

مصرف الإنماء
alinma bank



2023

Annual
Report

Strategic progress
for sustainable
growth





“My primary goal is to create an exemplary and leading nation in all aspects, and I will work with you in achieving this endeavor”

King Salman Bin Abdulaziz Al Saud
Custodian of the Two Holy Mosques



“We are a G20 country. One of the biggest world economies. We are in the middle of 3 continents. Changing Saudi Arabia for the better means helping the region and changing the world”

Mohammed Bin Salman Bin Abdulaziz Al Saud
Crown Prince & Prime Minister

Enabling excellence in the digital era



Alinma Bank maintained its trajectory towards sustainable growth throughout 2023, in alignment with its strategic roadmap, "Strategy 2025," initiated in early 2021 to bolster its esteemed position within the banking sector.

Chairman's statement

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Net income

SAR
4,839 Mn.
+34%

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Investment case

ROE
17.2%

Page 24



Operating segments

NPS
#2

Page 56



Sustainability

Paper recycled
12,310 kg

Page 82



1

Bank profile

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**With an exceptional
robust strategy
aligned with the
Saudi Vision 2030,
Alinma Bank is
progressing towards
becoming one of the
foremost Shariah-
compliant financial
institutions in an
increasingly evolving
digital ecosystem.**



About Alinma Bank

Empowering growth through Shariah-compliant financial excellence

Established through a Royal Decree in 2006, Alinma Bank stands as an integrated financial entity licensed to operate within the Saudi financial services sector, in complete adherence to Shariah-compliant standards across all its banking and investment services and transactions. As one of Saudi Arabia's largest financial institutions, the Bank became a public listed company on the Saudi Exchange (Tadawul) in 2008, swiftly becoming one of the top traded stocks in the Kingdom in terms of volume and value traded.

Alinma Bank serves 4.67 million customers and holds the distinction of being the leading entity in nationalizing jobs within the financial sector in the Kingdom, earning numerous accolades. With an exceptional robust strategy aligned with the Saudi Vision 2030, Alinma Bank is progressing towards becoming one of the foremost Shariah-compliant financial institutions in an increasingly evolving digital ecosystem.



Our Vision

To be your preferred financial partner.



Our Mission

To provide our customers with fully Shariah-compliant financial solutions, from the best work environment that helps to achieve sustainable growth and contributes to community service.

Our Values



Striving to lead



Taking initiative



Respect for all



Innovation



Serving the community



Honesty



Strengthening relationships



Serving customers

Our positioning

Since its establishment, Alinma Bank has consistently expanded its presence to become one of Saudi Arabia's leading banking institutions and a prominent Shariah-compliant financial institution in the region. Alinma Bank's sustained robust financial performance and expanding footprint in the local market have positioned it as one of the most actively traded stocks in the Kingdom, with an exponentially growing market capitalization which stood at SAR 77.3 Bn. as of December 31, 2023.

Building on this strong financial foundation, Alinma Bank is dedicated to meet the aspirations of stakeholders through a focus on sustainable growth, customer satisfaction, employee empowerment, and delivering long-term shareholder value.

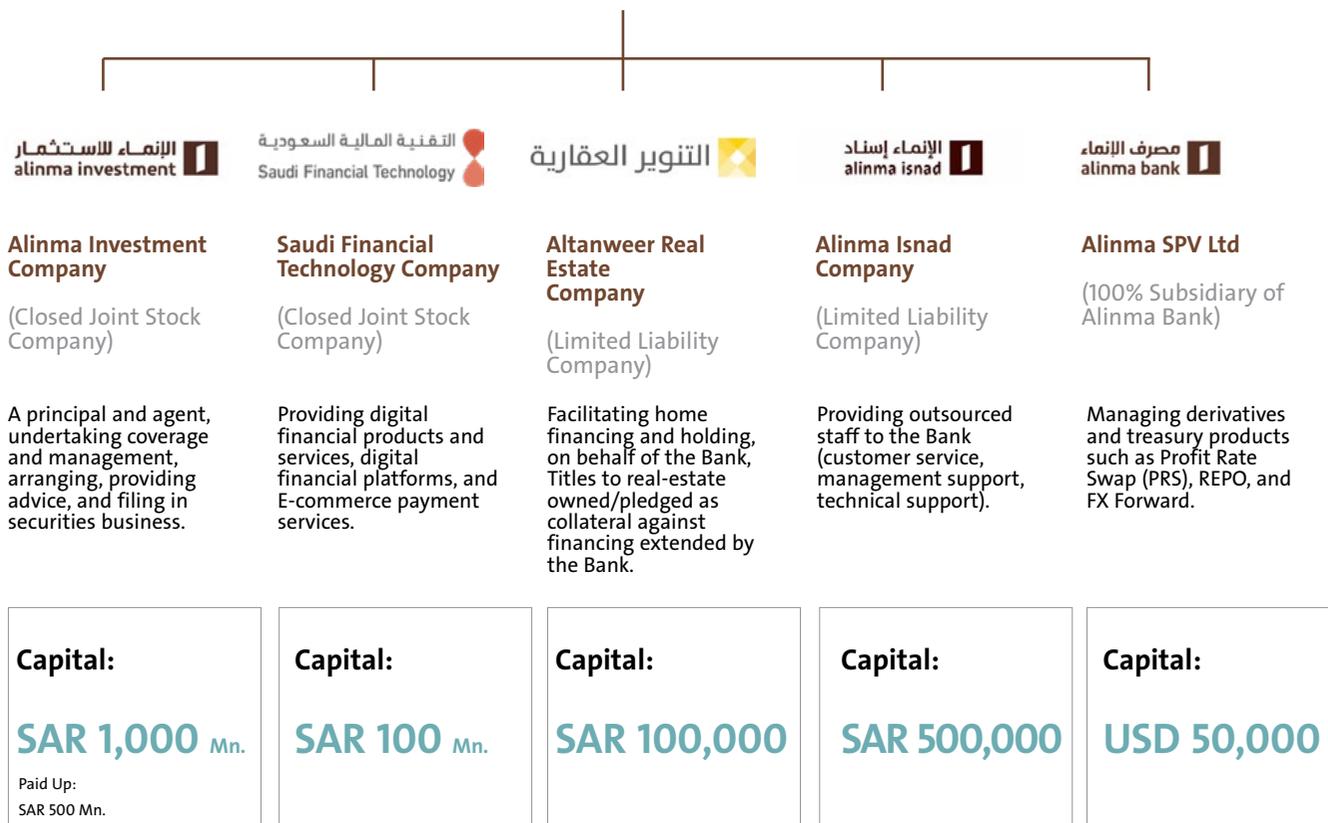
Directed by highly skilled professionals distinguished for their exceptional management abilities and invaluable

expertise, Alinma Bank confidently embraces the era of open banking envisioned by Vision 2030. Prioritizing digitalization, the Bank integrates transformative technologies across its product and service offerings, ensuring efficiency, agility, and heightened customer satisfaction.

With a firm commitment to governance, Alinma Bank's framework, systems, and procedures ensure the highest standard of risk management. The Bank's A- rating from Fitch Ratings and A3 rating from Moody's reflect its conservative approach to risk, strong capital ratios, solid profitability metrics, and sound funding and liquidity profile, among other factors.

Alinma Bank offers a comprehensive range of Shariah-compliant banking, advisory, and financial services. The Bank operates a network of 108 branches, 1,504 ATMs, and 133,928 POS terminals across all regions of the Kingdom of Saudi Arabia.

Alinma Bank



2023 at a glance

Enabling excellence in the digital era

Financial highlights

Net income

SAR 4,839 Mn.

+34% YoY



Total assets

SAR 236.7 Bn.

+18% YoY



Financing

SAR 173.6 Bn.

+18.5% YoY



Customers deposits*

SAR 187.9 Bn.

+29% YoY



ROA

2.21%

#1 in KSA

NPL ratio

1.61%

ROE

17.22%

#2 in KSA

NPL coverage

154.9%

Operating income composition (SAR Mn.)

Funded income	79%
Free from banking service	15%
Exchange income	3%
Investment gains/ dividends	2%
Other operating income	1%



*Including CASA, which increased by 10% YoY to reach SAR 90.6 Bn.

Becoming a highly valued brand in the Kingdom and the Middle East Region

Operational highlights

Saudization rate

96%

2022: 95.2%



Female staff

22%

2022: 19%



Training hours

96,744

2022: 88,870



Monthly average users

19 million

(Smartphone user logins)



Daily average users

631,000

(Smartphone user logins)



Digital transactions

98.4%



Awards



- Global SME Banking Innovation Awards 2023**
- Outstanding Staff Training, Learning & Development Program



- Global SME Banking Innovation Awards 2023**
- Outstanding SME Cash Management Solution



- Global SME Banking Innovation Awards 2023**
- Best SME Business Loan Product



- International Finance Magazine Awards – Banking – Saudi Arabia 2023**
- akthr - Best Customer Loyalty Program

2023 at a glance (continued)



International Finance Magazine Awards - Banking - Saudi Arabia 2023 Best Working Place



GIFA | Winners Best Islamic Bank 2023



Future Banks Awards KSA 2023 Leading Islamic Bank of KSA 2023



IRBA - Best Islamic Credit Cards Range in Saudi Arabia 2023



Won 4 awards at Capital Markets & ESG Finance Saudi Arabia Awards 2023

ESG highlights

Paper recycled
12,310 kg



Volunteering hours
2,412



Equipped for solar energy power
58 branches



Microfinance funding for over 280 families
SAR 5 Mn.



Sustainability strategy launched



Environmental Management policy developed



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alinma bank



Our journey

Rapid rise to leadership

Alinma Bank has been on a journey of continuous innovation and diversification since it was founded in 2006. We have acted as a disruptive force in the Saudi banking sector, leveraging the latest technologies and an unyielding commitment to customer experience excellence to spur on our rapid rise into becoming one of the leading banks in the Kingdom of Saudi Arabia.

2006

Establishment

Alinma Bank was established by Royal Decree No. (M/15) dated 28/2/1427 H (corresponding to 28/3/2006).

2007

Young corporate bank

Alinma began providing Shariah-compliant banking services, asset management, and brokerage services through its affiliates.



2010

First standalone Alinma Bank branch in Riyadh

Alinma Bank launched its first standalone branch in Riyadh's Suweidi district, in line with the Bank's overall plan to expand its branch network in order to better provide its customers with a broad range of Shariah-compliant products and services that meet their needs.

2014

First dividends distributed

Alinma Bank distributed its first dividends to Shareholders.

2015

Ersal remittance service

The Ersal money transfer service – a joint venture between Alinma Bank and the Saudi Postal Corporation – officially launched operations to facilitate international remittances from Saudi Arabia using the latest in transfer technology and leveraging international best practices.

2008

Publicly listed company

Alinma Bank launched its successful IPO and became a publicly listed company on the Saudi Stock Exchange (Tadawul).

2009

First to launch Infinite Debit Card in Saudi Arabia

Alinma Bank became the first bank in the Kingdom of Saudi Arabia to issue the Infinite Debit Card from VISA, which was branded as "Alinma Infinite" and offered by invitation only.



2012

e-channel services for the blind

For the first time in the Kingdom of Saudi Arabia, Alinma Bank implemented electronic channel banking services for the blind, emphasizing the Bank's commitment to serving all of its customers and being a socially responsible force in the community.

2013

First comprehensive smartphone application

Alinma Bank launched its first comprehensive smartphone application allowing its customers to execute all their banking operations through their smartphones.

2017

e-Learning Academy

Alinma Bank took a major step in the training and development of its staff with the establishment of the Alinma Bank e-Learning Academy, providing employees access to vast e-learning resources designed to improve personal, functional, and other business skills.





2018

mada Pay service

Alinma Bank launched the newly released mada Pay NFC payment service, allowing customers to load their Alinma mada debit and credit cards onto the mada Pay app to make POS payments by simply waving their smart devices over any mada Atheir POS terminal.



2021

Alinma 2025 Strategy launched

Alinma Bank rolled out its ambitious 5-year Strategic plan, anchored to 3 primary goals that reflect the Bank's envisioned positioning by the year 2025.

First earnings call

Alinma Bank held its first earnings call, a key step in engaging directly with key Stakeholders, including investors and analysts, to outline the Bank's unique proposition and growth story.

Tier 1 Sukuk issuance

Alinma Bank through a Shariah-compliant arrangement issued Tier 1 Sukuk amounting to SAR 5 Bn., which was approved by the regulatory authorities and the Board of Directors of the Bank.



2023

Signing of "Burj Alinma" construction agreement

Alinma Bank signed a construction agreement with Arabian Construction Company to establish "Burj Alinma" as the Bank's new head office and permanent home in Riyadh.

First Sustainability Report

Alinma Bank released its first standalone Sustainability Report, a critical step in its journey to complete disclosure and reporting of all material factors, to give investors and other Stakeholders the complete picture on its sustainability credentials and progress.

2019

First digital branch

Alinma Bank launched its first digital branch in the Kingdom in Riyadh, as part of its ongoing effort to provide convenient, self-service banking solutions to its customers.

Joining MSCI Emerging Markets Index

Alinma Bank was among 31 Saudi companies to join the MSCI Emerging Markets Index, supporting increased flow of foreign liquidity to the Tadawul and enhanced overall trading volume.

2020

Major Capital Increase

Alinma Bank increased its capital to SAR 20 Bn. from SAR 15 Bn. via stock dividends to fund the next stage of growth.



2022

Becoming an official partner of MBS League

Alinma Bank signed a sponsorship agreement with the Saudi Professional League to become an official partner of the Prince Mohammed bin Salman Professional League.



Year in review

An award-winning year of excellence and innovation

February

Won 3 awards at Global SME Banking Innovation Awards 2023

Alinma Bank won the “Best SME Business Loan Product”, “Outstanding Staff Training, Learning & Development Program”, and “Outstanding SME Cash Management Solution” awards at The Digital Banker’s Global SME Banking Innovation Awards 2023.

March

Launched new Alinma Bank mobile app

Alinma Bank launched its new mobile app that offers a convenient banking experience with advanced features and services for an exceptional user experience.

March

Forged landmark partnership with Qashio

Alinma Bank entered into an exclusive partnership with spend management fintech, Qashio, to roll out solutions to Saudi customers, a milestone achievement that marks the first time a Saudi corporate bank has partnered with a fintech.

March

Signed “Burj Alinma” construction agreement

Alinma Bank signed a construction agreement with Arabian Construction Company to build the Bank’s new head office and permanent home in Riyadh, “Burj Alinma”.

April

Named one of Top 100 Listed Companies in Middle East

Alinma Bank was listed 24th in Forbes Middle East’s Annual Top 100 Listed Companies 2023 ranking.



Alinma Bank marked another exceptional year filled with strategic growth and significant achievements. It continued to deliver strong financial performance and achieved the best value for all Stakeholders.

June

Won 2 awards at International Finance Awards 2023

Alinma Bank won the “Best Working Place – Saudi Arabia 2023” and the “Best Customer Loyalty Program – akthr – Banking – Saudi Arabia 2023 (International Finance)” awards in recognition of its continuous efforts to create a distinguished work environment for its employees.

July

Strategic partnership with Apparel Group

Alinma Bank partnered with Apparel Group, a leading powerhouse in the fashion and lifestyle industry, to provide the Bank’s customers with the added convenience and flexibility to redeem their earned loyalty points directly across Apparel Group’s diverse portfolio of brands in Saudi Arabia.

August

Continued strategic partnership with Roshn Saudi League

For a third consecutive year, Alinma Bank partnered with Roshn Saudi League for exclusive rights among banking institutions in the football league’s Platinum Partner category.

September

Won “Leading Islamic Bank of KSA 2023”

Alinma Bank received the “Leading Islamic Bank of KSA 2023” award at the Future Banks Award KSA 2023.

September

Won “Best Islamic Bank 2023”

Alinma Bank received the “Best Islamic Bank 2023” award at the Global Islamic Finance Awards 2023.

December

Won “Best Islamic Credit Cards Range in Saudi Arabia 2023”

Alinma Bank was recognized for its distinguished achievements with the coveted “Best Islamic Credit Cards Range in Saudi Arabia 2023” award at the Islamic Retail Banking Awards (IRBA).

December

Awarded “Disability-friendly environment”

Alinma Bank received the “Disability-friendly Environment” award at the third edition of the Labor Awards for private sector entities, recognizing its adoption of business models that comply with motivating work environment standards.

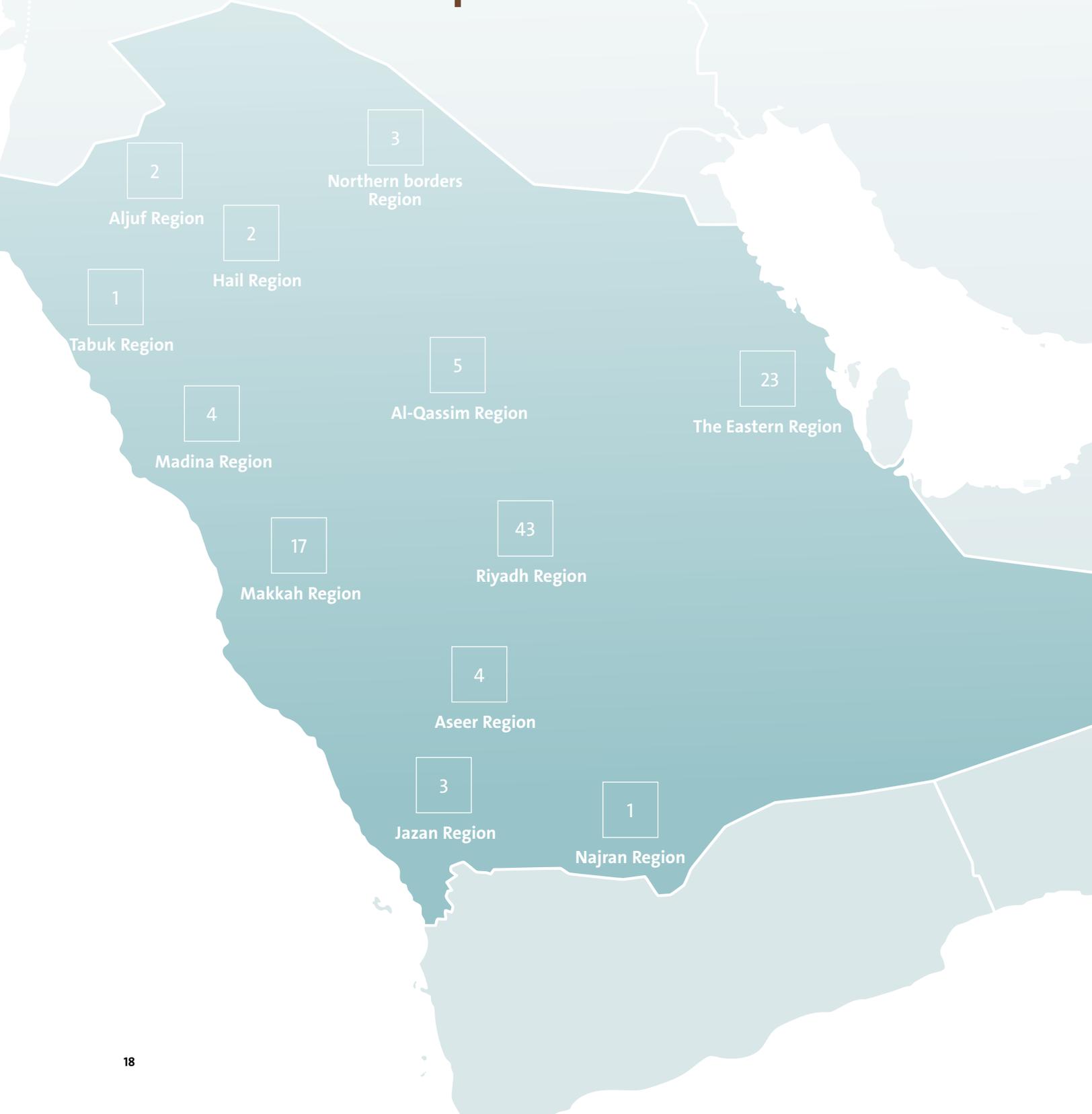
December

Won 4 awards at Capital Markets & ESG Finance Saudi Arabia Awards 2023

Alinma Bank’s groundbreaking achievements were recognized by being awarded “Syndicated Loan Deal of the Year: Rawabi Energy Company”, “Project Finance Deal of the Year: Alfanar Global”, “Development Infrastructure Finance Deal of the Year: Saudi Aramco”, and “Natural Resources Deal of the Year: Neom Green Hydrogen Company” at Capital Markets & ESG Finance Saudi Arabia Awards 2023.

Geographical footprint

Establishing presence: Alinma Bank's comprehensive network



Alinma Bank branches

City	Region	Branches	City	Region	Branches
Riyadh	Riyadh Region	38	AlKharj	Riyadh Region	1
Jeddah	Makkah Region	11	Al-Majma'ah	Riyadh Region	1
AlKhobar	The Eastern Region	6	Al-Qatif	The Eastern Region	1
Dammam	The Eastern Region	6	Al-Qurayyat	Aljuf Region	1
Makkah	Makkah Region	4	Al-Zulfi	Riyadh Region	1
Medina	Madina Region	3	Arar	Northern borders Region	1
Al-Hofuf	The Eastern Region	2	Ar-Rass	Al-Qassim Region	1
Aljubail	The Eastern Region	2	Bisha	Aseer Region	1
Buraidah	Al-Qassim Region	2	Khamis Mushait	Aseer Region	1
Dhahran	The Eastern Region	2	Najran	Najran Region	1
Hafr Al-Batin	The Eastern Region	2	Rafha	Northern borders Region	1
Hail	Hail Region	2	Ras Tanura	The Eastern Region	1
Jazan	Jazan Region	2	Sabya	Jazan Region	1
Taif	Makkah Region	2	Unaizah	Al-Qassim Region	1
Abha	Aseer Region	1	Sakaka	Aljuf Region	1
Ad-Dawadimi	Riyadh Region	1	Tabuk	Tabuk Region	1
Alahsa	The Eastern Region	1	Turaif	Northern borders Region	1
Albahah	Aseer Region	1	Shaqra	Riyadh Region	1
Al-Bukayriyah	Al-Qassim Region	1	Yanbu	Madina Region	1

Number of point of sales in KSA:

133,928
POS



Number of ATMs in KSA:

1,504
ATMs



Number of branches in KSA:

108
branches



Stakeholder engagement

The Bank values its enduring partnerships, recognizing their pivotal role in delivering sustained value

How we engage

Key issues/items discussed



Employees

- Induction program
- Career development guidance
- Staff societies
- Training program
- Volunteerism
- Special staff events
- Internal communication
- Employee satisfaction survey
- Virtual meetings
- Alinma Bank eLearning Academy



Customers

- Customer visits
- ATMs
- Online banking
- Service centers
- Branches
- Media advertisements
- Corporate website
- Customer workshops
- Social media
- Customer satisfaction surveys



Society and environment

- Service channels
- Press releases and conferences
- Public events
- Corporate website
- Social media
- Educational programs
- MSME financing
- Assistance to the needy and vulnerable
- Programs for SMEs
- Youth and employment projects

- Performance standards
- Training and development
- Saudization
- Remunerations and benefits
- Retirement benefit plans
- Diversity and inclusion
- Safety at the workplace
- Corporate value

- Financial support for revival of business
- Speedy service
- Customer security and privacy
- Service quality
- Affordability of services and convenience
- Financial education and literacy
- Access to financial services
- Enrolment to digital platforms
- Real time information

- Affordable financing
- Community empowerment
- Financial inclusion
- MSME financing
- Ethics and business conduct
- Environmental performance
- Employment opportunities
- Assistance to disadvantaged groups



Investors

- Annual General Assembly Meeting
- Extraordinary General Assembly Meetings
- The Bank's website
- Interim financial statements
- Investor presentations and quarterly earning calls
- Press conferences and releases
- Investor disclosures and road shows
- Investors meetings
- Annual Report
- Announcements made to the Saudi Exchange
- Investor relations road shows and conferences
- Dedicated investor relations website



Business partners

- Supplier relationship management
- Onsite visits and meetings
- Performance review meetings
- Quality assurance inspections



Government institutions and regulators

- Consultation
- Relationship-building meetings
- General Assembly Meeting
- Annual Report
- Interim financial statements
- Announcements made to the Saudi Stock Exchange
- Extraordinary General Meetings

- Financial performance
- Governance
- Risk management
- Business expansion plans
- Transparency and disclosure
- Business continuity
- Sustainable growth
- Dedicated Investor Relations Department

- Contractual performance
- Continued business opportunities
- Maintaining healthy relationships
- Timely settlement of dues
- Collaboration for new technological advances in the financial sector
- Opportunities for growth
- Ease of working

- Compliance with directives and codes
- Microfinance and SME development
- Financial performance
- Shareholder returns
- Cybersecurity
- Saudization
- Governance
- Employment generation
- Strategy

Saudi Vision 2030

Strategic alignment with Vision 2030



Vision 2030 goals

Alinma Bank strategic objectives

To lower the rate of unemployment from 11.6% to 7%

- Cultural transformation to attract and retain the best talent in the KSA
- Acquire top talent including new capabilities

To increase SME contribution to GDP from 20% to 35%

- Grow high quality SME segment
- Drive Kafalah growth
- Drive SME growth through program-based financing
- Develop supply chain finance
- Develop product bundles for SMEs

To increase women's participation in the workforce from 22% to 30%

- Cultural transformation to attract and retain the best talent in the KSA
- Acquire top talent including new capabilities

To increase the private sector's contribution to GDP from 40% to 65%

- Become core bank for large, mid-corporate, and project finance partners
- Grow high quality SME segment
- Grow Cash Management and Trade Finance business
- Drive Kafalah growth
- Drive SME growth through program-based financing
- Develop product bundles for SMEs

To increase household savings from 6% to 10% of total household income

- Expand digitally enabled Shariah-compliant investments and savings
- Enhance family account ecosystem
- Develop propositions to educate youth on financial management

To rally 1 million volunteers per year (compared to 11,000 currently)

- Employees to use their professional skills when volunteering for social, environmental, or other good causes

To promote home ownership from 47% to 70%

- Best customer experience and operational excellence
- Reduce home finance/PF TAT through process digitization
- Digitalize the home financing journey

Alinma Bank is proud to support the ambitions of the Kingdom and the goals of Vision 2030. Through the alignment of our business strategy, initiatives, and activities, we drive sustainable value for the Kingdom.



2023 achievements

- 96% Saudization rate
- Growth in SME assets of 31% compared to last year
- Growth in program-based financing of 100% compared to last year
- 22% of total workforce is female
- Growth in CBG assets of 19% compared to end of last year
- Growth in CBG non-funded facilities of 35% compared to end of last year
- Growth in SME assets of 31% compared to last year
- Growth in program-based financing of 100% compared to last year
- Launched employees' savings program
- Conducted 10 financial management educational sessions for university students
- Conducted several savings campaigns
- 492 employees participated in 56 volunteering activities for a total of 2,412 hours, benefiting 7,000 people
- Launched:
 - Commodity-based "Equity Release" product
 - Off-plan commodity product
- Aailed skip payments option for multiple installments for all real estate products
- Price subsidization for off-plan product (REDF initiative)
- New REDF program (down payment package) for readymade units and off-plan products



2024 goals

- Continue acquiring Saudi talent to maintain and improve the Saudization rate
- Provide tailored products and services digitally
- Increase operational efficiency
- Continue hiring female talent to maintain and improve the women's participation in the workforce
- Expand customer base in all segments
- Continue growing our assets and liabilities
- Continue building partnerships
- Capitalize on digital offering
- Provide tailored products and services digitally
- Increase operational efficiency
- Enhance ecosystems programs for customer convenience
- Offer the youth tailored products and services
- Continue enhancement of digital journeys and app functionality, and increase cross-selling
- Encourage employees to participate in several volunteering opportunities
- Continue enhancement of digital journeys and app functionality
- Continue improvement of TAT for key products and services

Investment case

Committed to excellence and sustainable growth



A leading bank in Saudi Arabia

1

“Alinma Bank stands as a significant financial institution within the Kingdom of Saudi Arabia, boasting a robust presence in the country's banking landscape. Established in 2006 as a Shariah-compliant institution, it swiftly emerged as a key player in the banking sector, upholding principles that align with Shariah-compliance. The Bank has strategically expanded its reach, operating via an extensive network of branches and ATMs across Saudi Arabia, ensuring accessibility for its growing clientele. The Bank has nurtured strong ties with government entities, corporate partners, and retail clients enabling the provision of a diverse array of financial services that cater to the varied needs of its customers.”

Key achievements

- Won the Leading Islamic Bank of KSA 2023 award at the Future Banks Awards KSA 2023
- Won the Best Islamic Bank 2023 award at the Global Islamic Finance Awards 2023
- Won Best Islamic Credit Cards Range in Saudi Arabia 2023 award at the esteemed Islamic Retail Banking Awards (IRBA)
- Won Syndicated Loan Deal of the Year, Project Finance Deal of the Year, Infrastructure Finance Deal of the Year, and Natural Resources Deal of the Year by The Capital Markets & ESG Finance



Strategic focus and progress

2

“In 2021, Alinma Bank rolled out its ambitious 5-year Strategic plan anchored to 3 primary goals that reflect the Bank's envisioned positioning by the year 2025; to be recognized and celebrated as the fastest and most convenient bank in the Kingdom, to obtain the top Net Promoter Score (NPS) in the rapidly evolving Saudi banking sector, and to be the leading employer of choice across KSA banks in a booming and highly competitive job market. The Bank's 2021-2025 Strategy is in sync with Saudi Vision 2030, the comprehensive reform plan driving Saudi Arabia's global integration. Alinma Bank aligns its goals with this vision, aiming to boost SMEs and the private sector's role in the GDP, enhance women's economic involvement, reduce unemployment, encourage homeownership, elevate household savings, and expedite the shift to a cashless society. As a leading digitally-driven bank in the Kingdom, it capitalizes on growth opportunities presented by this transformative agenda.”

2025 Strategic pillars

- To be the fastest and most convenient bank in the Kingdom of Saudi Arabia
- To be No. 1 in Net Promoter Score (NPS)
- To be the employer of choice across KSA banks

Strategic ambitions

Bank-wide:

- Build Digital Factory to scale customer experience and operational excellence across the Bank
- Foster data-driven decision-making with latest analytics capabilities
- Cultural transformation to attract and retain the best talent in the KSA

Retail:

- Build digitally-savvy affluent and HNW customer franchise
- Grow the digitally-savvy youth customer franchise
- Offer the best customer experience and operational excellence

Corporate:

- Become the core bank for large, mid-corporate, and project finance partners across diversified sectors
- Develop a high quality and growing SME proposition
- Grow Cash Management and Trade Finance business

Treasury:

- Become core partner for corporate clients for their hedging and investment needs
- Grow FI customer franchise with dedicated coverage team
- Maintain and evolve high quality ALM function

As one of the Kingdom’s foremost financial institutions on the rise, Alinma Bank presents a compelling investment case built on 4 foundational pillars. Each pillar embodies the Bank's strategic vision, operational excellence, and commitment to sustainable growth, in full alignment with the broader economic goals of the Kingdom of Saudi Arabia and the Bank’s commitment to value creation for its Shareholders and all its Stakeholders.

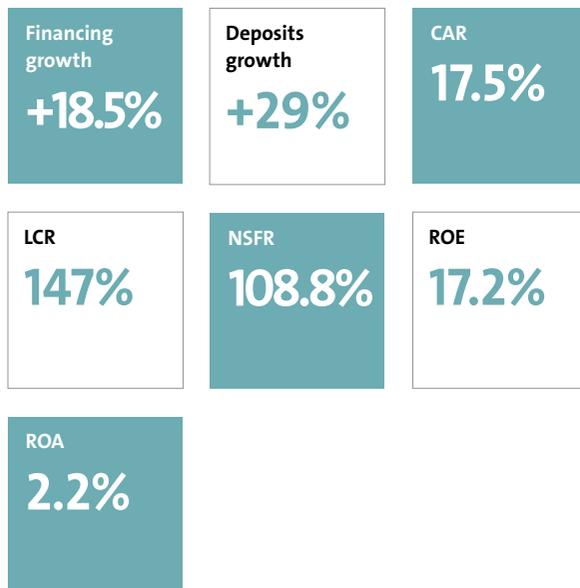


Strong and sustainable financial performance

3

“Consistent success in generating profits and delivering returns to Shareholders is backed by a solid capital position, healthy liquidity, and a stable deposit base. This strong foundation allows us to meet customer needs effectively while ensuring sustainable returns for Shareholders.”

Key ratios



Robust governance and enhanced sustainability

4

“Alinma Bank’s initial stride toward achieving full transparency and comprehensive reporting encompasses all significant aspects, offering investors and Stakeholders a complete view of sustainability credentials and advancements. This approach involves utilizing the Materiality Matrix methodology to pinpoint the Environmental, Social, and Governance facets crucial to both the Bank and its Stakeholders.”

Key accomplishments

- One of the largest financial institutions acknowledged Alinma Bank as the leader of disclosure on ESG in the Kingdom and fourth in the Middle East and North Africa
- Released first Sustainability Report in 2023

Shareholder information

Alinma Bank's share data and investor landscape

Share information

Listing date: June 3, 2008
Exchange: Saudi Exchange
Symbol: 1150
ISIN: SA122050HV19

Number of shares issued
2,000,000,000

Closing price
SAR 38.65

Market cap
SAR 77,300 Mn.

Qualified Foreign Investors (QFI) ownership
15.65%

Free float
10%
is owned by PIF, the rest is free float

Major Shareholders

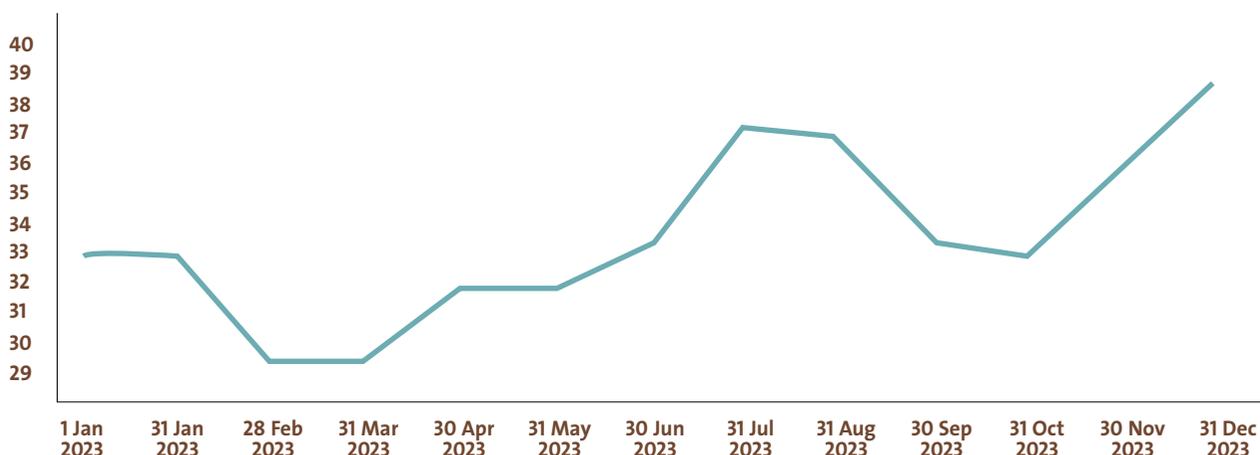
Shareholder
Public Investment Fund

Ownership
10%

Investor Relations

Alinma Bank IR Website:
<https://ir.alinma.com>

Share price performance



Investor meetings and conferences:

Investor meetings	Number of meetings
Q4 2023	98
Q3 2023	32
Q2 2023	86
Q1 2023	94
Q4 2022	70
Q3 2022	103
Q2 2022	30
Q1 2022	25

Year	Number of conferences
2023	7
2022	12

Conference Name	Date	Country	Attended from Alinma
Saudi Capital Market Forum 2023	13/02/2023	KSA	CFO and Head of IR
EFG Hermes - 17th One-on-One Conference 2023	6/03/2023	UAE	CEO, CFO, and Head of IR
BofA - 2023 Emerging Markets Debt and Equity Conference	2/06/2023	USA	CEO, CFO, and Head of IR
GS - Eleventh Annual CEEMEA Financials Symposium	11/09/2023	UK	CEO, CFO, and Head of IR
JPM - Saudi Arabia Investment Forum - New York	9/10/2023	USA	CEO, CFO, and Head of IR
BofA - MENA Conference 2023	7/11/2023	KSA	CFO and Head of IR
Goldman Sachs 15th Annual CEEMEA One-on-One Conference	30/11/2023	UK	CEO, CFO, and Head of IR

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Strategic Review

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Alinma Bank marked a year of exceptional strategic progress in 2023, solidifying our position as a leader in the Kingdom of Saudi Arabia's banking sector.



Chairman's statement

Strategic progress for sustainable growth



“

Alinma Bank maintained its trajectory towards sustainable growth throughout 2023, in alignment with its strategic roadmap, "Strategy 2025" initiated in early 2021 to bolster its esteemed position within the banking sector.

Dr. Abdulmalik bin Abdullah Alhogail
Chairman



As Chairman of the Board of Directors of Alinma Bank, it is my honor to present Alinma Bank's Annual Report for the financial year ending on December 31, 2023. Our bank experienced remarkable growth, driven by a significant expansion in innovative products and services across all sectors, earning widespread praise from our valued customers. We remained committed to supporting the objectives of Vision 2030 while delivering robust and sustainable value for our Shareholders and Stakeholders.

Despite the challenges posed by the global economy and the necessity of raising benchmark rates in 2023 to combat inflation, Alinma Bank has demonstrated remarkable performance. This success is attributed to the guidance of our insightful leadership and the objectives outlined in the Kingdom's Vision 2030, which emphasize economic diversification beyond the oil industry. As the financial services sector becomes pivotal in achieving growth, banks are expected to play a central role in restoring financial equilibrium amidst the increase in oil revenues relative to the Kingdom's GDP. This strategic positioning will enable banks to capitalize on the anticipated robust expansion in non-oil sectors, fostering mutual benefit and contributing to overall economic stability.

In the midst of these circumstances, Alinma Bank maintained its trajectory towards sustainable growth throughout 2023, in alignment with its strategic roadmap, "Strategy 2025" initiated in early 2021 to bolster its esteemed position within the banking sector. Steadfast implementation of this strategy saw 81% of its 77 initiatives completed by the year's end. The Bank also made significant headway towards its ambitious objective of ascending to the forefront of Saudi Arabia's banking elite. Additionally, the Bank achieved premier status in return on assets, securing the top position in this metric with a notable rate surging to 2.2%. Although ranking second among banks in return on Shareholders'

equity, the Bank closed the year with an impressive 17.2%, further solidifying its position in the market. Alinma Bank secured the top spot in the percentage of ownership by qualified foreign investors, with its ownership share reaching 15.7%.

Throughout 2023, we introduced a plethora of new products and services tailored to expedite and enrich banking transactions for our esteemed customers. Moreover, our relentless commitment to digital transformation yielded a multitude of enhancements in customer journeys, notably enhancing the banking experience for individuals, corporations, and SMEs alike. This endeavor not only bolstered satisfaction among our current patrons but also drew a substantial influx of new customers to Alinma Bank.

With strong contributions from other parts of the business, including Corporate and Treasury, Alinma Bank delivered a 34% increase in net income to SAR 4.8 Bn. this year. Total assets grew rapidly, climbing 18% to SAR 236.7 Bn., and the net financing was 18.5% higher at SAR 173.6 Bn. In the coming year, we will continue to pursue similarly robust growth by implementing the remaining initiatives of our Strategy 2025, which has proved so successful to date.

Our customer acquisition program was particularly effective in the youth segment. Attracting young customers when they first start needing banking products and services is an integral part

Total assets grew by

18%



Net financing was

18.5%

higher



The Bank achieved premier status in return on assets, securing the top position in this metric with a notable rate surging to 2.2%.

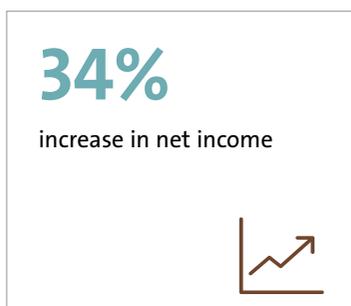
Chairman’s statement (continued)

of our long-term strategy, accordingly, Alinma Bank launched unique products and value propositions in 2023 to help establish enduring relationships with them. We will continue to pursue this segment vigorously in the years to come.

Another vital aspect of our current and future sustainable growth pertains to the MSME segment, and our heightened engagement in this area this year warrants special acknowledgment. Our MSME program-based financing portfolio more than doubled in size, significantly surpassing market growth rates. Furthermore, in 2023, we expanded our collaboration with the Government’s Public Authority for Small and Medium Enterprises (Monsha’at) and augmented our program-based financing under the Kafalah program, a Government initiative aimed at removing obstacles to financing MSMEs.

A socially responsible banking leader

As part of our Strategy 2025, we are dedicated to becoming the leading banking employer of choice. Central to achieving this goal is the recruitment of Saudi Nationals. In 2023, Saudization at Alinma Bank reached an impressive 96%. Similarly, opportunities for women play an essential role in assessing an organization’s employer brand, and Alinma Bank was pleased to report an increase in the percentage of female



employees to 22% in 2023. We continued to prioritize the development of our employees' knowledge and skills this year through training, achieving a participation rate of 75% and delivering over 96,744 hours of training.

As a socially responsible institution, Alinma Bank remains dedicated to enhancing the societal landscape within the Kingdom. The Bank steadfastly allocates 1% of its annual net profits towards social responsibility programs. We take immense pride in the efforts of our employees, who once again exhibited remarkable commitment in this realm. A total of 492 colleagues contributed 2,412 volunteer hours to assist 7,000 beneficiaries across 56 charitable causes and organizations.

The confidence of our Shareholders and other Stakeholders in our effective corporate governance, risk management oversight, internal control implementation, and statutory compliance was reaffirmed in 2023, with our Bank continuing to adhere to the highest standards laid down by the Saudi Central Bank, the Capital Market Authority, and of course, Shariah law.

In 2023, efforts were reinforced to bolster the confidence of Shareholders and Stakeholders in the Banks' effective governance practices. This involved vigilant oversight of risk management, internal control procedures, and legal compliance, aligning with the stringent standards mandated by the Saudi Central Bank and the Capital Market Authority. Furthermore, the Bank remained steadfast in adhering to best practices and Shariah provisions, ensuring adherence to established norms and regulations.

Acknowledgments

My sincere appreciation is owed to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, and His Royal Highness, the Crown Prince and the Prime Minister, Mohammed Bin Salman Bin Abdulaziz Al Saud. Once again, their leadership of and support for the security and economic development helped propel us to new heights.

On behalf of all my colleagues at Alinma Bank, I thank the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank, the Capital Market Authority, and other regulatory and governmental authorities for maintaining a safe and regulated industry.

Finally, but not least, thanks are extended to my colleagues, members of the Board of Directors and its affiliated committees, the executive management, and all employees of the Bank for their sincere efforts and dedication in fulfilling their duties in gaining the trust of customers, enhancing their loyalty, maintaining them, and their valuable contributions to continuing to achieve outstanding accomplishments for the Bank’s business and enhancing its position, as well as increasing returns for its Shareholders and employees.

**Dr. Abdulmalik bin Abdullah Alhogail
Chairman**



Strategic progress for sustainable growth

Pioneering financial excellence: Alinma Bank's path to sustainable success

Alinma Bank marked a year of exceptional strategic progress in 2023, solidifying our position as a leader in the Kingdom of Saudi Arabia's banking sector. Guided by our Strategy 2025 and aligned with Vision 2030, we made significant strides towards our ambitions by introducing innovative products and services, accelerating digitalization for greater operational performance, and enhancing customer service and experience.

Our expansion into the MSME sector was particularly successful, with innovative government partnerships and dedicated offerings resulting in our MSME financing portfolio more than doubling. We also saw exceptional results from our efforts to forge relationships and create value for the Kingdom's young population, aligning with our strategy of engaging young customers early in their financial journey.

These progressive efforts underscored our commitment to continued expansion and diversification through strategic focus and support for key government initiatives. The success of our strategic path was validated in our resilient and remarkable financial performance.

Building on this strong foundation, we are focusing on implementing the remaining elements of Strategy 2025 to continue our positive momentum. We are committed to delivering strong, sustainable growth for our Shareholders and Stakeholders, as we pursue our vision "to be your preferred financial partner".

We are committed to delivering strong, sustainable growth for our Shareholders and Stakeholders, as we pursue our vision "to be your preferred financial partner".



CEO's message

Accelerated and sustainable growth



Total operating income

SAR

9,726 Mn.

+22%

“

Rising to become one of the premier banks in the Kingdom of Saudi Arabia, Alinma Bank elevated its standings across numerous pivotal industry metrics, showcasing substantial strides towards becoming the fastest and most convenient bank in Saudi Arabia.

Abdullah Ali AlKhalifa
Chief Executive Officer



Alinma Bank's robust performance in 2023 amidst an increasingly competitive and challenging environment once again highlighted the resolute execution of our 2025 Strategy. By end of 2023, the Bank had completed 62 out of 77 strategic initiatives, marking a significant milestone in our journey and significantly impacting the Bank's overall performance.

Rising to become one of the premier banks in the Kingdom of Saudi Arabia, Alinma Bank elevated its standings across numerous pivotal industry metrics, showcasing substantial strides towards becoming the fastest and most convenient bank in Saudi Arabia. Our performance in 2023 was notably fueled by our expanding presence in both Retail and Micro, Small, and Medium Enterprises (MSMEs) Banking segments, along with robust growth and emphasis in Corporate Banking.

In 2023, the Bank has exceeded the market growth both in Retail and Corporate financing with overall financing growth of 18.5% year on year reaching SAR 173.6 Bn. The bank has become the 6th largest bank in Saudi Arabia with total asset of SAR 236.7 Bn. We also enhanced our Net Promotor Score (NPS), reaching the number 2 ranking in the Kingdom. The Bank also became the 3rd largest bank in terms of number of retail customers.

Our continuous focus on improving the customer experience alongside the cross-sell activities has paid off handsomely, with total operating income increasing 22% from SAR 7,963 Mn. in 2022 to SAR 9,726 Mn. in 2023. Net income came to SAR 4,839 Mn., representing growth of 34% year on year.

The above has improved the key financial indicators where the Bank became the highest among Saudi

Banks in term of Return on Assets (ROA) standing at 2.21% at the end of 2023. The Bank has expanded its Return on Equity (ROE) by 353 basis points becoming the second highest among Saudi banks at 17.22%.

The Bank remained financially resilient, meeting capital adequacy requirements with Tier I and Tier II capital adequacy ratio of 17.49% by the end of 2023. Liquidity measures remained healthy with Net Stable Funding and Liquidity Coverage ratios well above the regulatory minimums. Our strong regulatory metrics reaffirmed Alinma Bank's proactive risk management and monitoring, corporate governance and prudential oversight. Our robust compliance was also a motivating factor behind securing approval and certification to introduce open banking to our Retail and Corporate Banking operations. Our prudent credit and provisioning policies led to healthy assets quality with non-performing financing coverage ratio reaching 155% by the end of 2023 along with decreasing cost of risk that has decreased to 77 basis point by the end of the year.

Successful pursuit of MSME banking growth

Our commitment to creating value for our Shareholders and to playing a stronger and more prominent role in the Kingdom's banking sector was demonstrated by our growing emphasis on supporting MSMEs.

Net income

**SAR
4,839 Mn.**

2022: SAR 3,599 Mn.

+34%



ROE

17.2%

2022: 13.7%



Our strong regulatory metrics reaffirmed Alinma Bank's proactive risk management and monitoring, corporate governance and prudential oversight.

CEO's message (continued)

This strategy proved extremely successful, with our MSME program-based financing portfolio growing more than 100%. Our growing penetration of the MSME sector was supported by our new financing origination system. The first phase, which was rolled out in 2023, will expedite financing processing times, and improve both the customer journey and experience.

An important development in 2023 was the expansion of our relationship with Monsha'at to enable us to provide financing services to potential MSME opportunities it refers to us. Monsha'at is a government initiative aimed at increasing the MSMEs' contribution to the economy.

Robust performance within the Bank's business segments

Our continued focus on the youth segment, to better reflect the Kingdom's demographic profile in our customer base, was bolstered by our new value proposition and differentiated customer journey for our younger customers.

Customer experience remains at the forefront of all our Strategy 2025 initiatives, and our efforts in 2023 remained dedicated to further improvement, driven by our ongoing digital transformation program.

A key milestone in our digital transformation was the 2023 launch of our new Alinma Bank app, with its suite of sophisticated features to make mobile banking simple, efficient, and accessible. Our average

monthly number of smartphone user logins reached 19 million and digital transactions stood at 98.42% for the year.

Complementing our investment in further improving our services was the introduction of a number of well-received products. One of our best new performers in 2023 was our Auto Lease product, which reached SAR 1.4 Bn. in 2023. The product was just introduced in Q4 2022.

During the year, Retail rationalized its bricks and mortar network, with mergers affecting 40 branches and reducing the related operating costs. Our employees impacted by the branch mergers were transferred to locations with staff shortages.

Overall, the successful implementation of the Retail Banking's various initiatives resulted in a strong 2023 financial result, with Retail performing financing reached SAR 42 Bn. with a growth of 16% year on year.

Our Corporate Banking business had an outstanding year. During the year Corporate Banking was further strengthened by a new Corporate Customer Support middle office mandated to drive improvements in approval time frames, efficiency, and client service. At the front end, our Retail branches set up Corporate desks to offer clients the option of face-to-face engagement, broadening channel choices as a further step in enhancing our corporate clients' banking experience. Corporate performing financing reached SAR 131 Bn. with a growth of 19% year on year. Cash

management services alongside trade have shown a strong improvement year on year as this remained a strategic focus within corporate banking.

Our Bank-wide efficiency drive achieved improvements in the corporate banking. The activation of the first phase of our new corporate financing origination system to track client applications, expedited processing, reduced paper use, and contributed towards our sustainability objectives.

We also launched a new ATM card for corporate clients to deposit cash at our ATMs 24/7, and we re-launched an updated dividends distribution service for listed corporates to improve their payment experience. These and many other improvements streamlined our corporate clients' banking activities and provided them with greater visibility over transactions.

Alinma Bank's Treasury operation continued to support the Bank's strategic objectives in 2023, growing the product portfolio to provide a holistic value proposition for clients. In addition, it succeeded in achieving a record high in derivatives hedging products.

Treasury contributed to the Bank's improved net profit margin with its healthy portfolio mix that benefited from the higher benchmark profit rate and value-added deals that contributed to revenues.

Aligned with our financial successes, Alinma Bank remains committed to Environmental, Social, and Governance (ESG) principles. We integrate sustainability into our operations, focusing on environmental stewardship, social responsibility, and ethical governance. Our initiatives include energy efficiency, sustainable procurement, community development, financial inclusion, and upholding high standards of corporate governance. Through our ESG commitments, we aim to create long-term value for shareholders, society, and the environment, ensuring sustainable growth for future generations.

Looking ahead to 2024

With substantial progress made on completing the initiatives under Strategy 2025, our attention in the coming year will turn to planning for our next strategy, which will launch a new era of growth for the Bank.

Operationally, we intend to maintain the excellent growth trajectory achieved in the past 3 years by reaching new heights in key financial and other metrics across the entire Bank. We will remain unrelentingly disciplined in our customer acquisition activities. Accordingly, we will continue to explore every avenue to sustainably build our customer base. Additionally, we will robustly defend our high Net Promoter Score by continued investment in building and strengthening our brand and engaging with our target segments via physical and digital channels.

Our digital transformation program will continue apace, emphasizing

customer experience while reducing operating costs. This will be accompanied by further rationalization of our branches as part of our efficiency drive and the evolution of our business model from operations to advisory and sales.

Our Corporate Bank internet banking platform will be enhanced, and our penetration of the MSME segment will be advanced.

Acknowledgements

On behalf of the executive team and all the employees of Alinma Bank, I extend my most sincere gratitude to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, and the Crown Prince and Prime Minister, HRH Mohammed Bin Salman Bin Abdulaziz Al Saud.

The unwavering commitment of our Leaders and our Government to the prosperity of the Kingdom and its entire people continues to shape an enabling environment in which Saudi businesses can flourish.

Our regulators, Saudi Central Bank (SAMA), Capital Market Authority (CMA), and all other relevant parties, offered exceptional oversight of our rapidly evolving industry. We are grateful for their guidance and prudent management.

Alinma Bank's Board of Directors once again played an invaluable role, sharing wise counsel and insights that steered us in the direction of sustainable growth.

Finally, my deep appreciation goes to my executive team and all Alinma Bank employees for their unstinting efforts in delivering for our customers and our Shareholders, and for taking us further in our journey to becoming one of the Kingdom of Saudi Arabia's best banks.

Abdullah Ali AlKhalifa
Chief Executive Officer

Market overview

The global economy

The global economy is grappling with persistent inflation and moderate growth, with challenges such as tighter financial conditions, sluggish trade growth, and diminished business and consumer confidence.

Despite these developments, the global economy has shown resilience by growing at an annualized rate of 3.1% in the first half of 2023. However, signs of a slowdown are evident, particularly in advanced economies. Tightening financial conditions are affecting benchmark rates-sensitive expenditures, but household consumption remains robust, supported by tight labor markets and, in some cases, low household saving rates.

While headline inflation has decreased in most economies, core inflation remains relatively high. There is a growing divergence in growth rates between emerging-market economies, which are generally more resilient.

Moreover, financial conditions have tightened globally, marked by rising real benchmark rates and increased systemic financial stress, even though risk appetite has seen some recent revival.

The regional economy

The Gulf Cooperation Council (GCC) region is anticipated to experience 1% growth in 2023, followed by a recovery to 3.6% and 3.7% in 2024 and 2025, respectively.¹ The lower growth in 2023 is attributed to a 3.9% contraction in the oil sector due to OPEC+ production cuts and a global economic slowdown. However, non-oil sectors are expected to grow by 3.9% in 2023, supported by private consumption, fixed investments, and fiscal policies.

The Kingdom of Saudi Arabia, after projecting a decade-high economic growth of 8% for 2022, forecasts a slowdown to 3.7% in 2023, as per the International Monetary Fund's projection. Despite a recent downgrade in economic growth forecasts, rising oil prices and voluntary production cuts, diversification efforts under Vision 2030 are expected to contribute to the Kingdom's economic rebound. The non-oil sector is also expected to remain robust, and together with a growing female workforce, and large investment projects funded by the Public Investment Fund and the National Development Fund we should see further growth.

In addition, Saudi Arabia's private sector workforce has grown, and the labor force participation of Saudi women has more than doubled in a span of 6 years. The Kingdom also projects a lower fiscal revenue for 2023. The preliminary estimates indicate a decline of 8.1% in fiscal revenue to SAR 1.123 Tn. (USD 299 Bn.) in 2023. However, the S&P Global Ratings affirms Saudi Arabia's rating at "A-/A-1" with a stable outlook, forecasting a return to fiscal surpluses in 2024.

The S&P Global Ratings affirms Saudi Arabia's rating at "A-/A-1" with a stable outlook, forecasting a return to fiscal surpluses in 2024.

The Kingdom of Saudi Arabia is a global leader in the Shariah-compliant finance segment, with 86% of financing in the Kingdom being Shariah-compliant.



The Gulf Cooperation Council (GCC) region is anticipated to experience 1% growth in 2023, followed by a recovery to 3.6% and 3.7% in 2024 and 2025, respectively

The banking sector

The Saudi banking sector is currently undergoing a substantial transformation marked by updates to the Kingdom's banking laws, regulatory sandboxes, and increased support for fintech businesses. This shift is fostering a dynamic and rapidly evolving banking environment.

The Kingdom of Saudi Arabia boasts a competitive banking sector, featuring active participation from both local and international banks. It is a global leader in the Shariah-compliant segment, with 86% of financing in the Kingdom being Shariah-compliant. The Saudi Central Bank (SAMA) serves as a robust regulator, contributing to the sector's stability with its effective oversight, paired with the Kingdom's strong macroeconomic fundamentals.

Throughout the year, SAMA played a pivotal role in regulating and supervising banks, financial companies, insurance entities, and payment service providers. Proposed changes to the Banking Control Law, open for public consultation, marks a significant development that could impact all banks and financial institutions operating in Saudi Arabia.

The sector's resilience is evident in its positive performance metrics despite uncertainties in the global economic environment. The Saudi Riyal is pegged to the US Dollar, reducing foreign exchange risk for the Kingdom, but exposing it to inflationary pressures from the US. SAMA has followed the US Federal Reserve's tightening cycle, adjusting repo and reverse repo rates.

Credit to SMEs has remained stable, but faster progress is needed to achieve the Government's target of raising SMEs' share of total credit facilities to 20% by 2030. Initiatives from the SME Bank and regulatory adjustments in the real estate market aim to support economic growth and inclusivity.

The fintech sector is being actively supported by Fintech Saudi, with various initiatives and strategies aimed at fostering its growth. The Fintech strategy, approved by the Council of Ministers, outlines ambitious goals for 2030, including the operation of 525 fintech companies, the creation of over 18,000 jobs, and substantial GDP contributions and investments in the sector.

2024 Outlook

The Saudi banking sector is undergoing continuous modernization, propelled by a regulatory environment increasingly supportive of innovation and fintech. The fintech segment is poised to emerge as a dynamically growing sector within the Saudi economy in the upcoming year.

Meanwhile, banks are expected to remain robustly capitalized and highly liquid, evident from financial soundness indicators. The impact of higher benchmark rates on GDP is expected to be minor, given the economic structure and the role of public spending in driving economic activity. Amid these dynamics, there may be a noticeable increase in net profit and assets across the entire banking sector.

¹World Bank Gulf Economic Update

Source: Economic Diversification Efforts Paying Off in GCC Region but More Reforms Needed (worldbank.org)

Business model

Creating long-term value for our Stakeholders



Our strengths

Financial position

SAR 236.7 Bn. in assets
SAR 187.9 Bn. in deposits
SAR 173.6 Bn. in financing

Human capital

2,924 Employees
22% Female staff
96% Saudi Nationals

Products and services diversity

Shariah-compliant products
Kafalah program
Digital apps

Customers and investors base

Customers:

4.67 Mn. Customers
19 Mn. Monthly average users (number of smartphone user logins)
98.4% Digital transactions

Investors:

10% Public Investment Fund
15.65% QFI



How we create value

Vision

To be your preferred financial partner

Mission

To provide our customers with fully Shariah-compliant financial solutions, from the best work environment that helps to achieve sustainable growth and contributes to community service.

Values

Striving to lead
Innovation
Taking initiatives
Serving the community
Respect for all
Honesty
Strengthening relationships
Serving customers

Our positioning

Ever since its inception, Alinma Bank has steadily grown to be one of the largest banks in Saudi Arabia and a leading Shariah-compliant financial institution in the region. The Bank's continuous strong financial performance and growing local presence has made Alinma one of the top traded stocks in the Kingdom, with an exponentially growing market capitalization which stood at SAR 77.3 Bn.

Our business model is underpinned by:

Robust corporate governance



Value created

For Shareholders

Sustainable growth dividends
 Q1: SAR 0.25 per share
 Q2: SAR 0.30 per share
 Q3: SAR 0.30 per share
 ROE: 17.2%

For customers

Enable wealth creation and management
 Offering Shariah-compliant products and services
 Reducing turnaround time (TAT) for products and services
 Provide comprehensive online banking platforms for Retail and Corporate customers

For employees

Supportive, inclusive culture
 Embracing diversity
 Long-term career support
 Training programs

For community/society

CSR
 Investments in environmental projects
 ESG outputs
 MSME products and services

Business activities

- Facilitate payments and transactions
- Enable wealth creation and management
- Provide Shariah-compliant products and services
- Provide comprehensive banking products and services

Operating segments

- Retail Banking and Digital Group
- Corporate Banking
- Treasury Group
- Investment & brokerage

Subsidiaries

- Alinma Investment Company
- Saudi Financial Technology Company
- Altanweer Real Estate Company
- Alinma Isnad Company
- Alinma SPV Ltd

Sound risk management framework

Comprehensive sustainability strategy

Strategy

Driving sustainable growth and value creation

Alinma Bank’s strategy is designed to drive sustainable growth and value creation, through a holistic approach to customer-centric innovation, outstanding customer experience, and community-centric services, seeking to become the preferred financial partner for our customers. We are dedicated to nurturing our talented workforce, aiming to set new benchmarks in employee development and to positioning the Bank as a top employer in Saudi Arabia's banking sector.

Our strategy is deeply integrated with the goals of Saudi Vision 2030, focusing on making significant contributions to this national agenda, underscoring our fundamental commitment to driving forward the economic and social development in the Kingdom. It is anchored in the principles of Shariah-compliant banking, underlining a strong commitment to ethical financial practices and long-term value creation for all our Stakeholders.



Our Vision

To be your preferred financial partner.



Our Mission

To provide our customers with fully Shariah-compliant financial solutions, from the best work environment that helps to achieve sustainable growth and contributes to community service.

Our Values



Striving to lead



Taking initiative



Respect for all



Innovation



Serving the community



Honesty



Strengthening relationships

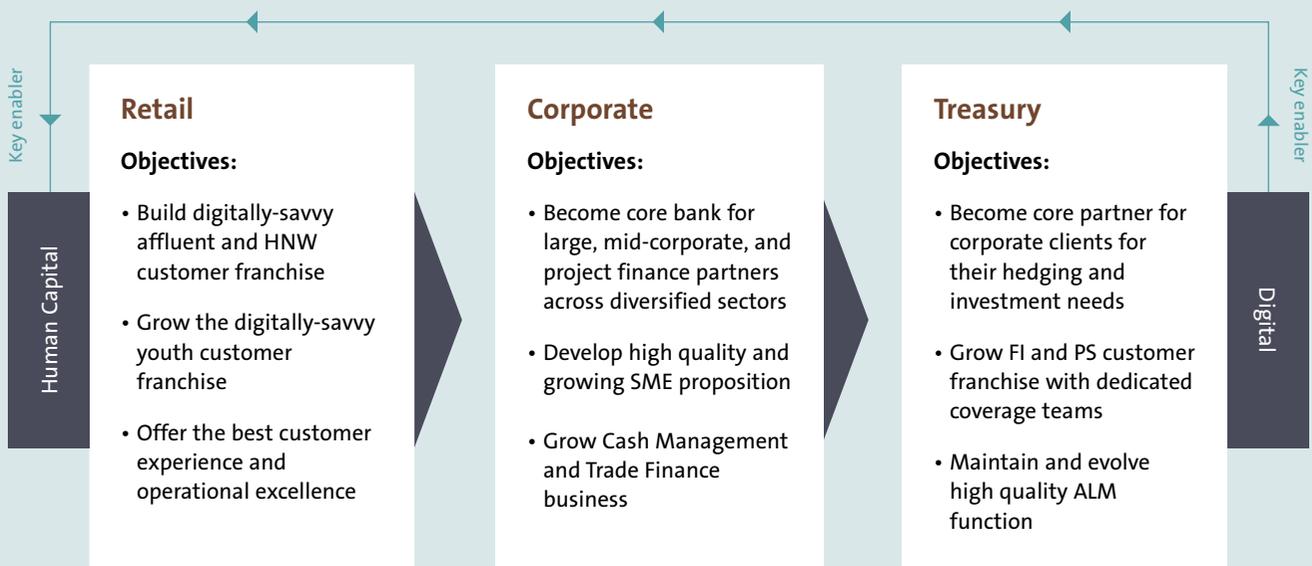


Serving customers



Our visionary positioning

To be recognized and celebrated as the fastest and most convenient bank in the Kingdom	To obtain the top Net Promoter Score (NPS) in the rapidly evolving Saudi banking sector	To be the leading employer of choice across KSA banks in a booming and highly competitive job market
<p>Description To offer our products and services in an efficient way where we become the fastest and most convenient bank in the Kingdom</p> <p>Progress in 2023</p> <ul style="list-style-type: none"> • Merged 40 branches • Revamped THATI (self-service) journey • 108 TCR machines implemented • 30% share of digital sales of cards and personal finance • Launched 3 new Private Banking centers <p>Looking beyond 2023</p> <ul style="list-style-type: none"> • Continuous improvement of TAT for key products and services • Continue enhancement of digital journeys • Continuously improve the digital app 	<p>Description To achieve the best score in NPS across all KSA banks</p> <p>Progress in 2023</p> <ul style="list-style-type: none"> • Reached second place in NPS across KSA banks <p>Looking beyond 2023</p> <ul style="list-style-type: none"> • Continuous review of key products and services customer journeys • Continue closing the loop of customers' feedback by contacting them after submitting their feedback • Continuously doing root cause analysis of repetitive issues 	<p>Description Cultural transformation to attract and retain the best talent in KSA</p> <p>Progress in 2023</p> <ul style="list-style-type: none"> • +75% of Bank employees have been trained • +320 employees obtained professional certificates • 96% Saudization rate • 22% female percentage of total workforce <p>Looking beyond 2023</p> <ul style="list-style-type: none"> • Continuously develop employees' capabilities • Support social engagement • Drive employee engagement and execute initiatives to increase the Organizational Health Index (OHI) score • Create initiatives towards becoming first employer of choice among KSA banks by 2025



Digital

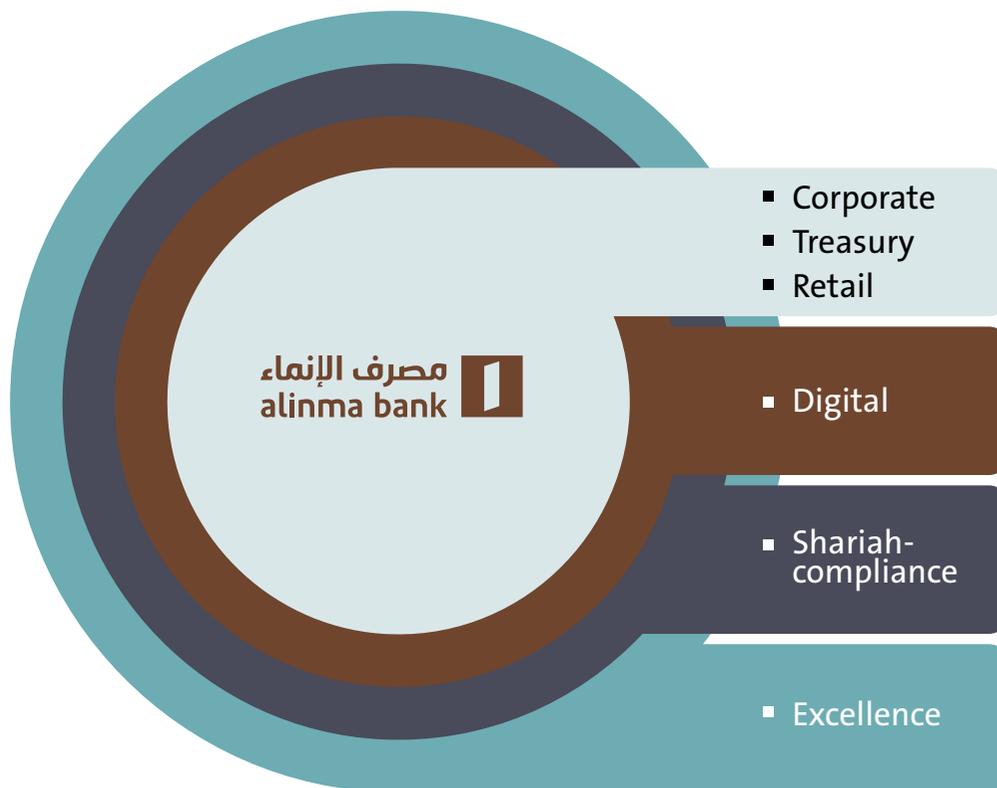
Strategic digital transformation initiatives

Alinma Bank is applying the power of technology to transform and enhance its operations, customer experience, and financial performance. Across all areas of the business, Digital is a key enabler for faster, easier, and more effective products, services, and processes, creating value for customers, employees, and investors alike.

Alinma Bank's strategic approach to digital

Alinma Bank's strategic ambitions have been cascaded across its Corporate, Retail, and Treasury business lines, while being supported by key enablers of Excellence, Shariah-compliance, and Digital.

Our digital strategy is fully aligned with Alinma Bank's strategic imperatives, with a focus on 3 key domains of digital banking



Digitize the Bank	Leapfrog by innovation and venture into new business	Gear the organization
 <ul style="list-style-type: none"> • Re-invent and enhance the customer experience across all digital touch points • Create the best-in-class app offering customers unique mobile experiences, rich capabilities, and value added services • Focus on digital sales and digitalize key product journeys to maximize sales and improve turnaround time • Revamp corporate and SME digital offerings • Elevate analytics capabilities 	 <ul style="list-style-type: none"> • Build new digital only propositions to gain market share (IZ Youth, IZ Business, Family proposition, Nomo, etc.) • Leveraging ecosystem and partnerships to augment propositions • Tap into new technologies such as AI, robotics, machine learning, advanced analytics, chat bots etc., aiming to build new business models or elevate existing ones • Build alliances and collaborate with fintech's to scout new ideas or accelerate launching new opportunities 	 <ul style="list-style-type: none"> • Re-organize the Bank-wide digital set-up • Scale-up Digital factory to power rapid delivery • Hire new talents with relevant digital skills



Digital roadmap 2022-2024

Our accelerating digital journey supports the entire Bank's customer portfolio through a range of key initiatives and projects in different domains, and for several customer segments such as marketplace, home financing, family, loyalty, cross-selling and smart targeting, generative AI, beyond banking, wealth management, and trade.



2023 Digital highlights and achievements

The evolution of digital capabilities is the cornerstone of Alinma Bank's strategy covering all existing and new customer segments.

In 2023, Digital launched AI capabilities and digital cross-selling, in addition to launching several mobile applications that have repositioned Alinma Bank's mobile offering for existing customers and targeted the youth segment under a completely new brand. There was also the launch of a marketplace to venture in beyond banking, and last but not least, Alinma Bank was the first bank in the Kingdom to be fully certified for open banking.

In terms of delivery, the Digital Factory was scaled up resulting in an increase in the delivery turnaround. This yielded very strong traction, demonstrated in the increase of the number of customers onboarded through digital channels, along with the growth in digital transactions by 40%, digital financial transactions increasing by 75%, and NPS surpassing the 67% mark for the first time.

Digital Excellence

Achieving leadership in digital transformation

In an era where digital innovation stands as the cornerstone of banking excellence, Alinma Bank embarked on a visionary journey to redefine its digital landscape. The challenge was clear: to harness the power of digital transformation as a pivotal force in driving sales and enhancing profitability, to position Alinma Bank at the forefront of the banking sector's digital revolution.

Accelerating digital sales with precision and expertise

Alinma Bank set out to reimagine the way banking is done through an approach that was both strategic and transformative. By developing a comprehensive digital strategy that touched every vertical within the Bank, we laid the foundation for a digital sales revolution. The creation of a dedicated digital sales function marked a new era for the Bank, one where digital channels became the primary conduits for the sales of key banking products.

Through meticulous planning and execution, Alinma Bank accelerated the development of its digital sales capabilities. Our team, comprised of digital innovators and banking experts, worked tirelessly to channel sales through digital platforms, showcasing our commitment to innovation and excellence.

70%

of new deposits and savings accounts were opened digitally in 2023



Delivering transformative outcomes

The results of our digital transformation journey in 2023 speaks volumes about our success:

- The launch of revamped digital journeys for account openings, credit cards, personal financing, and refinancing services, complemented by smart targeting and cross-sell capabilities, set a new benchmark for digital banking services.

- A staggering 77% of new accounts were onboarded digitally, demonstrating our leadership in digital engagement.

- Digital sales of credit cards soared to 30% of the Bank's total credit card sales, a clear indication of our effective digital marketing strategies.

- The digital sales of personal financing reached an impressive SAR 150 Mn.+, a remarkable feat considering there were no digital sales of financing in 2022.

- Over 50% of the Bank's total sales of credit cards and personal financing were executed digitally, underscoring the efficiency and appeal of our digital platforms.

- 70% of new deposits and saving accounts were opened digitally in 2023, highlighting the trust and convenience our digital channels offer to customers.

A future forged in digital excellence

The success of Alinma Bank's digital transformation has already enhanced customer experience and operational efficiency. Our journey has positioned us as a leader in the digital banking space, setting new standards for innovation, customer service, and profitability.

This digital revolution at Alinma Bank is part of a broader commitment to excellence and a promise to our customers for a future where banking is seamless, efficient, and, most importantly, tailored to their needs. We will continue to build on the excellent achievements of 2023 in the years to come.

CFO's review

Delivering sustainable growth

Net income

SAR

4,839 Mn.

+34%

“

The Bank's healthy performance across operating segments, despite the challenges we faced, was driven by strong financing growth.

Adel Saleh Abalkhail
Chief Financial Officer



The macroeconomic background to Alinma Bank's operating environment in 2023 was dominated by persistently high benchmark rates as central banks tried to arrest continued inflation growth. Despite this having a dampening effect on retail and corporate customers alike, Alinma Bank grew faster than the market, thanks to the continued execution of our strategic initiatives that will underpin our future sustainable growth.

Solid financial performance

The Bank's healthy performance across operating segments, despite the challenges we faced, was driven by strong financing growth. Total operating income for the financial year ended December 31, 2023 increased 22% to SAR 9,726 Mn., largely due to the contribution from funded income and notable growth in non-funded income. As a result, net income after zakat increased 34% to SAR 4,839 Mn. Operating expenses growth year on year was lower than what was seen in the earlier years of 2025 strategy execution. Operating expenses growth for the year 2023 was 10% in comparison to high teens growth noticed in the previous two years. Benefiting from increasing benchmark rates, banks' net profit margin recorded 19 basis points expansion reaching 3.81% by end of 2023.

Our strong financing performance saw a 16% increase in Retail gross financing and a 19% increase in corporate gross financing. The growth in Retail financing was driven by strong momentum in personal and other retail financings (19%) as well as home financing (13%). Meanwhile, the improved performance in Corporate financing was attributed to excellent outcomes across all segments: large corporate & project finance (15%), mid-corporate segment (140%), and a significant increase in SME financing (31%). As of December 31, 2023, our gross financing composition was 68% large corporate & project finance, mid-corporate 4%, SME 4%, home financing 12%, and personal & other retail financing 12%

We were pleased to achieve a sturdy rise in deposits of 29% to SAR 187.9 Bn., as a result of increases in current and saving accounts (CASA) (10%) and time deposits (55%). At the year end, CASA accounted for nearly half of all customers' deposits.

Net funded income delivered a robust increase, rising 26% to SAR 7,655 Mn., largely reflecting the higher benchmark rates. Our non-funded income increased 9% to SAR 2,071 Mn., due to higher fees from banking services and foreign currencies exchange.

Our higher non-yield income, stemmed from an increase in cross-selling activities and the expansion of our cards business and customers' acquisition.

Operating expenses advanced 10% to SAR 3,044 Mn. Our 2023 positive Jaws, being the comparison between total operating income growth and expenses growth, contributed to our cost-to-income ratio declining from 34.7% to 31.3% by end of 2023.

Our Return on Equity (ROE) reported a remarkable improvement by 353 basis points to achieve 17.2%. This positions us as the second highest among KSA banks. Additionally, our Return on Assets (ROA) has risen to 2.2%, positioning us as the highest among KSA banks by end of 2023.

Total operating income

SAR
9,726 Mn.

2022: 7,963 Mn



Customer deposits

SAR
187.9 Bn.

2022: 145.2 Bn.



Our strong financing performance saw a 16% increase in Retail gross financing and a 19% increase in corporate gross financing.

CFO's review (continued)

Improving assets quality

Our non-performing loans (NPL) ratio decreased in 2023 by 33 basis points to 1.61%. Non-performing loans coverage ratio increased to 154.9%, in line with our commitment to bring it up to at least market average.

The Bank has recorded an overall impairment charge for the year 2023 of SAR 1.3 Bn that represents 9% growth from the previous year. This was driven by the prudent provisioning policy followed by the Bank and also the net financing growth of 18.5% year on year.

The better NPL ratio number reflected the improvement in asset quality and our financing portfolio growth. This in turn had a knock-on effect on our cost of risk, which went down from 0.85% in 2022 to 0.77% for 2023.

Capitalization and liquidity

Capital and liquidity ratios remained healthy, with our capital adequacy ratio at a robust 17.5%.

Our net stable funding ratio (NSFR) improved 2.7% to a healthy 108.8%. The regulatory financing to deposit ratio (LDR) decreased 2.3% to 80.5%, while the liquidity coverage ratio increased 13% to 147%.

This is reflecting the Banks' focus on the importance of liquidity and efficiency. All of the above ratios are well within the regulatory limits.

Balance sheet growth

The 18% growth in total assets was driven by a significant increase in financing and investments, as well as growth in SAMA and interbank balances. Our liabilities were 20% higher, largely due to the 29% increase in deposits.

Impressive progress on strategy execution

Alinma Bank's 2021-2025 Strategy, which was aligned to Saudi Vision 2030, focused on supporting the growth of SMEs by providing financing and banking services.

Additionally, the Bank revamped its mortgage processes to support home ownership, in line with the Kingdom's strategic initiatives. We continued to capitalize on opportunities arising from private sector growth and diversification, particularly the growing demand for project financing from public-private partnerships (PPPs) and new sectors in the economy.

The Bank has made a concerted effort to increase the percentage of female employees, and to evolve our business model to better serve women entering the workforce by creating custom products, personal finance solutions, and auto financing, among others.

Share capital increase

On December 31, 2023, the Board of Directors recommended a SAR 5 Bn. increase in the share capital from SAR 20 Bn. to SAR 25 Bn. by issuing bonus shares. The increase will enhance the Bank's capital position to help in benefiting from credit demand opportunities.

Outlook for 2024

Our next financial year will focus on addressing the remaining initiatives and continuing to execute our strategy. The dominant driver will be our focus on becoming the fastest and most convenient bank in the Kingdom.

We will emphasize project financing to drive balance sheet growth, while our efficiencies and cost-to-income position will benefit from accelerating digitalization revamping of internal processes.

Significant opportunities resides in the gathering momentum of Saudi fintech. Accordingly, we expect to embark on more strategic initiatives and partnerships in this segment.

Our Digital Factory, which is an enabling digital innovation, rapid delivery, and improved business agility across the Bank, is expected to launch new financial solutions, particularly in our youth segment, and to fuel further cross-selling.

The 18% growth in total assets was driven by a significant increase in financing and investments, as well as growth in SAMA and interbank balances.

5-year summary of the income statement

Operating results (SAR' 000)	2023	2022	2021	2020	2019
Income from investment and financing, net	7,655	6,066	5,140	4,648	4,323
Fee, exchange and other income	2,071	1,897	1,519	1,034	1,287
Total operating income	9,726	7,963	6,660	5,682	5,610
Operating expenses*	(3,032)	(2,761)	(2,372)	(2,062)	(2,087)
Net income before provisions	6,694	5,202	4,288	3,620	3,523
Provision for financing and other assets	(1,299)	(1,189)	(1,266)	(1,418)	(706)
Net income before Zakat	5,395	4,013	3,022	2,202	2,816
Zakat	(556)	(414)	(312)	(236)	(282)
Net income after Zakat	4,839	3,599	2,709	1,966	2,535

*Share on profit and loss from associates and joint ventures is included

Summary of financial position

Alinma Bank recorded a strong growth in assets and liabilities during the year 2023:

Financial position (SAR' 000)	2023	2022	2021	2020	2019
Financing, net	173,624	146,492	126,271	111,196	94,801
Investments	43,236	38,518	33,278	29,526	23,478
Total assets	236,715	200,436	173,476	156,877	131,839
Customers' deposits	187,901	145,168	121,061	119,454	102,063
Total liabilities	202,381	168,560	142,765	132,448	109,395
Shareholders' equity*	34,334	31,876	30,711	24,429	22,445

* Equity includes SAR 5 Bn. Tier 1 Sukuk issued in July 2021.

CFO's review (continued)

Segmental performance

December 31, 2023	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
Total assets	41,309,676	131,377,995	61,379,953	2,647,474	236,715,098
Total liabilities	117,765,455	22,787,416	61,639,658	188,968	202,381,497
Income from investments and financing	6,243,516	4,070,998	2,812,114	100,881	13,227,509
Return on time investments	(2,213,386)	(1,159,737)	(2,199,872)	-	(5,572,995)
Income from investments and financing, net	4,030,130	2,911,261	612,242	100,881	7,654,514
Fees from banking services and other income	464,018	357,507	499,833	749,785	2,071,143
Total operating income	4,494,148	3,268,768	1,112,075	850,666	9,725,657
Charge for impairment of financing	735,700	540,319	-	(3,915)	1,272,104
Charge/(reversal) for impairment of other financial assets	6,191	-	7,081	13,252	26,524
Depreciation and amortization	264,218	32,718	23,415	4,962	325,313
Other operating expenses	1,434,010	628,448	348,261	307,494	2,718,213
Total operating expenses	2,440,119	1,201,485	378,757	321,793	4,342,154
Net operating income	2,054,029	2,067,283	733,318	528,873	5,383,503
Share of profit from an associate and a joint venture	-	-	12,021	-	12,021
Net income for the year before Zakat	2,054,029	2,067,283	745,339	528,873	5,395,524



Operating segments

Delivering excellence in financial services

Alinma Bank stands at the forefront of providing comprehensive and integrated best practice services designed to meet the diverse needs of our clients. Through our multifaceted approach, we offer a broad spectrum of financial solutions that cater to individuals, small and medium-sized businesses, and large corporations alike, ensuring a seamless and efficient banking experience.

Retail Banking Group

Our Retail Banking business serves individuals across all segments (private, diamond, platinum, and gold) and small to medium-sized businesses. It delivers a comprehensive range of financing products and solutions, deposit accounts, cards, and other banking services across its network of branches, private banking centers, sales centers, and call center, and through our digital channels via mobile and internet banking. The Bank strives to empower its customers and enhance their financial well-being with personalized solutions that create a fast and convenient customer experience and journey in our branches and digital channels.

Corporate Banking Group

The Corporate Banking Group (CBG) provides specialized financing, deposits, and a suite of products and services to cater to the unique requirements of corporate and institutional customers. Alinma Bank is dedicated to supporting businesses in achieving their financial goals and fostering growth.

The CBG provides financing to the following client segments: Small and Medium Enterprises (SMEs), Commercial Corporates (mid-corporates), Institutional Corporates (large corporates), and Project and Structured Finance. Our Global Transaction Banking (GTB) department provides cash management solutions, manages non-borrowing clients for liability generation, and provides trade finance solutions. Other support departments within the CBG include Customer Support, Credit Consultancy, and Corporate Banking Excellence.

Treasury Group

Alinma Bank's Treasury Department plays a pivotal role in enhancing the income stream of the Bank by improving yield income generated from investment activities, as well as special commission and fee income through various Treasury FX and profit rate solutions. In addition to that, Treasury applies sophisticated products, such as GMRA and FX Swap, to secure liquidity at a lower and competitive cost. Treasury also supports balance sheet growth by maintaining a healthy and sound funding mix.

Retail gross financing portfolio

SAR
43.2 Bn.

16% growth

Corporate Banking accounted for

56%

of Alinma Bank's total assets

Investment portfolio showed a net increase of

SAR
4.7 Bn.

Operating segments

Retail Banking Group

Strategic initiatives drive growth

In 2023, Alinma Bank's Retail Banking Group achieved notable successes in several key areas identified by the Bank's 2025 Strategy as key to the Bank's transformation and growth. Among the many highlights of the year were meaningful advances in sales of credit cards, home financing, and personal financing. Overall, our Retail Banking operations outperformed the domestic banking market, delivering 3 times the average industry growth in 2023.

The following table highlights the key performance indicators for the retail banking group:

KPIs	2023
New customers	629,000
NPS	#2
Number of branches	108
Number of private centers	3
Number of ATMs	1,504

As part of our 2025 Strategy, Retail Banking was tasked with 18 strategic initiatives out of a total 77 across the Bank. To date, Retail has completed 15 initiatives – these focused on new products and services to grow assets and liabilities; enhancing customer journeys to improve customer acquisition, activation, engagement, and satisfaction; streamlining processes to reduce turnaround times, and enabling cross-selling. Supporting many of the initiatives were the latest analytics capabilities from embedding data-driven decision-making.

Our determination to improve customer satisfaction by implementing a range of value-added services and products attracted 629,000 new customers over the year. We were particularly pleased with our acquisition of 348,000 youth customers, given the attention paid to growing this segment this year. The total number of young customers reached 2.2 million representing 45% of our total customer base, in keeping with the dominance of the youth demographic in the Kingdom of Saudi Arabia. Overall, our total active customer base showed a sturdy 18% increase to 4.56 million.

Successful implementation of Retail Banking's various initiatives resulted in a strong 2023 financial result, with the total gross financing portfolio growing 16% to SAR 43.2 Bn.

Retail's sterling performance drew its strength from the successful and speedy launch of products and services aimed at meeting customer needs, as well as our agile response to the market and competition. Other factors included our new branches that covers various regions across the Kingdom; our strong digital push to onboard customers in the youth section; and our offering a full range of Shariah-compliant products and services that is differentiated from the competition by the quality of our service. In addition, our new strategy of focusing on the middle and upper income market segments and providing a balanced and digitalized approach made a meaningful impact.

The growth in IBs was driven by front-line sales and digital channel enablement for new customers; greater customer awareness of savings and investment products, and improved segmentation and pricing strategies.



Operating segments

Retail Banking Group (continued)

We also applied savings product strategies and structures that are aligned with Saudi Vision 2030, as well as managed the opportunities emerging from benchmark rates and inflation. Underpinning this was our commitment to sustaining the positive impact and value add we have delivered to our savings products' customers.

New products drive market share and sales

As part of the Retail Banking Group's strategic mandate, the division launched a number of new tailored financing products that had a material impact on our 2023 performance.

They included 5 new home financing products and 2 new personal financing products. The real estate products helped deliver a 14% increase in that portfolio.

Our new Al Fursan credit card, which offers exclusive benefits with Saudi Arabian Airlines, was well-received, with more than 14,000 cards issued by the year end. Al Fursan and the other 2 new cards launched in 2023 with smart instalment plan and IZ credit card - boosted overall credit card sales, with 113,000 new cards issued with a total credit limit of SAR 1.1 Bn. This excellent performance contributed to a robust increase in our share of the credit card market, with our card's portfolio increasing to 200,000 which is 75% higher than 2022.

We were particularly pleased with our new Auto Lease product, which generated exceptional sales in 2023.

Enhanced customer journey generates significant wins

One of the most pleasing developments of 2023 was the improvement in our Net Promotor Score, which rose to second place among KSA banks from fourth place in the previous year. This validated our deep commitment to continually improving our products and services to ensure we remain aligned with our customers' evolving financial requirements and deliver an ever-improving customer journey.

We took first place in KSA banks' follower growth and social media engagement, thanks to viral content strategies to increase engagement with our audience and acquire new followers.

Alinma Bank's Akthr loyalty program was revamped with a new brand identity, which resulted in registrations increasing more than 30% and redemptions 55% higher. By the end of the year, Akthr loyalty members totaled 634,343.

In March 2023, Alinma Bank launched its new mobile app achieving 2.57 million downloads by the end of the year. The app has a host of sophisticated features to make mobile banking simple and efficient. Some of these include the functionality to do personal finance and credit card transactions and make local and international payments and transfers. It also offers access to the Akthr loyalty program and has special accessibility features for sight-impaired customers.

The app proved popular with our customers, who carried out 35% of their personal finance transactions and 40% of credit card transactions via the app rather than in branches.

We also revamped our THATI journey for digital requests and services offered on self-service machines, making it simpler and more efficient. The improved ease of use, user-friendly interface, and additional features enhanced customer experience.

We strengthened our home financing offering by providing an additional service to help customers spread their repayments according to their financial means. Separately, we introduced an enhanced financing origination system for personal finance products.

Efficiency drive across branches to improve customer journey

During the year, the Retail Banking Group implemented its branch merger plans, affecting 40 branches and reducing the related operating expenses. The consolidation of the branches resulted in 110 employees being transferred to locations that were understaffed.

This merger activity was accompanied by a revamp of the remaining branches to accommodate new technology that will reduce the need for staff. Two new branches were opened in Qaseem and Riyadh, and 3 private banking centers were established in Jeddah, Dammam, and Riyadh.

Outlook for 2024

We will continue our program of launching new products and services to meet market and customer demand. Additionally, the year ahead will be characterized by a significant investment in furthering our digital capabilities, in particular our Digital Factory and our apps.

Our customer focus will concentrate on the youth segment and ladies' segments, with new products and services planned for each. We are particularly excited about our planned youth app, which will make us the only Saudi bank with a dedicated mobile app for the youth market.

The year ahead will also include a new focus on bringing sustainability into our product offerings as a key differentiation in customer acquisition, preference, loyalty, and referrals.



Operating segments

Corporate Banking Group

Continued strong growth in assets and income

The Corporate Banking Group's multi-pronged growth activities resulted in an exceptional performance in 2023, with the division recording a 19% increase in operating income to SAR 3,269 Mn. (2022: SAR 2,736 Mn.), exceeding its rigorous targets and accounting for 34% (2022: 34%) of the Bank's overall operating income.

Over the year, our focus on growing funded income was rewarded by a 48% increase in this revenue stream to SAR 4,071 Mn. (2022: SAR 2,749 Mn.). Combined with lower impairment charges, Corporate Banking delivered an outstanding 47% increase in net income, despite a steep rise in operating expenses.

The 2023 year was also characterized by a 140% surge (2022: 270%) in booked assets to SAR 6.7 Bn. in the mid-corporate banking segment and an equally impressive 135% increase (2022: 467%) in non-funded assets in the same segment.

Our Kafalah financing activities showed a solid growth of more than 20%, thanks to the increase in our program-based financing.

As a result, by the year end, Corporate Banking accounted for 56% of Alinma Bank's total assets.

Other activities that fueled performance included encouraging existing clients to use more of their facilities, acquiring new clients, and raising fee-based income from higher trade finance and facility fees. We also achieved pleasing results from cross-selling our banking products and generating liabilities to reduce our cost of funds.

Supporting Saudi Vision 2030

Our substantial financing support for government-related projects continued in 2023, with our project and structured finance team providing more support for government projects this year than in previous years.

The support was extended to various projects in NEOM, in addition to financing infrastructure projects in the health, education, and utilities sectors. We also supported various bidders to finance renewable energy projects and logistics zones.

Customer experience advances

Our 2023 financial year benefited from a new Management team that was mandated to execute our strategy to be the bank of choice for large, mid-corporate, SMEs, and project finance partners in diverse sectors. We made substantial progress towards achieving this objective by implementing a range of digital solutions to expedite turnaround times and other measures that optimize the customer experience.

These actions were supported by a new Corporate Customer Support middle office that was set up to drive and monitor improvements in approval time frames, efficiency, and client service. At the front end, our Retail branches set up Corporate desks to offer clients the option of face-to-face engagement, broadening their channel choices as a further step in enhancing their experience with us.

Our efficiency drive benefited from the first phase of our new corporate financing origination system that tracks the progress and status of a client's application, expedites processing, reduces paper use, and contributes towards our sustainability objectives. We also introduced clear service level agreements between the Bank's various departments and divisions to monitor and improve efficiency.

Amplifying the customer journey

New products and service enhancements were introduced in 2023 that substantially augmented the client experience.

We launched deposit cards for clients to deposit cash at any time at our ATMs, and we re-launched a better and more organized dividends distribution service for listed corporates to pay Shareholders more easily and to track payment status.

In terms of service improvements, we introduced an online onboarding process for our clients that eliminates their obligation to visit a branch in person or submit paper documentation when registering for payroll onboarding and wages protection, among other services.

Our B2B clients now have access to additional business bills functions to help them micro-manage virtual accounts from all aspects.

New and expanded partnerships to grow market share

Corporate Banking progressed its acquisition of domestic market share and extended the reach of its products by expanding existing relationships and signing up new partners.

We extended our activities with payment terminal service providers by securing new agreements with Moyasar Financial Company and Ottu. This move will grow our market share and increase the number of merchants in our network.

Our agreement with payroll management company, Mudad, made us the first bank in Saudi Arabia to offer automated wages protection, a key differentiator for employers seeking to make their banking journey faster and more efficient.

Our new rebate and partnership agreement with Mastercard was the result of the Bank's impressive performance. This expansion will enable us to take a leap forward by expanding our payment technologies and solutions, offering leading-edge payment technologies and solutions, and catering to the needs and demands of our clients and partners.

We also completed our integration with Dhamen, making us one of only 3 banks in the Kingdom that has enabled Dhamen to manage car trading and other government services through Alinma Bank. We also signed an agreement with the Ministry of Human Resources and Social Development to offer payroll support to our SME clients and micro entities.

Operating segments

Corporate Banking Group (continued)

As part of our focus on the fintech sector, we signed agreements with several businesses that will present their services as part of Alinma Bank’s services. The fintech entities include Qashio, FlyAkeed, Bayzat, and SingleView, and they can now print and manage cards that will enrich our offering to clients.

In our trade financing business, we introduced invoice discounting and dynamic discounting, and we received Shariah approvals for the refinancing of Bai Ajel’s letter of credit.

We also further expanded our partnership with WTHAQ and BwaTech for automating the Letter of Guarantee issuing process.

Corporate Banking in 2024

The coming year will be a continuation of investment in our online banking and digital platform to improve efficiencies and turnaround times.

We will accelerate growth in the micro, small, and medium enterprises segment (MSME) and the mid-and large corporate segments, with a robust customer acquisition drive. Our strategy will also target an increase in share of wallet and an improvement in our Net Promoter Score. We will

be introducing an incentive scheme for our frontline teams that will use quantitative and qualitative metrics to determine more transparent performance-based remuneration.

Our cash management team will tackle a number of initiatives to deliver its major objectives for 2024. These include new payment solutions, expanding the Bank’s relationships further with payment terminal service providers, and a range of digital and systems solutions that will streamline clients’ banking transactions and further improve visibility over their financial activities.

Our trade finance team will focus on expanding our offering to be more diversified in order to build market share, while our project and structured finance team is currently evaluating potential support/financing for various government-related projects in renewable energy and water treatment facilities, transportation, tourism, and the public sector, specifically education and healthcare.



In our trade financing business, we introduced invoice discounting and dynamic discounting, and we received Shariah approvals for the refinancing of Bai Ajel’s letter of credit.

SME Banking Division

The SME Banking Division had an outstanding 2023, notably for the more than 100% growth in the program-based financing portfolio, which reflected the substantial support we provided to micro-businesses.

Alinma Bank's growth in financing of SMEs surged in the year under review, and far outstripped the market average. While our SME financing grew 88%, the Government and Saudi Vision 2030 have identified the sector as critical for diversifying the economy into non-oil industries, promoting innovation, and creating employment.

The SME Banking team's performance was also exceptional in 2023. During the year, the division remarkably increased the liability by more than 80% compared to 2022 to reach SAR 1.66 Bn., which is mainly non-profit-bearing deposits, through its clients' current accounts and partnerships with government, semi-government, and private sectors.

Overall, despite demanding targets, the division exceeded its key objectives relating to assets, non-funded trade business, liabilities, revenue, and new customers. It delivered SAR 8.5 Bn. in funded assets, while non-funded assets grew by 98% to reach SAR 668 Mn.

Advancing Alinma Bank's strategic progress

Over the year, the SME Banking Division made major headway in progressing the Bank's key strategies by completing initiatives related to growing its Kafalah portfolio, expanding its program-based financing portfolio, and developing bundled products for SMEs.

SME Banking launched a number of new products during 2023 to foster the growth and sustainability of SMEs by providing them with tools and solutions that make it easier and faster to do business.

Our e-commerce financing and the updated version of point-of-sale financing products were introduced to the market during the year, providing financial support to grow the SME businesses without needing to furnish audited financial statements.

We entered into partnership agreements with government, semi-government, and private entities to support the SMEs in different sectors such as Hajj and Umrah and manufacturing.

We also expanded our relationship with Monsha'at, by entering into an agreement on its Tomoh program for rapidly growing SMEs. Alinma Bank will provide financing services to the potential opportunities referred by Monsha'at, which is a government program to regulate, support, and develop the SME sector.

SME Banking Division in 2024

In the year ahead, SME Banking will pursue further growth in assets and liabilities by enhancing customer experience. This will be achieved by a wide range of cross-selling and cash-management products, offering additional products and services under the program-based financing portfolio, and monitoring the performance of the new SME Digital Attacker (IZ Business).

Operating segments

Treasury Group

Creating value for the Bank and our customers

Alinma Bank's Treasury Group continued to support the Bank's strategic objectives in 2023, growing the product portfolio to provide a holistic value proposition to clients.

During the year, Treasury focused on advancing our customer-centric approach to facilitate Bank-wide alignment, improved cross-selling revenues, and we placed increasing emphasis on growing our financial institution franchise reflecting the importance of this segment.

As an innovative Shariah-compliant Treasury partner for Saudi Arabian companies, we were pleased to achieve a record high in derivatives hedging products, covering everything that clients needed to hedge their exposure due to the rapid movement of benchmark rates during the year.

The Treasury team also received approval for a Tier 1 USD-denominated Sukuk issuance, such issuance is expected to be fully established and launched during 2024 allowing the Bank while efficiently managing its capital.

Other highlights of the year were the expansion of our network of correspondent banks, adding 16 in 2023.

The investment portfolio showed a net increase of SAR 4.7 Bn. or 12% through active asset allocation in many added value

deals in managed funds, government sukus, and corporate sukus, and the credit portfolio's yield improved by more than 90 basis points. In the past 5 years, Alinma Bank's investment portfolio has grown 84%.

Overall, Treasury contributed to the Bank's improved net profit margin with a healthy portfolio mix that benefited from the higher benchmark profit rate and value-added deals that contributed to Alinma Bank's revenues.

The Treasury FX business provides comprehensive foreign exchange solutions to manage currency risks and optimize foreign cash flows. Over this year, Treasury's FX business demonstrated resilience and strategic growth despite a complex and volatile global currency environment. It achieved strong growth in FX volumes and revenues, indicating the Bank's robust market position and clients' trust in our services.

The Bank's Foreign Exchange Treasury business aims to maintain a competitive advantage and generate sustainable returns for our Stakeholders in the coming years.

New products

Treasury launched a number of new products during the year, including:

- Collared Floater Deposits – serves as a hybrid financial tool, blending the stability of fixed-rate deposits with the flexibility of floating-rate deposits. They provide clients with a floating profit rate within a predefined range that stabilizes the benchmark rate fluctuations while enabling potential gains from increased rates.
- Evergreen Repo – serves as a long-term stable source of funding in addition to enhancing regulatory ratios.
- Repo to Maturity – serves as a long-term stable source of funding.

Notable transactions

Treasury secured SAR 91 Mn. in realized gains on the equity portfolio in 2023, offloading shares at higher prices which positively impacted the other comprehensive income line. In 2022, the realized gains were marginal at SAR 900,000.

Alinma Bank partially exited from Alinma Government Sukuks ETF fund through an in-kind redemption of underlying sukuks and cash, resulting in improving High Quality Liquid Assets (HQLA) stock and hence fairly enhanced Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Liquidity Asset Ratio (LAR). It partially executed an in-kind redemption of its units in the fund in order to get the underlying government sukuk and hence include it in the Bank's HQLA stock, therefore causing a significant enhancement in the aforementioned regulatory prudential ratios.

Treasury also introduced Double wa'ad Repo to 3 new international banks, supporting secured financing and borrowing activities for the Bank and diversifying sources of funding.

Working towards our strategic goal of being the most innovative treasury partner in the Kingdom, the division embarked on an enhancement of its structured deposit products and continues to deepen its collaboration with other business units to improve cross-selling. The Bank's long-term funding is being driven by inter-bank and customer deposits.

Treasury Group in 2024

In the year ahead, Treasury will implement phase 2 of MUREX, which is Treasury's main dealing system. This will enable the launch of new products, such as cross-currency swaps and a basis swap hedging product among others, allowing the Bank and our clients to hedge their exposures.



Subsidiaries

Strategic role and financial contribution of subsidiaries

Alinma Bank's subsidiaries are well-structured, separate legal entities which have business objectives aligned with those of the Bank. As an integral part of the Alinma Bank Group, they provide a range of products and services that are complementary to those offered by the Bank. Accordingly, our subsidiaries play an important role in offering our clients holistic solutions to their financial services requirements.

In 2023, the subsidiaries contributed 11% of Alinma Bank's operating income, an increase of 25% compared to 2022.



Alinma Investment Company

Alinma Investment Company (AIC), a wholly owned subsidiary of Alinma Bank, is an underwriter, manager of investment funds and portfolios, and provider of advisory and custodial services. AIC's strategy is closely aligned

with Alinma Bank's 2025 Strategy, and accordingly, has improved its focus on cross-selling products and services. AIC offers Alinma Bank customers capital market products and services including securities trading, investment management, and investment banking services.

Financial performance in 2023

	2023	2022	2021
Revenue	797,793	667,338	598,033
Net profit	568,606	490,770	412,176

During the year, assets under management increased to SAR 83.6 Bn. from SAR 73 Bn. in 2022 following AIC's expansion internationally, the launch of its first emerging market equity fund, and the investment in local real estate via 5 new funds. The investment banking arm delivered outstanding growth of 168% in revenue compared to the previous year, deriving this performance from equity capital market transactions.

Outlook for 2024

In the coming year, AIC will expand its private equity activities by launching new funds. Innovative products and services will be introduced, including margin financing, access to international markets, and new investment asset classes. The company will further enhance the customer experience via its digital channels by improving current services and introducing new ones.



Saudi Financial Technology Company

Saudi Financial Technology Company (SFTC), a wholly owned subsidiary of Alinma Bank, was established in 2019 as a strategic response to rapid digital transformation in the financial services sector. SFTC's mandate is to drive innovation, expand market reach domestically and internationally, and deliver faster collaboration and partnerships. It is also empowered to explore other areas, such as open banking and advanced analytics, while seeking new opportunities to cross-sell and extend its product mix.

SFTC is structured to be agile in bringing new products to market within governed outcomes, accompanied by scaling faster time-to-market digital products and services to build market share and outdo competitors.

As a licensed payments company, SFTC was also established to support the Saudi Vision 2030 objectives and its Financial Sector Development program by promoting

financial inclusion as the Kingdom evolves into a cashless society. SFTC was one of the first providers of e-Wallets for individuals in Saudi Arabia. It now targets multiple customer segments, and since inception, has expanded its suite of payment solutions to include, among others, its online payment gateway ClickPay, which enables online merchants to accept payments via various channels.

SFTC's ambition is to provide a full suite of merchant products and services to micro, small, and medium enterprises (MSMEs). Accordingly, it works closely with the Bank's extensive range of merchant and business services focused on the merchant landscape.

The company also invests in innovative fintech solutions and new financial technology ideas via its venture capital operation, set up in late 2022. These initiatives will expand SFTC's strategic partnerships and investments.

Financial performance in 2023

	2023	2022	2021
Revenue	7,750,585	2,333,884	1,271,004
Net profit	(19,644,717)	(17,911,247)	(7,585,982)
YoY revenue growth	232%	84%	329%

In 2023, SFTC made substantial progress on its strategy, expanding e-Wallet features, doubling its customer base, and achieving a 250% increase in active users.

This remarkable growth in users significantly increased wallet usage and boosted performance across several key metrics. Overall cash-out transactions surged 417% and bill payment transactions were up a huge 294%. There was a 278% increase in international remittance transactions, while live virtual cards were up 200%.

SFTC introduced multiple unique features in AlinmaPay, including a marketplace, cashback card, multi-lingual support, and the ability to redeem Alinma Bank Loyalty points into cash in an AlinmaPay e-Wallet. These appealing

new features were among many others that attracted new customers and encouraged existing customers to step up their activity.

The company grew its merchant customer base and processed SAR 2.4 Bn. over its e-Payment gateway product with over 2.8 million transactions. It continued introducing new products and services for merchants and MSMEs. Additionally, SFTC is negotiating multiple investment deals with venture capital funds and fintechs via its venture capital arm.

Subsidiaries (continued)

Outlook for 2024

SFTC's ambition is to be one of the top 3 e-Wallet providers in Saudi Arabia in terms of usability, features and adoption, and be a leading partner of MSMEs. On the investment side, the company will concentrate on building its brand as a valued investor in the Kingdom's fintech sector.

Expansion plans include extending its reach to additional customer segments, adding more features to its e-Wallet, and enhancing customer experience. The company also plans to introduce a unique digital value proposition for merchant customers, supported by a complete suite of products and services for targeted business customers.

التنوير العقارية 

مصرف الإنماء 
alinma bank

Altanweer Real Estate Company

Established in 2009, Altanweer Real Estate Company (AREC) was established as Alinma Bank's real estate arm. It purchases and sells real estate for Alinma Bank's clients as well as the Bank, among other functions, and supports the sustainable and scalable growth of the Bank's real estate portfolio. Importantly, AREC ensures that Alinma Bank's real estate business complies with the Saudi Central Bank's regulations and guidelines.

In the year under review, AREC represented the Bank in its real estate transactions, managed home financing, and advanced the Bank's digital strategy by converting deeds to digital format. In 2024, AREC will continue with its program of converting all manual deeds to digital, and it will finalize updating paper-based deeds.

Alinma SPV Limited

Alinma Bank's wholly owned subsidiary Alinma SPV Limited manages the Bank's derivatives and financing products such as profit rate swaps, FX Forward, and REPO. Over time it will offer more products as and when they are approved by the Bank and its Shariah Committee.

During the year, Alinma Bank signed various derivative agreements with international counterparties, using the SPV to promote its Treasury businesses, generate liquidity, and hedge the Bank's position. In 2024, SPV will continue managing the Bank's derivatives products.

الإنماء إسناد 
alinma isnad

Alinma Isnad Company

Alinma Bank established Alinma Isnad Company to provide the Bank and its subsidiaries with outsourced staff.

Financial performance in 2023

	2023	2022	2021
Revenue	136,893,271	94,868,906	44,688,844
Net profit	16,168,627	11,585,779	6,804,741

Alinma Isnad delivered an outstanding performance in 2023, successfully achieving several key strategic objectives and performance metrics in record time. It managed risks,

reduced operating expenses, and enhanced the quality of business services. In 2024, the company intends to expand its scope of work to seize future investment opportunities.



Risk management

Safeguarding assets and enhancing Shareholder value

Alinma Bank is committed to developing and maintaining the highest standards of risk management, in line with industry and international best practice, with an objective to identify, mitigate, and manage risks in a structured and effective manner in order to safeguard its assets and the interests of its Shareholders.

The Bank's Risk Management Governance (RMG) operates within a periodically evaluated risk mitigation framework, which considers existing and emerging economic risks stemming from global and domestic challenges. In conjunction with other material factors, this has ensured strong growth and success for Alinma Bank during the year under review.

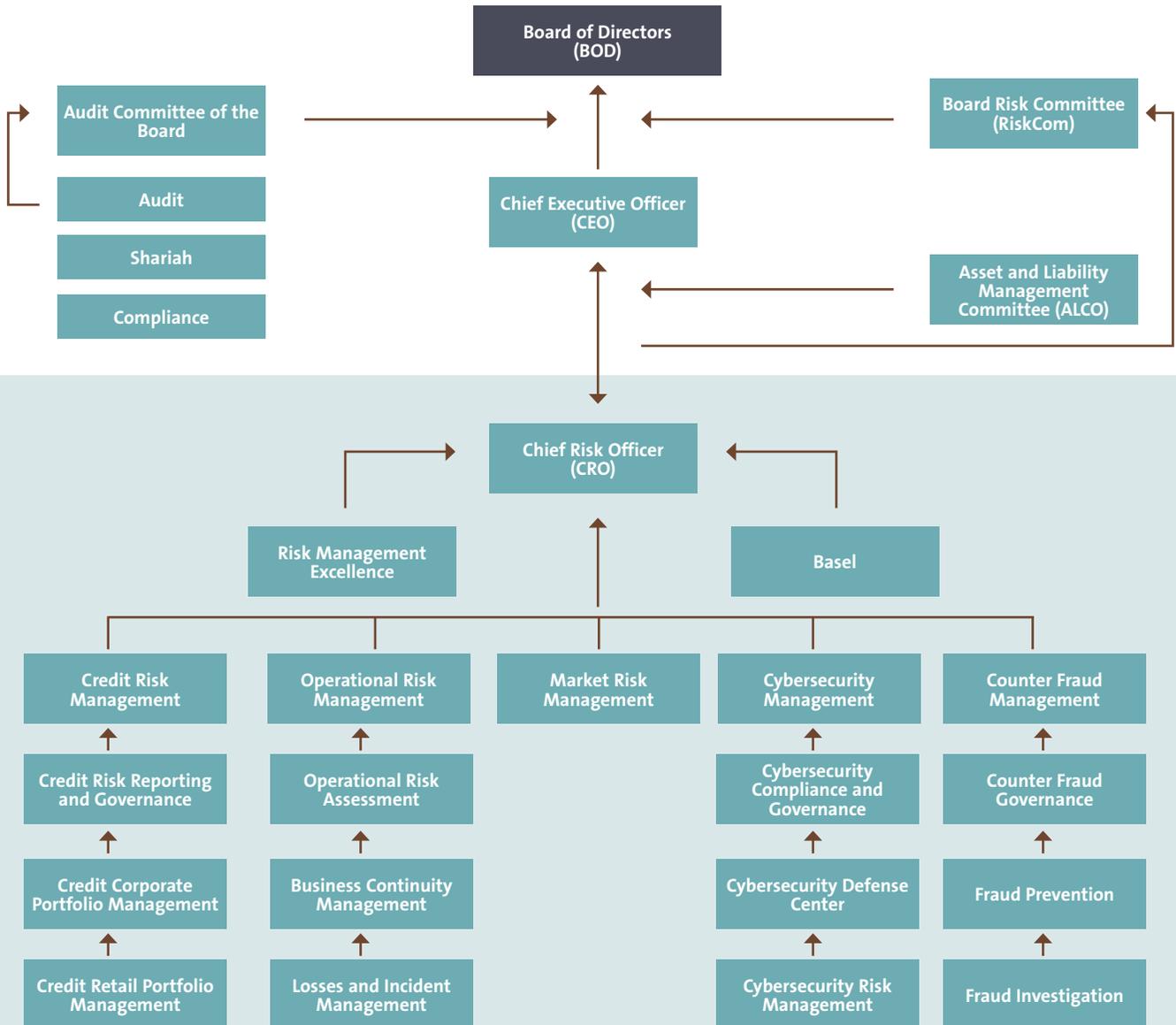
The Bank has a robust risk identification and management procedure, aligned to its overarching governance process by identifying existing risks while being conscious of emerging risks in an uncertain era, and any deviations from the routines and business norms are quickly grasped and remedied. The key changes that were introduced to the RMG structure clearly demonstrates Alinma Bank is pro-active and agile in risk management.

Operating within an evolving industry and growing economy can also present new challenges. The Bank's Risk Management Group is viewed as the whistleblower function, alerting the Bank to minimize losses and optimize profits. With business growth and profit generation being the objective of the Bank's operation, similar focus and attention is afforded to the RMG for sustainable business with long-term growth goals.

The Bank's Risk Management Governance operates within a periodically evaluated risk mitigation framework, which considers existing and emerging economic risks stemming from global and domestic challenges.

Risk management framework

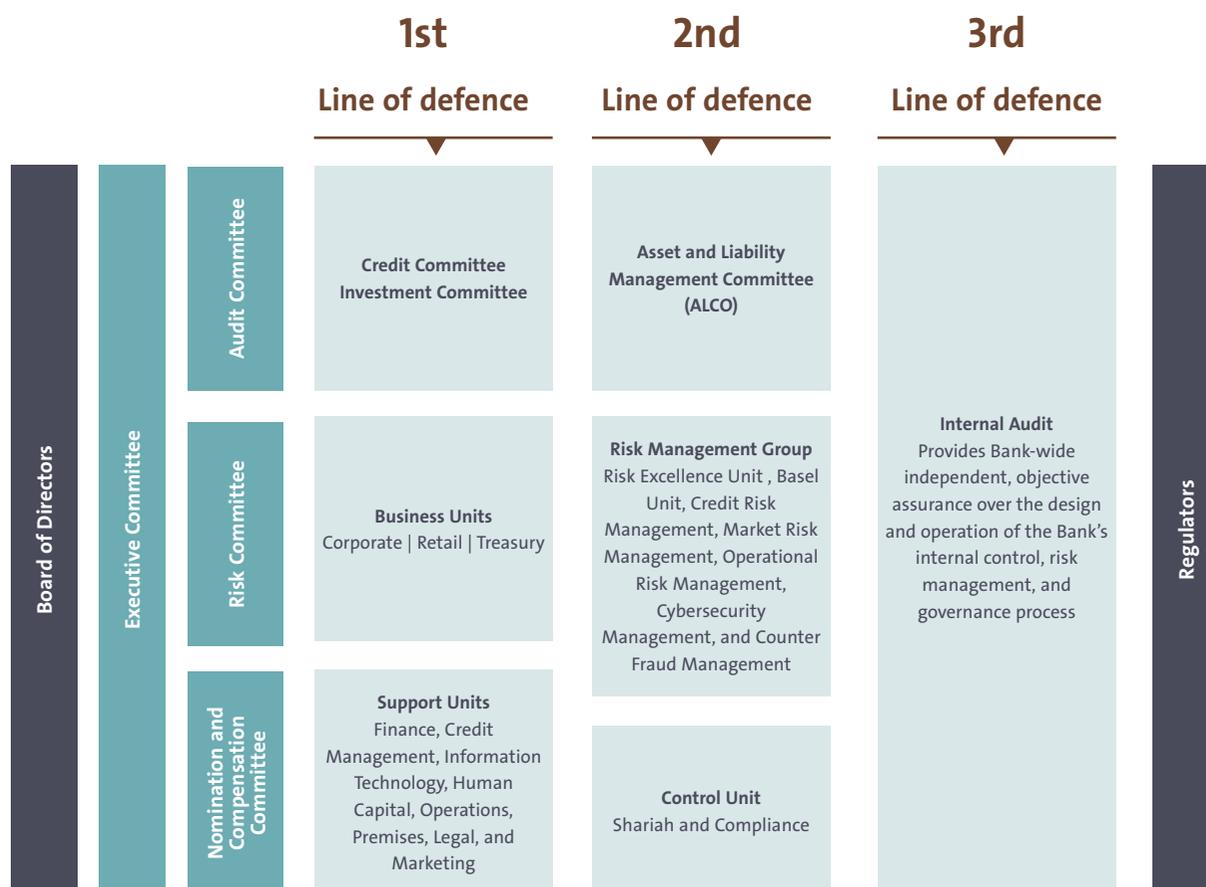
The Bank's strong performance while navigating the uncertain environment without major incident was underpinned by its RMG structure, which views risk mitigation and pro-active as non-negotiable. The Board of Directors and the Board Risk Committee worked in tandem to enforce strong RMG that contributed to a growing balance sheet while averting adverse incidents.



Risk management (continued)

Three Lines of Defense model

The Bank's risk management framework is based on the Three Lines of Defense model, demonstrating Alinma Bank's integrated and collaborative effort across all levels of the Bank to ensure effective enterprise risk organization.



Risk management highlights in 2023

The RMG continued to enhance the Bank's day-to-day risk management practices to strengthen credit quality of the newly acquired obligors and exiting portfolios. The Bank's objective is to have the industry's best risk management practices for managing risks in its financing and investment portfolios.

A number of key changes were carried out according to the Bank's RMG structure during the year under review. To enhance focus on counter fraud risk, a separate Counter Fraud Management function was created, and within Counter Fraud Management 3 sub-units were launched to reflect the Bank's efforts to ensure its risks remain within the set parameters.

Financing growth continued to outpace deposit growth in the Kingdom during the year under review, yet the Bank's credit risk, with minor changes to the risk profile of certain sectors, was well managed. The cost of funds increased due to the profit rate increase by the Saudi Central Bank (SAMA). However, this was mitigated by reprising or moving corporate deposits to mature in 1 year and moving corporate financing accounts to approximately 75% of the total financing book of the Bank.

In addition, there is a range of new and sustaining initiatives that instill a pervasive risk-awareness culture throughout the organization, fostering a collective understanding of risk management responsibilities at all levels and creating a proactive risk conscious environment in the Bank.

Risk appetite

The Bank's risk appetite depends on the types and amount of risk the Bank is willing to take, while pursuing its business goals and strategic objectives. Given the financing growth that has emerged and considering the still dynamically challenging global economies that have a direct impact on Saudi Arabia's economy, that is largely oil-export dependent, the Bank was cautious in expanding the boundaries of its risk appetite in 2023.

Principal risks

The Bank's principal risks are those that have the potential to cause a temporary or long-lasting breakdown in banking operations and revenue generation at Alinma Bank, if unchecked, unidentified, or unmanaged. Broadly, these can be categorized as financial and non-financial risks.

Financial risks and mitigation

Credit risk

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

An internal credit rating model is used to determine the Obligor Risk Rating (ORR), a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered where applicable. Approval is granted in accordance with the Board approved "Credit Approval Authority Delegation Matrix" through the Credit Committee, which is composed of the Chief Executive Officer, Business Heads, Senior Credit Officer, and Chief Credit Officer. Credits are extended based on Corporate, Financial Institutions, and Retail Banking Credit Policies and Guidelines.

The key objective is to ensure that credit risk is managed and controlled within the defined Risk Appetite criteria of the Bank and credit losses are minimized. Credit Risk Management also ensures that credit policies are aligned and adjusted in accordance with the economic, market, regulatory, and legal landscape. Various credit portfolios are managed to achieve diversification and obligor and sector concentration are monitored to access different types of financing concentrations.

The mitigation on the Bank's profitability is through expected credit loss which is minimizing the impact of actual credit loss by having reserves on the exposure. The impact, from a capital perspective, is through the allocation of sufficient capital to cover the unexpected credit loss by applying the risk weight for every customer's exposure. This then impacts the capital adequacy ratio (CAR).

Market and liquidity risk

Equity prices, profit rates, foreign exchange rates, commodity prices, and regulatory directions are the variables that pose the market risk to the Bank. This is managed under the Risk Management Group that regularly monitors the Bank's market risks, including liquidity risk.

If the Bank, at any given time, is unable to settle its financial liabilities due to a lack of cash flow, this is termed liquidity risk. It also refers to a scenario where the Bank is unable to meet such obligations at a sustainable cost to the Bank. Liquidity risk arises due to various factors other than a default; they include but are not limited to, lack of cash flow management, inability to obtain funding, unexpected economic disruptions as was seen in the scale of the pandemic, unexpected capital expenditure, and profit crisis. Such a risk, in turn, could invite a downgrading of the Bank's credit rating and its standing in the financial markets.

To avert a liquidity risk, Alinma Bank strictly adheres to Banking Control Law and Regulations issued by SAMA and maintains statutory deposits with SAMA for the required level of total demand deposits and customer time investments. It also maintains the required liquid reserves of not less than 20% of its deposit liabilities in the form of cash and assets.

Risk management (continued)

Great care is taken by the Risk Management Group to manage and avert a liquidity risk. The Bank's approach for managing the potential liquidity risks consists of several measures, including:

- Maintaining sufficient amounts as an unencumbered high quality liquidity buffer, a protection against any unforeseen interruptions to cash flow.
- Managing short-term and long-term cash flows via maturity mismatch reports and various indicators.
- Monitoring depositor concentration at Bank level to avoid undue reliance on large fund providers.
- Diversifying funding sources to ensure a proper funding mix.
- Constant review and assessment of the Contingency Funding plan.

Non-financial risks

Operational risk

Operational risk arises from inadequate or failed internal processes, people, and systems or from external events. The Bank's Operational Risk team works on an assurance plan to regularly test the strength of the processes and process adherence in the various business units and fixes any glitches, swiftly. The Business Environment and Internal Control framework is strictly applied to avert any unprecedented event. Similarly, the Bank's disaster recovery site and Business Continuity plan are tested periodically to build awareness and agility among the staff, in case of any adverse event.

Alinma Bank currently has insurance policies that cover potential risks that could result in the damages of assets, including a Property All Risk Insurance Policy, a Banker Blanket Bond Insurance Policy, a Director and Officers Insurance Policy, a Third-Party Liability Insurance Policy, and a Money Insurance Policy.

Additionally, Alinma Bank has a credit life insurance program in place that covers the home financing assets and borrowers' life. Moreover, a fire and specified perils insurance has also been put in place to cover the Ijara and Murabaha properties. However, for the credit cards and personal financing the Bank has self-coverage.

Cybersecurity risk

Cybersecurity risks are related to the loss of confidentiality, integrity, or availability of information and its system, which may negatively affect the Bank's reputation or result in financial losses. The Cybersecurity Department works continuously to identify, mitigate, and monitor cybersecurity risk to minimize it to the acceptable level. This is achieved through solid policies and procedures for cybersecurity risk management, in alignment with the relevant regulations, to ensure cybersecurity risk engagement for all Bank activities. This includes but is not limited to new products, risks of third parties and cloud services, and the risk assessment of business groups. In addition, the Cybersecurity Department periodically performs vulnerability assessments and penetration testing covering the Bank's information assets and systems, in order to ensure their safety from security vulnerabilities.

Fraud risk

Fraud pertains to the intentional use of deceitful or misleading practices in order to gain personal or financial advantages at the expense of others. It encompasses a range of deceptive activities, including but not limited to financial fraud, identity theft, and cyber fraud, all of which involve the deliberate manipulation or misrepresentation of information for illicit purposes. At its essence, fraud involves a calculated and unethical exploitation of trust and vulnerabilities for personal gain.

Counter Fraud Risk Management is an ongoing process that provides the Bank with the tools to manage fraud risk in a manner consistent with the regulatory requirements as well organizational needs. A comprehensive fraud management program includes components such as a strong ethics policy, fraud awareness training, risk assessment, prevention measures, detection systems, and investigation protocols.

In addition, the Bank successfully implemented SAMA framework controls. This involved adopting prescribed standards, policies, and procedures, establishing robust internal controls and risk management systems, continuously monitoring emerging fraud trends and techniques, and ensuring compliance within the organization.

Overall, an enhanced fraud management program encompasses a comprehensive range of measures. Fraud mitigation measures include robust internal controls, conducting fraud risk assessments, implementing fraud detection tools and systems, and continuously monitoring emerging fraud trends and techniques.

Shariah non-compliance risk

As a Shariah-compliant Bank, Shariah-compliance is a priority. To mitigate a breach, the Bank has implemented extensive Shariah policies and procedures and established a Shariah Board and a Shariah-Compliance Audit Unit to ensure strict Shariah-compliance in all activities of the Bank.

Reputational risk

Reputational risk arises from regulatory actions against the Bank, negative media publicity or customer perceptions, frauds, penalty payments, the Bank being used for financial crime, or any other non-financial or financial risk that could tarnish the strong brand visibility and standing of Alinma Bank.

As a responsible and accountable corporate citizen in the banking sector, it is of paramount importance that the Bank is vigilant and adept at identifying any possible occurrence and to speedily react to mitigate the risk. To counter this risk, the Bank works within its strong RMG structure and has also introduced a scorecard-based approach to measure its reputational risk.

The Cybersecurity Department works continuously to identify, mitigate, and monitor cybersecurity risk to minimize it to the acceptable level through solid policies and procedures for cybersecurity risk management, in alignment with the relevant regulations.

Our people

Investing in our people: Fostering excellence

Alinma Bank's investment in its people and a strong framework to encourage quality employee engagement was validated in 2023 by prestigious awards recognizing its premier status as an employer of choice in the Kingdom of Saudi Arabia.

Alinma Bank prioritized Human Capital Management as a primary strategic component under our Strategy 2025 with the key objective of being named "First Employer of Choice" in the Kingdom's banking sector.

Accordingly, we were extremely gratified to be named best workplace in Saudi Arabia in 2023 by International Finance Awards. An equally meaningful labor award was given by the Ministry of Human Resources and Social Development, which ranked the Bank first for harmonization of the workplace for people with disabilities. The Bank also performed exceptionally well in a Kantar study to measure employee of choice in the banking sector, in which we ranked third in the Kingdom's banking sector.

Organizational Health Index (OHI)

Alinma Bank conducted an Organizational Health Index (OHI) survey at the end of 2023. OHI determines any organization's ability to maintain a highly engaged workforce that aligns with and achieves its strategic goals, which is crucial for sustainable growth and performance. Alinma Bank tracked a number of different dimensions to gauge employee sentiment and organizational health, namely leadership, direction, innovation and learning, work environment, motivation, rewards and recognition, accountability, coordination and control, capabilities, as well as external orientation. With a participation rate of 90%, the results showed an overall improvement of 74% of the Bank's divisions compared to 2022 and achieving 68 OHI score.

A factor that has greatly contributed towards further enhancing employee sentiment has been the introduction of "Employee Voice" a secure channel where employee

grievances are handled with sensitivity by the Bank. Employee inquiries, complaints, and suggestions can be directed to the channel, which underwent a number of enhancements to improve the communication process during 2023. The Annual Employee Appraisal program also covers employee grievances, to ensure their continued experience remains positive.

New values framework

During the 2023 year, the Bank's leadership team embarked on a major strategic exercise to define, develop, and communicate new values to all employees.

A comprehensive blueprint identified the values, associated behaviors, required skills, and the enabling measures to be implemented in order for the values to be embedded and demonstrated in the workplace. Following collaborative sessions, the values were listed as absolute clarity, passionate service, purposeful innovation, and collaborative commitment.

In the coming year we will develop and implement a communication strategy, communication plan, creative concept design, and a tailored communication campaign to inform our team about our new value system.

Recruitment, engagement, and compensation

Our recruitment efforts this year focused on our collaboration with the Ministry of Human Resources and Social Development to activate the Tamheer program, which facilitates on-the-job-training to develop the skills of graduates by placing them in government institutions and leading companies in the private sector.

We were extremely gratified to be named best workplace in Saudi Arabia in 2023 by International Finance Awards.

In the year under review, we put 112 graduates through the Tamheer program, with each graduate receiving training for 6 months. Our efforts this year also focused on internal staff movement, with 17.4% of total recruitment requests being fulfilled through internal movements.

Our employee engagement and recognition activities in 2023 encompassed many events for employees and their families. We successfully implemented 32 initiatives for employees and their families, including Children's Day, Father's Day, and Mother's Day celebrations. We launched our Advisor initiative to invite the children of employees to visit the office to help them choose an educational and vocational path.

Supporting our people will always be an important priority of the Bank, and this year we launched "Nsma'ak" program where we pay a particular attention to occupational health and providing counseling to help our employees maintain a work-life balance.

An important element of employee engagement is ensuring our retention and compensation benefits remain among the most competitive in the market. Accordingly, in 2023, the Bank launched a well-received employee saving scheme called the Z program. In the year under review, 1,397 employees enrolled in the scheme, which allows them to allocate a percentage of their basic salaries that is then matched by the

Bank, up to pre-determined levels, and invested in low-risk investment options.

Technology supporting Human Capital Division

In line with our technology-driven transformation across the entire Bank, the Human Capital Division recognized the potential for embedding artificial intelligence (AI) predictive models in our people processes.

In 2023, we used AI to identify those employees at high risk of leaving the Bank and used this data to prevent turnover by having conversations with employees on potential risk factors such as compensation, work environment, and conflicts with Managers, among others. Furthermore, we conducted NLP-based sentiment analysis on exit interview data to identify the most common causes of employee turnover. This information will be utilized to improve employee satisfaction and retention rates.

We commissioned our AI-driven online recruitment platform this year. Currently being used by our talent acquisition team to drive their recruitment process, the technology will eventually build a data set to inform AI-led decision-making, which in turn will lead to improved quality in our recruitment. We continuously pursue technological advancements such as automation to streamline our human capital processes for efficiency gains.

Investing in our employees' development

The Human Capital Division team delivered an extremely productive learning and development calendar in 2023, with more than 96,744 hours provided to our nearly 3,000 employees.

A number of courses were conducted, many of which had a strong focus on building technology skills to support the Bank's digital transformation. Other programs offered catered to employees in sales, private banking, and our affluent segment, as well as for future bankers and mid-management leadership. We also ran a program for senior Retail Banking leaders on change management and developing a transformation mindset, as well as an insight day for cooperation, team building, and engagement.

We were pleased that 75% of our employee (with average 5 days per employee) participated in and benefited from training programs that improved their skills and career paths and ensured that they met the Saudi Arabian Monetary Authority's regulatory requirements related to minimum credentials.

Training hours

96,744

2022: 88,870



Our people (continued)

Advancing diversity and inclusion

Alinma Bank is proud of its efforts to create a diverse and inclusive workplace. Our proactive initiatives to advance Saudization increased the percentage of Saudi Nationals in the Bank, bringing us to 96% by the year end.

Our plans to increase the number of women in the business, driven by our Women Empowering Department, resulted in the percentage of female employees growing to 22% in the 2023 year from 19% in 2022, and exceeding our demanding internal target of 20%.

More effort was invested in further enhancing our workplaces for people with disabilities, including securing a partnership with the Ministry of Human Resources and Social Development to increase employment numbers. Over the next 3 years we plan to ensure that 4% of all new hires are people with disabilities.

Outlook for 2024

The Human Capital Division will focus its efforts on achieving its strategic goal of becoming the employer of choice in the banking sector in the Kingdom of Saudi Arabia by concentrating on improving and developing the employee experience.

Our Bank is committed to playing a growing role in the community in the coming year. We intend to improve the achievements of 2023 in which more than 492 employees participated in 56 volunteering activities, amounting to 2,412 hours. This contribution benefited 7,000 people via environmental, social, and education activities.

Saudization rate

96%

2022: 95.2%

Volunteering hours

2,412

Female staff

22%

2022: 19%

Organisational Health Index score

68

2022: 70



Sustainability

Advancing sustainability: strategy, implementation, and impact at Alinma Bank

Alinma Bank is committed to fulfilling its corporate responsibility as a leading financial institution in the Kingdom of Saudi Arabia. By embedding a sustainability focus within our strategy, business operations, and corporate culture, we ensure that every employee, partner, and Stakeholder is aware, aligned, and active in pursuing our shared sustainability ambitions.

Sustainability at Alinma Bank is overseen and led by the Governance and Sustainability Committee of the Board of Directors. It is headed by the Vice Chairman of the Board and includes 4 members. This approach ensures clear direction and effective governance, contributing to Alinma Bank's overall success, reputation, and positive societal impact.

In 2023, we made significant strides in our commitment to sustainability. We launched a comprehensive sustainability strategy, reflecting our dedication to environmental and social responsibility.

To effectively manage and execute our sustainability strategy, we established specialized departments, namely the Sustainability Department and the Corporate Social Responsibility (CSR) Department. These departments played a crucial role in overseeing our sustainability and CSR

initiatives to leverage our scale, focus our resources, and maximize our positive impact.

Furthermore, we made notable progress in our Environmental, Social, and Governance (ESG) ratings. This progress demonstrates our ongoing commitment to integrating sustainable practices into our operations and highlights our dedication to being a responsible and forward-thinking financial institution.

We made notable progress in our ESG ratings, which demonstrates our ongoing commitment to integrating sustainable practices into our operations and highlights our dedication to being a responsible and forward-thinking financial institution.

Our sustainability strategy

Our sustainability strategy was developed with a thorough review of several critical aspects to ensure a comprehensive and effective approach. We conducted an in-depth analysis of our current position and the future objectives we aim to achieve, which was crucial in aligning our sustainability efforts with our long-term goals and aspirations.

Our strategy also closely aligns with the national directives, particularly Saudi Vision 2030 and the Saudi Green initiative, reflecting our commitment to contributing to the nation's sustainable development goals. We also incorporated the United Nations Sustainable Development Goals (UN SDGs) into our strategy, affirming our dedication to global sustainability standards.

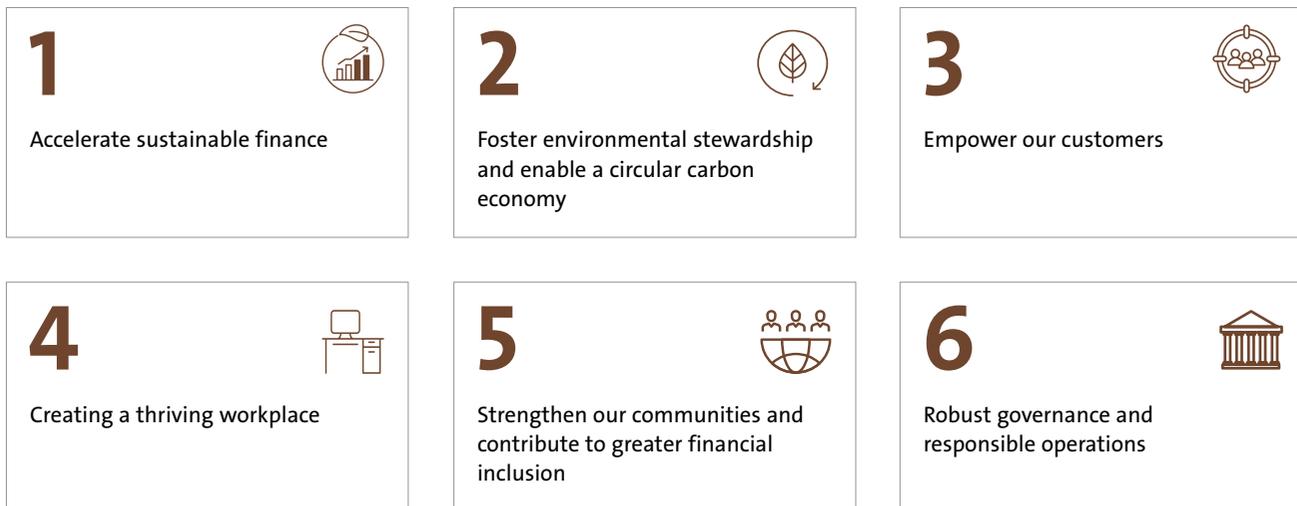
Understanding the importance of staying in line with global trends, our strategy also takes into account the broader global directions related to sustainability and climate

change actions. This ensures that our approach is locally relevant and globally responsive.

Lastly, in developing our sustainability strategy, we benchmarked Alinma Bank against our local, regional, and international peers. This benchmarking process was instrumental in ensuring that our approach is both competitive and in line with best practices in the industry.

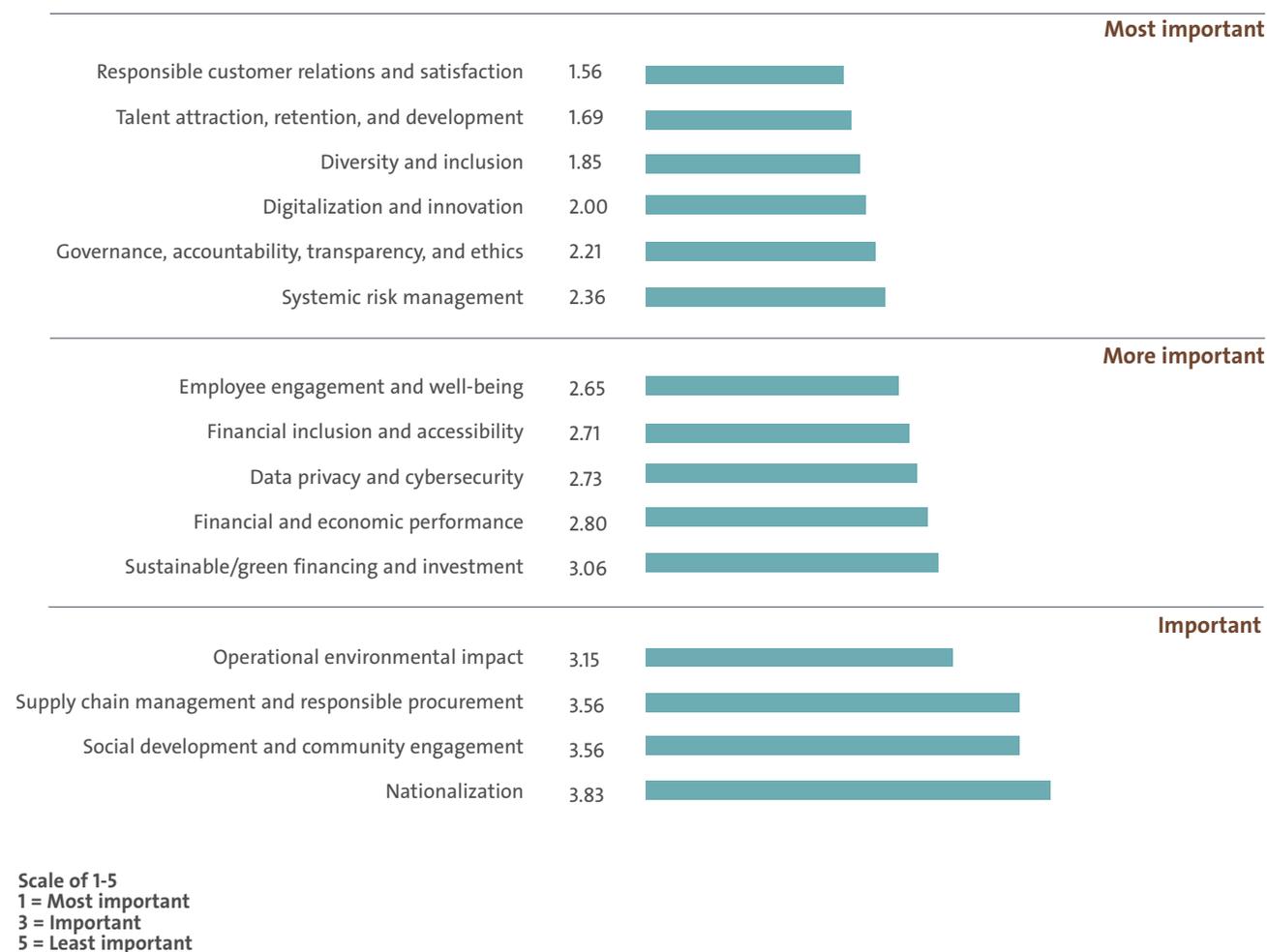
Our sustainability efforts are structured around 6 main pillars, encompassing 15 goals. This comprehensive approach led to the implementation of over 120 initiatives, indicating a robust and wide-ranging commitment to sustainability. Our balanced approach to sustainability management addresses a range of issues, ensuring that our efforts contribute to both social and environmental well-being, as well as providing a competitive edge as a leading financial institution in the Kingdom.

The 6 pillars of Alinma Bank's sustainability strategy are:

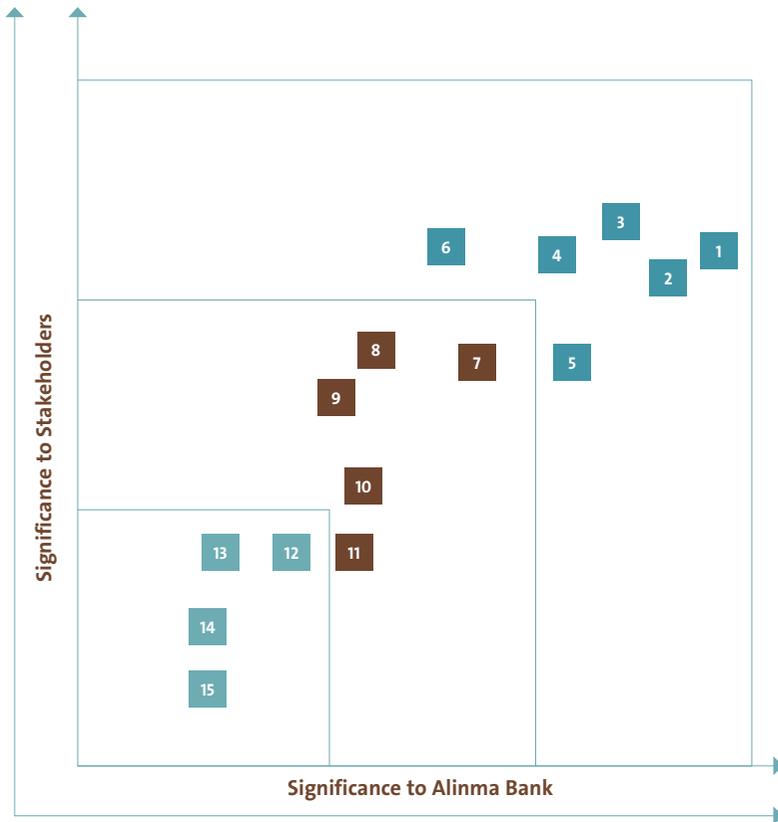


Sustainability (continued)

Materiality



Our sustainability efforts are structured around 6 main pillars, encompassing 15 goals. This comprehensive approach led to the implementation of over 120 initiatives, indicating a robust and wide-ranging commitment to sustainability



Most important

- 1 Responsible customer relations and satisfaction
- 2 Talent attraction, retention, and development
- 3 Diversity and inclusion
- 4 Digitalization and innovation
- 5 Governance, accountability, transparency, and ethics
- 6 Systemic risk management

More important

- 7 Employee engagement and well-being
- 8 Financial inclusion and accessibility
- 9 Data privacy and cybersecurity
- 10 Financial and economic performance
- 11 Sustainable/green financing and investment

Important

- 12 Operational environmental impact
- 13 Supply chain management and responsible procurement
- 14 Social development and community engagement
- 15 Nationalization

Sustainability (continued)

Alignment with regional and international standards

The UN SDGs were reviewed in order to consider Alinma Bank’s alignment with the world’s global goals and visions. The Saudi Vision 2030 was reviewed to consider strategic alignment opportunities for Alinma Bank. This included a review of more specific financial sector development programs of the Saudi Government.

The Saudi Exchange ESG Disclosure Guidelines – a guide for listed companies to help navigate ESG, were reviewed.

Global sustainability standards, and especially sector specific guidelines and standards, were applied to ensure a tailored materiality assessment including:

- Global Reporting Initiative
- Principles for Responsible Banking
- Sustainability Accounting Standards Board (SASB)
- World Federation of Exchanges

Updated as below:

	2022 baseline	2023 target	2023 actual	2025 target
MSCI	BB	BBB	BBB	A
ESG invest	25	44	46	64
Sustainalytics	30.9	28	27.9	20
S&P global	17	31	20	58



The UN SDGs were reviewed in order to consider Alinma Bank’s alignment with the world’s global goals and visions and the Saudi Vision 2030 was reviewed to consider strategic alignment opportunities for Alinma Bank.

2023 ESG highlights

In 2023, Alinma Bank demonstrated a strong commitment to ESG principles, marking a year of substantial progress across these crucial areas. Our ESG highlights showcase our dedication and strategic approach to sustainability, social responsibility, and robust governance practices across our operations and footprint.

Environmental achievements and highlights

In 2023, Alinma Bank achieved significant environmental milestones, emphasizing our commitment to sustainability and responsible banking.

One of our key achievements was the integration of ESG criteria into our lending and investment decision-making processes. We financed numerous projects under the Sustainable Finance categories, focusing on Green initiatives like renewable energy, energy efficiency, and Green buildings, as well as social projects that included improving access to essential services such as basic infrastructure and health care facilities.

We also made substantial efforts to reduce our environmental impact. This included the completion of digital zones across all 108 branches, significantly reducing paper consumption. We replaced outdated air conditioning units with environmentally friendly alternatives in 24 branches and achieved more than 10% saving in energy consumption. Additionally, we recycled 12,310 kg of used paper and installed energy-efficient lighting in all branches, with plans to extend this to the Head Office. Our commitment to renewable energy was highlighted by the installation of solar energy sources in 58 branches, covering all owned branches, and the implementation of smart building systems, such as timers, in 76 branches.

Aligning with the National Vision's commitment to net-zero carbon, we developed a methodology for calculating greenhouse gas (GHG) emissions for Scope 1, 2, and 3. This initiative is a testament to our dedication to contributing to national and global environmental goals.

Moreover, we contributed to the greening of our branches by introducing hundreds of plants, totaling 576 (including Ficus Religiosa, Acacia, and Tecoma), across 48 branches, thereby completing the greening initiative in all owned branches.

This initiative enhances the aesthetic appeal of our branches while supporting biodiversity and creating a more pleasant environment for our customers and staff.

Lastly, in our continuous effort to improve our environmental management practices, we developed Alinma Bank's Environmental Management policy in 2023. We also began the process of developing Alinma Bank's Environmental Management System and obtaining the ISO 14001 certification. This certification is a testament to our commitment to environmental excellence and sustainable practices in our operations.

These achievements reflect Alinma Bank's strong commitment to environmental stewardship and our role in promoting sustainable practices in the banking sector.

Social achievements and highlights

In 2023, Alinma Bank achieved remarkable social milestones, underscoring our dedication to employee development, women empowerment, community engagement, and customer satisfaction.

We made significant advancements in developing our employees' careers. A testament to this commitment was the delivery of 96,744 hours of training, which played a crucial role in enhancing the skills and capabilities of our workforce.

Women empowerment was another key area of focus. We successfully increased the percentage of female employees from 19% in 2022 to 22% by the end of 2023. Additionally, women in leadership positions within the Bank reached 8%, showcasing our commitment to promoting gender diversity and inclusion in the workplace.

Our volunteering initiatives saw robust participation, with 492 employees engaging in 56 volunteering activities, contributing a total of 2,412 hours. These efforts positively impacted around 7,000 people, demonstrating our commitment to community service and social responsibility.

Aligning with the National Vision's commitment to net-zero carbon, we developed a methodology for calculating greenhouse gas (GHG) emissions for Scope 1, 2, and 3.

Sustainability (continued)

In the realm of CSR activities, we made notable contributions. We provided a microfinance fund for over 280 families, amounting to SAR 5 Mn., to support the initiation of home-based businesses. Furthermore, we empowered 20 underprivileged individuals who were unable to access the educational system by providing them with full-package scholarships, amounting to SAR 5 Mn.

Supporting local suppliers was another area where we excelled. In 2023, 77.4% of our total supplier engagements were with local suppliers, and 95.9% of our purchase order amounts were signed with these local entities. This supports the local economy while also aligning with our commitment to sustainable and responsible business practices.

In terms of customer satisfaction, we achieved significant success by reaching second place in the Net Promoter Score (NPS) across banks in Saudi Arabia. This accomplishment reflects our dedication to delivering exceptional customer service and improving client satisfaction.

Lastly, in the realm of digital transformation, we made great strides by completing 85% of our digital projects using Agile methodologies. This approach significantly enhanced our ability to quickly respond to and fulfill the needs of our customers, emphasizing our commitment to innovation and advanced digital delivery.

These social achievements in 2023 highlight Alinma Bank's strong commitment to social responsibility, employee development, community engagement, and customer satisfaction, reinforcing our position as a socially responsible and forward-thinking financial institution.

We developed a comprehensive sustainability policy, approved by the Board of Directors, laying a robust framework for integrating sustainable practices into our operations.

We provided a microfinance fund for over 280 families, amounting to SAR 5 Mn., to support the initiation of home-based businesses.

Governance achievements and highlights

In 2023, Alinma Bank made significant strides in the realm of governance, emphasizing our commitment to sustainability, data security, and compliance with national data management regulations.

A major highlight was our effort to encourage sustainability governance practices. We developed a comprehensive sustainability policy, approved by the Board of Directors, laying a robust framework for integrating sustainable practices into our operations. Alongside this, we also developed a CSR policy, approved by the General Assembly, signifying our commitment to social and environmental responsibilities.

Another critical area of focus was monitoring cybersecurity, particularly in terms of data governance and protection. Recognizing the importance of data security in today's digital age, we established a data governance and privacy consultation project. This project involved reviewing our current policies and procedures, creating new ones, and conducting awareness and training for all employees. We also provided support and advice on the implementation of these projects. These initiatives are crucial in safeguarding our customers' and corporate data against emerging cyber threats.

Additionally, we undertook a gap assessment in compliance with the National Data Management Office (NDMO) and the Personal Data Protection Law (PDPL). This involved a thorough review and update of our gap assessment in line with the latest standards and requirements. By performing this gap assessment, we ensured that our data management practices are in full compliance with national regulations, reflecting our commitment to lawful and ethical business practices.

These governance achievements in 2023 highlight Alinma Bank's dedication to maintaining high standards of governance. Our initiatives in sustainability, data protection, and regulatory compliance serve to strengthen our operational integrity while reinforcing our reputation as a trustworthy and responsible financial institution.

Our sustainability pillars

Our sustainability strategy is anchored in 6 core pillars that reflect our dedication to embedding sustainability across all facets of our operations, demonstrating our holistic approach to responsible and sustainable banking.

Accelerate sustainable finance



Alinma Bank places sustainable finance at the center of its sustainability strategy. By increasing our offering of sustainable products and services in commercial and retail lending, we will continue to expand and deepen our coverage of ESG risk and opportunity analysis.

Pillar goals



Improve ESG integration into lending and investment decision-making



Integrate ESG into commercial and retail product offerings

Achievements and highlights

In 2023, Alinma Bank made notable strides in accelerating sustainable finance, marking a year filled with significant achievements and highlights that underscore our commitment to integrating sustainability into our financial services.

A key initiative was the implementation of a sustainable finance training program for our Relationship Managers. This program was designed to enhance their understanding and skills in sustainable finance, ensuring that our team is well-equipped to manage and advise on sustainable investments and financing effectively.

We also took significant steps in measuring and understanding the impact of our sustainable lending practices. By calculating the sustainable lending in our

portfolio, we gained valuable insights into how our financial activities align with our sustainability goals. This analysis was instrumental in guiding our strategies and decisions in sustainable finance.

A highlight of our efforts was the substantial financing we provided for projects in various sustainable finance categories. During 2023, we financed projects focused on Green initiatives such as renewable energy, energy efficiency, and Green buildings, as well as social projects aimed at improving access to essential services including basic infrastructure and health care facilities.

These achievements in sustainable finance reflect Alinma Bank's strong dedication to supporting projects and initiatives that not only yield financial returns but also contribute positively to environmental and social goals.

Sustainability (continued)

Foster environmental stewardship and enable a circular carbon economy



Alinma Bank is committed to aligning with Saudi Arabia's net-zero carbon by 2050 commitment. In this regard, Alinma Bank endeavors to measure and track its value chain greenhouse gas emissions from Scope 1, 2 and 3, while contributing to the circular carbon economy and minimizing our environmental impacts.

Pillar goals



Align to National Vision commitment on net-zero carbon emissions by 2050, and enable a circular carbon economy



Reduce other environmental impacts

Achievements and highlights

In 2023, Alinma Bank made significant progress in environmental stewardship and advancing our circular economy initiatives, with several key achievements highlighting our commitment to sustainability.

We developed a comprehensive GHG calculation methodology for Scope 1, 2, and 3 emissions, laying the foundation for more informed environmental decision-making. Concurrently, we developed Alinma Bank's net-zero strategy with a commitment to achieve net-zero by 2050, underscoring our commitment to reducing carbon emissions and contributing to global climate goals.

A major focus was on the continued deployment of digital channels and digital signatures. We successfully completed digital zones across all 108 branches, significantly reducing paper consumption, and promoting efficient, paperless banking.

Energy efficiency was another priority, with the installation of energy-efficient lighting in all our branches, and plans are underway to extend this to the Head Office. In addition, we continued the installation of smart building systems, specifically timers, in 76 branches, further enhancing our energy efficiency.

Renewable energy also played a key role in our efforts. We installed renewable (solar) energy sources in 58 branches,

completing the initiative across all our owned branches. This move not only reduces our carbon footprint but also aligns with our goal of promoting sustainable energy sources.

Continuing with our greening initiatives, we replaced old air conditioning units with more environmentally friendly models in 24 branches, enhancing our commitment to a greener operational environment.

In terms of certifications and standards, we began the process of obtaining the ISO 14001 certificate. This involved developing our Environmental Management System (EMS) policy, completing a training program, and initiating the drafting of processes and procedures.

We also achieved a notable reduction in energy consumption, with more than 10% saving in our branches' energy usage in 2023. This achievement is a testament to our effective energy management strategies.

Lastly, our recycling efforts saw us recycle 12,310 kg of used paper, contributing to waste reduction and demonstrating our commitment to the circular economy.

These initiatives and achievements in 2023 reflect our dedication to environmental stewardship and our efforts to integrate circular economy principles into our operations, marking a significant step towards a more sustainable and environmentally responsible future.

Empower our customers



At Alinma Bank, we put our customers at the heart of our business. We strive to embrace emerging technology and remain agile to adopt evolving business models, with customer centricity and empowerment as the main focus areas in this pillar.

Pillar goals



Maximize customer happiness with attentive service



Harness digital transformation to enhance customer experience



Support SMEs

Achievements and highlights

In 2023, Alinma Bank made significant strides in empowering our customers, a journey underscored by remarkable achievements in customer satisfaction and innovative digital transformation. We attained an impressive second place in the Net Promoter Score (NPS) across banks in Saudi Arabia, reflecting our growing recognition and approval among customers. Our surveys in 2023 saw a substantial increase in responses, quintupling compared to 2022, demonstrating the effectiveness of our approach in capturing and acting on customer feedback. This surge in engagement is pivotal as we aim to become the top-rated bank in terms of NPS in the Kingdom of Saudi Arabia by 2025.

Central to our customer empowerment strategy were our key digital transformation initiatives. Another significant achievement was the complete overhaul of the Alinma Bank mobile app (Super app). This revamp transformed the classical mobile banking experience with new, re-imagined features, and customer journeys, enabling customers to efficiently manage their and their family members' current and future financial needs, including payments, transfers, financing, marketplace access, loyalty points, registrations, and personal preferences.

Our focus on customer centricity led to conducting over 570 sessions with customers, gathering their views and recommendations on Alinma Bank's digital products and services. This customer-centric approach ensured that our offerings remained relevant and valuable to our customer base.

Moreover, we stabilized and matured our Digital Factory, aligning it with global best practices to foster innovation, collaboration, talent attraction, and the promotion of advanced digital delivery tools. A significant 85% of our digital projects were delivered using Agile and Scrum methodologies, with regular releases every 2 weeks, swiftly addressing customer needs and preferences.

Lastly, we increased customer engagement by closely monitoring customer behaviors and incomplete journeys. Through targeted outreach across various channels and personalized campaigns and offerings, we demonstrated our commitment to understanding and fulfilling the evolving needs of our customers. These efforts in 2023 mark a pivotal step in our journey to enhance customer engagement and satisfaction, firmly establishing Alinma Bank as a leader in customer-centric banking.

Sustainability (continued)

Creating a thriving workplace



At Alinma Bank, we are committed to empowering our people and fostering an environment that promotes growth, innovation, and personal development. We believe that our employees are our greatest asset, and their success is integral to the success of our organization. We encourage a culture of collaboration and open communication, where ideas are valued, and individuals are encouraged to take ownership of their work. Through mentorship programs, leadership opportunities, and recognition of achievements, we strive to empower our employees to reach their full potential. By investing in our employees, we create a workforce that is motivated, engaged, and dedicated to delivering exceptional service to our valued customers.

Pillar goals



Develop employee's career



Create great work environment



Support social engagement



Ensure prosperity

Achievements and highlights

In 2023, Alinma Bank took significant steps towards creating a thriving workplace, marked by several achievements and initiatives that fostered a supportive and inclusive environment for our employees.

We were honored to be ranked number one for the harmonization of the workplace for people with disabilities, receiving the Labor Award from the Ministry of Human Resources and Social Development. Additionally, we were recognized by the International Finance Awards for being the Best Working Place in Saudi Arabia for 2023, a testament to our commitment to creating an exceptional work environment.

Our focus on employee welfare was evident in the successful implementation of 32 Employee Care initiatives, designed to support our employees and their families. We made significant progress in gender diversity, increasing the percentage of female employees from 19% in 2022 to 22% by the end of 2023.

Prioritizing health and well-being, we established a medical clinic in our Head Office to provide primary health support to our staff. Embracing technological advancements, we started implementing AI predictive models in our human capital processes, which included predicting resignations and simulating financial benefits, among other applications.

We supported the professional development of our staff by assisting more than 330 employees in obtaining over 160 professional certificates. Recognizing the importance of nurturing fresh talent, we established new patterns of employment, such as Tamheer Plus and project support, to expand training for fresh graduates ensuring their readiness for professional challenges.

In an effort to support our employees' financial well-being, we launched the employee savings program, with approximately 46% of Alinma Bank employees enrolling in it. Our commitment to occupational health and work-life balance was further emphasized by the launch of the Nsma'ak program, which included 16 awareness sessions and 200 consultations on occupational health as part of our employee well-being efforts.

Lastly, our volunteering program saw enthusiastic participation, with 492 employees engaging in 56 volunteering activities, contributing a total of 2,412 hours and positively impacting 7,000 people. These activities spanned environmental, social, and educational themes, demonstrating our commitment to community engagement and employee development.

These achievements in 2023 highlight our dedication to nurturing a dynamic, inclusive, and supportive workplace at Alinma Bank, contributing to the overall well-being and professional growth of our employees.

Strengthen our communities and contribute to greater financial inclusion



Alinma Bank is seeking to modernize and formalize its approach to CSR in a way that quickly achieves impressive results and recognizes leadership in CSR. Alinma Bank is committed to achieving the greatest possible positive impact with its CSR efforts in its local communities, and in the wider society Alinma Bank will focus on CSR projects that are mutually beneficial to both enterprises and the community

Pillar goals



Improve financial inclusion and access to financial services, primarily through the CSR strategy and program



Support local suppliers

Achievements and highlights

In 2023, Alinma Bank significantly enhanced its support for the community and local suppliers through various CSR programs and initiatives, demonstrating our commitment to social upliftment and sustainable business practices.

Our Families Finance program was a standout initiative aimed at empowering women from low-income families. We provided profit-free financing to over 280 families, with a total funding of SAR 5 Mn., enabling them to start businesses from their homes in promising areas. This initiative empowered women by facilitating their access to the financial ecosystem, contributing to their ability to lead more efficient and financially stable lives.

In the realm of education, our Scholarship program, in partnership with universities, was designed to provide financial support to students based on academic achievement and financial need. We empowered 20 underprivileged students who were otherwise unable to access the educational system, providing them with full-package scholarships amounting to SAR 5 Mn. in various promising fields. This initiative underscores our commitment to education and the development of future talents.

In supporting local suppliers, we conducted an ESG risk assessment for our key suppliers and developed a code of conduct that includes sustainability principles. This approach ensured that our business practices align with our sustainability goals. In 2023, 77.4% of our total suppliers were local, and 95.9% of our purchase order amounts were signed with these local suppliers. This supported the local economy and reinforced our commitment to sustainable and responsible business practices.

These efforts in 2023 reflect Alinma Bank's strong dedication to supporting our communities and engaging with suppliers in a way that promotes sustainability and economic growth.

We empowered 20 underprivileged students who were otherwise unable to access the educational system, providing them with full-package scholarships amounting to SAR 5 Mn.

Sustainability (continued)

Robust governance and responsible operations



Within the framework of Alinma Bank's operations, governance emerges as a pervasive and interconnected aspect, influencing every pillar's functioning. Combining governance and responsible operations means that Alinma Bank operates in a manner that is ethical, sustainable, and aligned with societal expectations. In this way, Alinma Bank considers both short-term and long-term goals and effectively balances the interests of various Stakeholders.

Pillar goals



Encourage good governance practices and integrity



Protect user's personal data and regulate Alinma Bank's data life cycle such as collection, storage, use, processing, retention, and disposal

Achievements and highlights

In 2023, Alinma Bank achieved notable progress in the realm of governance, focusing on incorporating sustainability and social responsibility into our corporate governance structure and enhancing user privacy and data security.

We significantly updated our Corporate Governance framework, integrating the foundations of sustainability and social corporate responsibilities. This integration signifies our commitment to ensuring these essential elements are deeply embedded in our Bank's governance culture. Alongside this, we developed comprehensive sustainability and CSR strategies, along with our new sustainability policy, CSR policy and environmental policy – which reflects our dedication to responsible banking and collectively plays a pivotal role in strengthening our governance practices.

In the area of user privacy and data security, our efforts were marked by several important initiatives. We established the Data Privacy project, aimed at implementing technologies that meet data privacy and classification requirements, ensuring that our data management practices align with the highest standards of privacy and security. Additionally, we conducted a Data Privacy Impact Assessment (DPIA), which was instrumental in evaluating our current controls, identifying gaps, and highlighting areas where new policies and procedures were needed.

Furthermore, we undertook the NDMO and PDPL Gap Assessment, which involved a thorough review and update of our practices to ensure compliance with the National Data Management Office (NDMO) and Personal Data Protection Law (PDPL). This assessment was critical in aligning our data governance with national regulations.

Another significant stride was the establishment of the Data Governance and Privacy Consultation project. This project focused on reviewing and updating current policies and procedures, creating new ones, and conducting awareness and training sessions for relevant personnel. This initiative was essential in enhancing our data governance framework and ensuring the privacy and security of our users' data.

Lastly, we managed the Data Governance and Privacy Committee, established in accordance with the NDMO's requirements. This committee played a key role in overseeing our progress in complying with the NDMO and PDPL's standards, ensuring that our data governance and privacy practices are consistently updated and effective.

These governance achievements in 2023 underscore Alinma Bank's commitment to robust governance practices, prioritizing sustainability, social responsibility, and the privacy and security of our users' data.



Governance

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The Bank is committed to understanding and meeting the needs of its customers, while maintaining a distinctive competitive edge in the market.



Board of Directors

The Board of Directors of Alinma Bank are pleased to present their 15th Board of Directors' Report for the year ended December 31, 2023. This report provides a summary of the Bank's operations and financial results, as well as the governance structure that enabled the Bank to conduct its business and successfully navigate through the challenges it faced in 2023, while aligning with its future vision. It also supports the compliance of sound corporate governance and ethical principles.

Governance at Alinma Bank

Effective corporate governance is critical to the proper functioning of Alinma Bank. The Bank's safety and soundness are key to financial stability, and the manner in which we conduct our business is therefore central to our economic health.

The Saudi Central Bank (SAMA) has issued "Key Principles of Governance in Financial Institutions", which contains 7 primary principles that are in accordance with best practices recognized internationally. The members of the Board of Directors and senior Management of the Bank are required to apply these principles, in addition to understanding the related risks, within the Bank's operating environment. The Bank also abides by the rules and regulations issued by the Capital Market Authority (CMA) that are designed to reinforce transparency and disclosure standards to safeguard investors and their decisions. The governance activities extend to complying with the requirements of Tadawul (Saudi Exchange) in the listing of the Bank in the securities market in the country.

These governance principles are intended to assist the Bank in enhancing our corporate governance framework, and to help Board Members and senior Managers to oversee the Bank's activities. Corporate governance is a key element to improving economic efficiency and growth as well as enhancing investor confidence. The governance framework is implemented through 6 Board Committees.

The Bank has designed comprehensive disclosure policies and regulations that require all Stakeholders to have access to material information and developments. The Bank has also designed and implemented training and sharing of information programs to assist new Board Members in fulfilling their obligations and duties in the oversight of the operations.

Governance structure

Board composition and appointment

The Bank is governed by a Board of Directors consisting of 9 members who are appointed by the Shareholders at the General Assembly for a period of 3 years.

The Board sets out and ensures clear lines of responsibility and accountability at all levels of the Bank. Members of the Board elect a Non-Executive Director as the Chairman of the Board of Directors, who ensures fair representation.

Capital and shares issued

The paid-up capital of the Bank is SAR 20,000,000,000 divided into 2,000 million ordinary shares, with a nominal value of SAR 10 each.

Corporate governance provisions implementation

The Bank complies generally in implementing the provisions provided by the Corporate Governance Regulation issued by the Capital Market Authority (CMA) and with the Key Principles of Governance in Financial Institutions and other directives issued by the Saudi Central Bank (SAMA), as well as the Companies Law issued by the Ministry of Commerce. The Bank strives to ensure compliance with all governance regulations and to keep pace with any developments arising on the matter.

Names, qualifications, experience, and current and previous positions of the Board of Directors



Dr. Abdulmalek Abdullah Al-Hogail
Board Committees (A) (B)

Current positions

- Chairman of the Board of Directors and Member of Board Committees

Previous positions

- Vice President and Executive Director of Finance – Al-Faisaliah Group
- Faculty Member - Institute of Public Administration

Qualifications

- PhD in Accounting/Finance - Case Western Reserve University, USA
- Fellowship of the American Institute of Certified Public Accountants (AICPA) - Certified Public Accountant (CPA)
- Fellowship of the Saudi Organization for Chartered and Professional Accountants (SOCPA)
- Fellowship of the American Institute of Certified Finance Managers - (CFM)
- Fellowship of the American Institute of Certified Management Accountants - (CMA)



Saad Abdulaziz Alkroud
Board Committees (B) (F)

Current positions

- Vice Chairman of the Board of Directors and Member of Board Committees
- Chief of Staff and Secretary General to the Board - Public Investment Fund

Previous positions

- Director General of Stakeholder Management Department - Public Investment Fund
- Advisor to the Chairman of the Board of Directors - Abdullatif Alissa Group Holding Company

Qualifications

- Master in Management and Leadership - University of Laverne California, USA



Ahmed Abdullah Alsheikh
Board Committees (D) (F)

Current positions

- Member of the Board of Directors and Member of Board Committees
- Board Member - The National Housing Company

Previous positions

- Deputy Governor for Supervision - Saudi Central Bank (SAMA)
- Deputy for Market Institutions - Capital Market Authority
- General Director of Supervision of Market Institutions - Capital Market Authority
- Director of Governance Department - Capital Market Authority
- Head of the Supervision Unit for Local Banks - Saudi Central Bank (SAMA)
- Part-time Advisor to several government entities

Qualifications

- Bachelor in Accounting - King Saud University, Kingdom of Saudi Arabia

(A) Executive Committee (B) Nomination and Remuneration Committee (C) Audit Committee
(D) Risk Committee (E) Shariah Committee (F) Governance and Sustainability Committee

Board of Directors (continued)



Anees Ahmed Moumina
Board Committees (A) (D)

Current positions

- Member of the Board of Directors and Member of Board Committees

Previous positions

- Board Member - Saudi National Bank
- Board Member - Almarai Company
- Group CEO - Savola Group
- Group CEO - Sedco Holding Group
- Regional General Manager and Senior Credit Officer - Samba Financial Group (Samba)
- Assistant Brand Manager - Procter & Gamble Co

Qualifications

- Master in Engineering Management Sciences - George Washington University, USA



Haitham Rashid Al-Sheikhmubarak
Board Committees (C) (D)

Current positions

- Member of the Board of Directors and Member of Board Committees

Previous positions

- Head of Wealth Management - Saudi Fransi Capital
- Acting Chief Executive Officer - Saudi Fransi Capital
- Head of Asset Management - Arab National Investment Company
- Head of Portfolio Management - Saudi National Bank (SNB)

Qualifications

- Master in Business Administration (Investment Management) - University of North Carolina, USA
- Chartered Financial Analyst (CFA) Fellowship - USA
- Chartered Market Technician (CMT) Fellowship - USA



Mohammed Abdulrahman Bindayel
Board Committees (A) (B)

Current positions

- Member of the Board of Directors and Member of Board Committees
- Chief Executive Officer - Cultural Development Fund

Previous positions

- Executive Director of Investment Operations - Raidah Investment Company (RIC)
- Treasury Department - Saudi Aramco

Qualifications

- Master in Business Administration - The American University, USA

(A) Executive Committee (B) Nomination and Remuneration Committee (C) Audit Committee (D) Risk Committee (E) Shariah Committee (F) Governance and Sustainability Committee



Dr. Saud Mohammed Al-Nimir
Board Committees (B) (F)

Current positions

- Member of the Board of Directors and Member of Board Committees

Previous positions

- Professor, Department of Public Administration - King Saud University, Kingdom of Saudi Arabia

Qualifications

- PhD in Public Administration - Florida State University, USA



Abdullah Abdulaziz Alromaizan
Board Committees (A) (D)

Current positions

- Member of the Board of Directors and Member of Board Committees
- Chief of Real Estate Investments - Mohammed Ibrahim Al Subeai and Sons Investment Company

Previous positions

- Assistant General Manager for Real Estate Investments and Local Infrastructure - Hassanah Investment Company
- Portfolio Manager, Local Real Estate and Infrastructure Department - Al Raidah Investment Company
- Team Leader, Corporate Banking - Saudi National Bank (SNB)
- Relationship Officer, Corporate Banking - Arab National Bank
- Assistant Portfolio Manager - Al Romaizan Group

Qualifications

- MBA - London Business School (LBS), UK



Abdulrahman Mohammed Ramzi Addas
Board Committees (A) (C)

Current positions

- Member of the Board of Directors and Member of Board Committees

Previous positions

- Owner of the office of Abdulrahman bin Mohammed Ramzi Addas for Non-Securities Financial Consultations
- Managing Director of Real Estate Investments - SEDCO Company
- Head of Corporate Sector - Saudi National Bank (SNB)
- Chief Risk Officer - Saudi National Bank (SNB)
- Head of Credit Approvals Department, General Administration - Saudi National Bank (SNB)

Qualifications

- Master in Financial Management - University of Denver, USA

(A) Executive Committee (B) Nomination and Remuneration Committee (C) Audit Committee
(D) Risk Committee (E) Shariah Committee (F) Governance and Sustainability Committee

Non-Board Committee Members

Audit Committee

Name	Current positions	Previous positions	Qualifications
Dr. Saad Saleh Al-Rowaite	<ul style="list-style-type: none"> Member of the Audit Committee - Alinma Bank Secretary General - Riyadh Charitable Foundation for Sciences Professor of Accounting and Auditing - King Saud University, Kingdom of Saudi Arabia Vice President for Administrative and Financial Affairs - Prince Sultan University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> Part-time Consultant - Ministry of Health Head of Accounting Department - King Saud University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> PhD in Accounting - University of Colorado, USA
Maher Saad Al-Aiyadhi	<ul style="list-style-type: none"> Member of the Audit Committee - Alinma Bank Chief Internal Audit Officer - Royal Commission for Al-Ula (RCU) 	<ul style="list-style-type: none"> Chief Auditor - SADARA Audit Manager, Operation Support and Support Services Vice President - Saudi Center of International Strategic Partnership (SCISP), Aramco Deputy Chief Auditor - Fujian Refining and Petrochemical Company Ltd. Chief Auditor - Beijing Services Finance Representative at SADAF - SABIC Chief Auditor - Deloitte 	<ul style="list-style-type: none"> Bachelor in Accounting - King Fahd University of Petroleum and Minerals, Kingdom of Saudi Arabia Certified Internal Auditor (CIA) Certified in Risk Management Assurance (CRMA) Certified Port Facility Security Officer (PFSO) Chinese Certified Internal Auditor (C-CIA)
Othman Mohammed Al-Tuwaijri	<ul style="list-style-type: none"> Member of the Audit Committee - Alinma Bank Vice President of the Finance Sector - Elm Company 	<ul style="list-style-type: none"> Executive Director of Financial Operations - Elm Company Audit Director and Licensed Partner - Ernst & Young Company 	<ul style="list-style-type: none"> Bachelor in Accounting - King Saud University, Kingdom of Saudi Arabia Certified Public Accountant (CPA)

Shariah Committee

Name	Current positions	Previous positions	Qualifications
Dr. Abdullah Wikayyil Al-Sheikh*	<ul style="list-style-type: none"> Chairman of the Shariah Committee - Alinma Bank 	<ul style="list-style-type: none"> Professor, Department of Sunnah and its Sciences, College of Fundamentals of Religion, College of Shariah, College of Da'awa and Information - Imam University, Kingdom of Saudi Arabia Professor of Postgraduate Studies - Department of Sunnah and its Sciences and the College of Education, Presidency of Girls' Education Consultant to a law firm for a period of 4 years 	<ul style="list-style-type: none"> PhD in Sunnah and its Sciences - Imam University, Kingdom of Saudi Arabia
Dr. Abdulrahman Saleh Al-Atram**	<ul style="list-style-type: none"> Vice Chairman of the Shariah Committee - Alinma Bank 	<ul style="list-style-type: none"> Associate Professor, Department of Jurisprudence, College of Shariah - Imam University, Kingdom of Saudi Arabia Assistant Professor, Department of Jurisprudence, College of Shariah - Imam University, Kingdom of Saudi Arabia Lecturer, Department of Jurisprudence, College of Shariah - Imam University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> PhD in Jurisprudence - Imam University, Kingdom of Saudi Arabia

Name	Current positions	Previous positions	Qualifications
Dr. Suleiman Turkey Al-Turkey	<ul style="list-style-type: none"> Member of the Shariah Committee - Alinma Bank Associate Professor, Department of Shariah Policy, Higher Judicial Institute - Imam University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> Lecturer, Department of Shariah Policy, Higher Judicial Institute - Imam University, Kingdom of Saudi Arabia Lecturer, Department of Jurisprudence, College of Shariah - Imam University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> PhD in Jurisprudence - Imam University, Kingdom of Saudi Arabia PhD in Law - London University, UK
Dr. Yousef Abdullah Al-Shubaily***	<ul style="list-style-type: none"> Member of the Shariah Committee - Alinma Bank Professor of Comparative Jurisprudence - Higher Judicial Institute 	<ul style="list-style-type: none"> Deputy of Comparative Jurisprudence Department - Higher Judicial Institute 	<ul style="list-style-type: none"> PhD in Comparative Jurisprudence - Imam University, Kingdom of Saudi Arabia
Dr. Khalid Abdulrahman Almohana****	<ul style="list-style-type: none"> Member of the Shariah Committee - Alinma Bank Faculty Member, College of Shariah - Imam Muhammad bin Saud Islamic University, Kingdom of Saudi Arabia 	<ul style="list-style-type: none"> Vice Dean - College of Shariah for Postgraduate Studies and Scientific Research Member of the Board of Directors - Saudi Judicial Association 	<ul style="list-style-type: none"> Doctorate in Islamic Jurisprudence, Fiqh - Imam Muhammad bin Saud Islamic University, Kingdom of Saudi Arabia Master in Law - School of Law, Middlesex University, London, UK

* Dr. Abdullah Wikayyil Al-Sheikh was appointed to the position of Chairman of the Shariah Committee, from the position of Vice Chairman of the Shariah Committee, effective from July 4, 2023.

** Dr. Abdulrahman Saleh Al-Atram was appointed to the position of Vice Chairman of the Shariah Committee, from the position of Chairman of the Shariah Committee, effective from July 4, 2023.

*** Dr. Yousef Abdullah Al-Shubaily resigned from the Shariah Committee on January 1, 2023.

**** Dr. Khalid Abdulrahman Almohana assumed the position as a member of the Shariah Committee effective from January 1, 2023.

The Governance and Sustainability Committee

Name	Current positions	Previous positions	Qualifications
Dina Hassan Alnahdi	<ul style="list-style-type: none"> Member of the Governance and Sustainability Committee - Alinma Bank Chairman of the Board of Directors - Circular Economy Company 	<ul style="list-style-type: none"> Chief Executive Officer - Environmental Technology Company (ENTEC) Member of the Industrial Sector Council - Jeddah Chamber of Commerce 	<ul style="list-style-type: none"> Master in Environmental Management - Open University, UK Honorary Doctorate in Environmental Sustainability - United Nations University

Risk Committee

Name	Current positions	Previous positions	Qualifications
Mohammed Awad Almalki	<ul style="list-style-type: none"> Member of the Risk Committee - Alinma Bank Cybersecurity Management Director - Cultural Development Fund 	<ul style="list-style-type: none"> Director of the Cybersecurity Governance Department - Saudi Industrial Development Fund 	<ul style="list-style-type: none"> Bachelor in Computer Science - University of Otago Certified Data Privacy Solutions Engineer (CDPSE) Certified Information Systems Auditor (CISA)

Executive Management



Abdullah Ali AlKhalifa
Chief Executive Officer

Previous positions

- Chief Financial Officer - Banque Saudi Fransi
- Chief Financial Officer - Al Rajhi Bank
- Chief Financial Officer - Arab National Bank

Qualifications

- Master in Accounting - University of Miami, USA



Saleh Abdullah AlZumaie
Deputy Chief Executive Officer and Head of Retail and Digital Banking

Previous positions

- General Manager of Digital and Payments - Al Rajhi Bank
- General Manager of the Retail Banking Group - Al Rajhi Bank
- Manger of the Remittances Department - Al Rajhi Bank
- Manager of the Investment Department - Al Rajhi Bank

Qualifications

- Bachelor in English Language - Imam Muhammad bin Saud Islamic University, Kingdom of Saudi Arabia



Jameel Naif Hamdan
Head of Corporate Banking

Previous positions

- General Manager of Corporate Banking - Bank AlBilad
- Acting Head of Corporate Banking Group - Banque Saudi Fransi
- Group Head of Business Banking Group - Banque Saudi Fransi
- Head of a Department in the Corporate Banking Group - Alawwal Bank

Qualifications

- Bachelor in Administrative Sciences - King Saud University, Kingdom of Saudi Arabia



Abdullah Jamaan AlZahrani
Head of Treasury

Previous positions

- Head of Investment and Treasury - Gulf Bank
- Senior Vice Treasurer - Riyad Bank
- Assistant General Manager of the Governor - Arab Bank

Qualifications

- Bachelor in Industrial Management - King Fahd University of Petroleum and Minerals, Kingdom of Saudi Arabia



Adel Saleh Abalkhail
Chief Financial Officer (CFO)

Previous positions

- Deputy General Manager of the Financial Group - Al Rajhi Bank
- CFO - Al Rajhi Bank, Malaysia
- CFO - Al Rajhi Bank, Jordan
- Manager of the Reports and Budget Department at the Financial Group - Al Rajhi Bank

Qualifications

- Master in Accounting - University of Illinois, USA
- Master of Finance - University of Illinois, USA
- Certified Public Accountant (CPA)
- Certified Public Accountant (SOCPA)



Meshary Abdulaziz AlJubair
Chief Operating Officer (COO)

Previous positions

- General Manager of the Information Technology Division - Alinma Bank
- Deputy General Manager of the Information Technology Division - Alinma Bank
- Manager of Information Security Planning Department - Saudi Telecom Company
- Manager of Systems Department - SAMA

Qualifications

- Bachelor in Science, Computer Engineering - King Saud University, Kingdom of Saudi Arabia

Executive Management (continued)



Dr. Mohammed Sultan Alsehali
Chief Internal Audit Officer

Previous positions

- Executive Director - Pwc Company
- Head of the Accounting Department, College of Business Administration - King Saud University
- Team Leader of the Regulatory Bodies Development Project - King Saud University

Qualifications

- PhD in Accounting - University of Melbourne, Australia



Eyad Osama AlOthman
Chief Legal and Corporate Governance Officer

Previous positions

- Legal Advisor to the Chairman of the Board of Directors - Capital Market Authority (CMA)
- Legal Consultation Unit Manager - Albilad Bank
- Senior Legal Advisor - Yousef and Mohammed Al-Jadaan Office for Legal Consultation and Law Firm

Qualifications

- Bachelor in Law - King Saud University, Kingdom of Saudi Arabia



Meshal Hamad Alrabiah
Chief Risk Officer (CRO)

Previous positions

- Deputy General Manager, Market Risk, ERM, and Basel - Alinma Bank
- Assistant General Manager, Market Risk, ERM, and Basel - Alinma Bank
- Senior Manager, Market Risk, ERM, and Basel - Alinma Bank

Qualifications

- Master in Management - University of Leeds MT, UK



Yaser Abdulaziz AlMarshde
Chief Shariah Officer (CSO)

Previous positions

- Chief of Shariah Advisors and Chairman of the Council of Shariah Scholars - Al Rajhi Bank
- Senior Shariah Advisor and Chairman of the Council of Shariah Scholars - Al Rajhi Bank

Qualifications

- Master in Islamic Jurisprudence (Shariah Law), Higher Institute of Judiciary - Imam Muhammad bin Saud Islamic University, Kingdom of Saudi Arabia



Hisham Abdullah AlTuraigi
Chief Credit Officer (CCRO)

Previous positions

- Director of Credit Risk Management - Alinma Bank
- Manager of the Credit Evaluation Department - Al Rajhi Bank

Qualifications

- Master in Accounting - King Saud University, Kingdom of Saudi Arabia



Abdullah Mohammed AlSalamah
Chief Human Capital Officer (CHCO)

Previous positions

- Deputy General Manager of the Human Capital Division - Alinma Bank
- Deputy General Manager of the Information Technology Division - Alinma Bank
- Manager of the Information Security Awareness Department - Saudi Telecom Company
- Teaching Assistant - King Saud University

Qualifications

- Master in Information Systems - King Saud University, Kingdom of Saudi Arabia

Executive Management (continued)



Saud Aied Al Mufaddaly
Chief Compliance Officer (CCO)

Previous positions

- Acting Head of Compliance - Riyadh Bank
- Deputy Head of Compliance and Anti-Financial Crimes Sector - Riyadh Bank
- Head of the Compliance and Anti-Financial Crimes Department - Banque Saudi Fransi
- Head of Anti-Money Laundering, Counter Financing of Terrorism, and Sanctions - Saudi Awwal Bank

Qualifications

- Bachelor in Economics - King Saud University, Kingdom of Saudi Arabia



Fahad Abdulaziz AlMohaimeed
Chief Strategy and Sustainability Officer

Previous positions

- Head of Islamic Banking - Arab National Bank
- Head of Shariah Affairs - Arab National Bank
- Product Development Manager - Saudi Awwal Bank

Qualifications

- Bachelor in Finance - King Saud University, Kingdom of Saudi Arabia

Board of Directors report

Names of the companies inside and outside the Kingdom in which a Board Member is a Manager or a member of their current or previous Board

Member name	Current			Previous		
	Company name	Inside / outside the Kingdom	Position	Company name	Inside / outside the Kingdom	Position
Dr. Abdulmalek Abdullah Al-Hogail	Bahri (formerly known as the National Shipping Company of Saudi Arabia)	Inside the Kingdom	• Board Member	Saudi Electricity Company	Inside the Kingdom	• Board Member
	Americana Restaurants International Company	Outside the Kingdom	• Vice Chairman of the Board of Directors	National Chemical Carriers Co., Ltd.	Inside the Kingdom	• Chairman of the Board of Directors
	The Kuwait Food Company (Americana Group)	Outside the Kingdom	• Vice Chairman of the Board of Directors	Accenture PLC	Outside the Kingdom	• Board Member
				Tibbiyah Holding	Inside the Kingdom	• Board Member
				SPIMACO	Inside the Kingdom	• Board Member
				Philips Healthcare Saudi Arabia Ltd.	Inside the Kingdom	• Board Member
				Electronics and Systems Holding Company	Inside the Kingdom	• Board Member
				Alinma Investment	Inside the Kingdom	• Board Member
				Al Faisaliah Group	Inside the Kingdom	• Vice President and Chief Financial Officer
Saad Abdulaziz Alkroud	Public Investment Fund	Inside the Kingdom	• Secretary General of the Board of Directors and Chief of Staff	Public Investment Fund	Inside the Kingdom	• Director General of Stakeholder Management Department
	Southern Province Cement Company	Inside the Kingdom	• Chairman of the Board	Alissa Group	Inside the Kingdom	• Advisor to the Chairman of the Board
	Diriyah Gate Co. Ltd.	Inside the Kingdom	• Board Member	Wealth and Diversification Management Company (MIAS)	Inside the Kingdom	• Vice President
	Saudi Company for Technology Development and Investment	Inside the Kingdom	• Chairman of the Board			
	AlBalad Development Company	Inside the Kingdom	• Board Member			
	Dan Company	Inside the Kingdom	• Chairman of the Board			
	El Seif Engineering Contracting	Inside the Kingdom	• Vice Chairman of the Board			
	King Faisal Specialist Hospital and Research Center	Inside the Kingdom	• Board Member			

Board of Directors report (continued)

Member name	Current			Previous		
	Company name	Inside / outside the Kingdom	Position	Company name	Inside / outside the Kingdom	Position
Ahmed Abdullah Alsheikh	Non-Oil Revenues Development Center	Inside the Kingdom	• Chairman of the Audit Committee.	Ministry of Industry	Inside the Kingdom	• Non-Executive Advisor
				Saudi Tadawul Group	Inside the Kingdom	• Member of the Joint Committee with the aim of completing the settlement and clearance projects
				Capital Market Authority	Inside the Kingdom	• Member of the Joint Committee with the aim of completing the settlement and clearance projects and Deputy Chairman of the Authority for Market Institutions
				Saudi Arabian Monetary Authority (SAMA)	Inside the Kingdom	• Member of the Joint Committee with the aim of completing the settlement and clearance projects and Deputy Portfolio Manager for Oversight
				National Housing Company (NHC) General	Inside the Kingdom	• Board Member and Member of the Audit Committee
				Organization for Social Insurance (GOSI)	Inside the Kingdom	• Board Member
				Council of Economic and Development Affairs	Inside the Kingdom	• Board Member, Member of the Sub-Committee of the Permanent Committee, Member of the Strategic Committee, Member of the Housing Program Committee, and Member of the Permanent Committee
				International Public Sector Accounting Standards Board (IPSASB)	Inside the Kingdom	• Member of the Executive Committee for Governance
				Exclusive Accommodation Center	Inside the Kingdom	• Supervisory Committee Member and Executive Committee Member
				SHL Finance Company	Inside the Kingdom	• Board Member
				Saudi Export-Import Bank	Inside the Kingdom	• Chairman of the Audit Committee
				TSB Bank	Inside the Kingdom	• Board Member
				Ministry of Housing	Inside the Kingdom	• Part-time Advisor

Member name	Current			Previous		
	Company name	Inside / outside the Kingdom	Position	Company name	Inside / outside the Kingdom	Position
Anees Ahmed Moumina	Jeddah Urban Development and Renewal Company	Inside the Kingdom	• Board Member	Panda Company	Inside the Kingdom	• Vice Chairman of the Board
	Alinma Investment	Inside the Kingdom	• Board Member	Afia International Company	Inside the Kingdom	• Vice Chairman of the Board
	Dr. Soliman Fakeeh Hospital	Inside the Kingdom	• Board Member	United Sugar Company	Inside the Kingdom	• Vice Chairman of the Board
	Dar Altamleek	Inside the Kingdom	• Board Member	Kinan International Real Estate Development Company	Inside the Kingdom	• Board Member
	Abdullatif Jameel for Business	Inside the Kingdom	• Board Member	AlKabeer Group	Inside the Kingdom	• Board Member
	Halwani Company	Inside the Kingdom	• Board Member	SEDCO Holding	Inside the Kingdom	• The Chief Executive Officer (CEO) of the Group
	Moroojeddah Company	Inside the Kingdom	• Board Member	Elaf Group	Inside the Kingdom	• Board Member
	Jeddah Transport Company	Inside the Kingdom	• Board Member	Dunya AIAswaf Company (AlShayaka)	Inside the Kingdom	• Chairman of the Board
				Ewan GRC	Inside the Kingdom	• Chairman of the Board
				Samba Financial Group	Inside the Kingdom	• Regional General Manager for the Western Region and Senior Credit Officer
Haitham Rashid Al Sheikhmubarak	Derayah Financial	Inside the Kingdom	• Audit Committee Member	Saudi Fransi Capital	Inside the Kingdom	• Acting Chief Executive Officer and Head of Wealth Management
	Golf Saudi	Inside the Kingdom	• Audit Committee Member	The Investor Company	Inside the Kingdom	• Board Member
Mohammed Abdulrahman Bindayel	Cultural Development Fund	Inside the Kingdom	• Chief Executive Officer (CEO)	King Abdullah Humanitarian Foundation	Inside the Kingdom	• Board Member
Dr. Saud Mohammed Al-Nimir	Saudi Public Transport Company (SAPTCO)	Inside the Kingdom	• Board Member	Raidah Investment Company	Inside the Kingdom	• Chief Operating Officer (COO)
	Madaen Star Real Estate	Inside the Kingdom	• Audit Committee Member	Saudi Electricity Company	Inside the Kingdom	• Board Member
				Solidarity Insurance	Inside the Kingdom	• Board Member
				Central Riyadh Company	Inside the Kingdom	• Audit Committee Member

Board of Directors report (continued)

Member name	Current			Previous		
	Company name	Inside / outside the Kingdom	Position	Company name	Inside / outside the Kingdom	Position
Abdullah Abdulaziz Alromaizan	Mohammed Ibrahim Al Subaie and Sons Investment Company (MASIK)	Inside the Kingdom	• Chief Real Estate Investment Officer	Alromaizan Group	Inside the Kingdom	• Assistant Portfolio Manager
				Arab National Bank	Inside the Kingdom	• Relationship Officer, Corporate Banking
				Saudi National Bank	Inside the Kingdom	• Team Leader, Corporate Banking
				Raidah Investment Company	Inside the Kingdom	• Portfolio Manager, Local Real Estate and Infrastructure Management
				Hassana Investment Company	Inside the Kingdom	• Assistant Director General, Local Real Estate and Infrastructure Investments
Abdulrahman Mohammed Ramzi Addas	Kinan International Real Estate Development Co.	Inside the Kingdom	• Audit Committee Member and Board Member	Albilad Bank	Inside the Kingdom	• Board Member, Chairman of the Compliance and Governance Committee, and Chairman of the Nominations and Rewards Committee
	Al Rabie Saudi Foods Co. Ltd.	Inside the Kingdom	• Chairman of the Audit Committee and Board Member	ARCOMA Company	Inside the Kingdom	• Board Member
	Diyar Al Khayal for Real Estate Development	Inside the Kingdom	• Chairman of the Board	Sedco Capital	Inside the Kingdom	• Board Member
	TSB Bank	Outside the Kingdom	• Chairman of the Board and Risk Committee Member	Abdulaziz Al-Sughayir Holding Company	Inside the Kingdom	• Board Member
	Environmental Fund	Inside the Kingdom	• Chairman of the Investment Committee, Member of the Nominations and Rewards Committee, and Board Member	ACWA Power	Inside the Kingdom	• Board Member
				Growth Cable Development Limited Company	Inside the Kingdom	• Chairman of the Board
				AlSorayai Group	Inside the Kingdom	• Board Member
				Quantum Investment Bank	Outside the Kingdom	• Board Member
				AMS Baeshen Company	Inside the Kingdom	• Board Member
				The Savola Group	Inside the Kingdom	• Board Member and Member of the Nominations and Rewards Committee
			Red Sea Markets Company Limited	Inside the Kingdom	• Board Member	

Composition of the Board and classification of its members, as of December 31, 2023

Member name	Position	Membership rating (Executive/Non-Executive/Independent)
Dr. Abdulmalek Abdullah Al-Hogail	Chairman	Independent
Saad Abdulaziz Alkroud	Vice Chairman	Non-Executive
Abdullah Abdulaziz Alromaizan	Member	Independent
Ahmed Abdullah Alsheikh	Member	Independent
Haitham Rashid Al-Sheikhmubarak	Member	Independent
Mohammed Abdulrahman Bindayel	Member	Non-Executive
Dr. Saud Mohammed Al-Nimir	Member	Independent
Abdulrahman Mohammed Ramzi Addas	Member	Independent
Anees Ahmed Moumina	Member	Non-Executive

Meetings of the Board of Directors during the last financial year

The Board held 7 meetings in 2023, as reflected below.

Member name	Feb 01	Mar 01	Apr 03	Jun 21	Sep 26	Dec 28	Dec 29	Total
Dr. Abdulmalek Abdullah Al-Hogail	✓	✓	✓	✓	✓	✓	✓	7
Saad Abdulaziz Alkroud	✓	✓	✓	✓	✓	✓	✓	7
Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	✓	7
Haitham Rashid Al-Sheikhmubarak	✓	✓	✓	✓	✓	✓	✓	7
Mohammed Abdulrahman Bindayel	✓	✓	✓	✓	✓	✓	✓	7
Dr. Saud Mohammed Al-Nimir	✓	✓	✓	✓	✓	✓	✓	7
Abdullah Abdulaziz Alromaizan	✓	✓	✓	✓	✓	✓	✓	7
Ahmed Abdullah Alsheikh	✓	✓	✓	✓	✓	✓	✓	7
Anees Ahmed Moumina	✓	✓	✓	✓	✓	✓	✓	7

Board of Directors report (continued)

Procedures taken by the Board to inform its members, and Non-Executive Directors in particular, of Shareholders' suggestions and remarks on the company and its performance

The Board is keen to enable Shareholders to exercise their rights, present observations, and raise inquiries during the General Assembly Meetings. These are documented by way of minutes of the meetings. Additionally, the Board allocates different means of communication to receive Shareholders queries and observations, if any.

A brief description of the duties, competencies, and working of the Board Committees

The Executive Committee, as well as the Nomination and Remuneration, Audit, Risk, Shariah, and Governance and Sustainability Committee's, assist the Board in performing its duties and responsibilities, by encouraging independent opinions and enhancing greater synergies across Alinma Bank.

(A) The Executive Committee

Responsible to the Board, the Executive Committee has overall authority to review, approve, or reject operating expenses, capital expenditure, and credit provisions that fall beyond the delegated authority of the CEO, to approve credit facilities recommended by the Executive Management, and to approve debt restructuring or write-off. The Committee is composed of 5 members and is headed by the Chairman of the Board. A total of 11 meetings were held by the Executive Committee during the year under review, attended by members as shown below:

Member name	Meeting date – 2023											Total
	Jan 18	Feb 28	Apr 04	Apr 16	May 21	Jun 11	Jul 10	Sep 05	Oct 04	Nov 08	Dec 12	
Dr. Abdulmalek Abdullah Al-Hogail (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mohammed Abdulrahman Bindaayel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Anees Ahmed Moumina	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Abdullah Abdulaziz Alromaizan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11

(B) Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed by the Board of Directors and comprises of 4 members. The Committee is responsible for developing policies for the nomination and remuneration of the members of the Board of Directors, its Committees, and senior Executives in accordance with relevant instructions of the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA). The Committee is also responsible for overseeing and following up the implementation of rewards and incentives for the Bank's staff in such a manner that guarantees protection of the interests of Shareholders, investors, and other Stakeholders. Such rewards and incentives are in line with instructions of regulatory and supervisory authorities. The Committee held 8 meetings during 2023, which were attended by members as shown in the table below:

Member name	Meeting date – 2023								Total
	Jan 04	Jan 25	Feb 27	May 17	Jun 01	Jun 20	Sep 06	Dec 19	
Dr. Saud Mohammed Al-Nimir (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	8
Dr. Abdulmalek Abdullah Al-Hogail	✓	✓	✓	✓	✓	✓	✓	✓	8
Saad Abdulaziz Alkroud	✓	✓	✓	✓	x	x	✓	✓	6
Mohammed Abdulrahman Bindayel	✓	✓	✓	x	✓	✓	✓	✓	7

(C) Audit Committee

The Audit Committee is the internal control mechanism that independently assures the Bank's adherence to all regulatory, accounting, and fiscal requirements, while also coordinating with external auditors to ensure their independence. The Committee is composed of 5 Independent members and a total of 7 meetings were held in 2023, which were attended by members as shown in the table below:

Member name	Meeting date – 2023							Total
	Jan 31	Feb 14	Apr 18	Jul 23	Sep 11	Oct 23	Dec 12	
Abdulrahman Mohammed Ramzi Addas (Chairman)	✓	✓	✓	✓	✓	✓	✓	7
Haitham Rashid Al-Sheikhmubarak	✓	✓	✓	✓	✓	✓	✓	7
Dr. Saad Saleh Al-Rowaite	✓	✓	✓	✓	✓	✓	✓	7
Maher Saad Al-Aiyadhi	✓	✓	✓	✓	✓	✓	✓	7
Othman Mohammed Al-Tuwajri	✓	✓	✓	✓	✓	✓	✓	7

Board of Directors report (continued)

(D) Risk Committee

The Risk Committee was formed to assist the Board of Directors in overseeing the enterprise risk management process and to discharge other related responsibilities, such as ensuring the development of strategies and comprehensive policies for risk management that are in line with the nature and volume of the Bank's activities; taking into account cyber and technical risks, and verifying the implementation, review, and update of the same based on internal and external changes; ensuring that an acceptable risk appetite is set and maintained by the Bank and submitting a recommendation of the same to the Board. The Risk Management Committee is composed of 5 members and a total of 5 meetings were held in 2023, which were attended by members as shown below:

Member name	Meeting date – 2023					Total
	Feb 02	May 07	Jul 17	Nov 05	Dec 24	
Haitham Rashid Al-Sheikhmubarak (Chairman)	✓	✓	✓	✓	✓	5
Abdullah Abdulaziz Alromaizan	✓	✓	✓	✓	✓	5
Ahmed Abdullah Alsheikh	✓	✓	✓	✓	✓	5
Anees Ahmed Moumina	✓	✓	✓	✓	✓	5
Mohammed Awad Almalki*	✓	✓	✓	✓	✓	5

* Mohammed Awad Almalki was appointed as a non-Board Member of the Risk Committee effective from January 10, 2023.

(E) Shariah Committee

Alinma Bank is committed to conduct its business in compliance with Shariah. Article (49) of the Articles of Association stipulates "The business of the company shall be governed by Shariah provisions and controls". The Shariah Committee is responsible for considering all Bank transactions, contracts, agreements, forms, documents, etc., and issuing the necessary decisions or directives in this regard. The Committee contributes towards the innovation and development of products in light of the provisions of Islamic Shariah for various Bank departments and is responsible for monitoring the Bank's compliance with the provisions of Islamic Shariah in all its activities and transactions, and ensuring that the Committee's decisions are properly implemented. The Shariah Committee is composed of 4 members, all of whom are specialized in the jurisprudence of Islamic finance and economics. The Committee held 28 meetings during 2023, as shown in the following table:

Meeting date – 2023	Dr. Abdullah Wikayyil Al-Sheikh (Chairman)*	Dr. Abdulrahman Saleh Al-Atram**	Dr. Suleiman Turkey Al-Turkey	Dr. Khalid Abdulrahman Almohana***
1. January 18	✓	✓	✓	✓
2. January 25	✓	✓	✓	✓
3. February 01	✓	✓	✓	✓
4. February 15	✓	✓	✓	✓
5. February 20	✓	✓	✓	✓
6. March 01	✓	✓	✓	✓
7. March 29	✓	✓	✓	✓
8. April 03	✓	✓	✓	✓
9. April 11	✓	✓	✓	✓

	Meeting date – 2023	Dr. Abdullah Wikayyil Al-Sheikh (Chairman)*	Dr. Abdulrahman Saleh Al-Atram**	Dr. Suleiman Turkey Al-Turkey	Dr. Khalid Abdulrahman Almohana***
10.	May 03	✓	✓	✓	✓
11.	May 17	✓	✓	✓	✓
12.	May 31	✓	✓	✓	✓
13.	June 13	✓	✓	✓	✓
14.	August 01	✓	✓	✓	✓
15.	August 16	✓	✓	✓	✓
16.	August 23	✓	✓	✓	✓
17.	August 29	✓	✓	✓	✓
18.	August 31	✓	✓	✓	✓
19.	September 06	✓	✓	✓	✓
20.	September 13	✓	✓	✓	✓
21.	October 04	✓	✓	✓	✓
22.	October 18	✓	✓	✓	✓
23.	October 25	✓	✓	✓	✓
24.	November 28	✓	✓	✓	✓
25.	December 05	✓	✓	✓	✓
26.	December 06	✓	✓	✓	✓
27.	December 21	✓	✓	✓	✓
28.	December 27	✓	✓	✓	✓
	Total	28	28	28	28

* Dr. Abdullah Wikayyil Al-Sheikh was appointed as the Chairman of the Shariah Committee, from Vice Chairman of the Shariah Committee, effective from July 4, 2023.

** Dr. Abdulrahman Saleh Al-Atram was appointed as Vice Chairman of the Shariah Committee, from Chairman of the Shariah Committee, effective from July 4, 2023.

*** Dr. Khalid Abdulrahman Almohana was appointed as a member of the Shariah Committee, effective from January 1, 2023.

Board of Directors report (continued)

(F) Governance and Sustainability Committee

Formed in 2022, the Committee's core function is to assist the Board in monitoring the general framework of governance across Alinma Bank, studying the topics presented by the Executive Management, and ensuring all tools required for sound governance including policies, procedures, and manuals are reviewed, updated, and are in compliance with regulatory requirements and best practices within the Bank's operational parameters. The 4 member Committee held 6 meetings during 2023, which were attended by members as shown below:

Member name	Meeting date – 2023						Total
	Feb 08	Feb 21	Mar 21	Jun 07	Sep 12	Dec 29	
Saad Abdulaziz Alkroud (Chairman)	✓	✓	✓	✓	✓	✓	6
Dr. Saud Mohammed Al-Nimir	✓	✓	✓	✓	✓	✓	6
Ahmed Abdullah Alsheikh	✓	✓	✓	✓	✓	✓	6
Dina Hassan Alnahdi*	✓	✓	✓	✓	✓	✓	6

*Dina Hassan Alnahdi was appointed as a non-Board Member of the Governance and Sustainability Committee, effective from January 1, 2023.

Methods adopted by the Board to assess its performance, the performance of its Committees, and Members

The Board of Directors conducted an internal assessment of the Board, its members, and its Committees to assess the performance of the Board, its members, and Committees during the reporting period, and review their effectiveness.

Training and development for Board Members, Committee Members, Senior Executives, and Bank employees

Alinma Bank provides all members of the Board of Directors and members of the Committees with continuous training and development opportunities year after year. This proactive approach reflects Alinma Bank's desire to develop its leadership and governance, and all other areas in general. This ensures that it continues to remain at the forefront of banking standards.

The Bank has a comprehensive human capital policy that includes a dedicated training and development policy focusing on defining the education and development strategy, implementation stages, and identification mechanisms through:

- Continuous development of the skills of the Bank's employees to empower them to deliver high-performance levels to contribute to achieving the Bank's strategic objectives.
- Supporting the Bank's growth through the implementation of its succession and localization plans through various specialized training and development programs.
- Contributing to the implementation of the Bank's social responsibility policy (cooperative training, summer training, etc.).
- Optimal utilization of resources through building strategic partnerships with education and development service providers with a high level of professionalism and expertise.

The policy also includes:

- Gathering and analyzing training and development needs.
- Building an education and development plan.
- Preparing the education and development budget.
- Preparing education and development schedules.
- Selecting training service providers.
- Implementing education and development.
- Evaluating the effectiveness of education and development.
- Internal training facilitator.

Succession planning

The aim of succession planning is to identify strategic and sensitive positions within the Bank, nominate qualified leaders to fill these positions, and develop plans to ensure their readiness, thereby achieving the Bank's objectives.

The succession planning policy includes:

- Periodic study of succession planning, defining criteria and guidelines to identify strategic and sensitive positions, which are of utmost importance within the Bank, for approval by the CEO.
- Reviewing and monitoring development plans for candidates for sensitive positions, ensuring the suitability of candidates for these positions.
- Reviewing and updating competencies for strategic and sensitive positions.
- Monitoring the career paths of leaders and supervisors included in the succession plan to ensure the availability of an alternative for every strategic and sensitive position within the Bank at any given time.

Board of Directors report (continued)

Remuneration of Board Members, Committee Members, and Executive Management

Alinma Bank strictly adheres to the provisions of the Companies Law and instructions issued by the supervisory bodies for the banking sector in the Kingdom, when demarcating remuneration of the Board of Directors. Compensation policies determine the compensation of employees and senior Executives in accordance with their respective contracts and the policies and resolutions approved by the Board of Directors in this regard, in light of the relevant rules and regulations.

(A) Board Member remuneration

Members of the Board of Directors	Fixed remunerations						Variable remunerations							***Grand total	
	*Specific Amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial, and consultative work	Remunerations of the Chairman, Managing Director, or Secretary, if a member	Total (SAR)	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total (SAR)		End-of-service award
First: Independent Directors															
Dr. Abdulmalek Abdullah Al-Hogail**	750,000	35,000	95,000	-	-	3,000,000	3,880,000	-	-	-	-	-	-	-	3,880,000
Dr. Saud Mohammed Al-Nimir	750,000	35,000	70,000	-	-	-	855,000	-	-	-	-	-	-	-	855,000
Abdulrahman Mohammed Ramzi Addas	750,000	35,000	90,000	-	-	-	875,000	-	-	-	-	-	-	-	875,000
Haitham Rashid Al-Sheikhmubarak	750,000	35,000	60,000	-	-	-	845,000	-	-	-	-	-	-	-	845,000
Ahmed Abdullah Alsheikh	750,000	35,000	55,000	-	-	-	840,000	-	-	-	-	-	-	-	840,000
Abdullah Abdulaziz Alromaizan	750,000	35,000	80,000	-	-	-	865,000	-	-	-	-	-	-	-	865,000
Total	4,500,000	210,000	450,000	-	-	3,000,000	8,160,000	-	-	-	-	-	-	-	8,160,000
Second: Non-Executive Directors															
Saad Abdulaziz Alkroud	750,000	35,000	60,000	-	-	-	845,000	-	-	-	-	-	-	-	845,000
Anees Ahmed Mومina	750,000	35,000	80,000	-	-	-	865,000	-	-	-	-	-	-	-	865,000
Mohammed Abdulrahman Bindayel	750,000	35,000	90,000	-	-	-	875,000	-	-	-	-	-	-	-	875,000
Total	2,250,000	105,000	230,000	-	-	-	2,585,000	-	-	-	-	-	-	-	2,585,000
Grand Total	6,750,000	315,000	680,000	-	-	3,000,000	10,745,000	-	-	-	-	-	-	-	10,745,000

* This specific amount includes annual remuneration for membership of the Board of Directors and fixed remunerations for membership of Committees in accordance with the section 5.1 of the "Remunerations and Allowances Policy for members of the Board of Directors, Committees, Secretariat, and Executive Management".

** Special reward for the Chairman of the Board of Directors, in accordance with section 5.7 of the "Remunerations and Allowances Policy for members of the Board of Directors, Committees, Secretariat, and Executive Management".

***The change in the maximum limit for remuneration for members of the Board of Directors came in accordance with the applicable regulations and instructions and the remuneration policy and allowances for members of the Board of Directors, its Committees, the Secretariat, and the Executive Management approved by the General Assembly.

(B) Committee Member remuneration

*Remuneration for Committee Members (within the Board) is included in the Board Member remuneration stated in clause (A) on the opposite page.

Audit Committee Member	Fixed remuneration (except for the allowance for attending Committee meetings)	Committee meeting allowance	Total (SAR)
Abdulrahman Mohammed Ramzi Addas	150,000	35,000	185,000
Maher Saad Al-Aiyadhi	150,000	35,000	185,000
Haitham Rashid Al-Sheikhmubarak	150,000	35,000	185,000
Othman Mohammed Al-Tuwaijri	150,000	35,000	185,000
Dr. Saad Saleh Al-Rowaite	150,000	35,000	185,000
Total	750,000	175,000	925,000

Nomination and Remuneration Committee Member	Fixed remuneration (except for the allowance for attending Committee meetings)	Committee meeting allowance	Total (SAR)
Dr. Saud Mohammed Al-Nimir	150,000	40,000	190,000
Dr. Abdulmalek Abdullah Al-Hogail	150,000	40,000	190,000
Saad Abdulaziz Alkroud	150,000	30,000	180,000
Mohammed Abdulrahman Bindayel	150,000	35,000	185,000
Total	600,000	145,000	745,000

Risk Committee Member	Fixed remuneration (except for the allowance for attending Committee meetings)	Committee meeting allowance	Total (SAR)
Haitham Rashid Al-Sheikhmubarak	150,000	25,000	175,000
Ahmed Abdullah Alsheikh	150,000	25,000	175,000
Anees Ahmed Moumina	150,000	25,000	175,000
Abdullah Abdulaziz Alromaizan	150,000	25,000	175,000
Mohammed Awad Almalki*	146,250	25,000	171,250
Total	746,250	125,000	871,250

* Membership on the Risk Committee started on January 10, 2023.

Board of Directors report (continued)

Executive Committee Member	Fixed remuneration (except for the allowance for attending Committee meetings)	Committee meeting allowance	Total (SAR)
Dr. Abdulmalek Abdullah Al-Hogail	150,000	55,000	205,000
Mohammed Abdulrahman Bindayel	150,000	55,000	205,000
Anees Ahmed Moumina	150,000	55,000	205,000
Abdullah Abdulaziz Alromaizan	150,000	55,000	205,000
Abdulrahman Mohammed Ramzi Addas	150,000	55,000	205,000
Total	750,000	275,000	1,025,000

Governance and Sustainability Committee Member	Fixed remuneration (except for the allowance for attending Committee meetings)	Committee meeting allowance	Total (SAR)
Saad Abdulaziz Alkroud	150,000	30,000	180,000
Dr. Saud Mohammed Al-Nimir	150,000	30,000	180,000
Ahmed Abdullah Alsheikh	150,000	30,000	180,000
Dina Hassan Alnahdi*	150,000	30,000	180,000
Total	600,000	120,000	720,000

* Membership on the Governance and Sustainability Committee started on January 1, 2023.

Shariah Committee Member	Fixed remuneration (except for the allowance for attending Committee meetings)	Committee meeting allowance	Total (SAR)
Dr. Abdulrahman Saleh Al-Atram	300,000	140,000	440,000
Dr. Abdullah Wikayyil Al-Sheikh	300,000	140,000	440,000
Dr. Sulaiman Turkey Al-Turkey	300,000	140,000	440,000
Dr. Khalid Abdulrahman Almohana*	300,000	140,000	440,000
Total	1,200,000	560,000	1,760,000

* Membership on the Shariah Committee started on January 1, 2023.

(C) Senior Executive remuneration

Top 6 senior Executives who received the highest remuneration and compensation, including the CEO and CFO.

	Fixed remuneration				Variable remuneration								Grand total (SAR)
	Salaries	Allowances	In-kind benefits	Total (SAR)	Periodic remuneration	Profit	Short-term incentive plans	Long-term incentive plans	Granted shares	Total (SAR)	End of service benefits	Total remuneration of Executives on the Board, if any	
Total	13,380,730	6,960,382	-	20,341,112	13,050,000	-	-	380,053	4,795,698	18,225,751	1,376,687	-	39,943,550

Any punishment, penalty, precautionary procedure, or preventive measure imposed on the Bank by any supervisory, regulatory, or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future

In exercising its day-to-day operations, the Bank applies all banking and regulatory rules issued by supervisory authorities. The Bank is keen to reduce violations and, if they do occur, take the necessary and immediate corrective action.

First/Saudi Central Bank (SAMA):

The following table shows fines imposed on the Bank during the preceding financial year 2022 and the current year 2023:

Violation	Financial year 2022		Financial year 2023	
	Number of penalties	Total amount (SAR)	Number of penalties	Total amount (SAR)
Violation of SAMA supervisory directives	17	10,383,835	11	8,532,300.00
Violation of SAMA directives related to customer protection	-	-	1	20,000.00
Violation of SAMA directives related to conducting due diligence	-	-	1	1,907,000.00
Violation of SAMA directives related to ATMs and POS performance level	-	-	-	-
Violation of SAMA directives related to conducting due diligence with respect to anti- money laundering and terrorism financing	-	-	1	150,000.00
Total	17	10,383,835	14	10,609,300.00

Second/Ministry of Municipal and Rural Affairs and Housing:

The entity that imposed the fine	Reasons for imposing the fine	The corrective plan	Total amount
Municipality of Riyadh	Failure to comply with legislation regarding ATM rebound	The regulations regarding ATM setback have been updated by the Municipality, and the Bank will strive to comply with the updated regulations	SAR 863,500.00
Municipality of Riyadh	The presence of a hole in the ATM entry path	The issue has been addressed by the maintenance company. The company has been alerted to the necessity of monthly maintenance and follow-up for ATMs, providing the Bank with a monthly report, and notifying the Bank immediately in case of any observations on the ATM pathway	
Municipality of Jeddah	Absence of a renovation license for one of the branches for the project of adding self-service facilities to the branch	Ensuring the issuance of a renovation permit for any branch of the Bank before commencing renovation works	
Municipality of Riyadh	Advertisement stickers inside ATM rooms and advertisement stickers on the metal cover of ATM machines and construction rooms, totaling 187 ATMs Absence of a pathway and deduction from parking space for 17 ATMs, and lack of available capacity for 76 ATMs	The Bank will strive to comply with regulatory requirements and legislation	

Board of Directors report (continued)

Results of annual review of the effectiveness of the internal control procedure and the opinion of the Audit Committee with respect to the adequacy of the Bank's internal control system

The Bank adopts and bases its internal control framework on the three lines of defense model. Business departments and divisions function as a first line, as their activities take into account the laws and regulations issued by the regulatory authorities. The Compliance Division, Risk Division, and Finance Division represent the second line, which provides oversight, assessment, and monitoring of the risk management activities carried out in daily transactions, credit operations, and information security. Departments and divisions, both in the first and second lines, submit periodic reports to the Management's internal committees and the Board's committees to ensure the Bank meets the regulatory requirements and achieves the business objectives.

The Internal Audit Division represents the third line and conducts tests and necessary reviews for all of the Bank's divisions, based on the Audit Committee's approved risk-based plan. The Internal Audit Division affirms its organizational and functional independence within the Bank, which enables it to carry out tasks and responsibilities effectively without any due influence.

Based on the responsibility of the Bank's Management in terms of preparing a comprehensive and effective system for internal controls, to achieve the approved objectives of the Bank, an internal control system has been developed that suits the Bank's activities and takes into account the relative importance of financial and other risks inherent to these activities. An internal control system has been designed to manage and control risks in a timely manner. This provides a reasonable amount of continuous control and early detection and handling of potential risks.

The internal control system is based on the vision and assessment of the Bank's Management to put in place a control system commensurate with the relative importance of financial and other risks inherent to the Bank's activities, with a reasonable cost and benefit in order to achieve specific controls. The internal control system has been designed to mitigate risks in order to achieve specific objectives. It is therefore designed to give reasonable assurances to avoid material errors and relevant losses.

The Audit Committee periodically reviews the reports prepared by internal and external auditors. These reports include an assessment of the adequacy and effectiveness of internal controls currently in place.

Based on the aforementioned, we believe that the Bank has a reasonably adequate and effective internal control system in terms of design and implementation. During 2023, there were no material observations relating to the effectiveness of the internal control system and procedures in the Bank.

Bank's social contributions

During the year 2023, the Bank implemented several social contributions, activities, and initiatives as follows:

- The Bank has allocated SAR 1 Mn. to support the national campaign for charitable and humanitarian work (Ihsan), dedicated to charitable and social activities. The campaign was launched under the gracious patronage of our Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud.
- Providing support to the Friends of The Football Players Charity with the aim of empowering the children and families of former players in various empowerment areas such as education and small-scale projects.
- Providing educational grants worth SAR 5 Mn. for children from low-income families as part of the Bank's strategic direction towards achieving financial inclusion. The program includes skills empowerment and guidance for children from these families during their educational journey to prepare them for future careers, thereby empowering them to positively impact their living conditions and the surrounding community.
- Supporting a financial portfolio for micro-enterprises with SAR 5 Mn., aimed at empowering over 286 productive families as part of the Bank's strategic direction towards achieving financial inclusion.
- Sponsoring and supporting the International Exhibition for Talented Individuals in Engineering and Mathematics (ISEF), in which the Kingdom of Saudi Arabia owns 35 seats. Talented individuals achieved impressive results in the 2023 edition of the exhibition.

The General Assembly Meeting dates during the last fiscal year and names of the Board Members who attended

The Ordinary General Assembly Meeting was held on April 30, 2023 and attendance at the meeting is reflected below:

Member name	Attendance record
Dr. Abdulmalek Abdullah Al-Hogail (Chairman)	✓
Saad Abdulaziz Alkroud (Vice Chairman)	✗
Abdullah Abdulaziz Alromaizan	✗
Ahmed Abdullah Alsheikh	✓
Haitham Rashid Al-Sheikhmubarak	✓
Mohammed Abdulrahman Bindayel	✓
Dr. Saud Mohammed Al-Nimir	✓
Abdulrahman Mohammed Ramzi Addas	✓
Anis Ahmed Muminah	✓

Names of the preliminary committees of the Presidents of the General Assembly or its designated members	Attendance record
Dr. Abdulmalek Abdullah Al-Hogail (Chairman of the Executive Committee)	✓
Haitham Rashid Al-Sheikhmubarak (Chairman of the Risk Committee)	✓
Dr. Saud Mohammed Al-Nimir (Chairman of the Nomination and Remuneration Committee)	✓
Abdulrahman Mohammed Ramzi Addas (Chairman of the Audit Committee)	✓
Dr. Abdulrahman Saleh Al-Atram (Chairman of the Shariah Committee)	✓

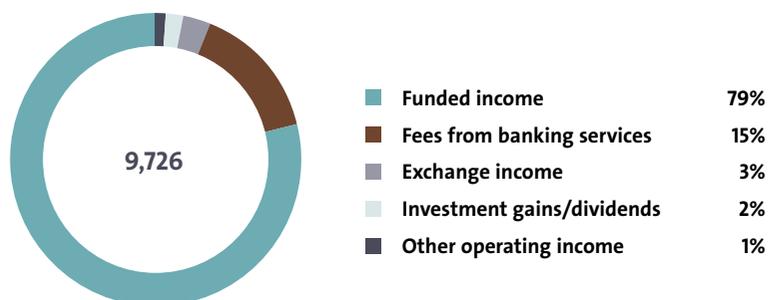
A description of the main scope of business of the Bank and its affiliates and a statement of each activity and how it affects the Bank's businesses and results

The primary activity of Alinma Bank, as a banking institution, lies in providing a comprehensive range of banking services that are Shariah compliant. The Bank is committed to understanding and meeting the needs of its customers, while maintaining a distinctive competitive edge in the market. These services are delivered through 108 branches, supported by multiple digital platforms employing the latest technologies, as well as a professional human workforce with high levels of efficiency and training. Accessible channels include the Bank's website (www.alinma.com), the Alinma Bank application, phone services, and email. Additionally, the Bank has an expanding network comprising 1,504 ATMs spread across the Kingdom of Saudi Arabia. Throughout the provision of these services, the Bank is dedicated to aligning with the objectives of Saudi Vision 2030, aimed at reducing unemployment rates, empowering women, and providing financial resources for all.

Board of Directors report (continued)

The chart below reflects the activities of the Bank, and their share of contribution to the Bank's gross revenue:

Operating Income Composition (SAR Mn.)



Future plans

The Bank will continue to enhance its ambitious plans through the introduction of more Shariah compliant products and services. With investments in the latest technology and a focus on digital banking, the aim is to increase the customer base of individuals and corporates and increase the financing portfolio and customer deposits.

The Bank will continue its efforts related to operational quality, speed of procedures, and continuous improvement of the customer experience to enhance customer satisfaction levels. The Bank will also continue to focus on sustainability and social responsibility, implementing relevant initiatives in these areas.

In order to keep pace with the changing banking environment, in 2021 Alinma Bank prepared an ambitious and detailed strategy for the years 2021 to 2025 and has achieved 81% of the initiatives proposed.

Information on any risks facing the Bank and the policy of managing and monitoring these risks

During the normal course of business, the Bank is exposed to various risks. Systems and procedures are in place in Alinma Bank to identify, control, and report the major risks that could be encountered by the Bank. The major risk types that might be encountered by the Bank are as follows:

(A) Operational risk

Operational risks represent risks that occur as a result of human errors or errors in the systems used by the Bank's operations, or due to a lack of clarity or non-compliance with operational controls related to internal procedures. These risks can lead to negative impacts, financial losses, and other hazards that may directly affect the continuity of business operations.

Within this context, operational risk management aims to apply the required level of methodologies for dealing with operational risks and ensures the implementation of internal controls to mitigate the damage caused by these risks to the Bank and its strategic objectives. Operational risk management also emphasizes the presence of an effective approach followed by the Bank's departments to identify operational risks related to each department area and to determine appropriate corrective plans. This enables departments to achieve their goals more effectively.

The operational risk management framework includes continuous coordination with all Bank departments to verify the effectiveness of the mechanism for dealing with operational risks and the effectiveness of the controls implemented to mitigate their impact.

(B) Credit risk

Credit risk is the risk that a counterparty may fail to meet its obligations towards the Bank and, therefore, could result in a financial loss for the Bank, making it the major risk faced by the Bank. Alinma Bank actively manages its credit risk exposure through the establishment of credit risk policies and procedures which provide guidance on target market, risk acceptance criteria, minimum disclosure from customers, review and approval process, concentration limits, in addition to day-to-day account management. To ensure the integrity of the credit check, the Bank formed an independent risk management group whose task is to implement and follow up the credit risk policy, credit operations, and related documents after approval. Additionally, the Group is responsible for following up on any credit problems that may arise in customer's finances.

(C) Market risk

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors market risks, including liquidity risk of the Bank.

(D) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, the Bank's Management has diversified funding sources, and assets are managed with liquidity taken into consideration, maintaining an adequate balance of cash and cash equivalents. Exposure to the above-mentioned risks is monitored by the Board of Directors and other Management committees. The Board of Directors has also constituted a Risk Committee to assist it in overseeing the liquidity risk management process and to discharge related responsibilities.

(E) Mitigating risks through insurance coverage

The Bank currently has insurance policies covering potential risks that may arise from damages to assets, including property insurance covering all risks, as well as insurance documents covering internal fraud and embezzlement operations. Additionally, the Bank has an insurance policy covering the lives of Board Members and employees, as well as liability insurance towards third parties. Furthermore, the Bank has a credit life insurance program covering the debts of borrowers in the mortgage portfolio

Assets, liabilities, and results of the last 5 fiscal years

Operating results	SAR (Mn.)				
	2023	2022	2021	2020	2019
Income from investment and financing, net	7,655	6,066	5,140	4,648	4,323
Fee, exchange, and other income	2,071	1,897	1,519	1,034	1,287
Total operating income	9,726	7,963	6,660	5,682	5,610
Operating expenses*	(3,032)	(2,761)	(2,372)	(2,062)	(2,087)
Net income before provisions	6,694	5,202	4,288	3,620	3,523
Provision for financing and other assets	(1,299)	(1,189)	(1,266)	(1,418)	(706)
Net income before Zakat	5,395	4,013	3,022	2,202	2,816
Zakat	(556)	(414)	(312)	(236)	(282)
Net income after Zakat	4,839	3,599	2,709	1,966	2,535

*Share on profit and loss from associates and joint ventures is included

Board of Directors report (continued)

All major banking activities of Alinma Bank showed positive growth during 2023, with total assets rising from SAR 200,436 Mn. in 2022 to SAR 236,715 Mn. in 2023, an increase of 18%. Likewise, the finance portfolio increased by 18.5% to SAR 173,624 Mn. as at December 31, 2023, compared to SAR 146,492 Mn. in 2022.

Financial position	SAR (Mn.)				
	2023	2022	2021	2020	2019
Financing, net	173,624	146,492	126,271	111,196	94,801
Investments	43,236	38,529	33,278	29,526	23,478
Total assets	236,715	200,436	173,476	156,877	131,839
Customers' deposits	187,901	145,168	121,061	119,454	102,063
Total liabilities	202,381	168,560	142,765	132,448	109,395
Shareholders' equity	34,334	31,876	30,711	24,429	22,445

Geographical analysis of the Bank and its subsidiaries revenues

Almost the entire revenue recorded by Alinma Bank for the 2023 fiscal year was derived from banking activities carried out across the Kingdom of Saudi Arabia. The Bank's business locations are divided into 5 regions. The following table shows the Bank's total operating income allocation across these regions during 2023.

Total revenues	SAR (Mn.)					Total
	Western region	Eastern region	Northern region	Southern region	Central region	
Financial year ended December 31, 2023	1,007	1,161	134	158	7,266	9,726
Financial year ended December 31, 2022	653	589	105	108	6,508	7,963

Any material differences in the results compared to the previous year's results, along with any expectations announced by the Bank

Description	SAR (Mn.)			
	2023	2022	Changes (+) (-)	Percentage change
Income from investment and financing, net	7,655	6,066	1,589	26.2%
Fee, exchange, and other income	2,071	1,897	174	9.2%
Total operating income	9,726	7,963	1,763	22.2%
Operating expenses*	(3,032)	(2,761)	(271)	9.8%
Net income before provisions	6,694	5,202	1,492	28.7%
Provision for financing and other assets	(1,299)	(1,189)	(110)	9.3%
Net income after Zakat	4,839	3,599	1,240	34.5%

*Share on profit and loss from associates and joint ventures is included.

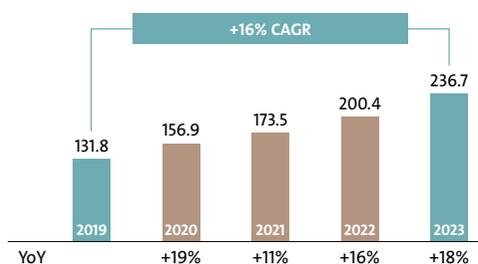
Adhering to the approved accounting standards set by the Saudi Organization for Chartered and Professional Accountants (SOCPA)

The Bank follows, in the preparation of its consolidated financial statements, the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia, as well as the regulations, standards, and other issuances issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), in accordance with the Banking Control Law, Companies Law applicable in the Kingdom of Saudi Arabia, and the Bank's bylaws. Additionally, the accounting policies applied in preparing the Bank's consolidated financial statements as of December 31, 2023, are in line with those applied in preparing the consolidated financial statements for the year ended December 31, 2022, except for the application of some amendments to the International Financial Reporting Standards that became mandatory for application in the annual financial reporting periods beginning on or after January 1, 2023. There is no material impact on the Bank's consolidated financial statements as a result of applying these amendments.

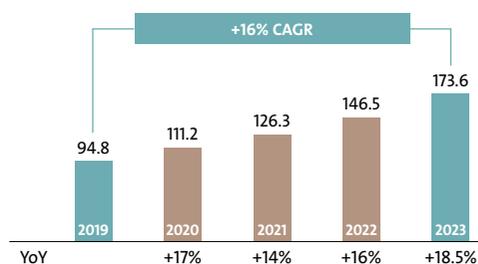
Board of Directors report (continued)

Financial results

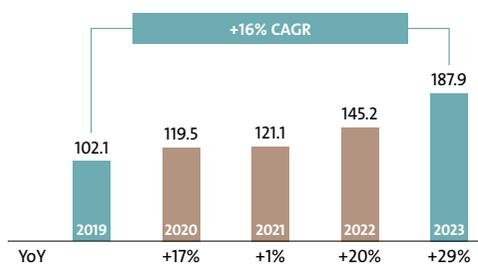
Total assets (SAR Bn.)



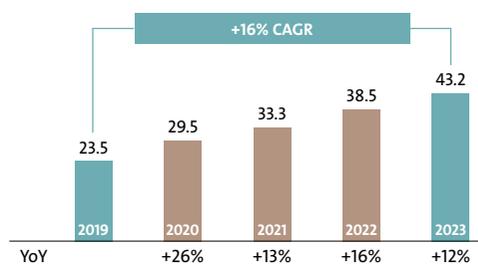
Financing (SAR Bn.)



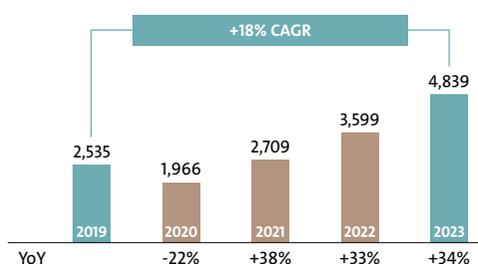
Customers' deposits (SAR Bn.)



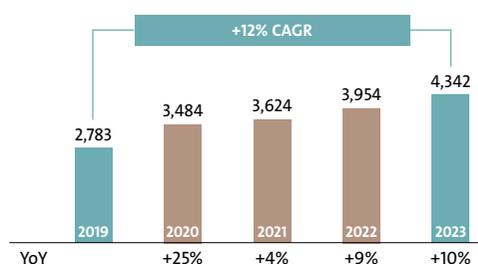
Investments (SAR Bn.)



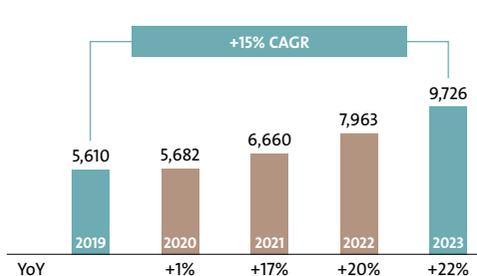
Net income (SAR Mn.)



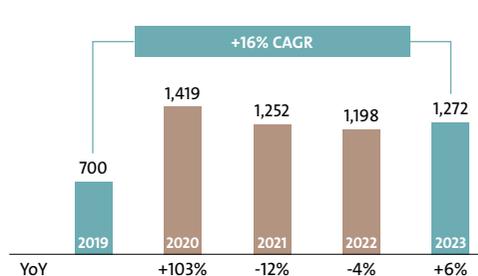
Total operating expenses (SAR Mn.)



Total operating income (SAR Mn.)



Impairments for financing (SAR Mn.)



The subsidiary companies of the Bank

Alinma Bank owns 5 subsidiary companies conducting different business activities. Following are the corporate details of its subsidiaries:

Subsidiary	Capital	Bank's ownership percentage	Main scope of business	Country of operation	Country of Establishment
Alinma Investment Company (Closed Joint Stock Company)	Authorized: SAR 1,000 Mn. Paid up: SAR 500 Mn.	100%	Dealing as principal and agent, undertaking coverage and management, arranging, providing advice, and filing in securities business	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (Limited Liability Company)	SAR 100,000	100%	Facilitates mortgage financing and to hold, on behalf of the Bank, the titles to real-estate owned/pledged as collateral against financing extended by the Bank	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fintech Company (Closed Joint Stock Company)	SAR 100 Mn.	100%	Providing digital financial products and services in cooperation with banks, together with the digital financial platforms and engaging in the banking agency activities to provide the e-commerce payment services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Isnad Company (Limited Liability Company)	SAR 500,000	100%	Providing outsourced staff to the Bank (customer services, management support, technical support)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma SPV Limited	USD 50,000	100%	Executing financial derivatives transactions and repurchasing agreements with international banks	Kingdom of Saudi Arabia	The Cayman Islands

In addition to the above-mentioned subsidiaries, the Bank has effective control over the funds listed below. The financial statements of these funds are consolidated with those of the Bank:

Investment fund	Purposes	Net assets	Percentage of ownership	Country of Establishment	Principal place of business
Alinma Sukuk Fund	To invest in a basket of local sovereign Sukuks issued by the Kingdom of Saudi Arabia	SAR 429 Mn.	92.2%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma IPO Fund	To achieve capital appreciation over the long-term by investing mainly in Saudi joint stock companies	SAR 195 Mn.	69.2%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Dhahban Real Estate Fund	To achieve medium-term capital growth through direct investment in the real estate sector in the city of Jeddah	SAR 616 Mn.	99.8%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma Fund for Private Equity Investments	To distribute cash returns and/or achieve capital growth through investments in a private company	SAR 224 Mn.	99.9%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Board of Directors report (continued)

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

The below table summarizes the operational activities and gross revenues of the subsidiary companies together with their contributions to the Bank's results:

	Activity's profit (SAR Mn.)	Percentage
Fund Management	451	44%
Investment Banking and Brokerage	155	15%
Others	429	41%
Total Operating Income	1,035	100%

Details of shares and debt instruments issued by each subsidiary company

Name of subsidiary company	Shares		Debt instruments	
	Number of shares	Bank's ownership %	Number of debt instruments	Bank's ownership
Alinma Investment Company	50,000,000	100%	–	–
Saudi Fintech Company	10,000,000	100%	–	–
Isnad Company	50,000	100%	–	–
Tanweer Real Estate Company	10,000	100%	–	–
Alinma SPV Limited	50,000	100%	–	–

Dividends distribution policy

Annual or interim (semi-annual, quarterly) net profits of the company shall be distributed after deducting general expenses and other costs and forming necessary reserves against bad debts, investment losses, and contingent liabilities in line with the Banking Control Law and SAMA's instructions. The Bank also aims to distribute quarterly dividends of no less than 50% of the Bank's annual profits, bearing in mind that dividend distributions may be subject to change based on any substantial or circumstantial changes in the Bank's strategy, future growth opportunities, regulatory or supervisory requirements, as follows:

1. Calculation and payment of the Zakat and tax amounts to the concerned authorities.
2. Transferring no less than 25% of the remaining net profit after the Zakat deduction to the statutory reserve account until it becomes at least equal to the paid-up capital.
3. Allocating (from the remaining profit after deducting the Zakat and reserve amounts) at least 5% of the paid-up capital to be distributed to Shareholders as proposed by the Board of Directors and decided by the General Assembly. If the remaining profit is insufficient to cover this amount (5%), Shareholders shall have no right to claim the payment of the same in the next year/years. The General Assembly shall have no right to distribute profits in excess of the amounts proposed by the Board of Directors.
4. The remaining balance (after allocating the amounts referred to in points 1, 2, and 3) shall be used as proposed by the Board of Directors and decided by the General Assembly.

5. Based on a proposal made by the Board of Directors, the General Assembly may allocate part of the net profit to establish social institutions for the Bank's staff or to assist existing ones.
6. The Board of Directors may distribute interim dividends (semi-annual or quarterly) in accordance with the regulations governing such distribution.
7. Dividends are paid to Shareholders according to the decision of the General Assembly in this regard. The distribution decision specifies the eligibility date and distribution date, and the eligibility shall be for the Shareholders register at the end of the dividend's eligibility date.

Description of any interest in a class of voting shares held by persons (other than the company's Directors, Senior Executives and their relatives) who have notified the company of their holdings pursuant to Article (85) of the Rules on The Offer of Securities and Continuing Obligations, along with any change to such rights during the last fiscal year.

The following table shows major Shareholders of the Bank during the financial year 2023:

Name	Beginning of the year		End of the year	
	Shares	Ownership %	Shares	Ownership %
Public Investment Fund	200,000,000	10%	200,000,000	10%

Due to banks and other financial institutions

Total outstanding funding from the financial sector as of December 31, 2023 amounted to SAR 7,431 Mn., with amounts due for funding maturing by March 2024. The aggregate maximum exposure during 2023 was SAR 7,982 Mn. These borrowings represent short-term interbank deposits for liquidity management purposes, and neither the Bank nor its subsidiaries have any loans maturing upon demand.

Description of the class and number of any convertible debt instruments, contractual securities, preemptive right, or similar rights issued or granted by the Bank during the fiscal year, as well as stating any compensation obtained by the Bank in this regard

The Bank did not issue any convertible debt instruments, contractual securities, preemptive right, or similar rights during the fiscal year ending on December 31, 2023.

Description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants, or similar rights issued or granted by the Bank

Tier 1 Sukuk

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

The applicable profit rate is 4% per annum from date of issue up to 2026 and is subjected to reset every 5 years, as explained in Note (18) of the Bank's consolidated financial statements for the period ending on December 31, 2023.

Description of any redemption, purchase, or cancellation by the Bank of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Bank and those purchased by its subsidiaries

The Bank did not conduct any redemption operations during the fiscal year ending on December 31, 2023.

Board of Directors report (continued)

Description of any interest, contractual securities, and subscription rights of Board Members, Senior Executives, and their relatives in the shares or debt instruments issued by the Bank or any of its subsidiaries and any change therein during the last financial year

Description of all ownership by members of the Board of Directors, their spouses, and children in shares and Sukuks issued by the Bank, or any of its subsidiaries

Name	Beginning of the year		End of the year		Net change	Change %
	No of shares	Sukuk	No. of shares	Sukuk		
1. Dr. Abdulmalek Abdullah Al-Hogail	400,000	3	400,000	3	-	-
2. Saad Abdulaziz Alkroud	-	-	-	-	-	-
3. Anees Ahmed Moumina	14,288	-	14,288	-	-	-
4. Mohammad Abdulrahman Dayel	1,333	-	1,333	-	-	-
5. Ahmed Abdullah Alsheikh	1	-	100,000	-	99,999	100%
6. Abdullah Abdulaziz Alromaizan	-	-	-	-	-	-
7. Abdulrahman Mohammed Ramzi Addas	2,145	-	2,145	-	-	-
8. Dr. Saud Mohammad Al-Nimir	72,840	-	77,390	-	4,550	6.25%
9. Haitham Rashid Al-Sheikhmubarak	50	-	50	-	-	-

Description of all ownership by members of the Executive Management, their spouses, and children in the shares and Sukuks issued by the Bank, or any of its subsidiaries

Name	Beginning of the year		End of the year		Net change	Change%
	No. of shares	Sukuk	No. of shares	Sukuk		
1. Abdullah Ali Al-Khalifa	-	-	51,465	-	51,465	100.0%
2. Meshary Abdulaziz AlJubair	187,723	-	209,561	-	21,838	11.6%
3. Abdullah Jamaan AlZahrani	95,825	-	136,102	-	40,277	42.0%
4. Abdullah Mohammed AlSalamah	70,176	-	70,341	-	165	0.2%
5. Eyad Osama AlOthman	150,000	-	90,000	-	(60,000)	-40.0%
6. Fahad Abdulaziz AlMohaimed	-	-	4,803	-	4,803	100.0%
7. Yaser Abdulaziz AlMarshde	161,814	-	172,189	-	10,375	6.4%
8. Hisham Abdullah AlTuraigi	123	-	100	-	(23)	-18.7%
9. Dr. Mohammed Sultan Alsehali	52,539	-	73,593	-	21,054	40.1%
10. Meshal Hamad Alrabiah	7,000	-	15,695	-	8,695	124.2%

Requests for Shareholder records

The table below lists the number of Bank requests of Shareholder records, dates, and reasons thereof:

	Date of request – 2023	Nature of requests
1.	January 02	Update Shareholder register
2.	February 01	Update Shareholder register
3.	February 13	Update Shareholder register
4.	March 01	Update Shareholder register
5.	April 03	Update Shareholder register
6.	April 30	Meeting of the General Assembly
7.	May 02	Second half 2022 dividends
8.	May 09	Update Shareholder register
9.	May 31	First quarter 2023 dividends
10.	July 05	Update Shareholder register
11.	August 13	Second quarter 2023 dividends
12.	October 03	Update Shareholder register
13.	November 06	Update Shareholder register
14.	November 12	Third quarter 2023 dividends
15.	December 06	Update Shareholder register

Board of Directors report (continued)

A description of any transactions between the Bank and any related party

During its normal course of business, the Bank deals with related parties. Transactions with related parties shall be subject to the ratios stipulated in the Banking Control Law and the instructions of SAMA. The table below shows the balances resulting from transactions with related parties and included in the consolidated financial statements as at December 31, 2023.

	2023 (SAR'000s)	2022 (SAR'000s)
Directors, key Management personnel, major Shareholders, and affiliates		
Financing to key Management personnel	56,022	50,503
Financing to other related parties	1,433,866	935,993
Customers' deposits*	58,959	107,960
Investments in associates and joint ventures	15,637	70,214
Bank's mutual funds		
Investments in mutual funds	953,614	625,708
Investment funds finance	-	-
Deposits from mutual funds	335,531	796,174

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

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

	2023 (SAR'000s)	2022 (SAR'000s)
Income on financing	91,421	20,413
Return on time investments	137,129	3,803
Fee from banking services, net	434,278	378,163
Directors' remuneration	7,870	9,086

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

(B) The total amount of compensation to key Management personnel during the year is as follows:

	2023 (SAR'000s)	2022 (SAR'000s)
Short-term employee benefits	101,839	80,604
End of service benefits	4,254	7,312

Auditors' opinion

The audit report did not include any reservations on any item in the financial statements for the fiscal year ending on December 31, 2023, and the Board of Directors has not made any recommendation to change the external auditors before the end of the specified period.

Statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Bank

Benefits and compensation are paid to employees in accordance with the provisions of the Saudi Labor Law. As at December 31, 2023, the balance due to employees on account of the end of service benefits obligation amounted to SAR 485 Mn. Additionally, the Bank makes monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law.

Information relating to any business or contract to which the Bank is a party and in which a Director of the Bank, a Senior Executive, or any person is related to any of them.

Company name	Work or contract nature	Total paid amount during the year 2023 (SAR)	Work or contract duration	Work or contract conditions	Name of the Director/senior Executive or any person related to any of them
1. Alinma Tokio Marine Company*	Insurance Policy: Banker's blanket bond, Officers and Executive's Liability Insurance, covering all risks related to the Bank's properties, third-party liability insurance, and insurance for ATMs at the airport	6,937,088.04	From June 1, 2023 to May 31, 2024	No preferential terms	<ul style="list-style-type: none"> Abdullah Ali Al-Khalifa (CEO at Alinma Bank) (Non-Executive Member at Alinma Tokio Marine Company) Meshal Hamad Alrabiah (CRO at Alinma Bank) (Risk Committee Member at Alinma Tokio Marine Company)
2. Alinma Tokio Marine Company*	Insurance Policy: Social Protection Insurance	1,639,862.82	From January 1, 2023 to December 31, 2023	No preferential terms	<ul style="list-style-type: none"> Abdullah Ali Al-Khalifa (CEO at Alinma Bank) (Non-Executive Member at Alinma Tokio Marine Company) Meshal Hamad Alrabiah (CRO at Alinma Bank) (Risk Committee Member at Alinma Tokio Marine Company)

*The merger of Alinma Tokio Marine Company into Arabian Shield Cooperative Insurance Company was completed in November 2023.

Board of Directors report (continued)

A description of any arrangement or agreement under which a Director or a senior Executive of the Bank has waived any remuneration

The Bank does not have any information about any arrangement or agreement by virtue of which any Board Members or senior Executives have waived the right to receive any remunerations or compensations.

A description of any arrangement or agreement under which a Shareholder of the Bank has waived any rights to dividends

The Bank does not have any arrangement or agreement by virtue of which any Shareholders have waived the right to receive any dividend from the Bank.

A statement of the value of any paid and outstanding statutory payment on account of any Zakat, taxes, fees, or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor

The following table shows the value of regulatory and outstanding payments for the financial period ended December 31, 2023:

Statement	(SAR Mn.)		Brief description
	Paid amount	Outstanding amount until the end of the annual financial period	
Zakat	413.76	556.32	The amount paid represents the Zakat paid for the year 2022, and the accrued amount represents the Zakat calculated for the financial year 2023 payable in April 2024
Withholding tax	39.21	1.7	The amount paid represents the withholding tax paid for the period from December 2022 to November 2023 and the accrued amount represents the withholding tax for December 2023, payable in January 2024
Value Added Tax	218.51	7	The amount paid represents the VAT paid for the period from December 2022 to November 2023 and the accrued amount represents the VAT for December 2023, payable in January 2024

Board of Directors' declarations

The Bank adheres to the following when preparing the consolidated financial statements:

- A. International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA), collectively referred to as "Adopted Standards in the Kingdom of Saudi Arabia".
- B. Provisions of the Banking Control Law and the Companies Law applicable in the Kingdom of Saudi Arabia and the Bank's bylaws.

C. The Board of Directors affirms the following:

1. The financial statements prepared by the Bank's Management fairly represent its financial position, results of operations, cash flows, and changes in equity.
2. Appropriate accounting policies are consistently applied to the Bank's circumstances when preparing financial statements, as explained in Note (3) of the Bank's consolidated financial statements. Estimates and fundamental judgments are used in preparing the financial statements, as outlined in Note 2(e) of the Bank's consolidated financial statements.
3. The accounting books have been prepared correctly.
4. The internal control system has been established on sound principles and effectively implemented.
5. There is no significant doubt about the Bank's ability to continue its operations.
6. Except for the information provided in Note (35) in the consolidated financial statements, the Bank did not engage in any contracts during the fiscal year 2023 that involves significant interest for any members of the Board of Directors, the CEO, or the CFO, and any related parties.

Information relating to any competing business with the Bank or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses

Member name	Company name	Main business	Business terms
Anees Ahmed Mومina	Dar Al Tamleek	Buying, selling, and owning real estate and land and investing in them, as well managing financing programs for others	There are no preferential terms

Treasury shares, value, and details

The Bank held part of its shares at intervals during 2010 and 2011, with a view to granting them to a specified category of employees who meet relevant terms. Pending the transfer of share ownership, the shares are treated as treasury shares used to finance long-term employee remuneration plans paid on a stock basis, as shown in Note (22) and (17) of the Bank's consolidated financial statements for the period ended December 31, 2023.

In addition to the above, the Extraordinary General Assembly, in its meeting held on April 30, 2023, approved an employee stock grant program. Under this program, 5 million shares of the Bank's stock were purchased as treasury shares to be allocated to the employee shares program. The Bank has completed the purchase of these shares during the current period.

The details of the treasury shares held by the Bank are as follows:

Number of treasury shares held by the Bank as on December 31, 2023	Value (SAR)
12,735,419	225,611,004

Board of Directors report (continued)

Dividend distributions

The following details show the percentages of profits distributed to Shareholders during various periods of the fiscal year 2023.

For the fiscal year 2023	Total distributed amount (SAR)	Number of eligible dividend shares	Share's portion of the distribution (after deducting Zakat)	Distribution percentage to nominal share value (%)	Due date	Distribution date
Second half of 2022	996,095,989	1,992,191,796	0.50	5%	April 30, 2023	May 11, 2023
First quarter of 2023	498,049,786	1,992,199,143	0.25	2.5%	May 29, 2023	June 12, 2023
Second quarter of 2023	596,160,521	1,987,201,737	0.30	3%	August 9, 2023	August 23, 2023
Third quarter of 2023	596,178,596	1,987,261,988	0.30	3%	November 8, 2023	November 22, 2023
Total	2,686,484,801					

*Alinma Bank announced its Board of Directors' decision on December 31, 2023, to recommend to the Extraordinary General Assembly a capital increase to SAR 25 Bn., representing a 25% increase. This will be achieved through the issuance of bonus shares in a 1:4 ratio, capitalizing SAR 5 Bn. from retained earnings.

Disclosures related to micro, small, and medium enterprises

MSMEs shall be defined as follows:

Type of enterprise	Revenues (SAR Mn.)	Staff
Micro enterprise	0 to 3	1 to 5
Small enterprise	< 3 to 40	6 to 49
Medium enterprise	< 40 to 200	50 to 249

The total number of employees in the SME sector in the Bank stood at 42 employees at the end of the fiscal year 2023.

During 2023, the Bank focused on developing the business of the SME sector through:

- Digital transformation to support and finance small and micro enterprises.
- Signing partnership agreements and designing and launching new financing products and programs.
- Improving and developing workflow procedures.

Digital transformation: A digital pathway has been established to keep pace with the escalating developments in financial technology through a digital platform (Iz AlA'mal) to provide various banking services and facilities to qualified small and micro enterprise customers after a fully automated credit assessment. This new direction aims to enhance customer experience and achieve growth in the portfolio of small and micro enterprise financing by establishing sustainable digital financing channels with regulatory measures for risk management, and will be officially launched in the first half of 2024

Partnerships and new financing products and programs: The small and medium-sized enterprises (SMEs) sector succeeded in introducing new products and partnerships in 2023 to meet the diverse needs of micro, small, and medium enterprises across various sectors, including:

- E-commerce financing targeting companies and e-commerce platforms.
- Updating the point of sale financing product by increasing the funding limit to SAR 7.5 Mn.
- Enhancing the collaboration with the General Authority for Small and Medium Enterprises (Monsha'at) by increasing financing opportunities through signing an agreement with the "Tamoh" program.
- Signing an agreement with the General Union of Cars to support and finance transportation companies operating in the Hajj and Umrah sectors.
- Signing an agreement with the "Nesnad" program, a subsidiary of SABIC, to finance promising opportunities in the small and medium-sized enterprises sector.
- Expanding financing for small and medium projects under the umbrella of the Kafalah program through various financing programs.

Improving and developing workflow procedures:

Key improvements in the small and medium enterprises (SMEs) sector that were implemented in 2023 include:

- Launching the first phase of the Credit Limit Order (e-CLO) system, which included financing programs for small and medium enterprises. This system involves studying the customer's requests and granting facilities to corporate sector clients through an integrated system, aimed at expediting business procedures and enhancing customer experience.

	Number of training days
Number of man-days training provided to SMEs staff	353

Board of Directors report (continued)

The following are the main performance indicators of the SME sector during the year 2023 compared to 2022:

	2023 (SAR'000s)			
	Micro enterprise	Small enterprise	Medium enterprise	Total
Small and medium enterprises financing - On balance sheet	1,055,045	2,729,302	4,717,628	8,501,975
Small and medium enterprises financing - Off balance sheet	9,316	166,855	492,137	668,308
SMEs financing as a percentage of total financing - On balance sheet	0.59%	1.53%	2.65%	4.77%
SMEs financing as a percentage of total financing - Off balance sheet	0.03%	0.46%	1.35%	1.84%
Number of financing transactions (On/Off balance sheet)	4,299	1,714	1,258	7,271
Number of financing customers (On/Off balance sheet)	4,206	716	171	5,093
Number of financing transactions guaranteed by the Kafalah program	157	1,091	391	1,639
Total financing amounts guaranteed by the Kafalah program	75,799	850,013	405,534	1,331,346

	2022 (SAR'000s)			
	Micro enterprise	Small enterprise	Medium enterprise	Total
Small and medium enterprises financing - On balance sheet	110,362	1,626,408	2,781,396	4,518,166
Small and medium enterprises financing - Off balance sheet	3,403	104,221	230,722	338,346
SMEs financing as a percentage of total financing - On balance sheet	0.07%	1.08%	1.85%	3.00%
SMEs financing as a percentage of total financing - Off balance sheet	0.01%	0.44%	0.98%	1.48%
Number of financing transactions (On/Off balance sheet)	171	1,092	1,138	2,401
Number of financing customers (On/Off balance sheet)	339	518	176	1,033
Number of financing transactions guaranteed by the Kafalah program	127	712	373	1,212
Total financing amounts guaranteed by the Kafalah program	60,726	561,060	502,239	1,124,025

Kafalah Program

The Bank continued its contribution in supporting micro, small, and medium enterprises through the Kafalah program, where several achievements were made in 2023.

Key achievements of the Kafalah program during 2023:

- The financing amounts under the Kafalah program recorded a growth rate of 18%.
- The number of financing transactions under the Kafalah program increased by a growth rate of 35%.

Acknowledgement

The Alinma Bank Board of Directors greatly appreciates the noteworthy progress made in 2023 in line with the Bank's overarching strategy to be recognized as the fastest and most convenient bank in the Kingdom. This progress included the expansion of product and service offerings powered by the enhancement of digital capabilities and emerging technologies, while maintaining a strong balance sheet. During 2023, Alinma Bank experienced a growth in our customer base and overall operations, which positively impacted the Bank's financial results.

The Board of Directors would like to take this opportunity to thank the Bank's customers and Shareholders for placing their trust in the Bank and its Board. We also wish to thank the Government and regulatory authorities for their guidance, support, and cooperation.

Most importantly, appreciation is also extended to Alinma Bank's employees, for their sincere and diligent efforts in working towards the Bank's goals.

Lastly, the Board of Directors and all employees of the Bank express their gratitude and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and His Highness the Crown Prince Mohammed Bin Salman Bin Abdulaziz Al Saud , Prime Minister, for their tireless service to the Kingdom and its people.

Shariah Committee

Operating within the Shariah governance framework for banks and local banks in the Kingdom ensures adherence to Shariah principles in all transactions, products, and activities of the Bank. Upholding this commitment, the Committee holds the responsibility for verifying the Bank's compliance with Islamic Shariah in its offerings and operations.

Comprising scholars specialized in Islamic financial jurisprudence and economics, the Committee's formation is approved by the Bank's Board of Directors, maintaining independence from all Executive departments. All Bank transactions are subject to the Committee's approval and oversight, and its decisions are binding across all Bank departments and personnel.

Primary objectives

- Defining Shariah terms with respect to all transactions executed by the Bank.
- Verifying all transactions of the Bank are Shariah compliant.
- Supporting the Bank to improve its performance from a Shariah perspective and maintaining its Islamic identity in policies, standards, and procedures.
- Augmenting the Bank's contribution in introducing Islamic banking, and towards its development.

Throughout the year 2023, the Committee convened for 28 meetings, addressing 272 topics. These included discussions on product and service documents, concepts for offerings, revisions to approved documents, Shariah control reports, follow-up on control observations, inquiries from beneficiary groups within the Bank, and other pertinent matters.

The outcomes of the topics presented to the Shariah Committee in 2023 comprised the issuance of 84 resolutions and 276 letters. By the end of 2023, the total count of Shariah resolutions issued by the Bank reached 1,346.

Additionally, in 2023, the Shariah Committee actively participated in various scholarly engagements, including hearing sessions with relevant organizations and meetings with the Board of Directors and the Audit Committee. The Committee also engaged with the Bank's partners and Shareholders by attending the General Assembly Meeting.

Shariah Committee report submitted to Alinma Bank's Board of Directors for the fiscal year ended 18/06/1445 AH – December 31, 2023 AD

Praise be to Allah, the Lord of the Worlds, and may His blessings and peace be upon our Prophet Muhammad, his family, all his companions, and all righteous people.

The Shariah Committee examined Alinma Bank's periodic Shariah performance reports and its 2023 final report on the observations of the internal Shariah audit issued by the Shariah Control Department of the Bank. This was conducted in line with the Shariah Governance Framework for Local Banks Operating in Saudi Arabia and as per the approved and acknowledged internal auditing standards, which indicate the Bank's adherence to proper implementation of the Committee's resolutions. The Committee also reviewed the Shariah performance reports issued by the respective Shariah Committees of the Bank's subsidiaries.

Alinma Bank's Executive Management is responsible for aligning performance and implementation with Shariah requirements, while the Shariah Committee provides an independent assessment of the Bank's adherence thereto. Following thorough examination and analysis, the Shariah Committee ascertains the following:

The Shariah performance reports indicate that Alinma Bank adheres to the Shariah Committee's resolutions in its transactions, and no substantial violations in relation to the Bank's overall operations and revenues were observed.

We ask Allah Almighty to grant us success, bless our efforts, and make us among those who cooperate in righteousness and piety. May Allah's prayers and peace be upon our Prophet Muhammad, his family, and all his companions.
Shariah Committee

Dr. Abdullah Wikayyil Al Sheikh
Chairman

Dr. Abdulrahman Saleh Al-Atram
Deputy Chairman

Dr. Suleiman Turkey Al-Turkey
Member

Dr. Khalid Abdulrahman Almohana
Member

The Shariah Committee Secretariat

The Secretariat is a technical and administrative entity, dedicated to assist the Shariah Committee achieve its goals and execute its duties. The Secretariat is considered an entity of the Bank in terms of administration.

The Shariah Committee Secretariat performs its duties and tasks through its various departments as follows:

Studies and Consultancy

The Studies and Consultancy Department is responsible for providing Shariah consultancy and study services to all the Bank's departments and groups by studying the Bank's transactions, contracts, agreements, documents and forms, preparing research, and presenting memos before the Shariah Committee for products, transactions and activities, as well as the related documentation and forms based on the Bank's requirements. Yet another of the department's responsibilities is to prepare the Shariah Committee meeting minutes, research papers, and studies related to banking activities. The Studies and Consultancy Department manages Shariah-based scientific projects, and also participates in workshops with other bank groups and departments.

Shariah Product Development

The Shariah Product Development Department is responsible for participating in product innovation and development in light of guidelines of Islamic Shariah. This responsibility is carried out by aligning with relevant business units, reviewing and conducting Shariah studies and research, and effectively contributing to the design and development process of the Bank's new products.

Shariah Control

The Shariah Control Department is responsible for all matters of compliance with Shariah provisions and guidelines as determined by the Shariah Committee, including managing risks of non-compliance with Shariah Committee resolutions, internal Shariah auditing of the Bank's business activities to verify its compliance with such resolutions, and submitting the results and observations of the internal Shariah audit to both the Shariah Committee and the Audit Committee.

Shariah Secretariat Support

The Shariah Secretariat Support Department is responsible for supervising Shariah Committee meetings, and ensuring the outcomes of such meetings are published. The department provides support to all Shariah Secretariat work that is

connected to generating electronic and paper sources of knowledge to the Bank and the Secretariat. While ensuring the function of effective communication channels between the Secretariat and its internal or external customers, the department also provides technical and logistical aid for the Secretariat to facilitate and host forums, seminars, and workshops.

In 2023, the Shariah Committee Secretariat studied 405 topics and extended its support to the Bank in accordance with the resolutions issued by the Shariah Committee. The range of studied topics covered ideas for products and services, new products and services, as well as modifications to approved documents.

The Shariah Committee Secretariat engaged in the development and innovation of products and services in collaboration with other groups within the Bank to introduce 16 products and services for the year under review.

In 2023, the Secretariat provided support to the Bank in addressing inquiries from both the Bank's staff and its clients. It responded to 160 inquiries received from the Bank's staff before executing transactions, ensuring compliance with the resolutions of the Shariah Committee. Additionally, it handled 165 inquiries received through the dedicated Shariah communication service from the Bank's clients concerning the Shariah compliance of their transactions.

Awareness and training

In line with Alinma Bank's commitment to further its development and growth from a Shariah perspective, while preserving its Islamic identity within its policies, standards, and procedures, the Bank continued to strengthen its contributions in disseminating the Shariah Committee's resolutions, research, and educational materials through the "Alinma Shariah Publications" mobile app in 2023. This app, the first of its kind in the Islamic financial industry launched by the Bank in 2018, was downloaded over 26,250 times during 2023.

Shariah Committee (continued)

The Shariah Committee Secretariat also released the book "The Shariah Provisions and Controls for Alinma Products and Services" at the 2023 Riyadh International Book Fair. This publication, encompassing Shariah provisions derived from the Committee's decisions from 2007 to 2022, was published both in print and through an updated version of the "Alinma Shariah Publications" app, available on smart device application stores.

The launch of the printed book and the updated app underscores Alinma Bank's position as one of the leading Shariah compliant banks regionally and globally. This contributes to serving the community, enhancing customer awareness, and providing valuable resources for researchers and scholars in universities and research centers, promoting Shariah compliant banking and reinforcing its practical aspects.

The book was launched at the Riyadh International Book Fair 2023 on Sunday, October 2, 2023. Additionally, 8 specialized research studies were conducted during this year.

Moreover, the Shariah Committee Secretariat conducted the following awareness and training programs in 2023:

- Implemented Shariah governance programs through the Bank's electronic academy tailored for the Board of Directors, the Shariah Committee, and the Bank's Executive Management, benefiting 19 participants.
- Executed a Shariah Provisions and Controls awareness course for the Bank's products and services through the Bank's academy, benefiting 169 individuals.
- Conducted 12 introductory workshops about the Shariah Committee Secretariat and an overview of Shariah compliant banking for new employees, benefiting 453 employees.

- Facilitated a program to train 3 specialists in Shariah compliant financial and banking transactions.
- Presented introductory programs about Shariah compliant banking and Shariah work within the Bank to university students and external visitors, benefiting 4 students with a total of 300 training hours.

Secretariat participation

During the year 2023, the Secretariat of the Committee signed 2 scientific Memoranda of Understanding (MoUs) with the University of Hail and Imam Muhammad bin Saud Islamic University. These agreements aimed to enhance scientific cooperation and exchange and achieve shared visions.

The Secretariat actively participated in several initiatives during 2023, including:

- Membership in the Islamic Banking Committee under the supervision of the Saudi Central Bank and its associated sub-committees.
- Alinma Bank's participation in an awareness campaign on Islamic banking in collaboration with the Islamic Banking Committee and the Banking Media and Awareness Committee in KSA banks. The Bank contributed 2 video segments presented by the Head of the Shariah sector on the (X) platform, which garnered over 4.4 million views.



Audit Committee report

The Audit Committee's report to the General Assembly for the financial year ending December 31, 2023

The Audit Committee reviews financial statements and accounting policies and supervises the activities of internal audit and external auditors. During the fiscal year 2023, the Committee held 7 meetings. In 2023, the Audit Committee performed activities falling within its jurisdiction, the most prominent of which are:

- Reviewing and approving the internal audit plan for the fiscal year 2023.
- Supervising the Internal Audit Division and following-up the execution of the audit plan during the fiscal year 2023.
- Reviewing Internal Audit reports during 2023.
- Reviewing annual financial statements as of December 31, 2023 as well as quarterly statements and recommending the approval of the same by the Board of Directors.
- Reviewing the Management Letter issued by the external auditors.
- Reviewing the Auditor's proposals and recommending the appointment of Auditors for the year ending December 31, 2023.
- Reviewing the quarterly compliance reports on the Bank's compliance with regulatory requirements and internal policies and procedures.

Results of the annual Internal Audit on the effectiveness of the Bank's internal controls

The Bank adopts and bases its internal control framework on the three lines of defense model. Business departments and divisions function as a first line, take into account the laws and regulations issued by the regulatory authorities. The Compliance Division, Risk Division and Finance Division represent the second line, which provides oversight, assessment, and monitoring of the risk management activities of the daily transactions, credit operations, and information security. Departments and divisions, both in the first and second lines, submit periodic reports to the Management's internal committees and the Board's Committees to ensure the Bank meets the regulatory requirements and achieves the business objectives.

The Internal Audit Division represents the third line and conducts tests and necessary reviews for all of the Bank's divisions, based on the Audit Committee's approved risk-based plan. The Internal Audit Division affirms its organizational and functional independence within the Bank, which enables it to carry out tasks and responsibilities effectively without any due influence.

Adequacy of the internal control system

Based on the responsibility of the Bank's Management, of preparing a comprehensive and effective system for internal controls to achieve the approved objectives of the Bank, an internal control system has been developed to suit the Bank's activities and takes into account the relative importance of financial and other risks inherent in these activities. An internal control system has been designed to manage and control risks in a timely manner. This provides a reasonable amount of continuous control and early detection and handling of potential risks.

The internal control system is based on the vision and assessment of the Bank's Management to put in place a control system commensurate with the relative importance of financial and other risks inherent to the Bank's activities, with a reasonable cost and benefit in order to achieve specific controls. The internal control system has been designed to mitigate risks in order to achieve specific objectives. It is therefore designed to give reasonable assurances to avoid material errors and relevant losses.

The Audit Committee periodically reviews the reports prepared by the internal and external auditors. These reports include an assessment of the adequacy and effectiveness of internal controls currently in place.

Based on the aforementioned, we believe that the Bank has a reasonably adequate and effective internal control system in terms of design and implementation. During 2023, there were no material observations relating to the effectiveness of the internal control system and procedures in the Bank.

Abdulrahman Mohammad Ramzi Addas
Chairman of the Committee

Haitham Rashid Al-Sheikhmubarak
Committee Member

Dr. Saad Saleh Al-Rowaite
Committee Member

Maher Saad Al-Aiyadhi
Committee Member

Othman Mohammed Al-Tuwajri
Committee Member

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Financial statements

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Alinma Bank marked another exceptional year filled with strategic growth and significant achievements. It continued to deliver strong financial performance and achieved the best value for all stakeholders.



Independent Auditors' Report

on the Audit of the Consolidated Financial Statements to the Shareholders of Alinma Bank (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alinma Bank and its subsidiaries (collectively referred to as the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matter below, a description of how our audit addressed the matter is provided in that context.

Independent Auditors' Report

on the Audit of the Consolidated Financial Statements

to the Shareholders of Alinma Bank (A Saudi Joint Stock Company)

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss allowance against financing As at 31 December 2023, the Bank's gross financing amounted to SAR 178,057 million (2022: SAR 150,473 million), against which an expected credit loss ("ECL") allowance of SAR 4,433 million (2022: SAR 3,981 million) was recorded.</p> <p>We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment, and this has a material impact on the consolidated financial statements of the Bank. The key areas of judgment include:</p> <ol style="list-style-type: none"> 1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of: <ol style="list-style-type: none"> a. exposures that have a significant increase in credit risk ("SICR") since their origination; and b. individually impaired / defaulted exposures. <p>The Bank has also applied judgments to identify and estimate the likelihood of borrowers that may have experienced SICR due to current economic outlook.</p> <ol style="list-style-type: none"> 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), including, but not limited to, assessment of the financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios. 3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors, that might not have been captured by the ECL model. 	<ul style="list-style-type: none"> • We obtained and updated our understanding of management's assessment of the ECL allowance in respect of financing, including the Bank's internal rating model, accounting policy and methodology, as well as any key changes made during the year. • We compared the Bank's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) in relation to: <ul style="list-style-type: none"> • the ECL model (including governance over the model; its validation during the year; any model updates performed during the year; and approval of the key inputs, assumptions and post model overlays, if any); • the classification of financing into Stages 1, 2 and 3 and timely identification of SICR, and the determination of default / individually impaired exposures; • the IT systems and applications supporting the ECL model; and • the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: <ul style="list-style-type: none"> • the internal ratings determined by management based on the Bank's internal models, and evaluated these assigned ratings in light of relevant external market conditions and available industry information; and • management's computations of ECL <p>For selected financings, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.</p>

Independent Auditors' Report

on the Audit of the Consolidated Financial Statements to the Shareholders of Alinma Bank (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss allowance against financing (Continues)</p> <p>The application of these judgments resulted in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at 31 December 2023.</p> <p><i>Refer to the summary of material accounting policy note 3 (j) for the impairment of financial assets; note 2 (e) (i) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Bank; note 8 which contains the disclosure of impairment against financing; and note 28.1 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none"> • We assessed the appropriateness of the Bank's criteria for the determination of SICR and default, the identification of individually impaired exposures; and the resultant staging classifications. Furthermore, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification of financing facilities. • We assessed the governance process established by the Group and the qualitative factors considered by the Group when applying any overlays or making any adjustments to the outputs from the ECL model, due to data or model limitations or otherwise. • We assessed the reasonableness of the underlying assumptions used by the Bank in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios. • We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2023. • Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables and forecasted macroeconomic scenarios; and of assumptions used in post model overlays. <p>We assessed the adequacy of the relevant disclosures in the consolidated financial statements as per the requirements of the IFRSs.</p>

Other Information included in the Bank's 2023 Annual Report

Management is responsible for the other information in the Bank's annual report. Other information consists of the information included in the Bank's 2023 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Bank's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditors' Report

on the Audit of the Consolidated Financial Statements to the Shareholders of Alinma Bank (A Saudi Joint Stock Company)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs that are endorsed in Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e., the Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report

on the Audit of the Consolidated Financial Statements to the Shareholders of Alinma Bank (A Saudi Joint Stock Company)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

on the Audit of the Consolidated Financial Statements to the Shareholders
of Alinma Bank (A Saudi Joint Stock Company)

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that Bank is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies, the Banking Control law in the Kingdom of Saudi Arabia and the Bank's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements.

For KPMG Professional Services

For Ernst & Young Professional Services

Ebrahim Oboud Baeshen

Certified Public Accountant
License number 382

Rashid S. Roshod

Certified Public Accountant
License number 366

(3 Sha'ban 1445H)
(13 February 2024)

ALINMA BANK (A Saudi Joint Stock Company)

Consolidated Statement of Financial Position

As at December 31

	Notes	2023 SAR'000	2022 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	4	12,598,444	9,723,259
Due from banks and other financial institutions, net	5	1,700,907	1,454,458
Investments held at fair value through statement of income (FVSI)	6	2,610,274	1,641,496
Investments held at fair value through other comprehensive income (FVOCI)	6	13,505,282	12,084,604
Investments held at amortized cost, net	6	27,105,159	24,721,320
Investments in associate and joint venture	6	15,637	70,214
Financing, net	8	173,624,044	146,491,956
Property, equipment and right of use assets, net	9	2,888,209	2,632,794
Other assets	10	2,667,142	1,616,128
TOTAL ASSETS		236,715,098	200,436,229
LIABILITIES AND EQUITY			
LIABILITIES			
Due to SAMA, banks and other financial institutions	11	7,431,230	16,483,039
Customers' deposits	12	187,900,581	145,168,490
Amount due to Mutual Funds' unitholders	13	93,510	136,570
Other liabilities	14	6,956,176	6,771,817
TOTAL LIABILITIES		202,381,497	168,559,916
EQUITY			
Share capital	15	20,000,000	20,000,000
Treasury shares	17.1	(225,611)	(66,021)
Statutory reserve	16	3,378,431	2,168,630
Other reserves	17.2	62,359	(507,396)
Retained earnings		1,118,422	4,285,004
Proposed issue of bonus shares	15.2	5,000,000	-
Proposed dividends	15.1	-	996,096
Equity attributable to the shareholders of the Bank		29,333,601	26,876,313
Tier 1 Sukuk	18	5,000,000	5,000,000
TOTAL EQUITY		34,333,601	31,876,313
TOTAL LIABILITIES AND EQUITY		236,715,098	200,436,229

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

 Chief Financial Officer

 Chief Executive Officer

 Authorised Board Member

ALINMA BANK (A Saudi Joint Stock Company)

Consolidated Statement of Income

For the year ended December 31

	Notes	2023 SAR'000	2022 SAR'000
Income from investments and financing	20	13,227,509	7,612,961
Return on time investments	20	(5,572,995)	(1,546,495)
Income from investments and financing, net	20	7,654,514	6,066,466
Fee from banking services – income	21.1	2,426,703	1,901,510
Fee from banking services – expense	21.1	(967,712)	(692,578)
Fees from banking services, net	21.1	1,458,991	1,208,932
Exchange income, net		330,291	290,836
Income from FVSI financial instruments, net	6.1	211,721	279,308
Gain from FVOCI sukuk investments, net		-	993
Dividend income on FVOCI equity investments		30,798	30,545
Other operating income	21.2	39,342	85,980
Total operating income		9,725,657	7,963,060
Salaries and employee related expenses	22	1,466,521	1,325,324
Rent and premises related expenses		73,651	68,225
Depreciation and amortization	9	325,313	279,116
Other general and administrative expenses		1,178,041	1,092,312
Operating expenses before impairment charges		3,043,526	2,764,977
Impairment charge on financing, net of recoveries	8.2	1,272,104	1,197,700
Impairment charge / (reversal) on other financial assets		26,524	(8,982)
Total operating expenses		4,342,154	3,953,695
Net operating income		5,383,503	4,009,365
Share of income from associate and joint venture	6.5, 6.6	12,021	3,534
Income for the year before zakat		5,395,524	4,012,899
Zakat for the year	24	(556,318)	(413,759)
Net income for the year after zakat		4,839,206	3,599,140
Basic and diluted earnings per share (SAR)	23	2.33	1.73

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

 Chief Financial Officer

 Chief Executive Officer

 Authorised Board Member

ALINMA BANK (A Saudi Joint Stock Company)

Consolidated Statement of Comprehensive Income

For the year ended December 31

	Notes	2023 SAR'000	2022 SAR'000
Net income for the year after zakat		4,839,206	3,599,140
Other comprehensive income / (loss):			
Items that cannot be recycled back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI equity investments	17.2	461,304	(412,976)
Share of associate's other comprehensive income	17.2	10,868	-
Actuarial gain on re-measurement of End of Service Benefits	17.2	19,637	12,226
Items that can be recycled back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI sukuk investments	17.2	108,987	(247,262)
Net gain realized on sale of FVOCI sukuk investments	17.2	-	(993)
Total other comprehensive income / (loss)		600,796	(649,005)
Total comprehensive income for the year		5,440,002	2,950,135

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

 Chief Financial Officer

 Chief Executive Officer

 Authorised Board Member

ALINMA BANK (A Saudi Joint Stock Company)

Consolidated Statement of Changes in Equity

For the year ended December 31

2023 (SAR '000)	Notes	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed issue of bonus shares / dividends	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
Balance at the beginning of the year		20,000,000	(66,021)	2,168,630	(507,396)	4,285,004	996,096	26,876,313	5,000,000	31,876,313
Net income for the year after zakat		-	-	-	-	4,839,206	-	4,839,206	-	4,839,206
Net change in fair value of FVOCI equity investments	17.2	-	-	-	461,304	-	-	461,304	-	461,304
Actuarial gain on re-measurement of End of Service Benefits	17.2	-	-	-	19,637	-	-	19,637	-	19,637
Net change in fair values of FVOCI sukuk investments	17.2	-	-	-	108,987	-	-	108,987	-	108,987
Share of associate's other comprehensive income	17.2	-	-	-	10,868	-	-	10,868	-	10,868
Total comprehensive income		-	-	-	600,796	4,839,206	-	5,440,002	-	5,440,002
Gain on sale of FVOCI equity investments	17.2	-	-	-	(120,052)	120,052	-	-	-	-
Realized share of associate's other comprehensive income	17.2	-	-	-	(10,868)	10,868	-	-	-	-
Transfer to statutory reserve	16	-	-	1,209,801	-	(1,209,801)	-	-	-	-
Tier 1 Sukuk costs		-	-	-	-	(200,000)	-	(200,000)	-	(200,000)
Final dividends paid for 2022	15.1	-	-	-	-	-	(996,096)	(996,096)	-	(996,096)
Interim dividends paid for 2023	15.1	-	-	-	-	(1,690,389)	-	(1,690,389)	-	(1,690,389)
Proposed issue of bonus shares for 2023	15.2	-	-	-	-	(5,000,000)	5,000,000	-	-	-
Employee share based plans and other reserve movements	17.1, 17.2	-	(159,590)	-	99,879	(36,518)	-	(96,229)	-	(96,229)
Balance at the end of the year		20,000,000	(225,611)	3,378,431	62,359	1,118,422	5,000,000	29,333,601	5,000,000	34,333,601

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorised Board Member

ALINMA BANK (A Saudi Joint Stock Company)

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31

2022 (SAR '000)	Notes	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
Balance at the beginning of the year		20,000,000	(94,159)	1,268,845	122,601	3,618,609	795,131	25,711,027	5,000,000	30,711,027
Net income for the year after zakat		-	-	-	-	3,599,140	-	3,599,140	-	3,599,140
Net change in fair value of FVOCI equity investments	17.2	-	-	-	(412,976)	-	-	(412,976)	-	(412,976)
Actuarial gain on re-measurement of End of Service Benefits	17.2	-	-	-	12,226	-	-	12,226	-	12,226
Net change in fair values of FVOCI sukuk investments	17.2	-	-	-	(247,262)	-	-	(247,262)	-	(247,262)
Gain on sale of FVOCI sukuk investments	17.2	-	-	-	(993)	-	-	(993)	-	(993)
Total comprehensive income		-	-	-	(649,005)	3,599,140	-	2,950,135	-	2,950,135
Loss on sale of FVOCI equity investments	17.2	-	-	-	347	(347)	-	-	-	-
Transfer to statutory reserve	16	-	-	899,785	-	(899,785)	-	-	-	-
Tier 1 Sukuk costs		-	-	-	-	(150,000)	-	(150,000)	-	(150,000)
Final dividends paid for 2021	15.1	-	-	-	-	-	(795,131)	(795,131)	-	(795,131)
Interim dividends paid for 2022	15.1	-	-	-	-	(896,121)	-	(896,121)	-	(896,121)
Proposed final dividends for 2022	15.1	-	-	-	-	(996,096)	996,096	-	-	-
Employee share based plans and other reserve movements	17.1, 17.2	-	28,138	-	18,661	9,604	-	56,403	-	56,403
Balance at the end of the year		20,000,000	(66,021)	2,168,630	(507,396)	4,285,004	996,096	26,876,313	5,000,000	31,876,313

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

 Chief Financial Officer

 Chief Executive Officer

 Authorised Board Member

ALINMA BANK (A Saudi Joint Stock Company)

Consolidated Statement of Cash Flows

For the year ended December 31

	Notes	2023 SAR' 000	2022 SAR' 000
OPERATING ACTIVITIES			
Income for the year before zakat		5,395,524	4,012,899
Adjustments to reconcile income for the year before zakat to net cash from operating activities:			
Depreciation and amortization	9	325,313	279,116
Gain on disposal of property and equipment, net		(7,878)	(678)
Unrealized gain from FVSI financial instruments, net		(67,011)	(209,139)
Gain from Sukuk investments held at amortized cost	21.2	-	(52,196)
Gain from FVOCI sukuk investments, net	17.2	-	(993)
Dividend income on FVOCI equity investments		(30,798)	(30,545)
Impairment charge on financing, net of recoveries	8.2	1,272,104	1,197,700
Impairment charge / (reversal) on other financial assets		26,524	(8,982)
Recoveries of previously written-off bad debts		141,705	43,036
Unwinding of deferred payment program modification loss		(22,548)	(34,444)
Unwinding of fair value impact of SAMA deposits		55,901	55,951
Employees share based plans reserve	17.2	57,113	27,187
Share of income from associate and joint venture	6.5, 6.6	(12,021)	(3,534)
Gain on derecognition of an associate	6.5	(5,143)	-
		7,128,785	5,275,378
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank		(1,505,499)	(778,951)
Due from banks and other financial institutions with original maturity of more than three months		(13,927)	(123,262)
Investments held at FVSI		(901,767)	(207,388)
Financing		(28,386,725)	(21,254,697)
Other assets		(1,069,472)	48,757
Net increase / (decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions		(9,155,325)	1,137,212
Customers' deposits		42,732,091	24,107,939
Other liabilities		(40,488)	323,541
Financing cost on lease liabilities		(13,773)	(14,164)
Net cash from operating activities before Zakat paid		8,773,900	8,514,365
Zakat paid		(413,759)	(311,545)
Net cash from operating activities		8,360,141	8,202,820
INVESTING ACTIVITIES			
Purchases of investments held at FVOCI		(2,141,530)	(5,486,723)
Purchases of investments held at amortized cost	6.4	(3,425,272)	(3,818,613)
Proceeds from sales and maturities of investments held at FVOCI		1,373,749	1,340,902
Proceeds from sales and maturities of investments held at amortized cost	6.4	1,037,737	2,519,131
Purchase of property and equipment		(557,195)	(464,764)
Proceeds from disposal of property and equipment		68,206	21,000
Dividends received from FVOCI equity investments		30,798	30,545
Net cash used in investing activities		(3,613,507)	(5,858,522)
FINANCING ACTIVITIES			
Payment for Tier 1 Sukuk costs		(200,000)	(200,000)
Cash payment for principal portion of lease liabilities		(93,861)	(90,627)
Dividend paid		(2,686,485)	(1,691,252)
Purchase of treasury shares	17.1	(166,384)	-
Net cash used in financing activities		(3,146,730)	(1,981,879)
Net change in cash and cash equivalents		1,599,904	362,419
Cash and cash equivalents at beginning of the year		3,572,943	3,210,524
Cash and cash equivalents at end of the year	25	5,172,847	3,572,943
Income received from investments and financing		12,122,334	6,677,781
Return paid on time investments		4,648,505	1,087,834
Supplemental non-cash information:			
Right-of-use assets		(83,383)	(84,736)
Lease liabilities		(9,999)	(5,891)
Net change in fair value of FVOCI investments		581,159	(661,231)

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorised Board Member

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

1. General

a) Incorporation

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No.173 and Commercial Registration No.1010250808 both dated 21 Jumada I, 1429 (corresponding to May 26, 2008) and provides banking services through 108 branches (2022: 104 branches) in the Kingdom of Saudi Arabia ("KSA"). The address of the Bank's head office is as follows:

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

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

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

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

Funds	Bank's Ownership	Establishment date	Date of effective control	Purpose
Alinma Sukuk ETF	As at December 31, 2023: 92.2% (2022: 92.4%)	January 22, 2020	January 22, 2020	To invest in a basket of local sovereign Sukuks issued by the Kingdom of Saudi Arabia
Alinma IPO Fund	As at December 31, 2023: 69.2% (2022: 70.9%)	April 26, 2015	January 1, 2020	To achieve capital appreciation over the long term by investing mainly in Saudi joint stock companies
Dhahban Real Estate Fund	As at December 31, 2023: 99.8% (December 31, 2022: Nil)	September 15, 2023	September 15, 2023	To achieve medium-term capital growth through direct investment in the real estate sector in the city of Jeddah.
Alinma Fund for Private Equity Investments	As at December 31, 2023: 99.9% (December 31, 2022: Nil)	February 27, 2020	December 18, 2023	To distribute cash returns and/or achieve capital growth through investments in a private equity.

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

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Sharia'a, its By-Laws and within the provisions of laws and regulations applicable to banks in the Kingdom of Saudi Arabia.

b) Sharia'a Committee

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

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Bank as at and for the year ended December 31, 2023 and 2022 have been prepared:

- i) in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA"); and,
- ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Bank.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Basis of preparation (Continued)

In alignment with the new Companies Law issued by Royal Decree number M/132 on 1/12/1443H (corresponding to June 30, 2022), which came into effect on 26/6/1444H (corresponding to January 19, 2023), the Bank's Bylaws have been amended accordingly and endorsed by the Extraordinary General Assembly on 10/10/1444H (corresponding to April 30, 2023).

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial instruments held at fair value through statement of income ("FVSI"), investments carried at fair value through other comprehensive income ("FVOCI") and end of service benefits which are measured using projected unit credit method under IAS-19.

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

c) Functional and presentation currency

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

d) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the intention and resources to continue in business for the foreseeable future. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources, etc. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

e) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Judgement of equity vs liability for Tier 1 Sukuk

The determination of equity classification of Tier 1 Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Bank classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Bank for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to sukuk holders are limited in number and scope and very difficult to exercise. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Critical accounting estimates

Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Expected credit losses (“ECL”) on financial assets (Notes 3(j), 28)

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank’s ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- 1) The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:
 - a. The Bank’s internal credit grading model, which assigns Probability of Defaults (“PDs”) to the individual grades
 - b. The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
 - c. The segmentation of financial assets when their ECL is assessed on a collective basis
 - d. Development of ECL models, including the various formulas
 - e. Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- 2) The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.
 - ii) Fair value measurement (Note 34)
 - iii) Classification of Financial assets (Note 3(g))
 - iv) Useful lives of property and equipment and determination of depreciation and amortization (Note 3(k))
 - v) Assessment of control over investees (Note 3(b))
 - vi) Valuation of End of Service benefits scheme (Notes 3(s), 26)
 - vii) Lease accounting (Note 3(p))
 - viii) Recognition and measurement of contingencies (Note 19)

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2022 except for the adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2023. The management has assessed that the below amendments have no material impact on the Bank's consolidated financial statements.

New standards, interpretations and amendments adopted by the Bank

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	January 1, 2023.
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.	January 1, 2023.
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	January 1, 2023.
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	January 1, 2023.
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023.

IBOR Transition (Interest Rate Benchmark Reforms):

Management has completed the Bank's overall transition activities through engagement with various stakeholders to support an orderly transition. As of December 31, 2023, all impacted financial instruments have transitioned to alternate reference rates. All relevant policies, procedures, models and client contracts have been amended.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Alinma Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of Alinma Bank, using consistent accounting policies.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Subsidiaries are the entities that are controlled by Alinma Bank. The control over an investee arises when, someone has power over the investee, and it is exposed, or has a right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over that investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The control indicators set out below are subject to management's judgements that can have a significant effect in the case of the Bank's interests in securitization vehicles and investments funds. Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect amount of its returns

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

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

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Bank had directly disposed of the related assets or liabilities.

Since the subsidiaries are fully owned by the Bank, there is no non-controlling interest to be disclosed. The functional currency of all subsidiaries is Saudi Arabian Riyal ("SAR"), except for Alinma SPV Ltd whose financial currency is in United States Dollar ("USD").

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

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

All inter-group balances, transactions, income and expenses are eliminated in full in preparing these consolidated financial statements.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies adopted by the subsidiaries are consistent with that of Bank's accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank's consolidated financial statements.

Investment funds

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

c) Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

d) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest rate and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Bank initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Bank determines the transaction date for each payment or receipt of advance consideration.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

e) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and when the Bank intends to settle on a net basis, or to realize the asset and to settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

f) Revenue / expenses recognition

Income from investments and financing and return on time investments

Revenue and expenses related to profit bearing financial instruments are recognized in the consolidated statement of income using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash flows through the expected life (or where appropriate, a short period) of the financial asset or liability to its carrying amount. When calculating the EIR, the Bank estimates future cash flows considering all contractual terms including all fees, transaction costs, discounts that are an integral part of the effective yield but does not include the expected credit losses. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recorded as income/expense.

Exchange income/loss

Exchange income/loss is recognized when earned/incurred.

Fees from banking services, net

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the "Income from investments and financing" or "Return on time investments" as applicable.

Income from asset management and brokerage are recognised at a point-in-time when the performance obligation of the Bank is satisfied.

Investment banking and corporate finance fee revenues are recognized over the period of time when the performance obligations are met in accordance with the applicable terms of the contract.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed and performance obligations are achieved as point-in-time. If a loan commitment is not expected to result in the draw-down of a loan or if the fee relates to multiple loan commitments and cannot be reasonably allocated, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

Dividend income

Dividend income is recognized in consolidated statement of income, when the right to receive income is established.

Income / (loss) from FVSI financial instruments, net

Net income / (loss) from FVSI financial instruments relates to financial assets designated as FVSI and includes all realized and unrealized fair value changes, profit, dividends and foreign exchange differences.

g) Financial assets and financial liabilities

1. Classification and measurement of financial assets

On initial recognition, a financial asset is classified at amortized cost, FVOCI or FVSI. The classification and measurement of financial assets under IFRS-9 is a result of two main assessments, namely, business model assessment and analysis of contractual cash flows.

Business model assessment

The Bank assess the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVSI because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Assessments whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and,
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

Financial Asset held at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVSI:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

Generally, Financing to customers, due from banks and other financial institutions, SAMA Murabaha and certain investments in Sukuk qualify for measurement under amortized cost.

Financial assets held at FVOCI

Sukuk and like instruments: are measured at FVOCI only if they meet both of the following conditions and are not designated at FVSI:

- The asset is held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair values are recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

Financial assets held at FVSI

All other financial assets are classified as measured at FVSI. Financial assets in this category are classified as either investment held for trading or those designated as FVSI on initial recognition. Financial assets classified as held trading are acquired principally for the purpose of selling in short term.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset to be measured at FVSI that otherwise meets the requirements to be measured at amortized cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognized in the consolidated statements of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments and are expensed through consolidated statement of income. Dividend income on financial assets held as FVSI is reflected as "Income/(loss) from FVSI financial instruments, net" in the consolidated statement of income.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

A financial asset is measured initially at fair value plus, for an item not at FVSI, transaction costs that are directly attributable to its acquisition or issue.

2. Classification and measurement of financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds and costs that are an integral part of financial liabilities' effective interest rate (EIR).

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, financial guarantees and loan commitments are measured at higher of amortized cost and the amount of ECL.

A financial liability is measured initially at fair value plus, for an item not at FVSI, transaction costs that are directly attributable to its acquisition or issue.

3. De-recognition of financial assets and financial liabilities

Financial assets

The Bank derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expires or,
- It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred or,
- The Bank neither transfers nor retains substantially all of the risks and rewards of ownership but it does not retain control of the financial asset.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, as the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in consolidated statement of income.

However, the cumulative gain/loss recognized in OCI in respect of equity investments is not recognized in consolidated statement of income on de-recognition of such investments.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

4. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as 'Income from financing'.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the consolidated statement of income.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in consolidated statement of income.

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applied the policies on accounting for modifications to the additional changes.

5. Fair value measurement

The Bank measures financial instruments, such as financial assets measured at FVSI and FVOCI, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 34.

Fair value is the price that would be received upon sale of 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 to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in note 34.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6. Sale and repurchase agreements

Financial assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Bank, these financial assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI or at amortized cost. The transactions are treated as collateralized borrowing and counter-party liability for amounts received under these agreements is included in "Due to SAMA, banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase price is treated as "Return on time investments" and accrued over the life of the repo agreement on an effective yield basis.

Financial assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the statement of financial position, as the Bank does not obtain control over the financial assets. Amounts paid under these agreements are included in "Cash and balances with Saudi Central Bank", "Due from banks and other financial institutions" or "Financing", as appropriate. The difference between purchase and resale price is treated as "Income from investments and financing" and accrued over the life of the reverse repo agreement on an effective yield basis.

h) Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency, and commission rate swaps, currency, and commission rate options (both written and purchased) are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognized in the statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in net trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

i) Financing

Financing assets are non-derivative financial assets originated or acquired by the Bank with fixed or determinable payments. These are recognized upon actual disbursements. Financing assets are derecognized upon repayment, or when sold or written off, or upon transfer of substantially all risk and rewards of ownership.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

All financing assets are initially measured at fair value including any incremental associated acquisition charges. Subsequently, these are measured at amortized cost less allowance for impairment. All of the Bank's financing products are approved by the Sharia'a Committee.

Financing primarily includes Murabaha, Ijarah, Musharaka and Bei Ajel products. A brief description of these products is as follows:

Murabaha: is an agreement whereby the Bank sells to a customer certain commodity or an asset, which the Bank has initially purchased. The selling price comprises of cost plus an agreed profit margin.

Ijarah: is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent over a specific period.

Ijarah could conclude either by transferring the ownership of the leased asset to the lessee at an agreed amount or by termination of lease and re-possession of underlying asset.

Musharaka: is an agreement between the Bank and the customer to contribute to a project, investment enterprise or property and concludes by transferring the full ownership of the underlying investment to the customer. The profit or loss is shared as per the terms of the agreement.

Bei Ajel: is an agreement whereby the Bank sells on a deferred payment basis, to a customer certain commodity or an asset on a negotiated price.

j) Impairment of financial assets

The Bank recognizes impairment allowances based on a forward-looking Expected Credit Loss (ECL) approach on financial assets that are not measured at FVSI. This mainly includes financing, investments that are measured at amortized cost or at FVOCI (other than equity investments), interbank placements, financial guarantees, lease receivables and credit commitments.

No impairment loss is recognized on FVOCI equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- a. Financial assets that are determined to have low credit risk at the reporting date; and
- b. Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a financial asset to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers its exposure to other banks, financial institutions and Sukuk investments to have low credit risk as their credit risk rating is equivalent to the globally accepted definition of 'investment grade'.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as 'Stage1' financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the present value of cash shortfalls being the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of cash shortfalls being the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Bank categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- **Stage 1: Performing assets:** Financial asset(s) that have not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months ECL.
- **Stage 2: Underperforming assets:** Financial asset(s) that have significantly deteriorated in credit quality since origination. This credit quality assessment is made by comparing the remaining lifetime of PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance is recorded based on lifetime ECL.
- **Stage 3: Credit-impaired assets:** For financial asset(s) that are impaired, the Bank recognize the impairment allowance based on lifetime ECL.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

The Bank also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurements of ECLs.

The forward-looking information includes the elements such as macroeconomic factors and economic forecasts obtained through internal and external sources.

To evaluate a range of possible outcomes, the Bank formulates various scenarios. For each scenario, the Bank derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

Credit-impaired assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail financing that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign sukuk is credit-impaired, the Bank considers the following factors:

-
- The market's assessment of creditworthiness as reflected in the sukuk yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new sukuk issuance.
- The probability of sukuk being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision which is reported under 'Other liabilities';
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision under 'Other liabilities'; and
- Sukuk and like instruments measured at FVOCI: no loss allowance is recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'Impairment charge of financing'.

k) Property and equipment

Property and equipment are measured at cost and presented net of accumulated depreciation / amortization and impairment loss, if any. Land is not depreciated. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred. The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

Buildings	33 years
Furniture and equipment (including intangibles)	5-10 years
Leasehold improvements	the shorter of lease period or 10 years
Right of use assets	Over the lease period

Intangibles pertains mainly to computer software. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Depreciation is charged from the date of addition (when asset is available for use) and up till the date preceding disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment at each reporting date whenever that events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

l) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of income except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

m) Real estate held for sale

The Bank, in the ordinary course of business, acquires certain real estate properties in settlement of due financing. Such properties are considered as assets held for sale and are initially stated at the lower of carrying amount of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such properties.

Subsequent to initial recognition, any write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent revaluation gains in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognized in the consolidated statement of income. Gains or losses on disposal are recognized in the consolidated statement of income.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as professional real estate appraisers and brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its financing portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

n) Financial guarantees and loan commitments

In the ordinary course of business, the Bank issues financial guarantees (consisting of letters of credit, guarantees, standby letters of credit and acceptances) and credit commitments. Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Credit commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortized amount and the amount of ECL. The Bank has issued no loan commitments that are measured at FVSI. For other loan commitments, the Bank recognizes loss allowance. Any increase in the liability relating to the financial guarantee is recognized as "Impairment charge of financing", in the consolidated statement of income.

The premium received is recognized in the consolidated statement of income under "Fees from banking services, net" on a straight-line basis over the life of the guarantee or commitment.

Credit commitments are measured at ECL. For contracts that include both financing and undrawn commitments which are not distinctly identifiable, the ECL is recognized together with the loss allowance for the financing.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

o) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources embodying economic benefit will be required to settle the obligation.

p) Accounting for Ijarah (leases)

Where the Bank is the lessor

When assets are leased under Islamic lease arrangements (e.g., Ijarah), the present value of the lease payments is recognized as a receivable and disclosed under "Financing". The difference between the gross receivable and the present value of the receivable is recognized as unearned income from financing. Lease income is recognized over the term of the lease on net investment basis, using the effective yield method, which reflects a constant periodic rate of return.

Where the Bank is the lessee

On initial recognition, at inception of the contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Bank and the Bank can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

Bank applies cost model, and measure right of use asset at cost;

1. Less any accumulated depreciation and any accumulated impairment losses; and
2. Adjusted for any re-measurement of the lease liability for lease modifications

Generally, right of use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use asset value.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

After the commencement date, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, "cash and cash equivalents" are defined as amounts included in cash in hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition which are subject to insignificant risk of changes in their fair value.

r) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short term cash bonus or share based plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided to the Bank and the obligation can be estimated reliably.

s) End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation in accordance with Saudi Arabian Labor laws. These are included in other liabilities in the consolidated statement of financial position. The liability recognized is the present value of the defined benefit obligation discounted at the yield on government bonds that have terms approximating the related obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income directly.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

t) Zakat

The Bank is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") formerly General Authority for Zakat and Tax ("GAZT"). Zakat expense is charged to the consolidated statement of income.

ZATCA has prescribed a new criteria for calculation of Zakat effective January 1, 2019. Due accruals have been made for the obligation as at December 31, 2023. Zakat is not accounted for as an income tax and as such no deferred tax is calculated relating to Zakat.

u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Bank purchases the Bank's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Bank.

v) Treasury shares

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, dividends and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its employee share-based payment plans.

w) Tier 1 Sukuk

The Bank classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Bank for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to sukukholders are limited in number and scope and very difficult to exercise.

The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

x) Investment management services

The Bank provides investment management services to its customers, through its subsidiary which includes management of certain mutual funds. Determining whether the Bank controls such a mutual fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund (comprising its investments, any carried profit and expected management fees) and the investor's rights to remove the Fund Manager.

As a result of the above assessment, where the Bank has concluded that it acts as an agent for the investors, such funds are not consolidated by the Bank. Fee earned from these funds are disclosed in consolidated statement of income while the Bank's share of investments is included under "Investments held at FVSI" in the consolidated statement of financial position.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Any assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in the consolidated financial statements.

y) Investments in associate and joint venture

Investments in associate and joint venture are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Bank has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. A joint venture is an entity in which the Bank exercises joint control.

Under the equity method, the investments in associate and joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Bank's share of net assets of the associate/joint venture. The Bank's share of profit of associate and joint venture is shown on the face of the consolidated statement of income.

The consolidated statement of income reflects the Bank's share of the results of operations of the associate and joint venture. When there has been a change recognized directly in the equity of the associate and joint venture, the Bank recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Bank's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Bank's share of profit of associate and joint venture is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and joint venture and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate and joint venture. The financial statements of the associate and joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate / joint venture and its carrying value and recognises the amount in the 'share of income/loss from associate and joint venture' in the consolidated statement of income.

z) Share based payments

The Bank offers its eligible employees the following types of plans (the "Plans"). Brief description of the plans are as follows:

Employees Share Grant Scheme (ESGS)

Under the terms of Employees Share Grant Scheme, eligible employees are granted shares with a vesting period of 3-5 years. At the maturity of vesting period, the Bank delivers the underlying allotted shares to the employee.

The cost of the shares in the scheme is measured by reference to the fair value at the grant date. The management is of the view that the fair value at grant date approximates its market value.

The cost of the scheme is recognized over the period during which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date'). The cumulative expense recognized for the schemes at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Summary of material accounting policies (Continued)

consolidated statement of income for a reporting period represents the movement in cumulative expense recognized as at the beginning and end of that reporting period.

Deferred bonus schemes

Under the terms of the Deferred Bonus Schemes, eligible employees are granted shares with a vesting period of 1-3 years. At the maturity of each vesting period, the Bank delivers the underlying allocated shares to the employee. The Deferred Bonus Schemes is accounted for similar way with ESGs.

aa) Profit sharing investment account (PSIA)

The Bank offers Unrestricted Investment Accounts based on fully sharia compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Account Funds along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call center.

Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal) and the Bank have the right, in its sole discretion and without being obligated, to cover the Investor loss. Operating expenses incurred by the Bank are not charged to investment account.

Unrestricted investment accountholders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

4. Cash and balances with Saudi Central Bank (SAMA)

	2023 SAR'000	2022 SAR'000
Cash in hand	1,807,396	1,960,998
Statutory deposit	8,989,295	7,483,796
Current account and money market placements	1,724,908	169,542
Others	76,845	108,923
Total	12,598,444	9,723,259

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank ("SAMA"), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customers' deposits as calculated on monthly average at the end of reporting period. The statutory deposit is not available to finance the Bank's day to day operations and therefore does not form part of cash and cash equivalents. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

5. Due from banks and other financial institutions, net

		2023 SAR'000	2022 SAR'000
Current accounts		487,098	935,469
Murabaha and Wakala with banks	5.1	1,215,097	522,581
Less: Allowance for impairment	5.2	(1,288)	(3,592)
Total		1,700,907	1,454,458

5.1 These are predominantly investment grade exposures in the range of "substantially credit risk free to very good credit risk quality" based on external credit ratings.

5.2 The following table shows reconciliations from the opening to the closing balance of the gross exposure and allowance for impairment for due from banks and other financial institutions:

	December 31, 2023		Total ECL SAR'000
	12-month ECL SAR'000	Life time ECL not credit impaired SAR'000	
Gross exposure			
Balance as at January 1, 2023	1,457,524	526	1,458,050
Transfer to life time ECL, not credit impaired	(4,231)	4,231	
Net movement	246,987	(2,842)	244,145
Balance as at December 31, 2023	1,700,280	1,915	1,702,195

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

5. Due from banks and other financial institutions, net (Continued)

	December 31, 2022		
	12-month ECL SAR'000	Life time ECL not credit impaired SAR'000	Total ECL SAR'000
Allowance for impairment			
Balance as at January 1, 2022	737,978	1,403	739,381
Transfer to 12-month ECL	1,404	(1,404)	-
Transfer to life time ECL, not credit impaired	(804)	804	-
Net movement	718,946	(277)	718,669
Balance as at December 31, 2022	1,457,524	526	1,458,050

	December 31, 2023		
	12-month ECL SAR'000	Life time ECL not credit impaired SAR'000	Total ECL SAR'000
Allowance for impairment			
Balance as at January 1, 2023	3,564	28	3,592
Transfer to life time ECL, not credit impaired	(229)	229	-
Net movement	(2,304)	-	(2,304)
Balance as at December 31, 2023	1,031	257	1,288

	December 31, 2022		
	12-month ECL SAR'000	Life time ECL not credit impaired SAR'000	Total ECL SAR'000
Allowance for impairment			
Balance as at January 1, 2022	1,239	69	1,308
Transfer to 12-month ECL	69	(69)	-
Transfer to life time ECL, not credit impaired	(39)	39	-
(Charge) / reversal during the year	2,295	(11)	2,284
Balance as at December 31, 2022	3,564	28	3,592

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6. Investments

	Notes	2023 SAR'000	2022 SAR'000
Investments held at FVSI	6.1	2,610,274	1,641,496
Investments held at FVOCI	6.2	13,505,282	12,084,604
Investments held at amortized cost, net			
Murabahas with SAMA		1,626,379	904,901
Sukuks	6.3	25,498,634	23,832,577
Less: Allowance for impairment	6.4	(19,854)	(16,158)
		27,105,159	24,721,320
Investments in associate and joint venture			
Investment in an associate	6.5	-	56,158
Investment in a joint venture	6.6	15,637	14,056
		15,637	70,214
Total		43,236,352	38,517,634

6.1 Investments held at FVSI

	2023 SAR'000	2022 SAR'000
Equities	230,545	145,050
Funds	2,379,729	1,496,446
Total	2,610,274	1,641,496

Below is an analysis of the Bank's net income from FVSI financial instruments:

	2023 SAR'000	2022 SAR'000
Trading income, net	128,762	212,730
Dividend income	82,959	66,578
Total	211,721	279,308

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6. Investments (Continued)

6.2 Investments held at FVOCI

	2023 SAR'000	2022 SAR'000
Sukuk	12,358,287	10,646,145
Equities	1,146,995	1,438,459
Total	13,505,282	12,084,604

During the year, out of the Bank's FVOCI sukuk portfolio, instruments with a principal of SAR 369 million matured/redeemed during the year (2022: SAR 1,200 million).

The Bank designated these investments as equity securities as at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

6.3 The fair value of sukuku (at amortized cost) as at December 31, 2023 was SAR 25,039 million (2022: SAR 23,440 million).

6.4 The following table shows reconciliations from the opening to the closing balance of the gross exposure and allowance for impairment for investments:

Gross exposure	2023 SAR'000	2022 SAR'000
	12-month ECL	12-month ECL
Balance as at January 1	24,737,478	23,442,400
Purchase of new investments	3,390,500	3,818,613
Disposals and maturities during the year	(1,037,737)	(2,519,131)
Change in profit accruals	34,772	(56,600)
Gain from Sukuk investments held at amortized cost	-	52,196
Balance as at December 31	27,125,013	24,737,478

Allowance for impairment	2023 SAR'000	2022 SAR'000
	12-month ECL	12-month ECL
Balance as at January 1	16,158	9,886
Charge for the year	3,696	6,272
Balance as at December 31	19,854	16,158

There were no exposures transferred between ECL stages during the year.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6.5 Investment in an associate

Investment in an associate represents the Bank's share of investment of (Nil), (2022: 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). During the year ended December 31, 2023, Bank's investee Alinma Tokio Marine Company (a cooperative insurance company) merged with Arabian Shield Cooperative Insurance Company and therefore has ceased to exist as a legal entity. As a result of the merger, the Bank recognized a gain on derecognition of investment in associate amounting to SAR 5.1 million.

	2023 SAR'000	2022 SAR'000
Balance as at January 1	56,158	53,910
Share of gain for the year	10,440	2,248
Realized share of an associate's other comprehensive income	10,868	-
Derecognition of investment in associate due to merger	(77,466)	-
Balance as at December 31	-	56,158

6.6 Investment in a joint venture

The Bank has invested SAR 25 million (50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The joint venture was established under Commercial Registration No.1010431244 dated 21 Jumada I 1436H (corresponding to March 12, 2015) with a paid-up capital of SAR 50 million. The Bank's share of net profit for the year is SAR 1.6 million (2022: share of net gain of SAR 1.3 million).

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6. Investments (Continued)

6.7 Analysis of investments by type and location

	Domestic SAR'000		International SAR'000		Total SAR'000	
	2023	2022	2023	2022	2023	2022
Investments held at FVSI						
Equities	110,456	74,498	120,089	70,552	230,545	145,050
Funds	1,102,891	819,091	1,276,838	677,355	2,379,729	1,496,446
	1,213,347	893,589	1,396,927	747,907	2,610,274	1,641,496
Investments held at FVOCI						
Fixed-rate investments	4,877,708	3,619,660	798,329	605,155	5,676,037	4,224,815
Floating-rate investments	6,161,445	5,902,646	520,805	518,684	6,682,250	6,421,330
Equities	1,143,187	1,437,573	3,808	886	1,146,995	1,438,459
	12,182,340	10,959,879	1,322,942	1,124,725	13,505,282	12,084,604
Investments held at amortized cost, net						
Fixed-rate investments	25,278,044	23,759,850	193,505	56,569	25,471,549	23,816,419
Floating-rate investments	1,633,610	904,901	-	-	1,633,610	904,901
	26,911,654	24,664,751	193,505	56,569	27,105,159	24,721,320
Investments in associate and joint venture						
Equities	15,637	70,214	-	-	15,637	70,214
Total	40,322,978	36,588,433	2,913,374	1,929,201	43,236,352	38,517,634

6.8 Analysis of investments by composition

	Quoted SAR'000		Unquoted SAR'000		Total SAR'000	
	2023	2022	2023	2022	2023	2022
Investments held at FVSI						
Equities	77,272	52,779	153,273	92,271	230,545	145,050
Funds	337,928	234,258	2,041,801	1,262,188	2,379,729	1,496,446
	415,200	287,037	2,195,074	1,354,459	2,610,274	1,641,496
Investments held at FVOCI						
Fixed-rate investments	2,155,054	1,913,938	3,520,982	2,310,877	5,676,036	4,224,815
Floating-rate investments	1,668,031	1,657,147	5,014,220	4,764,183	6,682,251	6,421,330
Equities	1,122,156	1,416,680	24,839	21,779	1,146,995	1,438,459
	4,945,241	4,987,765	8,560,041	7,096,839	13,505,282	12,084,604
Investments held at amortized cost, net						
Fixed-rate investments	25,448,549	23,716,551	23,000	99,868	25,471,549	23,816,419
Floating-rate investments	7,231	-	1,626,379	904,901	1,633,610	904,901
	25,455,780	23,716,551	1,649,379	1,004,769	27,105,159	24,721,320
Investments in associate and joint venture						
Equities	-	56,158	15,637	14,056	15,637	70,214
Total	30,816,221	29,047,511	12,420,131	9,470,123	43,236,352	38,517,634

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

6.9 Analysis of investments by counter-parties

	2023 SAR'000	2022 SAR'000
Government and quasi government	31,104,550	28,321,390
Banks and other financial institutions	5,699,015	4,586,481
Corporate	6,432,787	5,609,763
Total	43,236,352	38,517,634

6.10 Analysis of investments by asset quality

	2023 SAR'000	2022 SAR'000
Government and quasi government	31,104,550	28,321,390
Investment grade	7,776,160	7,669,528
Good / satisfactory grade	797,878	960,056
Equities and funds	3,557,764	1,566,660
Total	43,236,352	38,517,634

Investment grade includes exposures in the range of “substantially credit risk free to very good credit risk quality”. The maximum exposure to credit risk for financial assets carried at fair value as of December 31, 2023 is SAR 12,458 million (2022: SAR 10,858 million).

Investments includes SAR 1,664.2 million (2022: SAR 1,664.2 million) which have been pledged under repurchased agreement with other banks. The market value of such investments is SAR 1,642.9 million (2022: SAR 1,630.4 million).

7. Derivative financial instruments

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

	December 31, 2023 SAR'000		
	Positive fair value	Negative fair value	Total notional amount
Held for trading:			
Profit rate swaps	144,040	110,321	16,492,135
Foreign exchange forward contracts	289	-	270,476

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

7. Derivative financial instruments (Continued)

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

The maximum credit exposure for positive value derivatives as of December 31, 2023 is SAR 144.3 million (2022: SAR 11 million).

8. Financing, net

2023	SAR'000				
	Performing	Non-performing	Gross	Allowance for impairment (note 8.1)	Financing, net
Retail	42,374,048	851,915	43,225,963	(979,914)	42,246,049
Corporate	132,820,236	2,010,546	134,830,782	(3,452,787)	131,377,995
Total	175,194,284	2,862,461	178,056,745	(4,432,701)	173,624,044

2022	SAR'000				
	Performing	Non-performing	Gross	Allowance for impairment (note 8.1)	Financing, net
Retail	36,814,136	461,214	37,275,350	(751,658)	36,523,692
Corporate	110,739,162	2,458,700	113,197,862	(3,229,598)	109,968,264
Total	147,553,298	2,919,914	150,473,212	(3,981,256)	146,491,956

Retail financing comprise mainly of mortgage financing, consumer financing and credit cards. Corporate financing comprises mainly of commercial financing for projects, large, mid-corporates and Small Medium Enterprises (SMEs). The Bank's financing products are in compliance with Sharia'a rules.

The below table shows the product-wise analysis of Gross Financing:

	2023 SAR'000			2022 SAR'000		
	Retail	Corporate	Total	Retail	Corporate	Total
Murabaha	30,498,072	3,091,400	33,589,472	28,675,731	2,696,545	31,372,276
Ijarah	4,698,170	43,013,931	47,712,101	4,092,913	37,981,922	42,074,835
Bei Ajel	7,032,101	88,725,451	95,757,552	3,511,992	72,519,395	76,031,387
Others	997,620	-	997,620	994,714	-	994,714

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Total	43,225,963	134,830,782	178,056,745	37,275,350	113,197,862	150,473,212
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8.1 Movement in gross exposure and allowance for impairment of financing:

The following table shows reconciliation from the opening to the closing balance of the gross exposure of financing:

	December 31, 2023			Total
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Gross exposure	SAR in '000'			
Retail				
Balance at the beginning of the year	35,678,542	1,135,594	461,214	37,275,350
Transfer to 12-month ECL	307,412	(290,816)	(16,596)	-
Transfer to life time ECL, not credit impaired	(741,041)	742,673	(1,632)	-
Transfer to life time ECL, credit impaired	(369,898)	(253,535)	623,433	-
New financial assets, net of financial assets derecognized and repayments	6,490,500	(325,383)	389,332	6,554,449
Write-off	-	-	(603,836)	(603,836)
Balance as at December 31, 2023	41,365,515	1,008,533	851,915	43,225,963
Corporate				
Balance at the beginning of the year	103,416,908	7,322,254	2,458,700	113,197,862
Transfer to 12-month ECL	677,165	(673,591)	(3,574)	-
Transfer to life time ECL, not credit impaired	(3,593,144)	3,669,574	(76,430)	-
Transfer to life time ECL, credit impaired	(30,466)	(253,938)	284,404	-
New financial assets, net of financial assets derecognized and repayments	22,784,404	(498,930)	(430,650)	21,854,824
Write-off	-	-	(221,904)	(221,904)
Balance as at December 31, 2023	123,254,867	9,565,369	2,010,546	134,830,782
Total				
Balance at the beginning of the year	139,095,450	8,457,848	2,919,914	150,473,212
Transfer to 12-month ECL	984,577	(964,407)	(20,170)	-
Transfer to life time ECL, not credit impaired	(4,334,185)	4,412,247	(78,062)	-
Transfer to life time ECL, credit impaired	(400,364)	(507,473)	907,837	-
New financial assets, net of financial assets derecognized and repayments	29,274,904	(824,313)	(41,318)	28,409,273
Write-off	-	-	(825,740)	(825,740)
Balance as at December 31, 2023	164,620,382	10,573,902	2,862,461	178,056,745

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

8. Financing, net (Continued)

	December 31, 2022			Total
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Gross exposure	SAR in '000'			
Retail				
Balance at the beginning of the year	27,627,040	191,437	148,958	27,967,435
Transfer to 12-month ECL	20,480	(16,644)	(3,836)	-
Transfer to life time ECL, not credit impaired	(353,972)	356,946	(2,974)	-
Transfer to life time ECL, credit impaired	(75,456)	(43,980)	119,436	-
New financial assets, net of financial assets derecognized and repayments	8,460,450	647,835	299,292	9,407,577
Write-off	-	-	(99,662)	(99,662)
Balance as at December 31, 2022	35,678,542	1,135,594	461,214	37,275,350
Corporate				
Balance at the beginning of the year	91,280,300	8,931,406	2,133,063	102,344,769
Transfer to 12-month ECL	373,019	(373,019)	-	-
Transfer to life time ECL, not credit impaired	(289,006)	318,602	(29,596)	-
Transfer to life time ECL, credit impaired	(7,121)	(1,818,621)	1,825,742	-
New financial assets, net of financial assets derecognized and repayments	12,059,716	263,886	(442,038)	11,881,564
Write-off	-	-	(1,028,471)	(1,028,471)
Balance as at December 31, 2022	103,416,908	7,322,254	2,458,700	113,197,862
Total				
Balance at the beginning of the year	118,907,340	9,122,843	2,282,021	130,312,204
Transfer to 12-month ECL	393,499	(389,663)	(3,836)	-
Transfer to life time ECL, not credit impaired	(642,978)	675,548	(32,570)	-
Transfer to life time ECL, credit impaired	(82,577)	(1,862,601)	1,945,178	-
New financial assets, net of financial assets derecognized and repayments	20,520,166	911,721	(142,746)	21,289,141
Write-off	-	-	(1,128,133)	(1,128,133)
Balance as at December 31, 2022	139,095,450	8,457,848	2,919,914	150,473,212

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

The following tables show reconciliations from the opening to the closing balance of the allowance for impairment of financing:

	December 31, 2023			Total
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Allowance for impairment	SAR in '000'			
Retail				
Balance at the beginning of the year	265,329	163,803	322,526	751,658
Transfer to 12-month ECL	38,569	(27,971)	(10,598)	-
Transfer to life time ECL, not credit impaired	(6,927)	7,902	(975)	-
Transfer to life time ECL, credit impaired	(5,830)	(47,533)	53,363	-
Net (reversal) / charge for the year	(65,708)	19,639	878,161	832,092
Write-off	-	-	(603,836)	(603,836)
Balance as at December 31, 2023	225,433	115,840	638,641	979,914
Corporate				
Balance at the beginning of the year	425,859	1,468,250	1,335,489	3,229,598
Transfer to 12-month ECL	54,420	(53,348)	(1,072)	-
Transfer to life time ECL, not credit impaired	(53,438)	85,921	(32,483)	-
Transfer to life time ECL, credit impaired	(696)	(94,087)	94,783	-
Net charge for the year	34,354	193,783	216,956	445,093
Write-off	-	-	(221,904)	(221,904)
Balance as at December 31, 2023	460,499	1,600,519	1,391,769	3,452,787
Total				
Balance at the beginning of the year	691,188	1,632,053	1,658,015	3,981,256
Transfer to 12-month ECL	92,989	(81,319)	(11,670)	-
Transfer to life time ECL, not credit impaired	(60,365)	93,823	(33,458)	-
Transfer to life time ECL, credit impaired	(6,526)	(141,620)	148,146	-
Net (reversal) / charge for the year	(31,354)	213,422	1,095,117	1,277,185
Write-off	-	-	(825,740)	(825,740)
Balance as at December 31, 2023	685,932	1,716,359	2,030,410	4,432,701

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

8. Financing, net (Continued)

	December 31, 2022			Total
	12-month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Allowance for impairment	SAR in '000'			
Retail				
Balance at the beginning of the year	341,134	53,953	65,413	460,500
Transfer to 12-month ECL	6,868	(4,694)	(2,174)	-
Transfer to life time ECL, not credit impaired	(4,888)	6,292	(1,404)	-
Transfer to life time ECL, credit impaired	(1,028)	(11,641)	12,669	-
Net (reversal) / charge for the year	(76,757)	119,893	347,684	390,820
Write-off	-	-	(99,662)	(99,662)
Balance as at December 31, 2022	265,329	163,803	322,526	751,658
Corporate				
Balance at the beginning of the year	260,351	1,955,857	1,364,005	3,580,213
Transfer to 12-month ECL	4,806	(4,806)	-	-
Transfer to life time ECL, not credit impaired	(2,907)	32,503	(29,596)	-
Transfer to life time ECL, credit impaired	(87)	(507,836)	507,923	-
Net charge / (reversal) for the year	163,696	(7,468)	521,628	677,856
Write-off	-	-	(1,028,471)	(1,028,471)
Balance as at December 31, 2022	425,859	1,468,250	1,335,489	3,229,598
Total				
Balance at the beginning of the year	601,485	2,009,810	1,429,418	4,040,713
Transfer to 12-month ECL	11,674	(9,500)	(2,174)	-
Transfer to life time ECL, not credit impaired	(7,795)	38,795	(31,000)	-
Transfer to life time ECL, credit impaired	(1,115)	(519,477)	520,592	-
Net charge for the year	86,939	112,425	869,312	1,068,676
Write-off	-	-	(1,128,133)	(1,128,133)
Balance as at December 31, 2022	691,188	1,632,053	1,658,015	3,981,256

The loss allowance in these tables includes ECL on loan commitments which the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Write off

As at December 31, 2023, the contractual amount outstanding on financial assets that were written off and that are still subject to enforcement activity is SAR 3,188.7 million (2022: SAR 2,574.5 million).

8.2 Impairment charge on financing, net of recoveries

	2023 SAR'000 ECL	2022 SAR'000 ECL
Charge for impairment on financing	1,277,185	1,068,676
Charge for impairment of non-funded financing and credit related commitments (Note 19 (c))	136,624	172,060
Recoveries of previously written off bad debts	(141,705)	(43,036)
	1,272,104	1,197,700

8.3 Financing includes Ijarah as follows:

	2023 SAR'000	2022 SAR'000
Less than 1 year	10,650,518	9,964,656
1 to 5 years	33,186,792	24,429,449
Over 5 years	19,003,500	19,797,642
Gross receivables from Ijarah	62,840,810	54,191,747
Unearned future finance income on Ijarah	(15,128,709)	(12,116,912)
Net receivables from Ijarah	47,712,101	42,074,835

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

9. Property, equipment and right of use assets, net

2023	SAR'000				Total 2023
	Land and buildings	Leasehold improvements	Furniture and equipment	Right-of-Use assets	
Cost:					
Balance at beginning of the year	1,520,006	530,676	2,157,687	731,272	4,939,641
Additions during the year	122,792	67,465	366,938	83,942	641,137
Disposals during the year	(40,767)	(144)	(47,060)	(559)	(88,530)
Balance at end of the year	1,602,031	597,997	2,477,565	814,655	5,492,248
Accumulated depreciation:					
Balance at beginning of the year	162,755	361,809	1,414,546	367,738	2,306,848
Charge for the year	22,391	30,123	170,945	101,854	325,313
Disposals during the year	(3,519)	(143)	(23,981)	(479)	(28,122)
Balance at end of the year	181,627	391,789	1,561,510	469,113	2,604,039
Net book value-as at December 31, 2023	1,420,404	206,208	916,055	345,542	2,888,209

2022	SAR'000				Total 2022
	Land and buildings	Leasehold improvements	Furniture and equipment	Right-of-Use assets	
Cost:					
Balance at beginning of the year	1,501,823	474,200	1,788,919	646,536	4,411,478
Additions during the year	38,505	56,476	369,783	84,736	549,500
Disposals during the year	(20,322)	-	(1,014)	-	(21,336)
Balance at end of the year	1,520,006	530,676	2,157,688	731,272	4,939,642
Accumulated depreciation:					
Balance at beginning of the year	141,173	333,176	1,286,701	267,696	2,028,746
Charge for the year	21,582	28,633	128,859	100,042	279,116
Disposals during the year	-	-	(1,014)	-	(1,014)
Balance at end of the year	162,755	361,809	1,414,546	367,738	2,306,848
Net book value-as at December 31, 2022	1,357,251	168,867	743,142	363,534	2,632,794

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Property, equipment and right of use assets include work in progress as at December 31, 2023 amounting to SAR 623.7 million (2022: SAR 447 million).

Furniture and equipment include information technology-related assets as follows:

	Tangible	Intangible	Total
	SAR'000		
2023			
Cost			
January 1, 2023	726,581	1,195,783	1,922,364
Additions during the year	105,358	241,009	346,367
Disposals during the year	(46,074)	-	(46,074)
December 31, 2023	785,865	1,436,792	2,222,657
Accumulated depreciation/amortization			
January 1, 2023	439,699	792,096	1,231,795
Charge during the year	62,144	95,178	157,322
Disposals during the year	(23,088)	-	(23,088)
December 31, 2023	478,755	887,274	1,366,029
Net book value-as at December 31, 2023	307,110	549,518	856,628
	Tangible	Intangible	Total
	SAR'000		
2022			
Cost			
January 1, 2022	574,877	1,013,335	1,588,212
Additions during the year	152,721	182,448	335,169
Disposals during the year	(1,017)	-	(1,017)
December 31, 2022	726,581	1,195,783	1,922,364
Accumulated depreciation/amortization			
January 1, 2022	389,415	732,712	1,122,127
Charge during the year	51,299	59,384	110,683
Disposals during the year	(1,015)	-	(1,015)
December 31, 2022	439,699	792,096	1,231,795
Net book value-as at December 31, 2022	286,882	403,687	690,569

Intangibles pertains mainly to computer software. Right of Use asset pertains mainly to leases of the Bank's head office, branches and ATM kiosks.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

10. Other assets

	Note	2023 SAR'000	2022 SAR'000
Fee receivable for asset management services		568,794	354,680
Real estate held for sale	10.1	339,672	435,905
Advance payments		256,693	6,493
Financing inventory		226,177	130,657
Prepaid expenses		157,763	122,028
Positive fair value of derivatives	7	144,329	10,983
Others	10.2	973,714	555,382
Total		2,667,142	1,616,128

10.1 These properties were acquired in settlement of financing due from customers. During the year ended December 31, 2023, properties have been acquired in settlement of financing claims is SAR 6.1 million (2022: SAR 191.5 million).

10.2 These mainly include sundry debtors, settlement accounts and items in transit which are cleared in the normal course of business.

11. Due to SAMA, banks and other financial institutions

	Notes	2023 SAR'000	2022 SAR'000
Due to SAMA	11.1	1,934,512	11,870,093
Time investments from banks and other financial institutions	11.2	5,180,322	4,557,615
Current accounts		316,396	55,331
Total		7,431,230	16,483,039

11.1 This balance includes interest free deposits received from SAMA with gross amount of SAR 509.3 million (2022: SAR 6.8 billion) with varying maturities in order to support the Bank in its implementation of various regulatory relief packages given by the government in response to COVID-19.

11.2 This balance represents Murabaha, Mudaraba and Wakala with banks including repurchase agreements with other banks of SAR 1,288 million (2022: SAR 1,287 million).

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

12. Customers' deposits

	Notes	2023 SAR'000	2022 SAR'000
Demand		78,955,995	73,887,522
Savings		9,833,634	7,093,170
Customers' time investments	12.1	97,348,367	62,679,182
Others	12.2	1,762,585	1,508,616
Total		187,900,581	145,168,490

12.1 These represent Murabaha and Mudaraba with customers including profit sharing investments accounts (PSIA).

12.2 Others represent cash margins for letters of credit and guarantees.

12.3 The above includes foreign currency deposits as follows:

	2023 SAR'000	2022 SAR'000
Demand	1,292,098	1,674,700
Customers' time investments	4,530,535	6,051,283
Others	107,245	121,403
Total	5,929,878	7,847,386

12.4 Profit sharing investment accounts (PSIA)

a) Analysis of PSIA income according to types of investments and their financing

As of December 31, 2023, the PSIA gross pool of assets is funded by comingled pool which includes funds from Unrestricted Investment Account Holders (IAH).

Gross Pool of Assets funded by PSIA by type of contract:

	2023 SAR'000	2022 SAR'000
Investments in Sukuk - FVOCI	4,484,443	3,332,816
Investments held at Amortized Cost, net	9,744,352	7,471,511
Financing, net	62,859,927	45,948,056
Total Pool of Assets funded by PSIA	77,088,722	56,752,383

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

12. Customers' deposits (Continued)

b) The basis for calculating and allocating profits between the bank and the IAHS:

Computation of Pool income is as follows:

	2023 SAR'000	2022 SAR'000
Income from Investments	409,469	224,985
Income from Financing	2,925,457	1,318,020
Total Pool Income	3,334,926	1,543,005
Pool Income	3,334,926	1,543,005
Mudarib fee	(33,349)	(15,430)
Top up / (excess)	198,003	(588,021)
Total amount paid/payable to investment account holders	3,499,580	939,554

The total pool increase is net of attributable cost and impairment charges.

	IAH Share	Bank Share
Profit Sharing Allocation Percentages	99%	1%

c) The equity of the IAHS at the end of the reporting period:

	2023 SAR'000	2022 SAR'000
Investment account holders balance before profit	76,493,107	56,498,794
Add: Profit for the IAH during the year	3,499,580	939,554
Less: Profit paid out during the year	(2,903,965)	(685,965)
Total equity for Investment Account Holders	77,088,722	56,752,383

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

13. Amount due to Mutual Funds' unitholders

Amount due to Mutual Funds' unitholders represents the non-controlling interest in Mutual Funds consolidated in these financial statements.

14. Other liabilities

	Notes	2023 SAR'000	2022 SAR'000
Outward drafts payable		1,982,071	2,142,889
Accounts payable		1,640,302	1,906,213
Unearned revenue		749,871	548,437
Provision for credit-related commitments	19.3	655,863	519,239
Provision for zakat	24	556,318	413,759
End of service liability	26.2	485,254	464,007
Accrued expenses		373,446	337,721
Lease liabilities	14.1	366,092	376,091
Negative fair value of derivatives	7	110,321	13,161
Others		36,638	50,300
Total		6,956,176	6,771,817

14.1 Lease liabilities and lease-related expenses

Below is the undiscounted contractual cash flows for lease liabilities:

	2023 SAR'000	2022 SAR'000
Less than 1 year	109,233	101,266
1 to 5 years	225,115	239,937
Over 5 years	73,637	70,331
Total	407,985	411,534

Other general and administrative expenses include financing cost of SAR 13.8 million (2022: SAR 14.2 million). Rent and premises related expenses include payments for leases excluded in the calculation of lease liabilities (i.e., short term leases and leases of low value assets) of SAR 10.9 million (2022: SAR 8.3 million).

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

15. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2022: 2,000 million shares) of SAR 10 each.

The ownership of the Bank's share capital is as follows:

	2023	2022
	Percentage	
Public Investment Fund ("PIF")	10	10
General public and others	90	90
Total	100	100

15.1 Dividends

The Board of Directors in their meeting held on December 20, 2022 proposed a final 2022 dividends of SAR 996.1 million (2021: SAR 795.1 million) which was approved in the extraordinary general assembly held on April 30, 2023. This resulted to a net payment of SAR 0.50 per share to the shareholders of the Bank (2021: SAR 0.40 per share).

During the year ended December 31, 2023, the Board of Directors approved a total interim dividends of SAR 1,690.4 million (2022: SAR 896.1 million). This resulted to a total payment of SAR 0.85 per share to the shareholders of the Bank (2022: SAR 0.45 per share).

15.2 Proposed issue of bonus shares

On December 31, 2023, the Board of Directors recommended to the Extraordinary General Assembly of the Bank to increase the capital by SAR 5,000 million through capitalization from the retained earnings by way of granting one share for every four shares. The proposed grant is conditional on obtaining the approval of the official authorities and the extraordinary general assembly on the increase in the capital and the number of shares granted.

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

16. Statutory reserve

In accordance with the Banking Control Law in the Kingdom of Saudi Arabia, and Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 1,209.8 million (2022: SAR 899.8 million) has been transferred from the net income for the year to the statutory reserve. The statutory reserve is not available for cash distribution.

17. Treasury shares and other reserves

17.1 Treasury shares

Treasury shares have been acquired, after due approvals, for discharging the obligations of employees share based plans (refer to note 22.2).

On April 30, 2023, the extraordinary general assembly approved 5 million shares to be purchased as treasury shares for allocation to the Employee Stock Plan. The Bank has completed the purchase of these shares during the year.

17.2 Other reserves

2023 (SAR '000)	Fair value reserve for FVOCI investments	Employees share-based plan reserve (note 22.2)	Social contribution reserve	Remeasurement of End of Service Benefits	Total
Balance at the beginning of the year	(634,267)	33,855	113,555	(20,539)	(507,396)
Net change in fair value of FVOCI equity investments	461,304	-	-	-	461,304
Net change in fair values of FVOCI sukuk investments	108,987	-	-	-	108,987
Share of associate's other comprehensive income	10,868	-	-	-	10,868
Gain on sale of FVOCI equity investments	(120,052)	-	-	-	(120,052)
Realized gain on share of associate's other comprehensive income	(10,868)	-	-	-	(10,868)
Actuarial gain on Remeasurement of End of Service Benefits (Note 26)	-	-	-	19,637	19,637
Employee share based plan reserve	-	57,113	-	-	57,113
Other transfers	-	21,748	-	-	21,748
Vesting of shares	-	(18,830)	-	-	(18,830)
Appropriations, net of utilizations	-	-	39,848	-	39,848
Balance at the end of the year	(184,028)	93,886	153,403	(902)	62,359

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

17. Treasury shares and other reserves (Continued)

2022 (SAR '000)	Fair value reserve for FVOCI investments	Employees share-based plan reserve (note 22.2)	Social contribution reserve	Remeasurement of End of Service Benefits	Total
Balance at the beginning of the year	26,617	43,291	85,458	(32,765)	122,601
Net change in fair value of FVOCI equity investments	(412,976)	-	-	-	(412,976)
Net change in fair values of FVOCI sukuk investments	(247,262)	-	-	-	(247,262)
Gain on sale of FVOCI sukuk investments	(993)	-	-	-	(993)
Loss on sale of FVOCI equity investments	347	-	-	-	347
Actuarial gain on Remeasurement of End of Service Benefits (Note 26)	-	-	-	12,226	12,226
Employee share based plan reserve	-	27,187	-	-	27,187
Vesting of shares	-	(36,623)	-	-	(36,623)
Appropriations, net of utilizations	-	-	28,097	-	28,097
Balance at the end of the year	(634,267)	33,855	113,555	(20,539)	(507,396)

During the year, an amount of SAR 48.4 million for 2023 (2022: SAR 36 million) was appropriated from retained earnings to social community reserve. Such reserves will be utilized towards discharging the Bank's corporate social responsibilities.

18. Tier 1 Sukuk

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

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

The applicable profit rate is 4% per annum from date of issue up to 2026 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

19. Commitments and contingencies

19.1 Legal proceedings

As at December 31, 2023 and 2022, there were no significant legal proceedings outstanding against the Bank.

19.2 Capital commitments

As at December 31, 2023, the Bank had capital commitments of SAR 70.5 million (2022: SAR 51 million) relating to acquisition of property and equipment.

19.3 Credit related commitments and contingencies

Credit related commitments and contingencies comprise letters of guarantee, letters of credit, acceptances and unused irrevocable commitments to extend financing facilities. The primary purpose of these instruments is to ensure that funds are available to customers as required. Letters of guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments and financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to invoke such commitments.

Documentary letters of credit are generally collateralized by the underlying assets to which they relate, and therefore have significantly lower risk.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of approved credit, principally in the form of financing, guarantees and letters of credit. With respect to these commitments, the Bank is exposed to an insignificant potential credit risk as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2023	Within 3 months SAR'000	3-12 months SAR'000	1-5 years SAR'000	Over 5 years SAR'000	Total SAR'000
Letters of credit	2,369,762	1,402,770	150,445	-	3,922,977
Letters of guarantee	3,111,702	7,604,171	8,302,668	33,603	19,052,144
Acceptances	1,254,199	-	-	-	1,254,199
Irrevocable commitments to extend credit	-	-	12,136,338	-	12,136,338
Total	6,735,663	9,006,941	20,589,451	33,603	36,365,658

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

19. Commitments and contingencies (Continued)

2022	Within 3 months SAR'000	3-12 months SAR'000	1-5 years SAR'000	Over 5 years SAR'000	Total SAR'000
Letters of credit	3,283,947	1,259,353	61,777	51,833	4,656,910
Letters of guarantee	1,274,686	6,735,169	7,248,594	376,117	15,634,566
Acceptances	486,488	71,287	-	-	557,775
Irrevocable commitments to extend credit	-	-	2,750,501	-	2,750,501
Total	5,045,121	8,065,809	10,060,872	427,950	23,599,752

This is as per contractual period of the guarantee and other credit commitments and in event of default may be payable on demand and therefore current in nature.

ii) The analysis of commitments and contingencies by counter-party is as follows:

	2023 SAR'000	2022 SAR'000
Government and quasi government	8,720	801
Corporate	33,733,756	19,797,042
Banks and other financial institutions	2,623,182	3,801,909
Total	36,365,658	23,599,752

iii) The outstanding unused portion of commitments as at December 31, 2023 which can be revoked unilaterally at any time by the Bank, amounts to SAR 35,126 million (2022: SAR 35,298 million).

iv) The following table shows reconciliations from the opening to the closing balance of the gross exposure of credit commitments and contingencies and 'Provision for credit-related commitments':

Gross exposure of credit commitments and contingencies	December 31, 2023			Total SAR in '000'
	12-month ECL SAR in '000'	Life time ECL not credit impaired SAR in '000'	Lifetime ECL credit impaired SAR in '000'	
Balance at the beginning of the year	20,722,255	2,298,177	579,320	23,599,752
Transfer to 12-month ECL	39,590	(39,590)	-	-
Transfer to life time ECL, not credit impaired	(1,897,151)	1,902,641	(5,490)	-
New commitments, net of expired / matured commitments during the year	12,480,789	292,454	(7,337)	12,765,906
Balance as at December 31, 2023	31,345,483	4,453,682	566,493	36,365,658

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For the years ended December 31, 2023 and 2022

Gross exposure of credit commitments and contingencies	December 31, 2022			
	12-month ECL SAR in '000'	Life time ECL not credit impaired SAR in '000'	Lifetime ECL credit impaired SAR in '000'	Total SAR in '000'
Balance at the beginning of the year	11,152,123	2,217,077	575,832	13,945,032
Transfer to 12-month ECL	99,753	(99,753)	-	-
Transfer to life time ECL, not credit impaired	-	(25,191)	25,191	-
New commitments, net of expired / matured commitments during the year	9,470,379	206,044	(21,703)	9,654,720
Balance as at December 31, 2022	20,722,255	2,298,177	579,320	23,599,752

Provision for credit-related commitments	December 31, 2023			
	12-month ECL SAR in '000'	Life time ECL not credit impaired SAR in '000'	Lifetime ECL credit impaired SAR in '000'	Total SAR in '000'
Balance at the beginning of the year	51,580	245,464	222,195	519,239
Transfer to 12-month ECL	256	(256)	-	-
Transfer to life time ECL, not credit impaired	(23,309)	23,951	(642)	-
Net charge / (reversal) for the year	11,942	132,857	(8,175)	136,624
Balance as at December 31, 2023	40,469	402,016	213,378	655,863

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

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

20. Income from investments and financing, net

	SAR'000 2023	SAR'000 2022
Income from investments and financing:		
Investments in Murabaha and money market placement with SAMA	156,859	30,208
Investments in Sukuk held at amortized cost	767,573	769,681
Investments in Sukuk held at FVOCI	625,309	324,810
Murabaha with banks and other financial institutions	99,231	12,430
Financing:		
Murabaha	1,700,948	1,358,054
Ijarah	3,268,301	1,970,982
Bei Ajel	6,486,777	3,087,325
Other financing products	122,511	59,471
Total income from financing	11,578,537	6,475,832
Total	13,227,509	7,612,961
Return on time investments:		
Customers' time investments	(5,105,486)	(1,166,164)
Time investments from SAMA, banks and other financial institutions	(467,509)	(380,331)
	(5,572,995)	(1,546,495)
Total	7,654,514	6,066,466

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For the years ended December 31, 2023 and 2022

21. Fees from banking services, net and other operating income**21.1 Fees from banking services, net**

	2023 SAR'000	2022 SAR'000
Income from:		
Trade finance services	172,452	124,583
Card services	1,301,748	1,071,806
Brokerage fees	138,961	88,613
Fund management and other banking services	813,542	616,508
	2,426,703	1,901,510
Expense on:		
Card services	(931,727)	(663,360)
Other fees	(35,985)	(29,218)
	(967,712)	(692,578)
	1,458,991	1,208,932

21.2 Other operating income

	2023 SAR'000	2022 SAR'000
Gain on sale of property and equipment	7,878	4,371
Gain on derecognition of associate	5,143	-
Gain from Sukuk investments held at amortized cost	-	52,196
Others, net	26,321	29,413
	39,342	85,980

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For the years ended December 31, 2023 and 2022

22. Salaries and employees related expenses

The following table summarizes the Bank's employee categories defined in accordance with SAMA's rules on compensation practices.

SAR'000 Categories of employees	Number of employees		Fixed compensation		Variable Compensation paid					
					Cash		Shares (note 22.2)		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Senior executives requiring SAMA no objections	30	30	53,918	53,908	18,196	16,169	7,177	9,372	25,373	25,541
Employees engaged in risk taking activities	948	898	355,078	326,614	42,821	57,047	4,371	20,640	47,192	77,687
Employees engaged in control functions	460	377	144,342	127,868	31,703	23,796	2,049	8,043	33,752	31,839
Other employees	2,440	2,371	551,758	493,915	57,353	59,048	4,521	23,089	61,874	82,137
Outsourcing employees (engaged in risk taking activities)	-	-	-	-	-	-	-	-	-	-
	3,878	3,676	1,105,096	1,002,305	150,073	156,060	18,118	61,144	168,191	217,204
Variable compensation accrued	-	-	149,600	162,021	-	-	-	-	-	-
Other employee related benefits	-	-	211,825	160,998	-	-	-	-	-	-
Total	3,878	3,676	1,466,521	1,325,324	150,073	156,060	18,118	61,144	168,191	217,204

Refer to note 22.2 for more details on shares paid during the year ended December 31, 2023 and 2022.

22.1 Salient features of Compensation Policy

As an integral part of the compensation governance, the Bank follows appropriate compensation practices in line with the SAMA guidelines and Financial Stability Board (FSB) Principles/Standards. The Bank has implemented a "Compensation & Allowances" policy approved by the Board of Directors (the "Board").

The Bank has also established a Nomination and Remuneration Committee ("NRC"). It has been mandated by the Board to review and recommend sound compensation policies for adoption by the Bank.

While developing and implementing such policies, the Bank has sought to align the same with the risks related to capital, liquidity and sustainability as well as timing of revenue streams.

The Bank has adopted fixed as well as variable compensation schemes. The variable component is aligned not only with the aforesaid risks but also with the overall performance of the Bank and the individual, and risk involved in the relevant job

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For the years ended December 31, 2023 and 2022

function. The Bank consistently evaluates its compensation policies against the industry and makes necessary revisions as and when required.

The Bank, as part of their compensation practices which are aligned with the SAMA rules, considers variable compensation programs which are based on (1) market practice, (2) strategy of the business area, (3) roles of the business area, (4) nature and tail of risks undertaken, and (5) actual performance delivered.

As part of the Bank's variable compensation structure, following are the key components of variable compensation in the Bank:

1. Cash Bonus – The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
2. Deferred Bonus – The portion of the variable compensation that is awarded and paid in cash and/or shares over a period of 3 years.

Below are the details of the deferred bonus payments for the outstanding years and no deferred bonus is reduced through performance adjustments.

	Total amount deferred SAR in '000'	Amount vested SAR in '000'	Amount unvested SAR in '000'	Amount paid in 2023 SAR in '000'
2020 (awarded in shares)	11,378,680	6,747,413	4,631,267	3,332,899
2021 (awarded in shares)	28,638,600	9,060,509	19,578,091	9,060,509
2022 (awarded in shares)	44,534,987	-	44,534,987	-

The Bank implements procedures so as to support the principles of adjustment to variable compensation outcomes so as to reflect true underlying and actual, realized performance. This can either be achieved through:

1. Withholding, whereby deferred payments are to be withheld following subdued or negative performance; or
2. Malus, whereby a portion of variable pay is deferred and only released subject to no subdued or negative performance indicating the results on which the variable pay was paid were overstated and that were used to calculate the overall bonus.

As a Sharia'a compliant bank, the Bank uses claw back of previously paid bonuses in its purest form to be appropriate in the context of Sharia'a Committee decisions only when the malus clause applies.

Therefore, for the purpose of bonus deferral, the Bank may apply a further malus clause to this deferred amount that may require either a restatement of results for which the bonus was paid and / or additional performance measures.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

22. Salaries and employees related expenses (Continued)

Linkage of compensation with actual performance

The variable compensation in the Bank is purely performance based and consists of the annual performance bonus. As part of the staff's variable compensation, the annual bonus is driven by delivery of operational and financial targets set each year, the individual performance of the employees and their contribution in delivering the overall Bank's objectives.

The Bank has adopted a Board-approved framework to develop a clear link between variable compensation and performance. The framework is designed on the basis that the combination of meeting both financial performance and achievement of other non-financial factors would deliver a target bonus pool for the employees, prior to consideration of any allocation to business areas and employees individually.

The key performance metrics at the Bank level include a combination of short-term and long-term measures, and include profitability, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable compensation, the Bank starts from setting specific targets, establishing market comparable bottom-up, setting a profit target and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risks via the use of risk-adjusted measures. The NRC carefully evaluates practices by which compensation is paid for potential future revenues whose timing and likelihood remain uncertain. The NRC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects. The Bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realized and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRC. For the Bank to have any funding for distribution of a bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable compensation is generally considerably contracted where subdued or negative financial performance occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk adjustment and linkage framework.

Deferral policy and vesting criteria

For certain categories of employees such as (1) Employees requiring SAMA No Objection, (2) Material Risk Takers and (3) Material Risk Controllers, where deemed appropriate, the Bank provides a portion of variable compensation in the form of corporate performance linked shares paid out on a multi-year cycle for identified key employees who have direct impact on the Bank growth and success.

Where variable compensation plans that include corporate performance linked cash/shares payments are introduced, the Bank provides criteria for determining the value for allocation of deferred payments within the plan rules or guidelines. Payouts of such conditional deferred shares plans are required to be subject to a retention or vesting policy that is determined on a plan to plan basis. Such retention or vesting policies are to be outlined within the plan rules or guidelines. As a minimum requirement, the Bank's policy is for cash/shares based awards to be subject to an appropriate retention policy.

Parameters for allocating cash versus other forms of compensation

The quality and long-term commitment of all employees is fundamental to the success of the Bank. The Bank therefore attracts, retains and motivates the best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of Shareholders. The Bank's reward package comprises the following key elements;

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For the years ended December 31, 2023 and 2022

- Fixed Pay** (comprises of basic salary and cash allowances) and other benefits programs are developed so as to support the pay positioning and pay mix policies and align with all applicable regulatory requirements.
- Cash Allowances** are provided to support the Bank's pay positioning policies and to aid recruitment of sufficiently qualified talent to drive sustainable growth. The Bank reviews which allowances it offers to employees and the quantum of such allowances so as to ensure they support the aims of compensation across the whole Bank.
- Benefits** to support retention and recruitment of sufficiently experienced talent across the business. Provision of these benefits is provided in line with local market norms and reviewed on a regular basis to ensure they remain appropriate.
- Annual Performance Bonus** to enhance employee effectiveness by driving the Bank, business group and individual performance in a sustainable process and create a competitive compensation strategy that supports the Bank's business growth strategy.

22.2 Employees share-based plans

Significant features of the Employees Share based schemes outstanding at the end of the period are as follows:

Nature of scheme	ESGS Plan A	Deferred bonus 2021	Deferred bonus 2022	Deferred bonus 2023
No. of outstanding Schemes	1	1	1	1
Grant date	May-2019	Mar-2021	Jan-2022	Jan-2023
Maturity date	Apr-2024	Mar-2024	Jan-2025	Jan-2026
Number of shares granted – adjusted after issuance of bonus shares	1,167,452	699,985	1,177,790	1,203,141
Vesting period	5 years	3 years	3 years	3 years
Value of shares granted (SAR)	21,864,357	11,535,753	34,627,015	42,182,109
Fair value per share at grant date (SAR) – adjusted after issuance of bonus shares	20.25	16.48	29.40	35.06
Vesting condition	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria
Method of settlement	Equity	Equity	Equity	Equity
Valuation model used	Market Value	Market Value	Market Value	Market Value
Weighted average remaining contractual life	0.3 Years	0.2 Years	1.1 Years	2 Years

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For the years ended December 31, 2023 and 2022

22. Salaries and employees related expenses (Continued)

The movement in weighted average price and in the number of shares in the employees share participation scheme is as follows:

December 31, 2023	ESGS Plan A		Deferred bonus schemes	
	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme
Beginning of the year	19.70	434,534	26.94	2,029,256
Granted during the year	19.70	27,397	34.90	1,307,826
Vested during the year	19.70	(221,412)	30.06	(578,075)
Expired during the year	19.70	(16,957)	30.06	(148,725)
End of the year	19.70	223,562	30.06	2,610,282
Exercisable at year end	19.70	223,562	30.06	2,610,282

December 31, 2022	ESPS (Jana)		ESGS Plan A		ESGS Plan B		Deferred bonus	
	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme
Beginning of the year	16.13	1,824,633	19.70	1,422,415	20.25	566,409	16.48	684,934
Granted during the year	-	-	19.70	7,782	-	-	29.40	1,687,097
Vested during the year	16.13	(1,791,147)	19.70	(986,361)	20.25	(558,499)	17.16	(286,201)
Expired during the year	16.13	(33,486)	19.70	(9,302)	20.25	(7,910)	22.99	(56,574)
End of the year	-	-	19.70	434,534	-	-	26.94	2,029,256
Exercisable at year end	-	-	19.70	434,534	-	-	26.94	2,029,256

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized in consolidated statement of income during the year ended December 31, 2023 in respect of these schemes was SAR 57.1 million (2022: SAR 27.2 million).

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

23. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income adjusted for Tier 1 Sukuk costs by the weighted average number of outstanding shares which were 1,989.2 million shares at December 31, 2023. Basic and diluted earnings per share as at December 31, 2022 were divided by 1,990.3 million shares. The diluted earnings per share is the same as the basic earnings per share.

24. Zakat liability

	2023 SAR'000	2022 SAR'000
Opening balance	413,759	311,545
Zakat expense	556,318	413,759
Payments during the year	(413,759)	(311,545)
Ending balance	556,318	413,759

25. Cash and cash equivalents

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

	2023 SAR'000	2022 SAR'000
Cash in hand	1,807,396	1,960,998
Balances with SAMA excluding statutory deposit	1,801,753	278,465
Due from banks and other financial institutions maturing within three months of acquisition	1,563,698	1,333,480
Total	5,172,847	3,572,943

26. Employee benefit obligations

26.1 General description of Defined Benefit Plan

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

26. Employee benefit obligations (Continued)

26.2 The amounts recognized in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2023 SAR'000	2022 SAR'000
Defined benefit obligation at the beginning of the year	464,007	438,073
Charge for the year	67,505	66,083
Discount cost	20,897	13,731
Benefits paid	(47,518)	(41,654)
Actuarial gain on re-measurement recognized in OCI	(19,637)	(12,226)
Defined benefit obligation at the end of the year	485,254	464,007

Charge for the year is comprised of current service cost.

Actuarial gain on re-measurement recognized in OCI is comprised of:

	2023 SAR'000	2022 SAR'000
Gain from change in experience assumptions	2,395	4,867
Gain from change in financial assumptions	17,242	7,359
Total	19,637	12,226

26.3 Principal actuarial assumptions (in respect of the end of service benefit plan)

	2023	2022
Discount rate	4.76% p.a.	4.76% p.a.
Expected rate of salary increase	3.5% p.a. for the next 3 years	3.5% p.a. for the next year
– thereafter	4.8% p.a.	4.8% p.a.
Normal retirement age	60 years	60 years

The assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

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Notes to the Consolidated Financial Statements (Continued)

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26.4 Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at December 31, 2023 and 2022:

2023 Base scenario	Impact on defined benefit obligation – Increase/(Decrease)		
	Change in assumption	Increase in assumption SAR 000'	Decrease in assumption SAR 000'
Discount rate	1%	(42,720)	49,752
Expected rate of salary increase	1%	51,089	(44,637)

2022 Base scenario	Impact on defined benefit obligation – Increase/(Decrease)		
	Change in assumption	Increase in assumption SAR 000'	Decrease in assumption SAR 000'
Discount rate	1%	(41,554)	48,608
Expected rate of salary increase	1%	50,585	(43,974)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

26.5 Expected maturity

Expected maturity analysis of undiscounted defined benefit obligation for the end of service benefit plan is as follows:

	2023 SAR'000	2022 SAR'000
Less than a year	41,463	38,803
1-2 years	31,200	28,902
2-5 years	88,310	86,558
Over 5 years	654,600	635,028
Total	815,573	789,291

The weighted average duration of the defined benefit obligation is 14.7 years (2022: 14.7 years).

26.6 Defined contribution plan

The Bank makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SAR 73.2 million (2022: SAR 73 million).

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

27. Operating segments

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

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

The Bank's reportable segments are as follows:

a) Retail banking

Financing, deposit and other products/services for individuals.

b) Corporate banking

Financing, deposit and other products and services for corporate, SME and institutional customers.

c) Treasury

Murabahas with banks, investments and treasury services.

d) Investment and brokerage

Asset Management, custodianship, advisory, underwriting and brokerage services.

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

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

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

	December 31, 2023				
	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment & brokerage SAR '000	Total SAR '000
2023					
Total assets	41,309,676	131,377,995	61,379,953	2,647,474	236,715,098
Total liabilities	117,765,455	22,787,416	61,639,658	188,968	202,381,497
Income from investments and financing	6,243,516	4,070,998	2,812,114	100,881	13,227,509
Return on time investments	(2,213,386)	(1,159,737)	(2,199,872)	-	(5,572,995)
Income from investments and financing, net	4,030,130	2,911,261	612,242	100,881	7,654,514
Fees from banking services and other income	464,018	357,507	499,833	749,785	2,071,143
Total operating income	4,494,148	3,268,768	1,112,075	850,666	9,725,657
Charge/ (reversal) for impairment of financing	735,700	540,319	-	(3,915)	1,272,104
Charge for impairment of other financial assets	6,191	-	7,081	13,252	26,524
Depreciation and amortization	264,218	32,718	23,415	4,962	325,313
Other operating expenses	1,434,010	628,448	348,261	307,494	2,718,213
Total operating expenses	2,440,119	1,201,485	378,757	321,793	4,342,154
Net operating income	2,054,029	2,067,283	733,318	528,873	5,383,503
Share of income from associate and joint venture	-	-	12,021	-	12,021
Net income for the year before zakat	2,054,029	2,067,283	745,339	528,873	5,395,524

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

27. Operating segments (Continued)

2022	December 31, 2022				
	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment & brokerage SAR '000	Total SAR '000
Total assets	35,600,568	109,953,692	52,381,346	2,500,623	200,436,229
Total liabilities	97,108,721	23,711,603	47,548,547	191,045	168,559,916
Income from investments and financing	3,400,066	2,748,778	1,372,191	91,926	7,612,961
Return on time investments	(518,669)	(306,162)	(721,664)	-	(1,546,495)
Income from investments and financing, net	2,881,397	2,442,616	650,527	91,926	6,066,466
Fees from banking services and other income	442,729	293,341	534,621	625,903	1,896,594
Total operating income	3,324,126	2,735,957	1,185,148	717,829	7,963,060
Charge for impairment of financing	350,642	843,286	-	3,772	1,197,700
Charge / (reversal) for impairment of other financial assets	-	-	13,774	(22,756)	(8,982)
Depreciation and amortization	247,915	16,237	9,617	5,347	279,116
Other operating expenses	1,501,202	474,205	242,430	268,024	2,485,861
Total operating expenses	2,099,759	1,333,728	265,821	254,387	3,953,695
Net operating income	1,224,367	1,402,229	919,327	463,442	4,009,365
Share of income from associate and joint venture	-	-	3,534	-	3,534
Net income for the year before zakat	1,224,367	1,402,229	922,861	463,442	4,012,899

Other information:	December 31, 2023				
	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment & brokerage SAR '000	Total SAR '000
Income from:					
-External customers	526,795	8,436,168	(87,972)	850,666	9,725,657
-Inter-segment	3,967,353	(5,167,400)	1,200,047	-	-
Total operating income	4,494,148	3,268,768	1,112,075	850,666	9,725,657

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For the years ended December 31, 2023 and 2022

	December 31, 2022				
	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment & brokerage SAR '000	Total SAR '000
Other information:					
Income from:					
-External customers	1,490,170	4,844,945	910,116	717,829	7,963,060
-Inter-segment	1,833,956	(2,108,988)	275,032	-	-
Total operating income	3,324,126	2,735,957	1,185,148	717,829	7,963,060

The Bank's credit exposure by operating segments is as follows:

	December 31, 2023				
	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment & brokerage SAR '000	Total SAR '000
2023					
On balance sheet assets	41,309,676	131,377,995	52,257,049	1,839,195	226,783,915
Commitments and contingencies	-	16,389,473	910,573	-	17,300,046
Total	41,309,676	147,767,468	53,167,622	1,839,195	244,083,961

	December 31, 2022				
	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment & brokerage SAR '000	Total SAR '000
2022					
On balance sheet assets	35,600,568	109,953,692	45,139,493	1,682,474	192,376,227
Commitments and contingencies	-	12,574,758	840,049	-	13,414,807
Total	35,600,568	122,528,450	45,979,542	1,682,474	205,791,034

Credit exposure comprises the carrying value of on balance sheet assets, excluding cash, property and equipment and right of use assets, investments in funds and equities and non-credit other assets. The credit equivalent value of commitments and contingencies are included in credit exposure.

28. Credit risk

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

An internal credit-rating model is used to determine the Obligor Risk Rating (ORR), a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered, when available and disclosed by clients. Target Market is a key component of this process as it provides the first filter for prospective and existing obligors to avoid initiating or maintaining relationships that do not fit the Bank's strategy and desired risk profile. Risk Acceptance Criteria (RAC) is a

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28. Credit risk (Continued)

set of variables indicating the terms under which the Bank is willing to initiate and/or maintain a credit relationship with an obligor that meets the target market. The business team is a front-end marketing team responsible for originating, evaluating and recommending credit proposals. Approval is granted in accordance with the Board approved "Credit Approval Authority Delegation Matrix" through the Credit Committee which is composed of the CEO, Business Senior Credit Officer, and Chief Credit Officer. Credits are extended based on the Corporate, Financial Institutions and Retail Banking Credit Policies and Guidelines.

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

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

28.1 Expected credit Loss (ECL)

Credit Risk Grades

The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, credit policies framework and extensive due diligence process. The credit review and approval process is ably supported with stringent credit administration control and limit monitoring function of credit limits.

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

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

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For the years ended December 31, 2023 and 2022

The Bank's internal credit rating grades:

Internal rating grade	Internal rating description	12 months Point in Time (PIT) PD
Performing		
1	Almost Credit Risk Free	0.01%
2+	Almost Credit Risk Free	0.01%
2	Almost Credit Risk Free	0.02%
2-	Almost Credit Risk Free	0.05%
3+	Exceptionally Strong Credit Risk	0.08%
3	Exceptionally Strong Credit Risk	0.12%
3-	Exceptionally Strong Credit Risk	0.17%
4+	Exceptionally Strong Credit Risk	0.25%
4	Excellent Credit Risk	0.36%
4-	Excellent Credit Risk	0.51%
5+	Good Credit Quality	0.81%
5	Good Credit Quality	1.27%
5-	Good Credit Quality	2.13%
6+	Satisfactory Credit Quality	3.56%
6	Satisfactory Credit Quality	6.40%
6-	Borderline Credit Quality	13.47%
7	Weak Credit Quality	30.49%
Non-performing		
8	First stage of default	100.000%
9	Default / substantial difficulty	100.000%
10	Write - Off	100.000%

Impairment Framework

The Bank compares the risk of default at the reporting date with the risk of default from the reference period. If the change in credit assessment is significant, the obligor is moved from Stage 1 to Stage 2 or Stage 2 to Stage 3. The PD is then changed from a 12-month point-in-time PD to a lifetime PD. The Bank groups its credit exposures on the basis of shared credit risk characteristics with the objective of facilitating analysis designed to identify significant increases in the credit risk on a timely basis. Given below are the most important types of the shared credit risk characteristics:

- Type of exposure
- Obligor risk rating
- Collateral type
- Collateral value
- Economic cycle and forward-looking scenario

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28. Credit risk (Continued)

- f. Date of origination
- g. Remaining term to maturity
- h. Geographical location of the obligor
- i. Industry

The Bank categorizes its financial assets into three stages of impairment, in accordance with IFRS 9 methodology:

- **Stage 1 Performing assets** – Financial asset(s) at origination or existing financial assets, at the reporting date, with no significant increase in credit risk since origination: The Bank recognizes an impairment allowance amounting to 12-month expected credit losses using a point-in-time PD (an estimate of the probability of default over the next 12 months). Profits associated with the asset are recognized on the basis of gross carrying value.
- **Stage 2 Underperforming assets** – Financial asset(s) that have significantly deteriorated in credit quality since origination: In determining whether a significant risk has occurred since initiation, the bank assesses the change, if any, in the risk of default over the expected life of the financial asset. The trigger point for classifying an account to Stage 2 and the consequent calculation of lifetime expected credit loss is based on past due obligations (rebuttable assumption if payments are more than 30 days past due). However, the most important consideration for categorization to Stage 2 is a determination by the Impairment Committee that the credit quality has deteriorated to the degree defined by the IFRS 9 guidelines. For retail borrowers, over 30 days past due is typically the trigger point for Stage 2 Classification. The Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD (an estimate of the probability of default over the life of the asset). Profits associated with the asset are recognized on the basis of gross carrying value.
- **Stage 3 Credit-impaired assets (non-performing assets)** – Financial asset(s) that show objective evidence of impairment: For credit impaired financial asset(s), the Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD approach. Profits associated with the asset are recognized on the basis of net carrying value.

Definition of 'Default'

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

Write offs

The Bank writes off any financing exposure in whole or in part, only when it has exhausted all practical recovery and remedial efforts and has concluded that there is no reasonable expectation of recovery in the foreseeable future. The write off are made after obtaining required approval. In the event of write-off the Bank does not forfeit its right to recover and continues to apply same collection intensity to optimize recovery potential including legal recourse.

Impairment – Stage Assessment and Expected Credit Loss Estimation

The Bank recognizes impairment on an on-going basis by calculating the expected credit loss (ECL) at each reporting period. The IFRS 9 methodology requires a forward-looking approach considering ECL for impairment rather than incurred losses.

By definition, all accounts in the financing portfolio of the Bank are categorized as Stage 1, unless these assets qualify under the rules and guidelines for impairment under the two stages which are "underperforming" Stage 2, and "Impaired," Stage 3. The levels of Credit Risk are described below:

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Credit Losses (CL)

Credit Loss simply defined, is the difference between all the contractual cash flows that are due to the Bank and the NPV of the expected reduced cash flows discounted at the applicable effective rate, in view of certain circumstances that affect the borrower's ability to repay its original obligations. Credit loss could be the total contractual cash flows (100% credit loss), or a portion of the contractual cash flows.

Lifetime expected credit losses

Lifetime expected credit loss is the expected present value of losses that may arise if a borrower defaults on its obligations at some time during the life of the financial asset. This is equivalent to the shortfalls in contractual cash flows, taking into account the potential or the probability of default at any point in time during the life of the asset.

12- Month Expected credit losses

The 12 – month expected credit loss is a portion of the lifetime expected credit loss which is calculated by multiplying the probability of default occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would result from that default. They are not the expected cash shortfalls over the next 12 months or the forecast of default in next 12 months but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. An asset moves from 12 – month expected credit losses (Stage 1) to lifetime expected credit loss (Stage 2) when there has been a significant deterioration in credit quality since initial recognition. Lifetime expected credit loss is also applied for obligors classified in stage 3.

Probability of Default

Probability of Default (“PD”) is a critical attribute in credit risk assessment. It is used to compute the expected credit loss. Alinma Bank starts by using its credit risk models to assign a risk rating for an obligor (obligor risk rating). Each obligor risk rating is mapped to a probability of default, a point-in-time estimate of the probability of default over a 12-month period. A macroeconomic forecast is then used to calculate a multi-period probability of default; these multi-period (or term structure PD) are then used in the calculation of lifetime expected credit losses. The Bank formulates three forward-looking scenarios of the economic cycle to generate an estimate of the Term Structure PD (which is the expected migration of PD up or down, depending on the various stages of the economic cycle.) For example, it can be expected that if the economic environment is on a down-swing, the PD of an obligor which is already stressed and is classified under Stage 2 with clear signs of credit weaknesses, will tend to deteriorate. Conversely, if the economic environment is on an up-swing, the PD of a similar obligor will tend to improve. The Bank has incorporated in its lifetime PD an adjustment factor for survivability which recognizes that if a stressed obligor survives over a longer period of time, this indicates that the probability of default is reduced.

Loss Given Default

Loss Given Default (“LGD”) is an estimate of the loss arising for an obligor in case of default. The following are the LGDs estimations aspect to be noted for the ECL calculation:

- Internal loss or recovery back LGDs are used for different portfolio of Alinma bank.
- The LGDs are benchmarked against market (National data pooling) estimates.
- For the retail product the CART based LGD models are designed based on historical loss and recovery experience.
- Due to lack of default and loss data, the investment and financial institution portfolio uses the regulatory prescribed LGD estimates.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28. Credit risk (Continued)

Sensitivity analysis

The table below shows the sensitivity of change in economic indicators to the ECL computed under three different scenarios used by Bank:

2023	Due from banks and other financial institutions SAR '000	Investments SAR '000	Financing SAR '000	Provision for credit-related commitments SAR '000
Base case (most likely)	1,288	19,854	4,432,701	655,863
Up turn	1,218	18,854	4,346,277	647,178
Down turn	1,411	21,855	4,668,821	690,171

2022	Due from banks and other financial institutions SAR '000	Investments SAR '000	Financing SAR '000	Provision for credit-related commitments SAR '000
Base case (most likely)	3,592	16,158	3,981,256	519,239
Up turn	3,393	15,252	3,768,327	515,768
Down turn	3,682	16,939	4,179,895	523,624

The base case scenario represents a most-likely outcome. In the up turn scenario, weightings are 50% for baseline assumptions, 40% for optimistic assumptions and 10% for pessimistic assumptions. In the down turn scenario, weightings are 50% for baseline assumptions, 40% for pessimistic assumptions and 10% optimistic assumptions. The Bank currently uses the weightings of 50% for baseline, 30% for optimistic assumptions and 20% for pessimistic assumptions.

No change has been made in the backstop criteria for all types of exposures.

The Bank considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. In addition to the base case forecast which reflects the negative economic impact as compared to last year, greater weighting has been applied to the downside scenario given the Bank's assessment of downside risks and lesser weighting has been applied to upside scenario.

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For the years ended December 31, 2023 and 2022

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data. The Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2022 ECL model		
	2024	2025	2026
Inflation (%)	2.31	2.03	2.01
GDP per capita (SAR)	87,361	88,181	89,042
Fiscal Spending (SAR Billions)	1,391	1,442	1,488
Oil Price / Barrel (USD)	71.28	69.40	67.96

The PD, EAD and LGD models are subject to the Bank's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement evaluation based over periodic independent model validation and back-testing exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by various assumptions, management expert judgement and uncertainty and therefore, the actual outcomes may be different than those projected. The bank has assigned high priority in enhancing the IFRS 9 calculation engine with an objective to minimize the manual intervention and automate system functionality to an optimal level.

28.1.1 Due from banks and other financial institutions by risk rating

	2023			2022		
	12-month ECL	Life time ECL not credit impaired	Total	12-month ECL	Life time ECL not credit impaired	Total
Due from banks and other financial institutions						
Grades 1-4: investment grade	1,683,542	-	1,683,542	1,416,640	-	1,416,640
Grades 5-6: good/satisfactory	16,738	-	16,738	40,884	526	41,410
Grades 7: Watch-list	-	1,915	1,915	-	-	-
Gross	1,700,280	1,915	1,702,195	1,457,524	526	1,458,050
Allowance for impairment	(1,031)	(257)	(1,288)	(3,564)	(28)	(3,592)
Net	1,699,249	1,658	1,700,907	1,453,960	498	1,454,458

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28. Credit risk (Continued)

28.1.2 Sukuk and Murabaha investments by risk rating

	2023 SAR '000	2022 SAR '000
	12-month ECL	
Murabahas with SAMA investments – amortized cost		
Grades 1-4: investment grade	1,626,379	904,901
Sukuk investments – amortized cost		
Grades 1-4: investment grade	25,422,871	22,477,405
Grades 5-6: good/satisfactory	75,763	1,355,172
	25,498,634	23,832,577
Sukuk investments – FVOCI		
Grades 1-4: investment grade	11,488,199	9,595,856
Grades 5-6: good/satisfactory	870,088	1,050,289
	12,358,287	10,646,145
Murabahas with SAMA and Sukuk investments - Total		
Grades 1-4: investment grade	38,537,449	32,978,162
Grades 5-6: good/satisfactory	945,851	2,405,461
Gross	39,483,300	35,383,623
Allowance for impairment	(19,854)	(16,158)
Net	39,463,446	35,367,465

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28.1.3 Financing to customers by risk rating

December 31, 2023	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired (non-Performing) SAR '000	Total SAR '000
Financing to customers (at amortized cost)				
– Retail				
Unrated	41,365,515	1,008,533	-	42,374,048
Impaired financing	-	-	851,915	851,915
Gross financing	41,365,515	1,008,533	851,915	43,225,963
Allowance for impairment	(225,433)	(115,840)	(638,641)	(979,914)
	41,140,082	892,693	213,274	42,246,049
Financing to customers (at amortized cost)				
– Corporate				
Grades 1-4: investment grade	74,180,382	-	-	74,180,382
Grades 5-6: good/satisfactory	49,074,485	7,588,368	-	56,662,853
Grades 7: Watch-list	-	1,977,001	-	1,977,001
Impaired financing	-	-	2,010,546	2,010,546
Gross financing	123,254,867	9,565,369	2,010,546	134,830,782
Allowance for impairment	(460,499)	(1,600,519)	(1,391,769)	(3,452,787)
	122,794,368	7,964,850	618,777	131,377,995
Financing to customers (at amortized cost)				
– Total				
Grades 1-4: investment grade	74,180,382	-	-	74,180,382
Grades 5-6: good/satisfactory	49,074,485	7,588,368	-	56,662,853
Grades 7: Watch-list	-	1,977,001	-	1,977,001
Unrated	41,365,515	1,008,533	-	42,374,048
Impaired financing	-	-	2,862,461	2,862,461
Gross financing	164,620,382	10,573,902	2,862,461	178,056,745
Allowance for impairment	(685,932)	(1,716,359)	(2,030,410)	(4,432,701)
Financing, net	163,934,450	8,857,543	832,051	173,624,044

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28. Credit risk (Continued)

December 31, 2022	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired (non-Performing) SAR '000	Total SAR '000
Financing to customers (at amortized cost)				
– Retail				
Unrated	35,678,542	1,135,594	-	36,814,136
Impaired financing	-	-	461,214	461,214
Gross financing	35,678,542	1,135,594	461,214	37,275,350
Allowance for impairment	(265,329)	(163,803)	(322,526)	(751,658)
	35,413,213	971,791	138,688	36,523,692
Financing to customers (at amortized cost)				
– Corporate				
Grades 1-4: investment grade	47,700,501	-	-	47,700,501
Grades 5-6: good/satisfactory	55,716,407	4,720,413	-	60,436,820
Grades 7: Watch-list	-	2,601,841	-	2,601,841
Impaired financing	-	-	2,458,700	2,458,700
Gross financing	103,416,908	7,322,254	2,458,700	113,197,862
Allowance for impairment	(425,859)	(1,468,250)	(1,335,489)	(3,229,598)
	102,991,049	5,854,004	1,123,211	109,968,264
Financing to customers (at amortized cost)				
– Total				
Grades 1-4: investment grade	47,700,501	-	-	47,700,501
Grades 5-6: good/satisfactory	55,716,407	4,720,413	-	60,436,820
Grades 7: Watch-list	-	2,601,841	-	2,601,841
Unrated	35,678,542	1,135,594	-	36,814,136
Impaired financing	-	-	2,919,914	2,919,914
Gross financing	139,095,450	8,457,848	2,919,914	150,473,212
Allowance for impairment	(691,188)	(1,632,053)	(1,658,015)	(3,981,256)
Financing, net	138,404,262	6,825,795	1,261,899	146,491,956
Rating Scale (1 – 4) represents:	Substantially credit risk free, Exceptionally strong credit quality, Excellent credit risk quality, Very good credit risk quality.			
Rating Scale (5 – 6) represents:	Good to satisfactory and borderline credit quality.			
Rating Scale (7) represents:	Watch list category.			

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28.1.4 Commitments and contingencies by risk rating

December 31, 2023	12-month ECL SAR '000	Life time ECL not c credit impaired SAR '000	Life time ECL credit impaired (non- Performing) SAR '000	Total SAR '000
Commitments and contingencies				
Grades 1-4: investment grade	8,671,995	-	-	8,671,995
Grades 5-6: good/satisfactory	4,273,179	2,187,758	-	6,460,937
Grades 7: Watch-list	-	371,397	-	371,397
Unrated	1,511,482	-	-	1,511,482
Impaired	-	-	284,235	284,235
Total amount at credit equivalents	14,456,656	2,559,155	284,235	17,300,046
Provision for credit-related commitments	40,469	402,016	213,378	655,863

December 31, 2022	12-month ECL SAR '000	Life time ECL not c credit impaired SAR '000	Life time ECL credit impaired (non- Performing) SAR '000	Total SAR '000
Commitments and contingencies				
Grades 1-4: investment grade	4,213,585	-	-	4,213,585
Grades 5-6: good/satisfactory	6,269,278	1,263,567	-	7,532,845
Grades 7: Watch-list	-	362,303	-	362,303
Unrated	1,011,602	-	-	1,011,602
Impaired	-	-	294,472	294,472
Total amount at credit equivalents	11,494,465	1,625,870	294,472	13,414,807
Provision for credit-related commitments	51,580	245,464	222,195	519,239

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Notes to the Consolidated Financial Statements (Continued)

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28. Credit risk (Continued)

28.2 Economic sectors risk concentration for financing and allowance for impairment are as follows:

2023	Performing SAR'000	Non-performing SAR'000	Life time ECL for credit impaired financing SAR'000	Financing, net SAR'000
Government and quasi government	16,301,450	-	-	16,301,450
Manufacturing	9,417,958	1,329,925	(762,407)	9,985,476
Electricity, water, gas & health services	6,819,438	-	-	6,819,438
Building and construction	8,974,525	26,551	(19,913)	8,981,163
Services	22,912,063	68,761	(40,145)	22,940,679
Mining	1,981,418	-	-	1,981,418
Agriculture	2,831,795	-	-	2,831,795
Consumer financing	42,374,048	851,915	(638,641)	42,587,322
Transportation and communication	5,791,424	27,516	(27,516)	5,791,424
Commerce	12,108,629	553,083	(539,786)	12,121,926
Real estate business	28,686,575	4,710	(2,002)	28,689,283
Others	16,994,961	-	-	16,994,961
	175,194,284	2,862,461	(2,030,410)	176,026,335
ECL against performing financing				(2,402,291)
Financing, net				173,624,044

2022	Performing SAR'000	Non-performing SAR'000	Life time ECL for credit impaired financing SAR'000	Financing, net SAR'000
Government and quasi government	13,681,025	-	-	13,681,025
Manufacturing	9,093,796	1,098,045	(650,398)	9,541,443
Electricity, water, gas & health services	5,312,933	-	-	5,312,933
Building and construction	7,908,210	8,218	(6,163)	7,910,265
Services	17,422,594	66,162	(43,246)	17,445,510
Mining	2,826,249	-	-	2,826,249
Agriculture	3,302,830	-	-	3,302,830
Consumer financing	36,814,217	461,133	(322,446)	36,952,904
Transportation and communication	6,741,803	27,516	(20,637)	6,748,682
Commerce	9,727,806	716,119	(373,954)	10,069,971
Real estate business	20,180,174	516,936	(219,743)	20,477,367
Others	14,541,661	25,785	(21,428)	14,546,018
	147,553,298	2,919,914	(1,658,015)	148,815,197
ECL against performing financing				(2,323,241)
Financing, net				146,491,956

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28.3 Collateral

The Bank, in the ordinary course of business holds collaterals as security to mitigate credit risk. These collaterals mostly include customers' deposits, financial guarantees, equities, real estate and other fixed assets. As at December 31, 2023, the Bank held collaterals of SAR 195,695 million (2022: SAR 188,104 million) against its secured financing.

The amount of collaterals held as security for financing that are credit-impaired are as follows:

	2023 SAR'000	2022 SAR'000
Less than 50%	2,128,091	2,033,827
51% to 70%	582,185	52,829
More than 70%	152,185	833,258
Total	2,862,461	2,919,914

The Bank's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collaterals held by the Bank.

The following table sets out the principal types of collateral held against financing. The Bank does not hold any type of collateral for its financial assets other than financing.

Types of Collateral	2023 SAR'000	2022 SAR'000
Real estate and fixed assets	134,389,254	127,061,959
Shares	30,045,466	26,528,968
Others	31,260,183	34,513,230
Total	195,694,903	188,104,157

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28. Credit risk (Continued)

28.4 Geographical concentration of financial assets, financial liabilities, commitments and contingencies are as follows:

2023	Kingdom of Saudi Arabia SAR'000	Other GCC and Middle East countries SAR'000	Europe SAR'000	Other countries SAR'000	Total SAR'000
Financial assets:					
Cash and balances with SAMA	12,598,444	-	-	-	12,598,444
Due from banks and other financial institutions					
Current accounts	-	34,583	365,126	86,101	485,810
Murabaha and Wakala with banks	1,215,097	-	-	-	1,215,097
Investments, net					
Investments held at amortized cost	27,006,545	84,184	-	14,430	27,105,159
Investments held at FVOCI	12,182,339	1,149,104	100,864	72,975	13,505,282
Investments held at FVSI	1,205,904	792,817	34,745	576,808	2,610,274
Investments in associate and joint venture	15,637	-	-	-	15,637
Financing, net					
Retail	42,246,049	-	-	-	42,246,049
Corporate	128,893,436	-	-	2,484,559	131,377,995
Other assets	1,943,530	-	-	-	1,943,530
Total financial assets	227,306,981	2,060,688	500,735	3,234,873	233,103,277
Financial liabilities:					
Due to SAMA, banks and other financial institutions					
Demand	173,964	34,583	-	107,849	316,396
Time investments and due to SAMA	5,254,509	534,562	1,288,114	37,649	7,114,834
Customers' deposits					
Demand, savings and others	90,421,636	-	-	130,578	90,552,214
Customer's time investments	97,348,367	-	-	-	97,348,367
Other liabilities	6,253,806	-	-	-	6,253,806
Total financial liabilities	199,452,282	569,145	1,288,114	276,076	201,585,617
Commitments and contingencies:					
Letters of credit	3,922,977	-	-	-	3,922,977
Letters of guarantee	19,052,144	-	-	-	19,052,144
Acceptances	1,254,199	-	-	-	1,254,199
Irrevocable commitments to extend credit	12,136,338	-	-	-	12,136,338
Total commitments and contingencies	36,365,658	-	-	-	36,365,658
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:					
Letters of credit	784,595	-	-	-	784,595
Letters of guarantee	10,406,717	-	-	-	10,406,717
Acceptances	1,254,199	-	-	-	1,254,199
Irrevocable commitments to extend credit	4,854,535	-	-	-	4,854,535
Total maximum credit exposure	17,300,046	-	-	-	17,300,046

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2022	Kingdom of Saudi Arabia SAR'000	Other GCC and Middle East countries SAR'000	Europe SAR'000	Other countries SAR'000	Total SAR'000
Financial assets:					
Cash and balances with SAMA	9,723,259	-	-	-	9,723,259
Due from banks and other financial institutions					
Current accounts	-	15,365	358,143	558,369	931,877
Murabaha and Wakala with banks	146,199	376,382	-	-	522,581
Investments, net					
Investments held at amortized cost	24,664,751	56,569	-	-	24,721,320
Investments held at FVOCI	10,959,879	1,109,527	886	14,312	12,084,604
Investments held at FVSI	893,589	222,817	13,099	511,991	1,641,496
Investments in associate and joint venture	70,214	-	-	-	70,214
Financing, net					
Retail	36,523,692	-	-	-	36,523,692
Corporate	107,017,039	-	-	2,951,225	109,968,264
Other assets	927,539	-	-	-	927,539
Total financial assets	190,926,161	1,780,660	372,128	4,035,897	197,114,846
Financial liabilities:					
Due to SAMA, banks and other financial institutions					
Demand	22,650	31,597	-	1,084	55,331
Time investments and due to SAMA	15,079,137	61,615	1,286,956	-	16,427,708
Customers' deposits					
Demand, savings and others	82,305,356	-	-	183,952	82,489,308
Customer's time investments	62,679,182	-	-	-	62,679,182
Other liabilities	6,223,378	-	-	-	6,223,378
Total financial liabilities	166,309,703	93,212	1,286,956	185,036	167,874,907
Commitments and contingencies:					
Letters of credit	4,656,910	-	-	-	4,656,910
Letters of guarantee	15,634,566	-	-	-	15,634,566
Acceptances	557,775	-	-	-	557,775
Irrevocable commitments to extend credit	2,750,501	-	-	-	2,750,501
Total commitments and contingencies	23,599,752	-	-	-	23,599,752
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:					
Letters of credit	931,319	-	-	-	931,319
Letters of guarantee	10,550,463	-	-	-	10,550,463
Acceptances	557,775	-	-	-	557,775
Irrevocable commitments to extend credit	1,375,250	-	-	-	1,375,250
Total maximum credit exposure	13,414,807	-	-	-	13,414,807

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

28. Credit risk (Continued)

28.5 The distribution by geographical concentration of non-performing financing and allowances for impairment on financing is as follows:

2023	Kingdom of Saudi Arabia SAR'000	Other GCC and Middle East countries SAR'000	Europe SAR'000	Other countries SAR'000	Total SAR'000
Non-performing financing, net					
Retail	851,915	-	-	-	851,915
Corporate	2,010,546	-	-	-	2,010,546
Total	2,862,461	-	-	-	2,862,461
Allowances for impairment on financing					
Retail	979,914	-	-	-	979,914
Corporate	3,447,603	-	-	5,184	3,452,787
Total	4,427,517	-	-	5,184	4,432,701

2022	Kingdom of Saudi Arabia SAR'000	Other GCC and Middle East countries SAR'000	Europe SAR'000	Other countries SAR'000	Total SAR'000
Non-performing financing, net					
Retail	461,214	-	-	-	461,214
Corporate	2,458,700	-	-	-	2,458,700
Total	2,919,914	-	-	-	2,919,914
Allowances for impairment on financing					
Retail	751,658	-	-	-	751,658
Corporate	3,223,116	-	-	6,482	3,229,598
Total	3,974,774	-	-	6,482	3,981,256

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

29. Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates and commodity prices. The Bank classifies exposures to market risks into either trading or non-trading (or banking book).

Market risk – trading book

The Bank is exposed to an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices are taken directly into consolidated statement of income.

Market risk – non trading book

Market risks on non-trading book mainly arise from profit rate movements and, to a minor extent, from currency fluctuations. The Bank also faces price risks on investments held at “FVOCI”.

29.1 Profit rate risk

It arises from changes in profit rates which will affect either the fair values or the future cash flows of the financial instruments. The Board has established profit rate gap limits which are regularly monitored by ALCO. Treasury imputes the funding costs based on the yield curve and the margins are also adjusted to account for liquidity premium based on the duration of the financing.

Following table depicts the sensitivity on the Bank’s consolidated statement of income or equity due to reasonably possible changes in profit rates, with other variables held constant. The sensitivity is the effect of the assumed changes in profit rates on the net income or equity, based on profit bearing non-trading financial assets and financial liabilities as of the reporting date after taking in to account their respective maturities and re-pricing structure. Due to insignificant foreign currency exposures of profit bearing financial assets and liabilities in banking book, all the banking book exposures are monitored only in reporting currency.

2023	Average sensitivity of net income from financing and investments	Sensitivity of equity (SAR '000)				Total
		Within 3 months	3-12 months	1-5 years	Over 5 years	
Increase/decrease in basis points						
10	10,282	(3,350)	13,716	(10,533)	(18,241)	(18,408)
-10	(10,282)	3,350	(13,716)	10,533	18,241	18,408

2022	Average sensitivity of net income from financing and investments	Sensitivity of equity (SAR '000)				Total
		Within 3 months	3-12 months	1-5 years	Over 5 years	
Increase/decrease in basis points						
10	14,564	3,904	10,632	(6,155)	(19,162)	(10,781)
-10	(14,564)	(3,904)	(10,632)	6,155	19,162	10,781

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

29. Market risk (Continued)

Yield sensitivity of assets, liabilities and off-balance sheet items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The Bank uses the SAIBOR for SAR and appropriate reference rates for USD lending as a benchmark rate for different maturities. At times when these benchmark rates are not representative of the actual transactions in the market, marginal cost of fund is provided by Treasury. The Bank charges profit rates based on the maturity of loans (longer term loans usually require a higher profit rate) based on marginal costs of funds.

The table below summarizes the Bank's exposure to profit rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2023	Within 3 months SAR'000	3-12 months SAR'000	1-5 years SAR'000	Over 5 years SAR'000	Non-profit bearing SAR'000	Total SAR'000
Assets						
Cash and balances with SAMA	-	-	-	-	12,598,444	12,598,444
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	485,810	485,810
Murabaha and Wakala with banks	1,215,097	-	-	-	-	1,215,097
Investments, net						
Investments held at amortized cost	43,192	2,844,947	3,155,796	21,061,224	-	27,105,159
Investments held at FVOCI	2,349,328	2,495,378	7,333,829	179,751	1,146,996	13,505,282
Investments held at FVSI	-	-	-	-	2,610,274	2,610,274
Investments in associate and joint venture	-	-	-	-	15,637	15,637
Financing, net						
Retail	6,775,192	3,797,746	15,906,974	15,766,137	-	42,246,049
Corporate	65,761,862	56,725,088	6,345,875	2,545,170	-	131,377,995
Property and equipment, net	-	-	-	-	2,888,209	2,888,209
Other assets	-	-	-	-	2,667,142	2,667,142
Total assets	76,144,671	65,863,159	32,742,474	39,552,282	22,412,512	236,715,098
Liabilities & equity						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	316,396	316,396
Time investments and due to SAMA	5,067,379	759,341	1,288,114	-	-	7,114,834
Customer deposits						
Demand, savings and others	7,204,676	1,528,884	2,064,716	4,783,062	74,970,876	90,552,214
Customer's time investments	67,720,197	27,178,861	2,316,206	133,103	-	97,348,367
Amounts due to Mutual Funds' unitholders	-	-	-	-	93,510	93,510
Other liabilities	-	-	-	-	6,956,176	6,956,176
Total equity	-	-	-	-	34,333,601	34,333,601
Total liabilities & equity	79,992,252	29,467,086	5,669,036	4,916,165	116,670,559	236,715,098
Yield sensitivity - On statement of financial position	(3,847,581)	36,396,073	27,073,438	34,636,117	(94,258,047)	-
Yield sensitivity - Off statement of financial position	6,735,663	9,006,941	20,589,451	33,603	-	36,365,658
Total yield sensitivity gap	2,888,082	45,403,014	47,662,889	34,669,720	-	-
Cumulative yield sensitivity gap	2,888,082	48,291,096	95,953,985	130,623,705	-	-

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

29. Market risk (Continued)

2022	Within 3 months SAR'000	3-12 months SAR'000	1-5 years SAR'000	Over 5 years SAR'000	Non-profit bearing SAR'000	Total SAR'000
Assets						
Cash and balances with SAMA	-	-	-	-	9,723,259	9,723,259
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	931,877	931,877
Murabaha and Wakala with banks	401,603	120,978	-	-	-	522,581
Investments, net						
Investments held at amortized cost	107,529	17,315	4,555,457	20,041,019	-	24,721,320
Investments held at FVOCI	1,261,204	-	2,216,120	7,168,821	1,438,459	12,084,604
Investments held at FVSI	-	-	-	-	1,641,496	1,641,496
Investments in associate and joint venture	-	-	-	-	70,214	70,214
Financing, net						
Retail	4,043,985	4,333,227	14,034,303	14,112,177	-	36,523,692
Corporate	45,857,569	56,294,606	5,346,155	2,469,934	-	109,968,264
Property and equipment, net	-	-	-	-	2,632,794	2,632,794
Other assets	-	-	-	-	1,616,128	1,616,128
Total assets	51,671,890	60,766,126	26,152,035	43,791,951	18,054,227	200,436,229
Liabilities & equity						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	55,331	55,331
Time investments and due to SAMA	7,822,795	7,960,338	644,575	-	-	16,427,708
Customer deposits						
Demand, savings and others	3,914,130	784,975	1,175,452	3,302,592	73,312,159	82,489,308
Customer's time investments	35,449,518	23,649,001	3,419,181	161,482	-	62,679,182
Amounts due to Mutual Funds' unitholders	-	-	-	-	136,570	136,570
Other liabilities	-	-	-	-	6,771,817	6,771,817
Total equity	-	-	-	-	31,876,313	31,876,313
Total liabilities & equity	47,186,443	32,394,314	5,239,208	3,464,074	112,152,190	200,436,229
Yield sensitivity - On statement of financial position	4,485,447	28,371,812	20,912,827	40,327,877	(94,097,963)	-
Yield sensitivity - Off statement of financial position	5,045,121	8,065,809	10,060,872	427,950	-	23,599,752
Total yield sensitivity gap	9,530,568	36,437,621	30,973,699	40,755,827		
Cumulative yield sensitivity gap	9,530,568	45,968,189	76,941,888	117,697,715		

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

29.2 Currency risk

Currency risk represents the risks of change of value of financial instruments due to changes in foreign exchange rates. The Bank's Risk Appetite Framework and policies contain limits for positions by currencies. However, the Bank has negligible exposure in foreign currencies because its assets and liabilities are primarily denominated in Saudi Riyals and to a smaller extent in United States Dollars (USD) or in USD pegged currencies.

The Bank has the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2023 SAR'000	2022 SAR'000
Assets		
Cash and balances with SAMA	122,668	230,297
Due from banks and other financial institutions	487,098	1,311,119
Investments, net	4,821,685	3,550,121
Financing, net	5,487,801	4,389,664
Other assets	636,662	9,955
Total currency risk on assets	11,555,914	9,491,156
Liabilities		
Due to SAMA, banks and other financial institutions	2,410,785	1,518,272
Customers' deposits	5,929,878	7,847,386
Other liabilities	464,493	252,655
Total currency risk on liabilities	8,805,156	9,618,313
Foreign currency forwards, net	(901,874)	-
Net position – (liability) / asset	1,848,884	(127,157)

The table below shows the currencies to which the Bank has a significant exposure as at December 31:

	2023 SAR'000	2022 SAR'000
USD	1,831,814	(89,382)
Euro	(30,026)	(45,234)
UAE Dirham	46,326	3,267
BHD	(19,273)	(13,463)
QAR	1,633	8,161
Others	18,410	9,494
Total	1,848,884	(127,157)

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

29. Market risk (Continued)

29.3 Equity price risk

Equity price risk refers to the risk of decrease in fair values of equities as a result of changes in the levels of equity index and the value of individual stocks.

The effect on the Bank's equity investments held at FVOCI due to reasonable possible change in equity index, with all other variables held constant is as follows:

Market index-(Saudi Exchange)	2023 SAR'000		2022 SAR'000	
	Increase / decrease in market prices%	Effect on equity	Increase / decrease in market prices%	Effect on equity
Impact of change in market prices	±10%	± 112,216	±10%	± 141,668

30. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, the Bank has diversified funding sources and assets are managed taking liquidity into consideration, maintaining an adequate balance of cash and cash equivalents. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the liquidity risk of the Bank.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments.

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

30.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at December 31, 2023 and 2022 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As profit payments up to contractual maturity are included in the table, totals do not match with the figures as appearing in the consolidated statement of financial position.

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2023	Within 3 months SAR'000	3 months to 12 months SAR'000	1 to 5 years SAR'000	Over 5 years SAR'000	No fixed maturity SAR'000	Total SAR'000
Liabilities						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	316,396	316,396
Time investments and due to SAMA	2,930,488	2,392,998	2,341,697	-	-	7,665,183
Customers' deposits						
Demand, savings and others	-	-	-	-	90,552,214	90,552,214
Customer's time investments	68,266,219	28,094,066	2,543,338	193,834	-	99,097,457
Other liabilities	-	-	-	-	7,049,686	7,049,686
Total liabilities	71,196,707	30,487,064	4,885,035	193,834	97,918,296	204,680,936

2022	Within 3 months SAR'000	3 months to 12 months SAR'000	1 to 5 years SAR'000	Over 5 years SAR'000	No fixed maturity SAR'000	Total SAR'000
Liabilities						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	55,331	55,331
Time investments and due to SAMA	6,766,604	7,934,084	1,791,601	-	-	16,492,289
Customers' deposits						
Demand, savings and others	-	-	-	-	82,489,308	82,489,308
Customer's time investments	35,618,236	24,483,451	3,650,288	223,864	-	63,975,839
Other liabilities	-	-	-	-	6,908,387	6,908,387
Total liabilities	42,384,840	32,417,535	5,441,889	223,864	89,453,026	169,921,154

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

30. Liquidity risk (Continued)

30.2 The tables below show the maturity profile of the assets and liabilities:

The maturities of assets and liabilities have been determined on the basis of the remaining period at reporting date and does not reflect the effective maturities as indicated by the historical experience.

2023	Within 3 months SAR'000	3 months to 12 months SAR'000	1 to 5 years SAR'000	Over 5 years SAR'000	No fixed maturity SAR'000	Total SAR'000
Assets						
Cash and balances with SAMA	1,700,000	-	-	-	10,898,444	12,598,444
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	485,810	485,810
Murabaha and Wakala with banks	1,010,171	-	204,926	-	-	1,215,097
Investments, net						
Investments held at amortized cost	49,708	2,949,864	4,868,914	19,236,673	-	27,105,159
Investments held at FVOCI	9,883	1,135,776	6,379,067	4,833,560	1,146,996	13,505,282
Investments held at FVSI	-	-	-	-	2,610,274	2,610,274
Investments in associate and joint venture	-	-	-	-	15,637	15,637
Financing, net						
Retail	2,860,018	5,887,992	17,475,298	16,022,741	-	42,246,049
Corporate	16,821,272	30,791,448	53,301,305	30,463,970	-	131,377,995
Property and equipment, net	-	-	-	-	2,888,209	2,888,209
Other assets	-	-	-	-	2,667,142	2,667,142
Total assets	22,451,052	40,765,080	82,229,510	70,556,944	20,712,512	236,715,098
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	316,396	316,396
Time investments and due to SAMA	5,067,379	759,341	1,288,114	-	-	7,114,834
Customers' deposits						
Demand, savings and others	-	-	-	-	90,552,214	90,552,214
Customer's time investments	67,721,036	27,178,022	2,316,206	133,103	-	97,348,367
Amount due to Mutual Funds' unitholders	-	-	-	-	93,510	93,510
Other liabilities	-	-	-	-	6,956,176	6,956,176
Total equity	-	-	-	-	34,333,601	34,333,601
Total liabilities and equity	72,788,415	27,937,363	3,604,320	133,103	132,251,897	236,715,098
Commitments & contingencies						
Letters of credit	2,369,762	1,402,770	150,445	-	-	3,922,977
Letters of guarantee	3,111,702	7,604,171	8,302,668	33,603	-	19,052,144
Acceptances	1,254,199	-	-	-	-	1,254,199
Irrevocable commitments to extend credit	-	-	12,136,338	-	-	12,136,338

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2022	Within 3 months SAR'000	3 months to 12 months SAR'000	1 to 5 years SAR'000	Over 5 years SAR'000	No fixed maturity SAR'000	Total SAR'000
Assets						
Cash and balances with SAMA	-	-	-	-	9,723,259	9,723,259
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	931,877	931,877
Murabaha and Wakala with banks	401,603	120,978	-	-	-	522,581
Investments, net						
Investments held at amortized cost	311,197	249,917	3,775,341	20,384,865	-	24,721,320
Investments held at FVOCI	116,483	11,155	2,762,670	7,755,837	1,438,459	12,084,604
Investments held at FVSI	-	-	-	-	1,641,496	1,641,496
Investments in associate and joint venture	-	-	-	-	70,214	70,214
Financing, net						
Retail	2,761,347	5,546,207	13,883,654	14,332,484	-	36,523,692
Corporate	17,054,868	24,440,382	42,807,997	25,665,017	-	109,968,264
Property and equipment, net	-	-	-	-	2,632,794	2,632,794
Other assets	-	-	-	-	1,616,128	1,616,128
Total assets	20,645,498	30,368,639	63,229,662	68,138,203	18,054,227	200,436,229
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	55,331	55,331
Time investments and due to SAMA	6,761,065	7,870,389	1,796,254	-	-	16,427,708
Customers' deposits						
Demand, savings and others	-	-	-	-	82,489,308	82,489,308
Customer's time investments	35,449,518	23,649,001	3,419,181	161,482	-	62,679,182
Amount due to Mutual Funds' unitholders	-	-	-	-	136,570	136,570
Other liabilities	-	-	-	-	6,771,817	6,771,817
Total equity	-	-	-	-	31,876,313	31,876,313
Total liabilities and equity	42,210,583	31,519,390	5,215,435	161,482	121,329,339	200,436,229
Commitments & contingencies						
Letters of credit	3,283,947	1,259,353	61,777	51,833	-	4,656,910
Letters of guarantee	1,274,686	6,735,169	7,248,594	376,117	-	15,634,566
Acceptances	486,488	71,287	-	-	-	557,775
Irrevocable commitments to extend credit	-	-	2,750,501	-	-	2,750,501

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31. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the operational risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through Risk Control and Self-Assessment (RCSA) along with establishing Key Risk Indicators (KRIs) for all business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

32. Sharia'a non-compliance risk

Being an Islamic bank, the Bank is exposed to the risk of Sharia'a non-compliance. To mitigate such risk, extensive Sharia'a policies and procedures are in place. Further, the Bank has established a Sharia'a Committee and a Sharia'a Compliance Audit Unit to monitor such risk.

33. Reputational risk

Reputational risk covers the potential adverse effects resulting from negative publicity about the Bank's products, services, competence, integrity and reliability.

As an Islamic bank, one of the major sources of reputational risk is Sharia'a non-compliance. The other sources of negative publicity could be major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has put in place controls around reputational risk in order to mitigate and avoid such risks. Currently, the Bank measures the reputational risk through a Scorecard based approach, where Risk Management Group compiles the results of assessments made by business heads to derive the Bank's overall reputational risk indicators.

34. Fair values of financial assets and liabilities

Fair value is the price that would be received on sale of 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 to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank

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

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

Level 1: Quoted prices in active market for the same instrument (i.e. without modification or repacking):

Level 2: Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data

Level 3: Inputs that are unobservable. This category include all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

34.1 Fair values of financial assets and liabilities carried at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

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

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. Fair values of financial assets and liabilities (Continued)

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

There were no transfers between Stages 1, 2 and 3 during the year.

Reconciliation of Level 3 fair values

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

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

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

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34.2 Fair values of financial assets and liabilities not carried at fair value

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments which is categorized within Level 3 of the fair value hierarchy except for investments in Sukuks and Murabaha with SAMA which are categorized within Level 2. Following table shows the fair value of financial instruments carried at amortized cost.

	2023		2022	
	Carrying value SAR '000	Fair value SAR '000	Carrying value SAR '000	Fair value SAR '000
Assets				
Due from banks and other financial institutions	1,700,907	1,693,958	1,454,458	1,451,928
Investments – Murabaha with SAMA	1,626,379	1,619,862	904,901	899,487
Sukuks – Amortized Cost	25,498,634	25,039,413	23,832,577	23,440,021
Financing, net	173,624,044	173,043,853	146,491,956	144,813,324
Liabilities				
Due to SAMA, banks and other financial institutions	7,431,230	7,378,987	16,483,039	16,299,059
Customers' deposits	187,900,581	187,898,339	145,168,490	145,079,131

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35. Related party balances and transactions

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

The balances as at December 31, resulting from such transactions included in the consolidated financial statements are as follows:

	2023 SAR'000	2022 SAR'000
Directors, key management personnel, major shareholders and affiliates		
Financing to key management personnel	56,022	50,503
Financing to other related parties	1,433,866	935,993
Customers' deposits	58,959	107,960
Investments in associate and joint venture	15,637	70,214
Bank's mutual funds		
Investments in mutual funds	953,614	625,708
Deposits from mutual funds	335,531	796,174

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

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

	2023 SAR'000	2022 SAR'000
Income on financing	91,421	20,413
Return on time investments	137,129	3,803
Fee from banking services, net	434,278	378,163
Directors' remuneration	7,870	9,086

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

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

	2023 SAR'000	2022 SAR'000
Short-term employees' benefits	101,839	80,604
End of service benefit	4,254	7,312

ALINMA BANK (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

36. Capital adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. SAMA requires to hold and maintain a ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum percentage.

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

SAMA has issued the framework and guidance for implementation of capital reforms under Basel III, which are effective from January 01, 2013. Accordingly, the risk weighted assets, total capital and related ratios are calculated using Basel III framework.

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

In accordance with SAMA's Guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures issued on April 26, 2020, SAMA allowed the banks to add-back up to 100% of the Day 1 impact of IFRS-9 transitional adjustment amount to Common Equity Tier 1 (CET1) for the two years period comprising 2020 and 2021. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years. The Bank has applied the aforementioned transitional arrangement in the calculation of the Bank's capital adequacy ratios effective March 31, 2020.

Previously, the Bank was applying the ECL accounting transitional arrangement for regulatory capital that allowed banks to transition Day 1 impact of IFRS9 (applicable from 1 January 2018) on regulatory capital over (5) years by using the dynamic approach to reflect the impact of the transition in accordance with SAMA Circular no. 391000029731 dated 15 Rabi-I 1439H (corresponding to December 3, 2017).

The impact of these revised transitional arrangements to the Bank's Tier 1 and Tier 1 + 2 ratio have been an improvement of 11 bps as of December 31, 2023 (2022: 27 bps).

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Notes to the Consolidated Financial Statements (Continued)

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36. Capital adequacy (Continued)

Particulars	2023 SAR'000	2022 SAR'000
Credit Risk Weighted Assets	200,114,001	160,491,295
Operational Risk Weighted Assets	6,040,617	12,713,318
Market Risk Weighted Assets	5,439,506	399,339
Total Pillar-I Risk Weighted Assets	211,594,124	173,603,952
Tier I Capital	34,574,557	32,358,224
Tier II Capital	2,423,433	2,006,141
Total Tier I & II Capital	36,997,990	34,364,365
Capital Adequacy Ratio %		
Tier I ratio	16%	19%
Tier I + Tier II ratio	17%	20%

37. Investment management and brokerage services

The Bank offers investment management services to its customers through its subsidiary which include management of funds with total assets under management of SAR 82,683 million (2022: SAR 76,220 million).

38. Auditors' fees

	2023 SAR'000	2022 SAR'000
Audit fees	5,380	4,550
Other services	1,807	1,263
Total	7,187	5,813

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For the years ended December 31, 2023 and 2022

39. Prospective changes in the International Financial Reporting Standards

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2024. The Bank has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements of the Bank.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 2024
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 1, 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	January 1, 2024 subject to endorsement from SOCPA

40. Comparative figures

Figures have been rearranged or reclassified wherever necessary for the purpose of better presentation; however, no significant rearrangements or reclassifications have been made in these consolidated financial statements.

41. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors of the Bank on 23 Rajab 1445H (corresponding to February 4, 2024).



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