	(138,524)	(135,896)	(367,488)	(195,678)
Operating expenses					
Salaries and employee related expenses		(528,754)	(434,847)	(1,038,314)	(846,246)
Rent and premises related expenses		(13,664)	(9,922)	(31,478)	(22,224)
Depreciation and amortization		(110,291)	(115,760)	(227,173)	(231,557)
General and administrative expenses	26	(343,278)	(302,292)	(705,130)	(603,876)
Total operating expenses		(995,987)	(862,821)	(2,002,095)	(1,703,903)
Income from operating activities		1,932,230	1,243,220	3,914,732	2,354,881
Share in earnings of an associate	9	46,747	53,342	76,462	120,885
Net income for the period before Zakat and income tax		1,978,977	1,296,562	3,991,194	2,475,766
Provision for Zakat and income tax	16	(429,129)	(202,923)	(676,776)	(366,190)
Net income for the period after Zakat and income tax from continuing operations		1,549,848	1,093,639	3,314,418	2,109,576
Net loss from discontinued operations	24	-	(11,914)	-	(23,653)
Net income for the period after Zakat and income tax		1,549,848	1,081,725	3,314,418	2,085,923
Attributable to:					
Equity holders of the Bank		1,549,848	1,082,670	3,314,418	2,088,893
Non-controlling interest		-	(945)	-	(2,970)
Net income for the period after Zakat and income tax		1,549,848	1,081,725	3,314,418	2,085,923
Basic and diluted earnings per share (in SAR) from continuing operations attributable to equity holders of the Bank	15	0.75	0.53	1.61	1.03
Basic and diluted losses per share (in SAR) from discontinued operations attributable to equity holders of the Bank	15	-	-	-	(0.01)
Basic and diluted earnings per share (in SAR)	15	0.75	0.53	1.61	1.02

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui



Chief Financial Officer

Tony Cripps



Managing Director & Authorized Member

Interim condensed consolidated statement of comprehensive income – Unaudited

	For three month ended		For six month ended	
	30 June 2023 SAR'000	30 June 2022 SAR'000	30 June 2023 SAR'000	30 June 2022 SAR'000
Net income for the period after Zakat and income tax	1,549,848	1,081,725	3,314,418	2,085,923
Other comprehensive income for the period				
Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods				
Net changes in fair value (FVOCI equity instruments)	64,180	-	45,921	-
Re-measurement of defined benefit liability	(26,726)	(28,436)	(26,726)	(32,063)
Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods				
Debt instrument at FVOCI:				
Net changes in fair value	(367,891)	(254,408)	171,355	(513,660)
Transfer to interim condensed consolidated statement of income, net	-	-	4,892	-
Cash flow hedges:				
Net changes in fair value	(34,182)	28,612	107,458	22,424
Transfer to interim condensed consolidated statement of income, net	(15,567)	(10,319)	(106,231)	(10,811)
Total other comprehensive (loss) / income for the period	(380,186)	(264,551)	196,669	(534,110)
Total comprehensive income for the period	1,169,662	817,174	3,511,087	1,551,813
Attributable to:				
Equity holders of the Bank:				
Continuing operations	1,169,662	830,033	3,511,087	1,578,436
Discontinued operations	-	(11,914)	-	(23,653)
Non-controlling interest – discontinued operations	-	(945)	-	(2,970)
Total	1,169,662	817,174	3,511,087	1,551,813

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui

Lama A GHAZZAOU

Chief Financial Officer

Tony Cripps

Tony CRIPPS

Managing Director & Authorized Member

Saudi Awwal Bank (formerly known as The Saudi British Bank)
Interim condensed consolidated statement of changes in equity - Unaudited



For the six month period ended

	Attributable to equity holders of the Bank						Non-controlling interest SAR'000	Total equity SAR'000
	Note	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000	
30 June 2023								
Balance at the beginning of the period		20,547,945	8,524,882	20,547,945	(1,182,348)	6,244,780	54,683,204	- 54,683,204
Total comprehensive income / (loss) for the period								
Net income for the period after Zakat and income tax		-	-	-	-	3,314,418	3,314,418	- 3,314,418
Net changes in fair value of cash flow hedges		-	-	-	107,458	-	107,458	- 107,458
Net changes in fair value of FVOCI equity instruments		-	-	-	45,921	-	45,921	- 45,921
Net changes in fair value of FVOCI debt instruments		-	-	-	171,355	-	171,355	- 171,355
Re-measurement of defined benefit liability		-	-	-	(26,726)	-	(26,726)	- (26,726)
Transfer to interim condensed consolidated statement of income		-	-	-	(101,339)	-	(101,339)	- (101,339)
		-	-	-	196,669	3,314,418	3,511,087	- 3,511,087
Purchase of treasury shares		-	-	-	(37,414)	-	(37,414)	- (37,414)
Employee share plan reserve net charge and shares vested		-	-	-	18,555	-	18,555	- 18,555
2022 final dividend, net of Zakat and income tax	22	-	-	-	-	(1,482,821)	(1,482,821)	- (1,482,821)
Balance at the end of the period		20,547,945	8,524,882	20,547,945	(1,004,538)	8,076,377	56,692,611	- 56,692,611

	Attributable to equity holders of the Bank						Non-controlling interest SAR'000	Total equity SAR'000
	Note	Share capital SAR'000	Share premium SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000	
30 June 2022								
Balance at the beginning of the period		20,547,945	8,524,882	20,547,945	(29,939)	3,335,498	52,926,331	102,186 53,028,517
Total comprehensive income / (loss) for the period								
Net income / (loss) for the period after Zakat and income tax		-	-	-	-	2,088,893	2,088,893	(2,970) 2,085,923
Net changes in fair value of cash flow hedges		-	-	-	22,424	-	22,424	- 22,424
Net changes in fair value of FVOCI debt instruments		-	-	-	(513,660)	-	(513,660)	- (513,660)
Re-measurement of defined benefit liability		-	-	-	(32,063)	-	(32,063)	- (32,063)
Transfer to interim condensed consolidated statement of income		-	-	-	(10,811)	-	(10,811)	- (10,811)
		-	-	-	(534,110)	2,088,893	1,554,783	(2,970) 1,551,813
Employee share plan reserve net charge and shares vested		-	-	-	28,762	-	28,762	- 28,762
2021 final dividend, net of Zakat and income tax	22	-	-	-	-	(702,375)	(702,375)	- (702,375)
Balance at the end of the period		20,547,945	8,524,882	20,547,945	(535,287)	4,722,016	53,807,501	99,216 53,906,717

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui
Lama A GHAZZAOU
 Chief Financial Officer

Tony Cripps
Tony CRIPPS
 Managing Director & Authorized Member

Saudi Awwal Bank (formerly known as The Saudi British Bank)
Interim condensed consolidated statement of cash flows – Unaudited
For the six month period ended



	Notes	30 June 2023 SAR'000	30 June 2022 SAR'000
OPERATING ACTIVITIES			
Net income for the period before Zakat and income tax, after loss from discontinued operations		3,991,194	2,452,113
Adjustments to reconcile net income before Zakat and income tax to net cash from operating activities:			
Amortisation of premium on investments not held as FVSI investments, net		(169,048)	22,168
Depreciation and amortization		227,173	231,557
Special commission expense on debt securities in issue		182,870	76,740
Special commission expense on lease liabilities		7,372	9,873
Losses / (gains) on amortised cost investments		15,043	(30,505)
Income transferred to interim condensed consolidated statement of income		(101,339)	(10,811)
Share in earnings of an associate	9	(76,462)	(120,885)
Provision for expected credit losses, net	19 (a)	367,488	195,678
Employee share plan reserve		18,555	28,762
		4,462,846	2,854,690
Change in operating assets:			
Statutory deposit with SAMA		70,457	(528,871)
Due from banks and other financial institutions		(117,023)	297,660
Investments held as FVSI		269,489	9,311
Loans and advances		(15,867,300)	(8,743,257)
Positive fair value derivatives		154,878	(444,594)
Other assets		(1,222,407)	173,750
Change in operating liabilities:			
Due to banks and other financial institutions		7,439,802	7,963,416
Customers' deposits		8,454,963	20,690,393
Negative fair value derivatives		229,980	(349,518)
Other liabilities		2,248,067	985,851
		6,123,752	22,908,831
Zakat and income tax paid		(665,036)	(509,067)
Net cash generated from operating activities		5,458,716	22,399,764
INVESTING ACTIVITIES			
Proceeds from sale and maturity of investments not held as FVSI		3,371,933	2,436,811
Purchase of investments not held as FVSI		(10,436,889)	(11,106,871)
Dividend received from an associate	9	251,958	156,214
Purchase of property, equipment and intangibles, net		(158,665)	(344,490)
Net cash used in investing activities		(6,971,663)	(8,858,336)
FINANCING ACTIVITIES			
Special commission paid on debt securities in issue		(130,352)	(72,358)
Payment of lease liabilities		(60,552)	(44,189)
Dividends paid		(1,475,330)	(702,368)
Purchase of treasury shares		(37,414)	-
Net cash used in financing activities		(1,703,648)	(818,915)
Net change in cash and cash equivalents		(3,216,595)	12,722,513
Cash and cash equivalents at beginning of the period	17	11,808,078	8,543,548
Cash and cash equivalents at end of the period	17	8,591,483	21,266,061
Supplemental non cash information			
Right of use assets		446,887	548,276
Lease liabilities		525,450	613,085
Assets classified as held for sale		-	1,305,454
Liabilities directly associated with assets classified as held for sale		-	805,178
Net changes in fair value and transfers to interim condensed consolidated statement of income		196,669	(534,110)

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

Lama Ghazzaoui
Lama A GHAZZAOU
Chief Financial Officer

Tony Cripps
Tony CRIPPS
Managing Director & Authorized Member

1. General

Saudi Awwal Bank (formerly known as The Saudi British Bank) ('SAB') is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia and was established by a Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SAB formally commenced business on 26 Rajab 1398H (1 July 1978) by taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. SAB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 107 branches (31 December 2022: 109 branches) in the Kingdom of Saudi Arabia. The address of SAB's head office is as follows:

Saudi Awwal Bank
7206 Prince Abdul Aziz Bin Musaid Bin Jalawi
4065 Al Murabba District.
12613
Riyadh
Kingdom of Saudi Arabia

During the period, the Group has changed its commercial name from "Saudi British Bank" to "Saudi Awwal Bank" effective from 11 June 2023.

The objectives of SAB are to provide a range of banking services. SAB also provides Shariah-compliant products, which are approved and supervised by an independent Shari'ah Committee established by SAB.

SAB has 100% (31 December 2022: 100%) ownership interest in a subsidiary, Arabian Real Estate Company Limited ("ARECO"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). ARECO is engaged in the real estate activities with own and leased property.

SAB has 100% (31 December 2022: 100%) directly held ownership interest in a subsidiary, SAB Markets Limited (formerly known as SABB Markets Limited) ("SAB Markets"), a limited liability company incorporated in the Cayman Islands under commercial registration No 323083 dated 21 Shaban 1438H (17 May 2017). SABB Markets is engaged in derivatives trading and repo activities.

SAB has 100% (31 December 2022: 100%) directly held ownership interest in a subsidiary, Alawwal Invest Company ("SAB Invest"), a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010242378 dated 30 Dhul Hijjah 1428H (9 January 2008). SAB Invest was formed and licensed as a capital market institution in accordance with the CMA's Resolution No. 1 39 2007. SAB Invest's principal activity is to engage in security activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities (see also note 25).

SAB has 100% (31 December 2022: 100%) directly held ownership interest in a subsidiary, Alawwal Real Estate Company ("AREC"), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC is engaged in the real estate activities with own and leased property.

SAB has 49% (31 December 2022: 49%) directly held ownership interest in HSBC Saudi Arabia, an associate, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada Al-Akhirah 1427H (23 July 2006). HSBC Saudi Arabia was formed and licensed as a capital market institution in accordance with the Resolution No. 37-05008 of the CMA dated 05/12/1426H corresponding to 05/01/2006G. HSBC Saudi Arabia's principal activity is to engage in the full range of securities activities regulated by the CMA related to dealing, managing, arranging, advising, and taking custody of securities.

SAB has participated in the following two structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structures. These entities have no other business operations.

1. Saudi Kayan Assets Leasing Company.
2. Rabigh Asset Leasing Company.

SAB directly owns a 50% (31 December 2022: 50%) share in Saudi Kayan Assets Leasing Company and Rabigh Asset Leasing Company (the Company is currently under liquidation). Yanbu Asset Leasing Company was liquidated during the period where SAB was directly owning a 100% share. SAB does not consolidate these entities as it does not have the right to variable returns from its involvement with the entities or ability to affect those returns through its power over the entities excluding Yanbu Asset Leasing Company. The related underlying funding to the relevant borrowers is recorded on SAB's consolidated statement of financial position.

2. Basis of preparation

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

SAB presents its interim condensed consolidated statement of financial position in the order of liquidity.

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

3. Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of SAB and its subsidiaries, as mentioned in note 1 (collectively referred to as "the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as that of SAB, using consistent accounting policies.

Subsidiaries are entities which are directly or indirectly controlled by SAB. SAB controls an entity ("the Investee") over which it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to SAB and cease to be consolidated from the date on which the control is transferred from SAB.

Intra-group transactions and balances have been eliminated in preparing these interim condensed consolidated financial statements.

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

4. Accounting policies and impact of changes due to adoption of new standards

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 unless otherwise stated.

The following standards, interpretations or amendments are effective from the beginning of the current year and are adopted by the Group, however, these do not have any significant impact on the interim condensed consolidated financial statements of the period:

Accounting Standards, interpretations, 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 1 January 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 fundamentally changes the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 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.	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective for annual periods beginning on or after 1 January 2023.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards and / or amendments, which will become effective from periods beginning on or after 1 January 2023. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements of the Group.

Accounting Standards, interpretations, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	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.	1 January 2024
Amendments 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.	1 January 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.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement 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.	1 January 2024 subject to endorsement by SOCPA

5. Cash and balances with SAMA

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Cash in hand	1,997,777	1,779,646	1,758,266
Statutory deposit	13,253,603	13,324,060	12,592,444
Placements with SAMA	673,803	4,039,485	10,160,518
Other balances	12,347	115,526	205,120
Total	15,937,530	19,258,717	24,716,348

6. Due from banks and other financial institutions, net

a) Due from banks and other financial institutions are classified as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Current accounts	5,157,089	5,282,629	8,465,938
Money market placements	867,490	-	676,219
Reverse repos	-	590,792	-
Provision for expected credit losses	(6,077)	(1,888)	(1,545)
Total	6,018,502	5,871,533	9,140,612

For the six month period ended 30 June 2023

b) Credit quality analysis

The following table sets out information about the credit quality of due from banks and other financial institutions, net:

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit Impaired	Total
30 June 2023 (Unaudited)	6,018,502	-	-	-	6,018,502
31 December 2022 (Audited)	5,871,533	-	-	-	5,871,533
30 June 2022 (Unaudited)	9,140,612	-	-	-	9,140,612

Balances under due from banks and other financial institutions are held with investment grade financial institutions.

c) Movement in provision for expected credit losses

The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses against due from banks and other financial institutions:

	30 June 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	1,888	-	-	1,888
Net charge for the period	4,189	-	-	4,189
Balance as at 30 June 2023	6,077	-	-	6,077

	31 December 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	2,202	-	-	2,202
Net reversal for the year	(314)	-	-	(314)
Balance as at 31 December 2022	1,888	-	-	1,888

	30 June 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	2,202	-	-	2,202
Net charge for the period	(657)	-	-	(657)
Balance as at 30 June 2022	1,545	-	-	1,545

7. Investments, net

Investment securities are classified as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Fair value through other comprehensive income (FVOCI) – Debt	37,588,482	30,938,120	25,271,015
FVOCI – Equity	262,549	218,332	23,725
Fair value through statement of income (FVSI)	693,785	963,274	1,374,057
Held at amortised cost	54,994,386	54,252,894	46,404,980
Provision for expected credit losses for investments held at amortised cost	(9,320)	(9,461)	(10,131)
Total	93,529,882	86,363,159	73,063,646

For the six month period ended 30 June 2023

The following table sets out information about the credit quality of debt instruments measured at amortised cost and FVOCI.

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
30 June 2023 (Unaudited)					
Debt instruments at amortised cost, net	54,985,066	-	-	-	54,985,066
Debt instruments at FVOCI	37,588,482	-	-	-	37,588,482

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
31 December 2022 (Audited)					
Debt instruments at amortised cost, net	54,243,433	-	-	-	54,243,433
Debt instruments at FVOCI	30,938,120	-	-	-	30,938,120

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
30 June 2022 (Unaudited)					
Debt instruments at amortised cost, net	46,394,849	-	-	-	46,394,849
Debt instruments at FVOCI	25,271,015	-	-	-	25,271,015

An analysis of changes in loss allowance for debt instruments not measured at fair value through statement of income, is as follows:

	30 June 2023 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2023	16,814	-	-	16,814
Net re-measurement of loss allowance	25	-	-	25
Balance as at 30 June 2023	16,839	-	-	16,839

	31 December 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	20,791	-	-	20,791
Net re-measurement of loss allowance	(3,977)	-	-	(3,977)
Balance as at 31 December 2022	16,814	-	-	16,814

	30 June 2022 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2022	20,791	-	-	20,791
Net re-measurement of loss allowance	(4,522)	-	-	(4,522)
Balance as at 30 June 2022	16,269	-	-	16,269

For the six month period ended 30 June 2023

8. Loans and advances, net

Loans and advances are comprised of the following:

	30 June 2023 (Unaudited)			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,639,985	44,340,282	125,333,211	172,313,478
Lifetime ECL not credit impaired	99,981	2,369,440	21,729,403	24,198,824
Lifetime ECL credit impaired	53,726	646,732	3,663,467	4,363,925
Purchased or originated credit impaired	219	138,184	3,655,236	3,793,639
Total loans and advances, gross	2,793,911	47,494,638	154,381,317	204,669,866
Provision for expected credit losses	(192,620)	(686,588)	(5,119,635)	(5,998,843)
Loans and advances, net	2,601,291	46,808,050	149,261,682	198,671,023

	31 December 2022 (Audited)			
	Credit cards	Other retail lending	Corporate and institutional lending	Total
12 month ECL	2,406,246	41,648,747	113,788,692	157,843,685
Lifetime ECL not credit impaired	112,842	2,401,715	20,048,085	22,562,642
Lifetime ECL credit impaired	52,208	826,047	4,016,719	4,894,974
Purchased or originated credit impaired	85	147,568	3,693,775	3,841,428
Total loans and advances, gross	2,571,381	45,024,077	141,547,271	189,142,729
Provision for expected credit losses	(186,499)	(706,885)	(5,117,096)	(6,010,480)
Loans and advances, net	2,384,882	44,317,192	136,430,175	183,132,249

	30 June 2022 (Unaudited)			
	Credit cards	Other retail Lending	Corporate and institutional lending	Total
12 month ECL	2,167,675	38,702,656	107,103,544	147,973,875
Lifetime ECL not credit impaired	120,425	2,358,771	22,979,157	25,458,353
Lifetime ECL credit impaired	40,813	974,795	3,808,590	4,824,198
Purchased or originated credit impaired	164	156,402	3,665,740	3,822,306
Total loans and advances, gross	2,329,077	42,192,624	137,557,031	182,078,732
Provision for expected credit losses	(176,162)	(739,980)	(4,948,264)	(5,864,406)
Loans and advances, net	2,152,915	41,452,644	132,608,767	176,214,326

Lifetime ECL credit impaired includes non-performing loans and advances of SAR 3,968 million (31 December 2022: SAR 4,292 million). It also includes exposures that are now performing but have yet to complete a period of 12 months of performance ('the curing period') to be eligible to be upgraded to a not-impaired category.

The financial assets recorded in each stage have the following characteristics:

- 12 month ECL not credit impaired (stage 1): without significant increase in credit risk on which a 12 month allowance (or lower if the tenor of the facility is less than 12 months) for ECL is recognised;
- Lifetime ECL not credit impaired (stage 2): a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised;
- Lifetime ECL credit impaired (stage 3): objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised; and
- Purchased or originated credit impaired ('POCI'): purchased or originated at a deep discount that reflects the expected lifetime credit losses at time of purchase or origination. A lifetime ECL is recognised if further credit losses are expected. POCI includes non-performing loans and advances acquired through the merger with Alawwal Bank (AAB) that were recorded at fair value as of acquisition date.

For the six month period ended 30 June 2023

The following table shows reconciliations from the opening to the closing balance of the provision for credit losses against loans and advances:

30 June 2023 (Unaudited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2023	573,972	2,177,072	2,806,054	453,382	6,010,480
Transfer to Stage 1	58,871	(24,393)	(34,478)	-	-
Transfer to Stage 2	(14,698)	96,077	(81,379)	-	-
Transfer to Stage 3	(2,677)	(29,595)	32,272	-	-
Net re-measurement of loss allowance	15,082	(2,532)	179,301	242,002	433,853
Write-offs	-	-	(445,490)	-	(445,490)
Balance as at 30 June 2023	630,550	2,216,629	2,456,280	695,384	5,998,843

31 December 2022 (Audited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	511,022	3,482,551	2,600,654	108,012	6,702,239
Transfer to Stage 1	46,183	(37,154)	(9,029)	-	-
Transfer to Stage 2	(15,229)	134,791	(119,562)	-	-
Transfer to Stage 3	(3,302)	(282,551)	285,853	-	-
Net re-measurement of loss allowance	35,298	(120,565)	646,007	345,370	906,110
Write-offs	-	-	(597,869)	-	(597,869)
Financial assets classified as held for sale and disposed	-	(1,000,000)	-	-	(1,000,000)
Balance as at 31 December 2022	573,972	2,177,072	2,806,054	453,382	6,010,480

30 June 2022 (Unaudited)	Non-credit impaired		Credit impaired		Total
	Stage 1	Stage 2	Stage 3	POCI	
Balance at 1 January 2022	511,022	3,482,551	2,600,654	108,012	6,702,239
Transfer to Stage 1	46,633	(42,019)	(4,614)	-	-
Transfer to Stage 2	(13,443)	60,145	(46,702)	-	-
Transfer to Stage 3	(1,789)	(61,357)	63,146	-	-
Net re-measurement of loss allowance	(40,081)	43,971	237,721	272,454	514,065
Financial assets classified as held for sale	-	(1,000,000)	-	-	(1,000,000)
Write-offs	-	-	(351,898)	-	(351,898)
Balance as at 30 June 2022	502,342	2,483,291	2,498,307	380,466	5,864,406

9. Investment in an associate

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
HSBC Saudi Arabia			
Balance at beginning of the period / year	599,289	583,359	583,359
Share in earnings	76,462	172,144	120,885
Dividend received	(251,958)	(156,214)	(156,214)
Balance at end of the period / year	423,793	599,289	548,030

10. Goodwill and other intangibles

Intangibles are comprised of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Amounts arising from acquisitions:			
Goodwill	8,778,091	8,778,091	8,778,091
Other intangibles	1,654,804	1,744,769	1,553,369
Software	269,432	314,175	348,927
Total	10,702,327	10,837,035	10,680,387

Impairment testing of goodwill

The goodwill acquired through business combination is reviewed annually for impairment. However, at each reporting period, an assessment is made for indicators of impairment. If impairment indicators exist, an impairment test is required. If performed, the impairment test compares the estimated recoverable amount of the Group's CGUs that carry goodwill, as determined through a Value-In-Use (VIU) model, with the carrying amount of net assets of each CGU.

As at 30 June 2023, no impairment indicators were identified. Therefore, no impairment test was performed.

11. Derivatives

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

	30 June 2023 (Unaudited)			31 December 2022 (Audited)			30 June 2022 (Unaudited)		
	Positive fair Value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value	Notional
Derivatives held for trading:									
Special commission rate swaps	1,952,230	(1,826,674)	82,846,673	1,764,483	(1,626,432)	59,706,917	927,760	(835,240)	49,047,983
Special commission rate options	203,420	(210,420)	7,491,833	186,836	(180,346)	8,689,426	145,952	(145,940)	15,085,435
Forward foreign exchange contracts	35,614	(37,461)	18,155,970	45,447	(37,369)	13,704,323	86,626	(77,421)	11,163,395
Currency options	4,575	(4,576)	1,472,470	9,108	(9,134)	1,350,151	22,150	(22,254)	1,710,113
Currency swaps	1,758	(837)	2,212,500	1,493	(128)	2,212,500	6,026	(3,300)	3,705,000
Commodity options	12,346	(12,351)	190,593	-	-	-	-	-	-
Derivatives held as fair value hedges:									
Special commission rate swaps	274,506	(13,952)	5,142,500	496,966	(28,079)	8,634,625	360,811	(72,058)	11,536,008
Derivatives held as cash flow hedges:									
Special commission rate swaps	4,991	(30,140)	3,566,000	30,691	(24,915)	3,526,000	1,379	(6,443)	290,000
Currency swaps	1,214	(1,005)	75,000	3,050	(1,033)	75,000	3,735	(2,418)	975,000
Total	2,490,654	(2,137,416)	121,153,539	2,538,074	(1,907,436)	97,898,942	1,554,439	(1,165,074)	93,512,934
Fair values of netting arrangements	758,662	(2,048)		1,072,683	(216)		640,680	(11,339)	
Cash collateral, net	(535,175)	97,875		(724,600)	69,323		(279,900)	198,600	
Fair values after netting	223,487	95,827		348,083	69,107		360,780	187,261	

12. Customers' deposits

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Demand	135,139,696	141,427,465	154,585,087
Time	84,129,683	69,651,646	48,612,195
Savings	2,123,961	1,981,334	3,034,161
Margin and others	1,340,474	1,218,406	1,219,562
Total	222,733,814	214,278,851	207,451,005

13. Debt securities in issue

SAR 5 Billion 10 year Sukuk – 2020

SAB issued SAR 5 billion Tier II Sukuk on 22 July 2020 under the Group's local Sukuk Programme (the "Local Programme"). The Sukuk is unsecured and due in 2030, with SAB having an option to repay the Sukuk holders after 5 years, subject to prior approval of SAMA and terms and conditions of the Local Programme. The Sukuk carries effective special commission expense at six months' SAIBOR plus margin of 195 bps payable semi-annually.

14. Commitments and contingencies

a) Legal proceedings

There are no material outstanding legal matters against the Group.

b) Credit related commitments and contingencies

Credit related commitments and contingencies are as follows:

30 June 2023 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,704,365	1,405,574	31,902	27,744	17,169,585
Letters of guarantee	80,200,160	8,368,617	1,252,578	1,495,891	91,317,246
Acceptances	3,002,491	341,767	800	2,753	3,347,811
Irrevocable commitments to extend credit	10,797,934	-	-	-	10,797,934
Total	109,704,950	10,115,958	1,285,280	1,526,388	122,632,576

31 December 2022 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	15,267,551	801,470	7,469	38,502	16,114,992
Letters of guarantee	64,348,335	8,231,151	1,308,921	1,665,909	75,554,316
Acceptances	2,844,988	304,046	-	24,572	3,173,606
Irrevocable commitments to extend credit	4,953,207	147,960	-	-	5,101,167
Total	87,414,081	9,484,627	1,316,390	1,728,983	99,944,081

30 June 2022 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Letters of credit	16,225,508	1,212,675	2,185	13,106	17,453,474
Letters of guarantee	57,633,183	8,355,385	1,426,632	1,680,479	69,095,679
Acceptances	2,222,027	366,624	1,079	1,329	2,591,059
Irrevocable commitments to extend credit	5,653,403	339,885	-	-	5,993,288
Total	81,734,121	10,274,569	1,429,896	1,694,914	95,133,500

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The following table shows reconciliations from the opening to the closing balance of the provision for expected credit losses on loan commitments and financial guarantee contracts:

30 June 2023 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2023	52,215	288,017	606,250	7,255	953,737
Transfer to stage 1	1,692	(1,692)	-	-	-
Transfer to stage 2	(1,235)	1,235	-	-	-
Transfer to stage 3	-	(1,570)	1,570	-	-
Net re-measurement of loss allowance	21,718	(19,061)	20,920	11,171	34,748
Balance as at 30 June 2023	74,390	266,929	628,740	18,426	988,485

31 December 2022 (Audited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	62,055	271,134	399,589	1,569	734,347
Transfer to stage 1	15,614	(14,659)	(955)	-	-
Transfer to stage 2	(6,748)	7,199	(451)	-	-
Transfer to stage 3	-	(1,000)	1,000	-	-
Net re-measurement of loss allowance	(18,706)	25,343	207,067	5,686	219,390
Balance as at 31 December 2022	52,215	288,017	606,250	7,255	953,737

30 June 2022 (Unaudited)	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2022	62,055	271,134	399,589	1,569	734,347
Transfer to stage 1	8,286	(7,685)	(601)	-	-
Transfer to stage 2	(6,193)	6,644	(451)	-	-
Transfer to stage 3	-	(1,013)	1,013	-	-
Net re-measurement of loss allowance	(25,186)	(19,643)	158,531	1,746	115,448
Balance as at 30 June 2022	38,962	249,437	558,081	3,315	849,795

15. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated from continuing and discontinued operations for the three month and six month periods ended 30 June 2023 and 2022 by dividing the net income / (loss) after Zakat and income tax from continuing and discontinued operations for the period by the weighted average number of shares (2,054,794,522) outstanding during the period.

16. Zakat and income tax

The Zakat base is computed in accordance with the formula specified in the Zakat Regulations which is also subject to thresholds for minimum and maximum liability. In addition, SAB is also subject to corporate income tax on the portion of the shareholder base that is non-Saudi. Corporate income tax is calculated at a rate of 20%, and is applied to the share of taxable income of the non-Saudi shareholders.

SAB has filed its Zakat and Tax return for the years 2022 and 2021 and they are under ZATCA reviews. Zakat and Tax assessments for 2019 and 2020 have been issued and SAB has made a provision in the second quarter for these assessments whilst they remain under review. SAB's Zakat assessments up to and including 2018 have been finalized with ZATCA, however, no assessment has been received in relation to income tax for those years. SAB has filed an appeal on the AAB-related tax assessments for the years 2005 and 2006 which is currently pending with the Tax Violation and Disputes Appellate Committee, although amounts relating to this are not material.

17. Cash and cash equivalents

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Cash and balances with SAMA excluding the statutory deposit (note 5)	2,683,927	5,934,657	12,123,904
Due from banks and other financial institutions with an original maturity of three month or less from date of the acquisition	5,907,556	5,873,421	9,142,157
Total	8,591,483	11,808,078	21,266,061

18. Operating segments

The Group's primary business is conducted in the Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

The Group's reportable segments are as follows:

Wealth and Personal Banking

Caters mainly to the banking requirements of personal and private banking customers.

Corporate and Institutional Banking

Caters mainly to the banking requirements of corporate and institutional banking customers.

Treasury

Manages the Group's liquidity, currency and special commission rate risks. It is also responsible for funding the Group's operations and managing the Group's investment portfolio and liquidity position.

Capital Markets

Includes activities of the Group's investment in its subsidiary for investment banking and brokerage, SAB Invest.

Others

Includes activities of the Group's investment in its associate, HSBC Saudi Arabia and equity investments. It also includes elimination of inter-group income and expense items.

For the six month period ended 30 June 2023

Transactions between the operating segments are reported as per by the Group's transfer pricing policy. The Group's total assets and liabilities as at 30 June 2023 and 30 June 2022, its total operating income and expenses, and the results for the periods then ended, by operating segment, are as follows:

30 June 2023 (Unaudited)	Wealth and Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	57,598,061	152,941,734	119,915,675	2,068,289	2,389,180	334,912,939
Loans and advances, net	48,159,632	149,261,682	-	1,249,709	-	198,671,023
Investments, net	-	-	92,933,117	334,216	262,549	93,529,882
Investment in an associate	-	-	-	-	423,793	423,793
Total liabilities	81,801,424	140,113,749	56,096,123	156,313	52,719	278,220,328
Operating income / (loss) from external customers	945,035	3,900,071	1,304,928	144,965	(10,684)	6,284,315
Inter-segment operating income / (expenses)	731,383	(555,044)	(176,339)	-	-	-
Total operating income / (expense), of which:	1,676,418	3,345,027	1,128,589	144,965	(10,684)	6,284,315
Net special commission income	1,486,029	2,824,317	699,967	51,062	-	5,061,375
Net fees and commission income /(expenses)	81,017	384,874	(43)	87,115	-	552,963
Provision for expected credit losses, net	(788)	(362,289)	(4,214)	(197)	-	(367,488)
Total operating expenses	(941,499)	(725,174)	(185,827)	(109,944)	(39,651)	(2,002,095)
Share in earnings of an associate	-	-	-	-	76,462	76,462
Net income for the period before Zakat and income tax from continuing operations	734,132	2,257,564	938,547	34,824	26,127	3,991,194

30 June 2022 (Unaudited)	Wealth and Personal Banking	Corporate and Institutional Banking	Treasury	Capital markets	Others	Total
Total assets	53,404,823	135,811,530	110,428,842	622,276	2,271,601	302,539,072
Loans and advances, net	43,461,022	132,608,767	-	144,537	-	176,214,326
Investments, net	-	-	72,889,734	150,187	23,725	73,063,646
Investment in an associate	-	-	-	-	548,030	548,030
Total liabilities	79,207,372	130,512,253	38,023,477	83,893	805,360	248,632,355
Operating income / (loss) from external customers	1,173,837	2,235,031	848,212	16,690	(19,308)	4,254,462
Inter-segment operating income / (expense)	182,706	(293,792)	110,143	-	943	-
Total operating income / (expense), of which:	1,356,543	1,941,239	958,355	16,690	(18,365)	4,254,462
Net special commission income	1,113,891	1,415,779	597,228	5,015	-	3,131,913
Net fees and commission income / (expenses)	123,944	397,017	(2,503)	10,904	(25,990)	503,372
Reversal of / (provision for) expected credit losses, net	36,285	(237,093)	5,179	(49)	-	(195,678)
Total operating (expenses) / income	(839,945)	(692,828)	(156,291)	(51,256)	36,417	(1,703,903)
Share in earnings of an associate	-	-	-	-	120,885	120,885
Net income / (loss) for the period before Zakat and income tax from continuing operations	552,883	1,011,318	807,243	(34,615)	138,937	2,475,766
Net loss from discontinued operations	-	-	-	-	(23,653)	(23,653)

19. Financial risk management

Credit Risk

The Board of Directors is responsible for the overall risk management approach within SAB and for reviewing its effectiveness.

The Board's designated committee for risk matters is the Board Risk Committee which approves and provides oversight for the Group's risk framework, plans and performance targets, which include the establishment of risk appetite statements, risk management strategies, the appointment of senior officers, the delegation of authorities for credit and other risks and the establishment of effective control procedures.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk on credit related commitments and contingencies and derivatives. The Group assesses the probability of default of counterparties using internal rating tools. The Group also uses external ratings, of major rating agencies, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or market sectors. It also takes security when appropriate. The Group also seeks additional collateral, where possible, from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements.

a. Provision for expected credit losses, net

The following table shows the provision for expected credit losses for due from banks and other financial institutions, investments, loans and advances and on loan commitments and financial guarantee contracts:

	Notes	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Net provision for expected credit losses:			
Due from banks and other financial institutions	6	(4,189)	657
Investments	7	(25)	4,522
Loans and advances	8	(433,853)	(514,065)
Loan commitments and financial guarantee contracts	14	(34,748)	(115,448)
Write-offs net of recoveries		105,327	428,656
Net charge for the period		(367,488)	(195,678)

b. Collateral

The Group in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collateral is held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

20. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates. The fair values of recognised financial instruments are not materially different from their carrying values.

Determination of fair value and fair value hierarchy:

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 (e.g, 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 any significant input is not based on observable market data.

30 June 2023 (Unaudited)	Carrying Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Derivative financial instruments	2,490,654	-	2,490,654	-	2,490,654
Investments held as FVSI	693,785	446,067	247,718	-	693,785
Investments held as FVOCI – Debt	37,588,482	-	37,588,482	-	37,588,482
Investments held as FVOCI – Equity	262,549	240,490	-	22,059	262,549
Financial assets not measured at fair value:					
Due from banks and other financial institutions	6,018,502	-	6,018,502	-	6,018,502
Investments held at amortised cost, net	54,985,066	-	52,402,228	-	52,402,228
Loans and advances, net	198,671,023	-	-	198,491,149	198,491,149
Financial liabilities measured at fair value:					
Derivative financial instruments	2,137,416	-	2,137,416	-	2,137,416
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	32,957,105	-	32,957,105	-	32,957,105
Customers deposits	222,733,814	-	222,525,238	-	222,525,238
Debt securities in issue	5,167,354	-	5,167,354	-	5,167,354

For the six month period ended 30 June 2023

31 December 2022 (Audited)	Carrying Value		Fair value		
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Derivative financial instruments	2,538,074	-	2,538,074	-	2,538,074
Investments held as FVSI	963,274	411,827	551,447	-	963,274
Investments held as FVOCI – Debt	30,938,120	-	30,938,120	-	30,938,120
Investments held as FVOCI – Equity	218,332	194,569	-	23,763	218,332
Financial assets not measured at fair value:					
Due from banks and other financial institutions	5,871,533	-	5,871,533	-	5,871,533
Investments held at amortised cost, net	54,243,433	-	51,735,790	-	51,735,790
Loans and advances, net	183,132,249	-	-	183,097,308	183,097,308
Financial liabilities measured at fair value:					
Derivative financial instruments	1,907,436	-	1,907,436	-	1,907,436
Financial liabilities not measured at fair value:					
Due to banks and other financial institutions	25,517,303	-	25,517,303	-	25,517,303
Customers deposits	214,278,851	-	214,273,048	-	214,273,048
Debt securities in issue	5,114,836	-	5,114,836	-	5,114,836

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts, currency options, commodity options and other derivative financial instruments. These derivatives are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to 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.

FVOCI investments classified as Level 2 include bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

FVOCI investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net assets value as at the reporting date.

Fair values of listed investments are determined using bid marked prices and are classified as Level 1. Fair values of unlisted investments are determined using valuation techniques that incorporate the prices and future earning streams of equivalent quoted securities and are classified as Level 3.

Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SAIBOR rates.

The fair values of due from and due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates.

The fair values of demand deposits are approximated by their carrying value. For deposits with longer-term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities.

Debt securities in issue and borrowings are floating rate instruments that re-price within a year and accordingly, the fair value of this portfolio approximates the carrying value. The fair value of the remaining portfolio is not significantly different from its carrying value.

There were no transfers between the levels of fair value hierarchies during the period.

The values obtained from valuation models may be different from the transaction price of financial instruments on transaction date. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss'. It is either amortised over the life of the transaction or deferred until the instrument's fair value can be determined using market observable data or realized through disposal. Subsequent changes in fair value are recognized immediately in the interim condensed consolidated statement of income without reversal of deferred day one profits and losses. Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

21. Capital adequacy

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA, to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored regularly by management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted assets at or above Basel prescribed minimum. The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amounts of derivatives at a weighted amount to reflect their relative risk. The current period numbers are presented as per Basel III Reforms regulation issued by SAMA (circular number 44047144) effective from January 01, 2023, while the prior period is based on Basel III regulations.

The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Risk Weighted Assets (RWA)			
Credit Risk RWA	265,339,663	232,948,313	223,991,098
Operational Risk RWA	10,458,162	16,212,894	16,212,894
Market Risk RWA	8,830,253	7,091,185	3,863,826
Total RWA	284,628,078	256,252,392	244,067,818
Tier I Capital	47,033,351	45,236,925	44,847,812
Tier II Capital	5,844,630	5,795,143	5,690,323
Total I and II Capital	52,877,981	51,032,068	50,538,135
Capital Adequacy Ratio %			
Tier I ratio	16.52%	17.65%	18.38%
Tier I + Tier II ratio	18.58%	19.91%	20.71%
CET1	16.52%	17.65%	18.38%

22. Dividend

During the period ended 30 June 2023, SAB paid a final dividend of SAR 1,483 million as approved by the Board of Directors, to the shareholders of the Group for the year 2022. This resulted in SAR 0.74 per share for Saudi shareholders, net of Zakat. The income tax of the foreign shareholders was deducted from their share of the dividends.

23. 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 Bank has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of June 30, 2023, most of the impacted financial instruments have transitioned to alternate reference rate except for few complex legacy contracts referencing USD 1 month, 3 month and 6 month IBORs and transactions which will be repriced after 30 June and will transition to alternate rate at the next repricing date. The Bank has no exposure to any other LIBOR rates.

24. Discontinued operations

During the period ended 30 June 2022, SABB Takaful entered into a binding merger agreement with Walaa on 24 February 2022. After completion of the Merger Transaction on 19 October 2022, Walaa became, by operation of law, the legal successor of the assets, liabilities, rights and obligations of SABB Takaful and SABB Takaful ceased to exist.

The investment in Walaa has been classified as FVOCI from the effective date of the merger.

Summarized statement of income of SABB Takaful included in SAB's interim consolidated statement of income for the period ended 30 June 2022 under discontinued operations is as below:

	Three month period ended	Six month period ended
	30 June 2022	30 June 2022
	(Unaudited)	(Unaudited)
Net operating income	4,928	7,833
Total operating expenses	(16,842)	(31,486)
Net loss from discontinued operations for the period	(11,914)	(23,653)

25. Business Combination

During the year ended 31 December 2022, sale and transfer of the asset management, margin lending and brokerage business lines from HSBC Saudi Arabia (as Seller) to SAB Invest (as Buyer) was completed. The business acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with SAB Invest being the acquirer of the lines of business from HSBC Saudi Arabia.

As required by the Standard, SAB Invest is currently in the process of allocating the purchase consideration to the identifiable tangible and intangible assets and liabilities acquired. Therefore, the acquisition accounting of the business is based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by the Standard.

26. Comparative figures

The comparatives for fee and commission expense for three month and six month periods ended 30 June 2022 include amounts of SAR 69.6 million and SAR 148.02 million respectively which were previously classified under general and administrative expenses. This change was made to reflect better presentation which was established as a result of management's review of its expenses allocation mechanism. Accordingly, the previously reported amounts in the interim condensed consolidated statement of income for the three month and six month period ended 30 June 2022 have been reclassified to conform to the current period presentation.

27. Subsequent event

Subsequent to the approval of the interim condensed consolidated financial statement, the Board of Directors has approved a distribution of cash dividend amounting to SAR 1,808 million for the first half of fiscal year 2023 on 11 Muharram 1445H (Corresponding 29 July 2023). This equates to SAR 0.88 per share for Saudi shareholders' net of Zakat. The income tax of the foreign shareholders will be deducted from their share of the dividend.

28. Board of Directors' approvals

These interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of the Group on 9 Muharram 1445H (Corresponding 27 July 2023).