

SNB CAPITAL US DOLLAR SUKUK FUND

(Managed by the SNB Capital Company)

**CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2023

together with the

Independent Auditor's Review Report to the Unitholders



KPMG Professional Services

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Unitholders of the SNB Capital US Dollar Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2023 condensed interim financial statements of the **SNB Capital US Dollar Sukuk Fund** (the "Fund"), managed by the SNB Capital Company (the "Fund Manager"), which comprises:

- the condensed statement of financial position as at 30 June 2023;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023;
- the condensed statement of changes in net assets attributable to the Unitholders for the six-month period ended 30 June 2023;
- the condensed statement of cash flows for the six-month period ended 30 June 2023; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed interim financial statements of the **SNB Capital US Dollar Sukuk Fund** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

إبراهيم عبود باشن

Ebrahim Oboud Baeshen
License No. 382

Date: 13 Muharram 1445 H
Corresponding to: 31 July 2023



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي منقوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

	<i>Notes</i>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents	9	17	29
Investments	10	12,221	12,577
Other receivables		29	25
Total assets		12,267	12,631
LIABILITIES			
Other payables		51	25
Net assets attributable to the Unitholders		12,216	12,606
Units in issue in thousands (number)		10,277	10,771
Net assets value per unit (USD)		1.1887	1.1703

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

		For the six-month period ended 30 June	
	<i>Note</i>	<u>2023</u>	<u>2022</u>
Special commission income on Sukuk		223	222
Realised gain on FVTPL investments – net		38	13
Realised loss on FVOCI investments – net		(236)	(82)
Unrealised loss on FVTPL investments – net		(10)	(3)
Other income		5	9
Total income		<u>20</u>	<u>159</u>
Management fees	11	(44)	(55)
Professional fees		(8)	(7)
Administrative expenses		(8)	(1)
Value added tax expense		(7)	(8)
Fund Board remuneration		(4)	--
Shariah audit fees		(3)	(4)
Capital Market Authority fees		(1)	(1)
Custody fees		(1)	(1)
Other expenses		--	(3)
Total operating expenses		<u>(76)</u>	<u>(80)</u>
(Loss) / profit for the period		<u>(56)</u>	<u>79</u>
Items that are or maybe reclassified subsequently to profit or loss			
Unrealised gain / (loss) on FVOCI investments - net		246	(927)
Total comprehensive income / (loss) for the period		<u>190</u>	<u>(848)</u>

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2023</u>	<u>2022</u>
Net assets attributable to the Unitholders at the beginning of the period (Audited)	12,606	17,850
Total comprehensive income / (loss) for the period	190	(848)
Net decrease in net assets from unit transactions during the period		
Proceeds from units issued	66	37
Value of units redeemed	(646)	(3,882)
	(580)	(3,845)
Net assets attributable to the Unitholders at the end of the period (Unaudited)	<u>12,216</u>	<u>13,157</u>

UNITS TRANSACTIONS

Transactions in units during the period are summarised as follows:

	For the six-month period ended 30 June	
	<u>2023</u>	<u>2022</u>
	-----Units in '000-----	
Units at the beginning of the period (Audited)	10,771	14,401
Units issued	55	30
Units redeemed	(549)	(3,199)
Net decrease in units	<u>(494)</u>	<u>(3,169)</u>
Units at the end of the period (Unaudited)	<u>10,277</u>	<u>11,232</u>

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

		For the six-month period ended 30 June	
	<i>Notes</i>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
(Loss) / profit for the period		(56)	79
<i>Adjustments for:</i>			
Realised gain on FVTPL investments – net		(38)	(13)
Realised loss on FVOCI investments – net		236	82
Unrealised loss on FVTPL investments – net		10	3
		152	151
<i>Net changes in operating assets and liabilities:</i>			
FVTPL investments		725	1,715
FVOCI investments		(331)	1,929
Other receivables		(4)	9
Other payables		26	(13)
Net cash generated from operating activities		568	3,791
Cash flows from financing activities			
Proceeds from units issued		66	37
Value of units redeemed		(646)	(3,882)
Net cash used in financing activities		(580)	(3,845)
Net decrease in cash and cash equivalents		(12)	(54)
Cash and cash equivalents at the beginning of the period	9	29	77
Cash and cash equivalents at the end of the period	9	17	23

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

SNB Capital US Dollar Sukuk Fund ("the Fund") is an open-ended investment fund, established under article 31 of the Investment Fund Regulations (the "Regulations") issued by the Capital Market Authority ("CMA") and managed by the SNB Capital Company (the "Fund Manager"), a subsidiary of the Saudi National Bank (the "Bank"), for the benefit of the Fund's Unitholders.

The Fund invests in Shariah compliant fixed income instruments and trade transactions including but not limited to Murabaha, Wakala, Mudaraba and Musharaka transactions. The Fund is also allowed to invest in Shariah compliant open-ended investment funds .

The terms and conditions of the Fund were issued on 19 Dhul Hijja 1430 H (corresponding to 6 December 2009). The Fund commenced its activities on 19 Dhul Hijja 1430 H (corresponding to 6 December 2009).

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulation") published by the CMA's Board Resolution no. (1-219-2006) dated 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended pursuant to the CMA's Board Resolution no. (2-22-2021) dated 12 Rajab 1442 H (corresponding to 24 February 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF ACCOUNTING

These condensed interim financial statements of the Fund have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and comply with the applicable provisions of the Regulations and the Fund's terms and conditions.

The condensed interim financial statements do not include all information and disclosures required for a complete set of financial statements and should be read in conjunction with the annual audited financial statements of the Fund as at and for the year ended 31 December 2022.

4. BASIS OF MEASUREMENT AND PRESENTATION

These condensed interim financial statements have been prepared on a historical cost convention using the accrual basis of accounting and going concern concept except for investments measured at fair value through profit or loss ("FVTPL") which are recorded at fair value.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

5. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). If indicators of the primary economic environment are mixed, then the Fund Manager uses judgement to determine the functional currency that most faithfully effects the economic effect of the underlying transactions, events, and conditions. Investor subscriptions and redemptions are determined based on the net assets value and received and paid in United States Dollar ("USD") and expenses of the Fund are also paid in USD. Accordingly, the Fund Manager has determined that the functional currency of the Fund is USD.

These condensed interim financial statements are presented in USD which is the Fund's functional and presentation currency and have been rounded off to the nearest thousand unless otherwise stated.

SNB CAPITAL US DOLLAR SUKUK FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

6. CHANGES IN THE FUND'S TERMS AND CONDITIONS

There has been no revision to the terms and conditions of the Fund, during the period.

7. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The basis and the methods used for critical accounting judgements, estimates and assumptions adopted are consistent with those used in the preparation of the annual audited financial statements of the Fund for the year ended 31 December 2022.

8. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements of the fund for the year ended 31 December 2022.

a. Standards, interpretations and amendments thereof, adopted by the Fund

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2023. The Fund Manager has assessed that the amendments have no significant impact on the Fund's condensed interim financial statements.

Amendments to IAS 1 and IFRS practice statement 2 - *Disclosure of accounting policies*

Amendments to IAS 8 - *Definition of accounting estimates*

Amendments to IAS 12 - *Deferred tax related to assets and liabilities arising from a single transaction*

Amendments to IFRS 17 - *Insurance Contracts*

b. Standards, interpretations and amendments issued but not yet effective

Standards, interpretations and amendments issued but not yet effective up to the date of issuance of the Fund's condensed interim financial statements are listed below. The Fund intends to adopt these standards when they become effective:

<i>Standards, interpretations and amendments</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IAS 1	Classification of liabilities as current or non-current and non current liabilities with covenant	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture	Available for optional adoption / effective date deferred indefinitely

The above standards, interpretations and amendments are not expected to have a significant impact on the Fund's condensed interim financial statements.

SNB CAPITAL US DOLLAR SUKUK FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

9. CASH AND CASH EQUIVALENTS

These comprise of bank balances held with a local bank having sound credit rating.

10. INVESTMENTS

		<i>30 June 2023</i>	<i>31 December 2022</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
FVTPL investment	<i>i)</i>	1,427	2,124
FVOCI investment	<i>ii)</i>	10,794	10,453
		<u>12,221</u>	<u>12,577</u>

i) FVTPL investment

Investment measured at FVTPL includes the following:

	<i>30 June 2023 (Unaudited)</i>		
	<i>% of total investments (fair value)</i>	<i>Cost</i>	<i>Fair value</i>
<u>Investment in Related party</u>			
Units of SNB Capital Diversified US Dollar Trade Fund	61.46	852	877
Units of SNB Capital International Trade Fund	38.54	550	550
	<u>100</u>	<u>1,402</u>	<u>1,427</u>

	<i>31 December 2022 (Audited)</i>		
	<i>% of total investments (fair value)</i>	<i>Cost</i>	<i>Fair value</i>
<u>Investment in Related party</u>			
Units of SNB Capital Diversified US Dollar Trade Fund	100	2,089	2,124

ii) FVOCI investment

Investment measured at FVOCI includes the following:

	<i>30 June 2023 (Unaudited)</i>		<i>31 December 2022 (Audited)</i>	
	<i>Cost</i>	<i>Fair value</i>	<i>Cost</i>	<i>Fair value</i>
Investment in Sukuk	<u>11,301</u>	<u>10,794</u>	<u>11,206</u>	<u>10,453</u>

Investments measured at FVOCI include investments made in Sukuk with yields ranging from 2.07% to 7.20% (2022: 2.9% to 7.25%) per annum and having maturities up till June 2053.

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Manager, the Fund Board, other funds managed by the Fund Manager, and the Saudi National Bank, being parent of the Fund Manager.

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Management fees and other expenses

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues, daily, a management fee, which should not be more than the maximum annual rate of 0.75% (2022: 0.75%) per annum of the Fund's daily net assets value as set out in the Fund's terms and conditions.

The Fund Manager is also entitled to recover expenses incurred on behalf of the Fund relating to audit, custody, advisory, data processing and other similar charges. The maximum amount of such expenses that can be recovered from the Fund by the Fund Manager is restricted to 0.5% (2022: 0.5%) per annum of the Fund's net assets at the respective valuation days. These expenses are by the Fund Manager on an actual basis.

During the period, the Fund has entered into following transactions, other than those disclosed elsewhere in these condensed interim financial statements, with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund.

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions for the six-month period ended</i>		<i>Net balance payable as at</i>	
		<i>30 June 2023 (Unaudited)</i>	<i>30 June 2022 (Unaudited)</i>	<i>30 June 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
SNB Capital Company	Management fees	44	55	30	7
	Expenses paid on behalf of the Fund	32	25		

12. FAIR VALUE MEASUREMENT

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

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a market price, because this price is assessed to be a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Fund recognises transfer between levels of fair value at the end of the reporting period during which the change has occurred.

SNB CAPITAL US DOLLAR SUKUK FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

12. FAIR VALUE MEASUREMENT (CONTINUED)

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

Carrying amounts and fair value

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

<i>As at 30 June 2023 (Unaudited)</i>					
<i>Carrying amount</i>	<i>Fair value</i>				<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>		
<u>Financial assets measured at fair value</u>					
FVTPL investment	1,427	1,427	--	--	1,427
FVOCI investment	10,794	10,059	735	--	10,794
	<u>12,221</u>	<u>11,486</u>	<u>735</u>	<u>--</u>	<u>12,221</u>
<i>As at 31 December 2022 (Audited)</i>					
<i>Carrying amount</i>	<i>Fair value</i>				<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>		
<u>Financial assets measured at fair value</u>					
FVTPL investment	2,124	2,124	--	--	2,124
FVOCI investment	10,453	10,453	--	--	10,453
	<u>12,577</u>	<u>12,577</u>	<u>--</u>	<u>--</u>	<u>12,577</u>

The fund has classified investments measured at fair value through profit or loss ("FVTPL") as level 1 as per the fair value hierarchy. During the period, there has been no transfer in fair value hierarchy. For other financial assets and liabilities, such as cash and cash equivalents, other receivable and other payables, the carrying values were determined to be a reasonable approximation of fair value due to their nature.

13. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these condensed interim financial statements was 22 June 2022 (2022: 29 December 2022).

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed by the SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no event subsequent to the statement of financial position date which required adjustment of or disclosure in the condensed interim financial statements or notes thereto.

15. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 13 Muharram 1445 H corresponding to 31 July 2023.