

05

Financial Statements

270-409 | Financial Statements





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Independent Auditors’ Report
To the Shareholders of Bank Albilad (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank Albilad (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at December 31, 2024, 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 policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, 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 Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia (“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 year. 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 matter below, a description of how our audit addressed the matter is provided in that context:



Independent Auditors’ Report
To the Shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss allowance against financing</i></p> <p>As at December 31, 2024, the Group’s gross financing amounted to SAR 111,942 million (2023: SAR 104,976 million), against which an expected credit loss (“ECL”) allowance of SAR 2,638 million (2023: SAR 2,896 million) was recorded.</p> <p>We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement, and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:</p> <ol style="list-style-type: none">Categorisation of financing into Stages 1, 2 and 3 based on the identification of:<ol style="list-style-type: none">exposures with a significant increase in credit risk (“SICR”) since their origination; andindividually impaired / defaulted exposures.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 financial condition of the counterparties, expected future cash flows, developing and incorporating forward looking assumptions and macroeconomic factors and the associated scenarios and expected probability weightages.	<ul style="list-style-type: none">We obtained the understanding of management’s assessment of ECL allowance against financing, including the Group’s internal risk rating models, accounting policy and model methodology including any key changes made during the year.We compared the Group’s accounting policy for ECL allowance and ECL methodology with the requirements of IFRS 9 ‘Financial Instruments’.We understood the design and implementation, and on a sample basis tested the operating effectiveness of the key controls (including relevant IT general and application controls) over:<ul style="list-style-type: none">the ECL model (including governance over the model, its validation and any model updates performed during the year);the classification of financing into Stages 1, 2 and 3, timely identification of SICR and the determination of default/ individually impaired exposures;the IT systems and applications supporting the ECL model; andthe integrity of data inputs into the ECL model.For a sample of customers, we tested :<ul style="list-style-type: none">the internal risk ratings determined by management, based on the Group’s internal models for their reasonableness. We also compared whether these were consistent with the ratings used as inputs in the ECL model. <p>For a selected sample of customers, we tested management’s assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.</p>



Independent Auditors’ Report
To the Shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss allowance against financing (continued)</i></p> <p>The application of these judgements continues to result in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at December 31, 2024.</p> <p><i>Refer to the material accounting policy information note 4 for the expected credit losses (ECL); note 2(e) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to expected credit losses (“ECL”) on financial assets; note 8 which contains the disclosure of loss allowance against financing; and note 31 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 Group’s criteria for the determination of SICR and identification of “default” or “individually impaired” exposures; and their classification into stages. Furthermore, for a sample of exposures, we tested the appropriateness of the corresponding staging classification of financing portfolio.▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL models, including forward looking assumptions.▪ We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2024.▪ Where required, we involved our internal experts to assist us in reviewing the ECL model calculations, evaluating interrelated inputs (including EADs, PDs and LGDs) and assessing reasonableness of assumptions used in the ECL models particularly around the macroeconomic variables, forecasted macroeconomic scenarios.▪ We assessed the adequacy of disclosures in the consolidated financial statements.

Independent Auditors’ Report
To the Shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information included in the Group’s 2024 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group’s 2024 annual report, other than the consolidated financial statements and our auditors’ report thereon. The Group’s 2024 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 we 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 Group’s 2024 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and the applicable provisions of the Regulation 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 Group’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 Group 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 Group’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.



Independent Auditors' Report

To the Shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 internal control 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Group'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 Group 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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.



Independent Auditors' Report

To the Shareholders of Bank Albilad (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

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 the Bank is not in compliance, in all material respects, with the applicable provisions of the Regulations 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.

Ernst & Young Professional Services


Abdullah A. Alshenaibir
 Certified Public Accountant
 License No. 583



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Mufaddal A. Ali
 Certified Public Accountant
 License No. 447



13 Sha'ban 1446 H
 (12 February 2025)

Consolidated Statement of Financial Position

as at December 31, 2024 and 2023

	Note	2024 S 000	2023 S 000
ASSETS			
Cash and balances with Saudi Central Bank	5	11,248,481	6,983,098
Due from banks and other financial institutions, net	6	5,099,401	8,170,094
Investments, net	7	25,032,071	22,079,918
Financing, net	8	109,304,086	102,080,065
Other assets	9	1,909,913	1,634,684
Property, equipment and right of use assets, net	10	2,370,735	2,157,960
Total assets		154,964,687	143,105,819
LIABILITIES AND EQUITY			
Liabilities			
Due to banks, Saudi Central Bank and other financial institutions	11	5,492,799	4,273,908
Customers' deposits	12	121,776,215	112,831,245
Sukuk and term financing	13	3,147,121	3,051,613
Other liabilities	14	7,855,322	7,690,943
Total liabilities		138,271,457	127,847,709
Equity			
Share capital	15	12,500,000	10,000,000
Treasury shares		(210,866)	(148,493)
Statutory reserve	16	2,883,989	2,182,356
Other reserves	17	(387,077)	(166,337)
Retained earnings		1,869,134	3,371,429
Employees' share plan reserve		38,050	19,155
Total equity		16,693,230	15,258,110
Total liabilities and equity		154,964,687	143,105,819

Consolidated Statement of Comprehensive Income

for the years ended December 31, 2024 and 2023

	Note	2024 S 000	2023 S 000
INCOME:			
Income from investing and financing assets	20	8,559,276	7,543,782
Return on deposits and financial liabilities	21	(4,125,673)	(3,433,943)
Income from investing and financing assets, net		4,433,603	4,109,839
Fee and commission income	22	1,212,340	1,099,051
Fee and commission expenses	22	(511,825)	(478,029)
Fee and commission income, net	22	700,515	621,022
Exchange income, net		316,470	348,267
Dividend income		103,245	70,249
Gain on fair value through statement of income (FVSI) investments, net	23	14,156	87,787
Other operating income		103,890	65,624
Total operating income		5,671,879	5,302,788
EXPENSES:			
Salaries and employee related expenses	24	1,443,286	1,328,868
Depreciation and amortization	10	273,382	298,296
Other general and administrative expenses	25	696,726	710,837
Operating expenses before expected credit losses		2,413,394	2,338,001
Impairment charge for expected credit losses, net	26	129,688	323,830
Total operating expenses		2,543,082	2,661,831
Net income for the year before zakat		3,128,797	2,640,957
Zakat for the year		322,266	272,019
Net income for the year after zakat		2,806,531	2,368,938
Basic and diluted earnings per share (S)	27	2.26	1.91

Consolidated Statement of Comprehensive Income

for the years ended December 31, 2024 and 2023

	Note	2024 ﷼ 000	2023 ﷼ 000
Net income for the year after zakat		2,806,531	2,368,938
Other comprehensive income / (loss):			
Items that will not be reclassified to the consolidated statement of income in subsequent periods			
• Net changes in fair value of FVOCI – equity instruments		(5,757)	111,853
• Actuarial (loss) / gain on re-measurement of employees’ end of service benefits (“EOSB”)	29	(711)	11,995
Items that may be reclassified to the consolidated statement of income in subsequent periods			
• Net changes in fair value of FVOCI – debt instruments		(203,896)	(37,769)
• Impairment (reversal) / charge for expected credit losses of FVOCI debt instruments		4,867	(3,701)
• Effective portion of change in the fair value of cash flow hedges		2,564	(4,632)
Total other comprehensive (loss) / income for the year		(202,933)	77,746
Total comprehensive income for the year		2,603,598	2,446,684

Consolidated Statement of Changes in Equity

for the years ended December 31, 2024 and 2023

2024 S 000	Note	Share capital	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Employees' share plan reserve	Total equity
Balance at the beginning of the year		10,000,000	(148,493)	2,182,356	(166,337)	3,371,429	19,155	15,258,110
Net changes in fair value of FVOCI - equity instruments					(5,757)			(5,757)
Actuarial loss on re-measurement of EOSB	29				(711)			(711)
Net changes in fair value of FVOCI - debt instruments					(203,896)			(203,896)
Impairment reversal for expected credit losses of FVOCI debt instruments					4,867			4,867
Effective portion of change in fair value of cash flow hedge					2,564			2,564
Total other comprehensive loss					(202,933)			(202,933)
Net income for the year after zakat						2,806,531		2,806,531
Total comprehensive income for the year					(202,933)	2,806,531		
Realized gain from sale of FVOCI equity instruments					(17,807)	17,807		-
Movement in treasury shares			(62,373)				62,373	-
Employees' share plan reserve		2,500,000					(43,478)	(43,478)
Issuance of bonus shares	15					(2,500,000)		-
Final cash dividend paid for the year 2023	18					(500,000)		(500,000)
Interim cash dividend paid for the year 2024	18					(625,000)		(625,000)
Transfer to statutory reserve	16			701,633		(701,633)		-
Balance at the end of the year		12,500,000	(210,866)	2,883,989	(387,077)	1,869,134	38,050	16,693,230

Consolidated Statement of Changes in Equity

for the years ended December 31, 2024 and 2023

2023 ﷼ 000	Note	Share capital	Treasury shares	Statutory reserve		Other reserves	Retained earnings	Proposed cash dividend	Employees' share plan reserve	Total equity
Balance at the beginning of the year		10,000,000	(53,005)	1,590,120		(239,286)	1,589,930	500,000	11,189	13,398,948
Net changes in fair value of FVOCI - equity instruments						111,853				111,853
Actuarial gain on re-measurement of EOSB	29					11,995				11,995
Net changes in fair value of FVOCI - debt instruments						(37,769)				(37,769)
Impairment charge for expected credit losses of FVOCI debt instruments						(3,701)				(3,701)
Effective portion of change in fair value of cash flow hedge						(4,632)				(4,632)
Total other comprehensive income						77,746				77,746
Net income for the year after zakat							2,368,938			2,368,938
Total comprehensive income for the year						77,746	2,368,938			2,446,684
Realized gain from sale of FVOCI equity instruments						(4,797)	4,797			-
Movement in treasury shares			(95,488)						95,488	-
Employees' share plan reserve									(87,522)	(87,522)
Final cash dividend paid for the year 2022	18							(500,000)		(500,000)
Transfer to statutory reserve	16			592,236			(592,236)			-
Balance at the end of the year		10,000,000	(148,493)	2,182,356		(166,337)	3,371,429	-	19,155	15,258,110

Consolidated Statement of Cash Flows

for the years ended December 31, 2024 and 2023

	Note	2024 S 000	2023 S 000
OPERATING ACTIVITIES			
Net income for the year before zakat		3,128,797	2,640,957
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Profit expense on sukuk		235,774	225,736
Gain on FVSI investments, net		(14,156)	(87,787)
Gain on disposal of property and equipment, net		(167)	(268)
Finance charges on lease liabilities		11,576	14,153
Depreciation and amortization	10	273,382	298,296
Impairment charge for expected credit losses, net	26	129,688	323,830
Employees' share plan reserve		18,895	7,966
Net (increase) / decrease in operating assets:			
Statutory deposit with Saudi Central Bank		(564,506)	(434,883)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		1,227,373	(2,094,504)
Investments at amortized cost maturing after ninety days from date of acquisition		780,622	799,075
Financing, net		(7,336,706)	(11,223,359)
Other assets		(275,229)	(753,828)

	Note	2024 S 000	2023 S 000
Net increase / (decrease) in operating liabilities:			
Due to banks, Saudi Central Bank and other financial institutions		1,218,891	(6,347,533)
Customers' deposits		8,944,970	17,988,498
Other liabilities		204,880	171,070
Zakat paid		(272,302)	(234,883)
Net cash generated from operating activities		7,711,782	1,292,536
INVESTING ACTIVITIES			
Purchase of investments held as FVOCI		(2,629,442)	(283,548)
Proceeds from sale of investments held as FVOCI		355,952	836,646
Purchase of investments held as FVSI		(46,183)	(84,073)
Purchase of investments held as amortized cost		(1,620,735)	(2,591,054)
Purchase of property and equipment		(453,327)	(316,790)
Proceeds from sale of property and equipment		167	281
Net cash used in investing activities		(4,393,568)	(2,438,538)
FINANCING ACTIVITIES			
Sukuk profit paid		(240,266)	(214,575)

Consolidated Statement of Cash Flows (Continued)

for the years ended December 31, 2024 and 2023

	Note	2024 ﷲ 000	2023 ﷲ 000
Treasury shares		(62,373)	(95,488)
Dividend paid		(1,125,000)	(500,000)
Payment of finance charges on lease liabilities		(11,576)	(14,153)
Principal payment of lease liabilities		(121,442)	(184,086)
Proceeds from term financing		100,000	-
Net cash used in financing activities		(1,460,657)	(1,008,302)
Net increase / (decrease) in cash and cash equivalents		1,857,557	(2,154,304)
Cash and cash equivalents at the beginning of the year		6,869,477	9,023,781
Cash and cash equivalents at the end of the year	28	8,727,034	6,869,477
Supplemental information			
Income received from investing and financing assets during the year		8,639,647	6,768,270
Return paid on deposits and financial liabilities during the year		4,300,957	3,115,853
Effective portion of change in fair value of cash flow hedge		2,564	(4,632)

01 GENERAL

a) Incorporation and operation

Bank Albilad (“the Bank”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated Ramadan 21, 1425H (corresponding to November 4, 2004) in accordance with the Counsel of Ministers’ resolution no. 258 dated Ramadan 18, 1425H (corresponding to November 1, 2004). The Bank operates under Commercial Registration No.1010208295 dated Rabi Al Awal 10, 1426H (corresponding to April 19, 2005) and the Bank provides these services through 107 banking branches (December 31, 2023: 108) in the Kingdom of Saudi Arabia.

The registered address of the Bank’s head office is as follows:

Bank Albilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

b) Shariah Committee

The Bank has established a Shariah Committee (“the Committee”). It ascertains that all the Bank’s activities are subject to its approval and control.

The Group’s objective is to provide full range of banking services and conduct financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with the Shariah Committee resolutions and directions and within the provisions of the Bank’s By-laws and the Banking Control Law.

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, “Albilad Investment Company”, “Albilad Real Estate Company”, “Enjaz Payment Services Company” and “Financial Solutions Company for Investment” (collectively referred to as “the Group”). Albilad Investment Company, Albilad Real Estate Company, Enjaz Payment Services Company and Financial Solutions Company for Investment are directly or indirectly 100% owned by the Bank. All subsidiaries are incorporated and operating in the Kingdom of Saudi Arabia.

02

BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements of the Group as at and for the year ended December 31, 2024 and December 31, 2023, respectively, have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as 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”) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

b) Basis of measurement and presentation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement of the financial instruments held at Fair value through statement of income (FVSI), Fair Value through other comprehensive income (FVOCI) investments, liabilities for cash-settled-share based payments and defined benefit obligations.

The consolidated statement of financial position is stated in order of liquidity.

c) Going concern

In making the going concern assessment, the Group has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc.

d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (ﷻ), which is the Bank’s functional currency. Except otherwise indicated, financial information presented in ﷻ has been rounded off to the nearest thousand.

e) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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 Group’s accounting policies.

Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice 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 and fair value measurement.

Revisions to accounting estimates are recognised 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

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.

e) Critical accounting judgements, estimates and assumptions (Continued)

The Bank's ECL calculations are outputs of complex 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 default (PD) 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 of financial instruments (note 34).
 - iii) Determination of control over investees (note 3).
 - iv) Depreciation and amortization (note 4 and 10).
 - v) Employee benefit obligation (note 29).
 - vi) Government grant (note 4).
 - vii) Lease accounting (note 4).

03

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as identified in note 1. The financial statements of subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-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 of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

04

MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

- **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, 2023. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2024 replacing, amending or adding to the corresponding accounting policies set out in 2023 annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Group
Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these do not have a material impact on the consolidated financial statements of the year:

Standard, interpretation or 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

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

Standard, interpretation or amendments	Description	Effective date
Amendment to IAS 1 – Non-current liabilities with covenants and classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 2024
IFRS S1, ‘General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.	January 1, 2024 subject to endorsement from SOCPA
IFRS S2, ‘Climate-related disclosures’	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	January 1, 2024 subject to endorsement from SOCPA

New standards, interpretations and amendments issued but not yet effective and not early adopted by the Group

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2025. The Group did not opt for early adoption of these pronouncements and do not expect the adoption to have a significant impact on the consolidated financial statements of the Group.

Standard, interpretation or amendments	Description	Effective date
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 1, 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely.
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	<p>Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.</p> <p>The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.</p>	January 1, 2026

New standards, interpretations and amendments issued but not yet effective and not early adopted by the Group (Continued)

Standard, interpretation or amendments	Description	Effective date
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	January 1, 2024
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	January 1, 2027

• Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVSI.

Financial Asset 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 profit on the principal amount outstanding.

Currently, cash and balances with Saudi Central Bank (SAMA), due from banks and other financial institution, certain investments (Bei -Ajel with Saudi Central Bank and Sukuk and term financing), financing and certain other assets are classified as held at amortized cost.

Financial Asset at FVOCI

A debt instrument is measured at FVOCI only 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 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 profit on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income and foreign exchange gains and losses are recognised in consolidated statement of income.

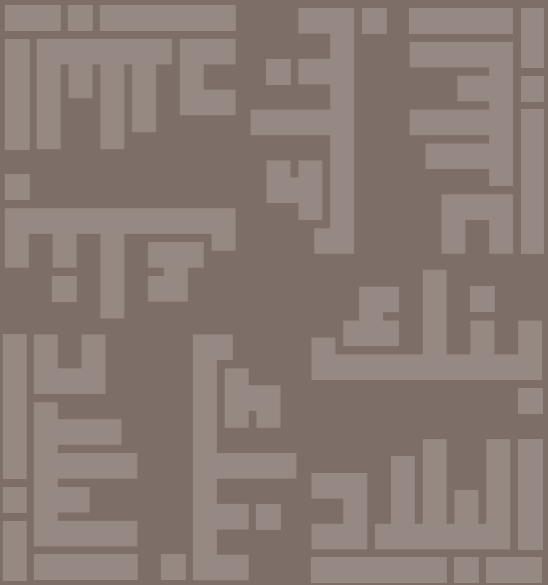
Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial Asset at FVSI

All other financial assets are classified as measured at FVSI.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVSI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.



Business model assessment

The Group makes an assessment of 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 profit revenue, maintaining a particular profit 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 realised 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.



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 financing risks associated with the principal amount outstanding during a particular period and other basic financing 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.

Designation at fair value through statement of income

At initial recognition, the Bank has designated certain financial assets at FVSI.

- **Classification of financial liabilities**
The Bank classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortized cost.
- **Derecognition**
- **Financial assets**
The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, 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 of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition 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.

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.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

- Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

• 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 plus any eligible transaction costs. 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 consolidated statement of income 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 derecognition 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 statement of income. 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 investing and financing assets.

Modified financial assets are not automatically presumed to remain in stage 1 following modification.

- 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 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 profit rate and the resulting gain or loss is recognized in consolidated statement of income. For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

• Expected Credit losses (ECL)

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVSI:

- Financial assets that are measured at amortized cost;
- Debt instruments assets measured at FVOCI;
- Financial guarantee contracts issued; and
- Financing commitments issued.

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:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

The Bank considers a debt security/other financial asset to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Investment grade is considered to be rated BBB- or higher for Fitch and S&P Global. Investment grade for Moody's is considered Baa3 or higher.

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 'Stage 1' performing 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 performing 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 non-performing 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 difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn financing commitments: as the present value of 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.

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 the ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset and 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 profit rate of the existing financial asset.

Credit-impaired financial 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 past due event;
- the restructuring of financing 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 financing 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 debt is credit-impaired, the Bank considers the following factors.

- The rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component and the Bank cannot identify the ECL on the financing 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.
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of consolidated financial position because the carrying amount of these assets is their fair value.

Write-off

Financing and investment in debt securities 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 Group'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 other income.

Financial guarantees and financing 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. 'Financing commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to financing at a below-market profit 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 as follows:

- at the higher of this amortized amount and the amount of loss allowance; and

The Bank has issued no financing commitments that are measured at FVSI. For other financing commitments, the Bank recognizes loss allowance.

Derivative financial instruments

Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, profit rate swaps and currency swaps are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the consolidated statement of financial position. The transaction costs are recognised in the consolidated 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 approved pricing models, as appropriate.

The treatment of changes in their fair value depends on their classification into the following categories:

i. 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 as gains on FVSI investments, net. Derivatives held for trading also includes those derivatives which do not qualify for hedge accounting.

ii. Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

- a) the host contract is not an asset in the scope of IFRS 9;
- b) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- c) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value with all changes in fair value recognized in consolidated statement of income unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

iii. Hedge Accounting

As indicated in the accounting policies below, the Bank elected to account for hedge accounting under IFRS 9.

The Bank designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to profit rate, foreign currency and credit risks including exposures arising from highly probable forecast transactions and firm commitments. To manage particular risk, the bank applies hedge accounting for transactions that meet specific criteria.

iii. Hedge Accounting (Continued)

For the purpose of hedge accounting, hedges are classified into two categories:

- a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and
- b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

To qualify for hedge accounting, the hedge should be expected to be highly effective, i.e., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Hedge ineffectiveness is recognized in the statement of income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank

also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the consolidated statement of income.

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective commission rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged item affects the consolidated statement of income. However, if

the Bank expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

When the hedging instrument is expired or sold, terminated, or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur, or the Bank revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the consolidated statement of income.

• Government grant

The Group recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is

recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the consolidated statement of income on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grant is intended to compensate.

• Revenue / expenses recognition - Income on investing and financing assets and return on deposits and financial liabilities

Income on investing and financing assets and return on deposits and financial liabilities is recognized in the consolidated statement of income using the effective yield method on the outstanding balance over the term of the contract.

When calculating the effective yield rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective yield rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective yield rate includes transaction costs and fees and points paid or received that are an integral part of the effective yield rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

- Measurement of amortized cost and profit income

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective yield method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating yield income and expense, the effective yield rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, yield income is calculated by applying the effective yield rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of yield income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, yield income is calculated by applying the credit-adjusted effective yield rate to the amortized cost of the asset. The calculation of profit income does not revert to a gross basis, even if the credit risk of the asset improves.

- Customer loyalty program

The Bank offers customer loyalty program (reward points) which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand-alone selling price.

The amount of revenue allocated to reward points is deferred and released to the consolidated statement of income when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

- Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Bank's and group companies' functional currency.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot rates prevailing transactions dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at exchange rates prevailing at the reporting date.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of income.

- Exchange income / (loss)

Exchange income/ (loss) is recognized as detailed in foreign currencies policy above.

- Fees and commission income and expenses

Fees and commission income and expenses that are integral to the effective yield rate on a financial assets or financial liability are included in the income from investing and financing assets.

Fees and commission income and expense that are not integral part of the effective yield calculation on a financial asset or liability are recognized when the related service is provided as follows:

- Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually over the period of time.

- Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided.

- Performance linked fees or fee components are recognized at point in time when the performance criteria are fulfilled.

- Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective yield on the financing at a point in time when the performance obligation is fulfilled. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognized on a straight-line basis over the commitment period.

- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the transaction is completed or the service, is received.

- Dividend income

Dividend income from investment is recognized when the Group's right to receive the dividend is established.

Fair value measurement

The Group measures financial instruments, such as, equity instruments and non-financial assets, at fair value at each statement of financial position 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 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.

The principal or the most advantageous market must be accessible to the Group.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group 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.

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, 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, 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, is included in equity attributable to the owners of the Bank.

Shares held by the Bank are disclosed as treasury shares and deducted from contributed equity.

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. The Bank’s accounting policy for collateral assigned to it through its financing arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank’s consolidated 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 mortgage 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 retail 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.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the group. 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:

Building	33 years
Leasehold improvements	Over lease period or economic life (10 years), whichever is shorter
Equipment and furniture and motor vehicles	4 to 6 years
Computer hardware	5 years

The assets’ residual values depreciation methods and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

• Provisions

Provisions are recognised 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 will be required to settle the obligation.

Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

• Accounting for leases

- Right of use ("ROU") asset / lease liability

On initial recognition at the 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 a consideration. Control is identified if most of the benefits are flowing to the Bank and the Bank can direct the usage of such assets.

-Right of use asset

The Group applies cost model and measures the right of use asset at cost:

- Less any accumulated depreciation and any accumulated impairment losses; and
- Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, the ROU asset would equate the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transactions etc. these need to be added to the ROU asset value.

- Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Bank measures the lease liability by:

- Increasing the carrying amount to reflect the profit on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Short-term leases and leases of low-value assets

The Group has elected not to recognise 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 Group recognises the lease payments associated with these leases as an expense.

• Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, balances and Bei-Ajel with with the Saudi Central Bank (SAMA) excluding statutory deposit and due from banks and other financial institutions with original maturities of three months or less from the date of acquisition which is subject to insignificant changes in their fair value.

• Treasury shares

Treasury shares are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these shares are carried at the amount equal to the consideration paid.

These shares are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its share-based payment plans.

• Employees' share plan

The Bank offers its eligible employees an equity-settled share-based payment plan as approved by Saudi Central Bank. As per the plan, eligible employees of the Bank are offered stocks to be withheld out of their annual bonus payments.

The cost of the plan is measured by reference to the fair value at the date on which the stocks are granted.

The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the stock option ('the vesting date'). The cumulative expense recognized for the plan 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 consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The Bank, with the approval from Saudi Central Bank, has entered into an agreement with an independent third-party for custody of the shares under the plan, plus any benefits accrued there-on.

• End of service benefits

The provision for end of service benefits is made based on actuarial valuation in accordance with Saudi Arabian Labour Laws. Net obligation, with respect to end of service benefits, to the Bank is reviewed by using a projected unit credit method. Actuarial gains and losses (Re-measurements) are recognized in full in the period in which they occur in other comprehensive income. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Profit expense is calculated by applying the discount rate to the net defined benefit liability. The Bank recognizes the following changes in

the net defined benefit obligation under 'salaries and employee related expenses' in the consolidated statement of income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net profit expense or income

The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates and discount rate to discount the future cash flows.

• Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and is expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

• Zakat and withholding tax

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Withholding tax is withheld from payments made to non-resident vendors for services rendered according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

• Value Added tax (“VAT”)

The Group collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

• Investment management service

The Group offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Group’s share of these funds is included in the FVSI investment and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

• Islamic banking products

Financing comprises of Bei-ajel, Installment Sales, Musharakah and Ijarah originated or acquired by the Group and are initially

recognized at fair value including acquisition costs and is subsequently measured at amortized cost less any amounts written off and the allowance for expected credit losses, if any. Financing is recognized when cash is advanced to borrowers and is derecognized when either the customers repay their obligations, or the financing is sold or written off, or substantially all the risks and rewards of ownership are transferred.

Bei-ajel and installment sales are financing contracts based on Murabaha whereby the Group sells to customers a commodity or an asset which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Bei ajel is used for corporate customers whereas installment sale is used for retail customers.

Ijarah muntahia bittamleek is an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijarah could end by transferring the ownership of the leased asset to the lessee.

Musharakah is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

• Profit sharing investment account (PSIA)

The Bank offers unrestricted and restricted investment accounts based on fully Shariah compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Holders (IAH) 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 Shariah compliant investments opportunities. Such information is available for all customers at Bank’s website, branches and call center.

Under Wakala arrangement, Bank accepts funds from investors as Wakeel and invests in Sharia compliant assets. Wakeel is entitled to a fixed fee as a lump sum or percentage of fund provided. Expected profit payout is mentioned to investors upfront while any return generated in excess of expected profit is retained by the

Bank as Wakeel. Wakeel should bear the loss in case of Wakeel’s default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss would be borne by the investor or Muwakil.

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). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from statement of profit.

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.

05

CASH AND BALANCES WITH SAUDI CENTRAL BANK

	Note	2024 ﷲ 000	2023 ﷲ 000
Statutory deposit	5.1	6,012,265	5,447,759
Cash in hand		1,314,780	1,168,927
Other balances	5.2	3,921,436	366,412
Total		11,248,481	6,983,098

5.1

In accordance with the Banking Control Law and Regulations issued by Saudi Central Bank, the Bank is required to maintain a statutory deposit with Saudi Central Bank at stipulated percentages of its demand, saving, time and other deposits, calculated based on end of day monthly average balance. The statutory deposit with Saudi Central Bank is not available to finance the Bank’s day to day operations and therefore is not part of cash and cash equivalents. As at December 31, 2024, the Bank is in compliance with these deposit requirements.

5.2

This includes mainly cash management account with Saudi Central Bank.

06

DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2024 ﷲ 000	2023 ﷲ 000
Demand	901,461	331,244
Commodity murabaha	4,199,985	7,841,763
	5,101,446	8,173,007
Less: allowance for expected credit losses	(2,045)	(2,913)
Total	5,099,401	8,170,094

An analysis of changes in loss allowance and gross carrying amount for due from banks and other financial institutions is, as follows:

	Expected credit loss allowance			
December 31, 2024 ﷲ in '000'	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2024	2,913	-	-	2,913
Net reversal for the year	(868)	-	-	(868)
Net derecognized during the year	-	-	-	-
As at December 31, 2024	2,045	-	-	2,045

	Gross carrying amount			
December 31, 2024 ﷲ in '000'	Stage 1 12-month) (ECL	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 Lifetime) ECL credit (impaired)	Total
As at January 1, 2024	8,173,007	-	-	8,173,007
Net reversal for the year	-	-	-	-
Net derecognized during the year	(3,071,561)	-	-	(3,071,561)
As at December 31, 2024	5,101,446	-	-	5,101,446

	Expected credit loss allowance			
December 31, 2023 ﷲ in '000'	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2023	1,265	-	-	1,265
Net charge for the year	1,648	-	-	1,648
Net recognized during the year	-	-	-	-
As at December 31, 2023	2,913	-	-	2,913

	Gross carrying amount			
December 31, 2023 ﷲ in '000'	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2023	6,068,458	-	-	6,068,458
Net charge for the year	-	-	-	-
Net recognized during the year	2,104,549	-	-	2,104,549
As at December 31, 2023	8,173,007	-	-	8,173,007

07

INVESTMENTS, NET

a) Investments as at December 31 comprise the following:

2024					
	Domestic		International		
ﷲ 000	Quoted	Unquoted	Quoted	Unquoted	Total
Fair value through other comprehensive income (FVOCI)					
Equities	417,931	160,940	-	-	578,871
Sukuk	7,477,588	512,725	193,115	-	8,183,428
	7,895,519	673,665	193,115	-	8,762,299
Fair value through statement of income (FVSI)					
Mutual funds	95,011	410,466	7,079	511,400	1,023,956
Equities	52,378	-	45,887	-	98,265
	147,389	410,466	52,966	511,400	1,122,221
Amortized cost					
Bei-Ajel with Saudi Central Bank	-	1,151,940	-	-	1,151,940
Sukuk	8,230,320	2,894,101	2,618,036	253,154	13,995,611
	8,230,320	4,046,041	2,618,036	253,154	15,147,551
Total	16,273,228	5,130,172	2,864,117	764,554	25,032,071

a) Investments as at December 31 comprise the following: (Continued)

2023					
SAR 000	Domestic		International		Total
	Quoted	Unquoted	Quoted	Unquoted	
Fair value through other comprehensive income (FVOCI)					
Equities	300,041	151,530	-	-	451,571
Sukuk	5,561,205	610,074	70,745	-	6,242,024
	5,861,246	761,604	70,745	-	6,693,595
Fair value through statement of income (FVSI)					
Mutual funds	76,946	373,367	-	544,306	994,619
Equities	44,774	-	22,489	-	67,263
	121,720	373,367	22,489	544,306	1,061,882
Amortized cost					
IBei-Ajel with Saudi Central Bank	-	1,932,562	-	-	1,932,562
Sukuk	7,141,399	2,391,257	2,605,993	253,230	12,391,879
	7,141,399	4,323,819	2,605,993	253,230	14,324,441
Total	13,124,365	5,458,790	2,699,227	797,536	22,079,918

b) The analysis of investments by counterparty is as follows:

	2024 S 000	2023 S 000
Government and quasi government	15,331,874	14,760,430
Corporate and banks	9,700,197	7,319,488
Total	25,032,071	22,079,918

c) Equities include unquoted shares of S 161 million (2023: S 152 million) carried at cost as management believes that cost of such investments approximate their fair value. Management also believes cost of Bei-ajel with Saudi Central Bank and unquoted sukuk approximates its fair value.

d) Equity investment securities designated as at FVOCI

The Group has designated investment in equity securities designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term purposes. There were no transfers of any cumulative gain or loss within equity relating to these investments.

e) FVOCI sukuku are classified as stage 1 and ECL amount is immaterial.

An analysis of changes in expected credit loss allowance and gross carrying amount for debt instruments carried at amortized cost, is as follows:

	Expected credit loss allowance			
December 31, 2024 S 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2024	19,713			19,713
Net charge for the year	1,558			1,558
Net purchased during the year	-			-
As at December 31, 2024	21,271			21,271

	Gross carrying amount			
December 31, 2024 S 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2024	14,344,154	-	-	14,344,154
Net charge for the year	-	-	-	-
Net purchased during the year	824,668	-	-	824,668
As at December 31, 2024	15,168,822	-	-	15,168,822

	Expected credit loss allowance			
December 31, 2023 S 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2023	21,160			21,160
Net reversal for the year	(1,447)			(1,447)
Net purchased during the year	-			-
As at December 31, 2023	19,713			19,713

	Gross carrying amount			
December 31, 2023 S 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
As at January 1, 2023	12,554,953	-	-	12,554,953
Net reversal for the year	-	-	-	-
Net purchased during the year	1,789,201	-	-	1,789,201
As at December 31, 2023	14,344,154	-	-	14,344,154

08

FINANCING, NET

a) Held at amortized cost

2024 S 000	Commercial	Retail	Total
Performing financing	58,012,977	52,599,477	110,612,454
Non-performing financing	807,655	522,177	1,329,832
Gross financing	58,820,632	53,121,654	111,942,286
Allowance for expected credit losses	(1,973,954)	(664,246)	(2,638,200)
Financing, net	56,846,678	52,457,408	109,304,086

2023 S 000	Commercial	Retail	Total
Performing	53,179,541	50,363,424	103,542,965
Non-performing	1,044,658	388,303	1,432,961
Gross financing	54,224,199	50,751,727	104,975,926
Allowance for expected credit losses	(2,309,266)	(586,595)	(2,895,861)
Financing, net	51,914,933	50,165,132	102,080,065

The following tables further explains changes in gross exposure amount for financing portfolio to help explain their significance to the changes in the expected credit loss allowance for the same portfolio:

Commercial December 31, 2024 S 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2024	45,092,129	8,087,412	1,044,658	54,224,199
Transfers to Stage 1	418,333	(418,333)	-	-
Transfers to Stage 2	(1,029,059)	1,029,059	-	-
Transfers to Stage 3	(16,853)	(100,171)	117,024	-
Net change for the year	5,669,980	(719,520)	(82,321)	4,868,139
Write-offs	-	-	(271,706)	(271,706)
Gross exposure amount as at December 31, 2024	50,134,530	7,878,447	807,655	58,820,632

Commercial December 31, 2023 S 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2023	38,545,021	7,924,051	914,165	47,383,237
Transfers to Stage 1	1,054,216	(1,054,216)	-	-
Transfers to Stage 2	(1,907,729)	1,907,729	-	-
Transfers to Stage 3	(11,306)	(457,213)	468,519	-
Net change for the year	7,411,927	(232,939)	(157,107)	7,021,881
Write-offs	-	-	(180,919)	(180,919)
Gross exposure amount as at December 31, 2023	45,092,129	8,087,412	1,044,658	54,224,199

a) Held at amortized cost (Continued)

Retail December 31, 2024 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2024	49,940,140	423,284	388,303	50,751,727
Transfers to Stage 1	166,016	(121,954)	(44,062)	-
Transfers to Stage 2	(441,311)	449,636	(8,325)	-
Transfers to Stage 3	(152,797)	(100,940)	253,737	-
Net change for the year	2,414,525	22,878	38,423	2,475,826
Write-offs	-	-	(105,899)	(105,899)
Gross exposure amount as at December 31, 2024	51,926,573	672,904	522,177	53,121,654

Retail December 31, 2023 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2023	46,051,457	257,872	332,270	46,641,599
Transfers to Stage 1	153,058	(108,653)	(44,405)	-
Transfers to Stage 2	(268,895)	279,692	(10,797)	-
Transfers to Stage 3	(134,526)	(47,218)	181,744	-
Net change for the year	4,139,046	41,591	38,453	4,219,090
Write-offs	-	-	(108,962)	(108,962)
Gross exposure amount as at December 31, 2023	49,940,140	423,284	388,303	50,751,727

Total December 31, 2024 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2024	95,032,269	8,510,696	1,432,961	104,975,926
Transfers to Stage 1	584,349	(540,287)	(44,062)	-
Transfers to Stage 2	(1,470,370)	1,478,695	(8,325)	-
Transfers to Stage 3	(169,650)	(201,111)	370,761	-
Net change for the year	8,084,505	(696,642)	(43,898)	7,343,965
Write-offs	-	-	(377,605)	(377,605)
Gross exposure amount as at December 31, 2024	102,061,103	8,551,351	1,329,832	111,942,286

Total December 31, 2023 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2023	84,596,478	8,181,923	1,246,435	94,024,836
Transfers to Stage 1	1,207,274	(1,162,869)	(44,405)	-
Transfers to Stage 2	(2,176,624)	2,187,421	(10,797)	-
Transfers to Stage 3	(145,832)	(504,431)	650,263	-
Net change for the year	11,550,973	(191,348)	(118,654)	11,240,971
Write-offs	-	-	(289,881)	(289,881)
Gross exposure amount as at December 31, 2023	95,032,269	8,510,696	1,432,961	104,975,926

a) Held at amortized cost (Continued)

An analysis of changes in expected credit loss allowance for financing is, as follows:

Commercial December 31, 2024 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Expected credit loss allowance as at January 1, 2024	168,955	1,342,576	797,735	2,309,266
Transfers to Stage 1	394	(394)	-	-
Transfers to Stage 2	(45,705)	45,705	-	-
Transfers to Stage 3	(10,357)	(51,449)	61,806	-
Net charge / (reversal) for the year	52,884	(161,784)	45,294	(63,606)
Write-offs	-	-	(271,706)	(271,706)
Expected credit loss allowance as at December 31, 2024	166,171	1,174,654	633,129	1,973,954

Commercial December 31, 2023 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Expected credit loss allowance as at January 1, 2023	133,041	1,431,931	721,920	2,286,892
Transfers to Stage 1	49,201	(49,201)	-	-
Transfers to Stage 2	(108,792)	108,792	-	-
Transfers to Stage 3	(11,306)	(314,436)	325,742	-
Net charge / (reversal) for the year	106,811	165,490	(69,008)	203,293
Write-offs	-	-	(180,919)	(180,919)
Expected credit loss allowance as at December 31, 2023	168,955	1,342,576	797,735	2,309,266

Retail December 31, 2024 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Expected credit loss allowance as at January 1, 2024	175,430	113,995	297,170	586,595
Transfers to Stage 1	1,046	(763)	(283)	-
Transfers to Stage 2	(66,067)	67,844	(1,777)	-
Transfers to Stage 3	(111,436)	(73,790)	185,226	-
Net charge / (reversal) for the year	149,134	(1,840)	36,256	183,550
Write-offs	-	-	(105,899)	(105,899)
Expected credit loss allowance as at December 31, 2024	148,107	105,446	410,693	664,246

Retail December 31, 2023 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2023	318,507	68,813	171,419	558,739
Transfers to Stage 1	1,606	(1,266)	(340)	-
Transfers to Stage 2	(73,684)	76,592	(2,908)	-
Transfers to Stage 3	(95,287)	(33,600)	128,887	-
Net charge for the year	24,288	3,456	109,074	136,818
Write-offs	-	-	(108,962)	(108,962)
Loss allowance as at December 31, 2023	175,430	113,995	297,170	586,595

a) Held at amortized cost (Continued)

Total December 31, 2024 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2024	344,385	1,456,571	1,094,905	2,895,861
Transfers to Stage 1	1,440	(1,157)	(283)	-
Transfers to Stage 2	(111,772)	113,549	(1,777)	-
Transfers to Stage 3	(121,793)	(125,239)	247,032	-
Net charge / (reversal) for the year	202,018	(163,624)	81,550	119,944
Write-offs	-	-	(377,605)	(377,605)
Loss allowance as at December 31, 2024	314,278	1,280,100	1,043,822	2,638,200

Total December 31, 2023 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2023	451,548	1,500,744	893,339	2,845,631
Transfers to Stage 1	50,807	(50,467)	(340)	-
Transfers to Stage 2	(182,476)	185,384	(2,908)	-
Transfers to Stage 3	(106,593)	(348,036)	454,629	-
Net charge for the year	131,099	168,946	40,066	340,111
Write-offs	-	-	(289,881)	(289,881)
Loss allowance as at December 31, 2023	344,385	1,456,571	1,094,905	2,895,861

b) Financing includes finance lease receivables, which are as follows:

The contractual amount outstanding on financial assets that were written off during the year ended December 31, 2024 and that are still subject to enforcement activity is ₪ 378 million (2023: ₪ 290 million).

	2024 ₪ 000		2023 ₪ 000	
	Retail	Commercial	Retail	Commercial
Gross receivables from ijarah financing:				
Less than 1 year	603,925	20,986	499,595	11,299
1 to 5 years	1,988,392	891,556	1,615,750	879,172
Over 5 years	-	477,137	8	262,641
Total	2,592,317	1,389,679	2,115,353	1,153,112
Unearned finance income on ijarah financing	(332,241)	(3,494)	(202,556)	(3,636)
Net receivables from ijarah financing	2,260,076	1,386,185	1,912,797	1,149,476
Net receivables from ijarah financing:				
Less than 1 year	526,524	17,492	451,756	11,299
1 to 5 years	1,733,552	891,556	1,461,034	879,172
Over 5 years	-	477,137	7	259,005
Total	2,260,076	1,386,185	1,912,797	1,149,476

09

OTHER ASSETS

	2024 ₪ 000	2023 ₪ 000
Assets in transit subject to financing	-	756,429
Prepaid expenses and advances to suppliers	245,613	189,377
Positive fair value of Shariah compliant derivatives (note 14.1)	24,479	25,114
Others	1,639,821	663,764
Total	1,909,913	1,634,684

10

PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

December 31, 2024 ﷼ 000	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware	Right of use (RoU) asset	Total
Cost:						
As at the beginning of the year	1,254,762	933,909	536,019	722,489	1,054,296	4,501,475
Additions during the year	236,559	45,200	51,132	120,436	32,830	486,157
Disposals	-	-	(903)	(833)	-	(1,736)
As at the end of the year	1,491,321	979,109	586,248	842,092	1,087,126	4,985,896
Accumulated depreciation and amortisation:						
At the beginning of the year	97,181	577,947	420,562	604,026	643,799	2,343,515
Charge for the year	23,179	22,423	47,270	64,077	116,433	273,382
Disposals	-	-	(903)	(833)	-	(1,736)
As at the end of the year	120,360	600,370	466,929	667,270	760,232	2,615,161
Net book value:						
As at December 31, 2024	1,370,961	378,739	119,319	174,822	326,894	2,370,735

December 31, 2023 ﷼ 000	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware	Right of use (RoU) asset	Total
Cost:						
As at the beginning of the year	1,090,323	923,484	467,506	650,821	1,019,379	4,151,513
Additions during the year	164,439	10,425	69,598	72,328	34,917	351,707
Disposals	-	-	(1,085)	(660)	-	(1,745)
As at the end of the year	1,254,762	933,909	536,019	722,489	1,054,296	4,501,475
Accumulated depreciation and amortisation:						
At the beginning of the year	77,823	554,095	379,576	533,571	501,887	2,046,952
Charge for the year	19,358	23,852	42,069	71,105	141,912	298,296
Disposals	-	-	(1,083)	(650)	-	(1,733)
As at the end of the year	97,181	577,947	420,562	604,026	643,799	2,343,515
Net book value						
As at December 31, 2023	1,157,581	355,962	115,457	118,463	410,497	2,157,960

Work in progres amount
﷼357.8 Million

Land and building, leasehold improvements and computer hardware includes work in progress as at December 31, 2024 amounting to ﷼ 357.8 million (2023: ﷼ 156.9 million).

Movement in right-of-use-assets (RoU):

December 31, 2024 ﷲ 000	Land and buildings	Equipment, furniture and motor vehicles	Total
Balance at the beginning of the year	410,497	-	410,497
Additions	32,830	-	32,830
Amortization	(116,433)	-	(116,433)
Balance at the end of the year	326,894	-	326,894

December 31, 2023
ﷲ 000

Balance at the beginning of the year	515,795	1,697	517,492
Additions	34,917	-	34,917
Amortization	(140,215)	(1,697)	(141,912)
Balance at the end of the year	410,497	-	410,497

Movement in lease liability:

	2024 ﷲ 000	2023 ﷲ 000
Balance at the beginning of the year	370,564	519,733
Payment during the year	(133,018)	(198,239)
New leases	32,830	34,917
Finance cost	11,576	14,153
Balance at the end of the year	281,952	370,564

11

DUE TO BANKS, SAUDI CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS

	2024 ﷲ 000	2023 ﷲ 000
Demand	140,384	155,598
Direct investment	5,352,415	4,118,310
Total	5,492,799	4,273,908

12

CUSTOMERS' DEPOSITS

	2024 ﷲ 000	2023 ﷲ 000
Demand	43,177,327	42,878,418
Direct investment	44,573,389	36,641,769
Albilad account (Mudarabah)	30,174,831	30,410,877
Others	3,850,668	2,900,181
Total	121,776,215	112,831,245

The previous include foreign currency deposits as follows:

	2024 ﷼ 000	2023 ﷼ 000
Demand	369,561	446,281
Direct investment	3,108,834	2,680,743
Albilad account (Mudarabah)	5,613,957	3,883,742
Others	86,230	146,816
Total	9,178,582	7,157,582

13

SUKUK AND TERM FINANCING

Sukuk and term financing comprises of:

	2024 ﷼ 000	2023 ﷼ 000
Sukuk	3,047,121	3,051,613
Term Financing	100,000	-
Total	3,147,121	3,051,613

On April 15, 2021, the Bank issued 3,000 Tier 2 Sukuk Certificates (Sukuk) of ﷼ 1 million each and payable quarterly each year until April 15, 2031. The Bank has a call option which can be exercised on or after April 15, 2026 as per the terms mentioned in the related offering circular. The expected profit distribution on the sukuk is the base rate for three months in addition to a profit margin of 1.65%. The Bank has not defaulted on any of payments (principal / profit) due during the year.

14

OTHER LIABILITIES

	2024 ﷼ 000	2023 ﷼ 000
Accounts payable	4,963,118	4,899,390
Accrued expenses	717,793	739,849
Lease liability (note 10)	281,952	370,564
Expected credit loss allowance on commitment and guarantee contracts (note 19)	128,688	135,947
Negative fair value of shariah compliant derivatives (note 14.1)	25,793	26,366
Others	1,737,978	1,518,827
Total	7,855,322	7,690,943

14.1 Derivatives

In the ordinary course of business, the Bank utilises the following Shariah compliant derivative financial instruments for both trading and hedging purposes:

Type of derivatives

a) Profit Rate Swaps

Profit Rate Swaps are commitments to exchange one set of cash flows for another. For Profit Rate Swaps counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal. For cross-currency Profit rate swaps, principal, fixed and floating profit payments are exchanged in different currencies.

b) Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter markets.

c) FX Swaps

Foreign Exchange Swaps are agreements between two parties to exchange a given amount of one currency for an amount of another currency based on the current spot rate and forward rates. The two parties will then settle their respective foreign exchange notional amounts governed by the previously agreed specific forward rate, The forward rate locks in the exchange rate at which the funds will be exchanged in the future.

Purpose of derivatives

Held for trading purposes

Most of the Bank’s derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates, or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products.

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank’s exposure to fluctuations in foreign exchange and profit rates to reduce its exposure to currency and profit rate risks to acceptable levels as determined by the Board of Directors and within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has established the level of profit rate risk by setting limits on profit rate gaps for stipulated periods. Asset and liability profit rate gaps are reviewed frequently and hedging strategies are used to reduce profit rate gap within the established limits.

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to adjust its own exposure to currency and profit rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging, other than portfolio hedges for profit rate risk, do not qualify for special hedge accounting and related derivatives are accounted for as held for trading.

Cash flow hedges

The Bank is exposed to variability in future profit cash flows on non-trading assets and liabilities, which bear profit at a variable rate. The bank uses profit rate swaps as cash flow hedges of these profit rate risks. Below is the schedule indicating as at 31 December, the periods when the hedged cash flows are expected to occur and when they are expected to affect the statement of income:

December 31, 2024 ﷼ 000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	31,580	58,744	48,252	-
Cash out flows (liabilities)	(30,455)	(60,710)	(49,367)	-
Net cash inflow	1,125	(1,966)	(1,115)	-
December 31, 2023 ﷼ 000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	56,968	82,454	81,674	-
Cash out flows (liabilities)	(45,648)	(91,297)	(90,922)	-
Net cash inflow	11,320	(8,843)	(9,248)	-

The tables below summarize the positive and negative fair values of derivative financial instruments, together with the notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-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, nor market risk.

The above includes Shariah approved derivative products as below.

Notional amounts by term to maturity							
December 31, 2024 ﷼ 000	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	From 3-12 months	From 1-5 years	Over 5 years
Held for trading:							
Profit rate swaps	21,080	(19,565)	1,162,442	40,696	-	1,121,746	-
Forward foreign exchange contracts	2,988	(3,749)	2,400,999	2,109,902	22,133	268,964	-
Held as cash flow hedges:							
Profit rate swaps	411	(2,479)	600,000	-	-	600,000	-
Total	24,479	(25,793)	4,163,441	2,150,598	22,133	1,990,710	-

Notional amounts by term to maturity							
December 31, 2023 ﷼ 000	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	From 3-12 months	From 1-5 years	Over 5 years
Held for trading:							
Profit rate swaps	23,658	(21,519)	1,241,836	-	-	841,836	400,000
Forward foreign exchange contracts	1,456	(215)	1,587,385	381,948	1,205,437	-	-
Held as cash flow hedges:							
Profit rate swaps	-	(4,632)	1,000,000	-	-	-	1,000,000
Total	25,114	(26,366)	3,829,221	381,948	1,205,437	841,836	1,400,000

The tables below show a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value.

Description of hedged items December 31, 2024 ﷼ 000	Fair Value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Floating profit rate investments	597,932	600,000	Cash flow	Profit rate swap	411	(2,479)
December 31, 2023 ﷼ 000						
Floating profit rate investments	995,368	1,000,000	Cash flow	Profit rate swap	-	(4,632)

15

SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 1,250 million shares of ﷼ 10 each (December 31, 2023: 1,000 million shares of ﷼ 10 each).

The Board of Directors in its meeting held on Rajab 23, 1445H (corresponding to February 4, 2024) recommended to the Extraordinary General Assembly an issuance of bonus shares of one share for every four shares held, it has been approved in the

Extraordinary General Assembly meeting held on Shawwal 20, 1445H (corresponding to April 29, 2024) which has increased the Bank’s capital from ﷼ 10,000 million to ﷼ 12,500 million. The increase has been done through capitalization of ﷼ 2,500 million from the retained earnings. The number of shares outstanding after the bonus issuance increased from 1,000 million shares to 1,250 million shares.

16

STATUTORY RESERVE

In accordance with Article 13 of the Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, ﷼ 702 million (2023: ﷼ 592 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

17

OTHER RESERVES

2024 ﷼ 000	FVOCI (debt instruments)	FVOCI (equity instruments)	Employees' end of service benefits (EOSB)	Effective portion of change in the fair value of cash flow hedge	Total
Balance at the beginning of the year	(217,957)	42,759	13,493	(4,632)	(166,337)
Net movement during the year	(203,896)	(5,757)	(711)	2,564	(207,800)
Impairment reversal for ECL	4,867	-	-	-	4,867
Transfer to retained earnings on disposal	-	(17,807)	-	-	(17,807)
Balance at the end of the year	(416,986)	19,195	12,782	(2,068)	(387,077)

2023 ﷼ 000	FVOCI (debt instruments)	FVOCI (equity instruments)	Employees’ end of service benefits (EOSB)	Effective portion of change in the fair value of cash flow hedge	Total
Balance at the beginning of the year	(176,487)	(64,297)	1,498	-	(239,286)
Net movement during the year	(37,769)	111,853	11,995	(4,632)	81,447
Impairment charge for ECL	(3,701)	-	-	-	(3,701)
Transfer to retained earnings on disposal	-	(4,797)	-	-	(4,797)
Balance at the end of the year	(217,957)	42,759	13,493	(4,632)	(166,337)

18

DIVIDENDS

The Board of Directors’ recommended to the General Assembly to distribute cash dividends of ﷼ 500 million to shareholders for the year 2022 in the meeting held on Jumada Al-Thani 5, 1444H (corresponding to December 29, 2022). The dividends distribution has been approved in the Extraordinary General Assembly meeting that has been held on Shawwal 11, 1444H (corresponding to May 1, 2023), and dividends have been distributed to the registered shareholder’s starting from Shawwal 20, 1444H (corresponding to May 10, 2023).

The Board of Directors’ recommended to the General Assembly to distribute cash dividends of ﷼ 500 million to shareholders for the year

2023 in the meeting held on Rajab 23, 1445H (corresponding to February 4, 2024). The dividends distribution has been approved in the Extraordinary General Assembly meeting that has been held on Shawwal 20, 1445H (corresponding to April 29, 2024). The dividends have been distributed to the registered shareholder’s starting from Dhul-Qa’da 8, 1445H (corresponding to May 16, 2024).

The Board of Directors’ resolved to distribute interim cash dividends of ﷼ 625 million to shareholders for the first half of 2024 in the meeting held on Rabi Alawal 2, 1446H (corresponding to September 5, 2024) and the dividends have been distributed.

19

COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2024 and 2023, there were legal proceedings outstanding against the Bank and the Group. Provisions have been made for some of these legal cases based on the assessment of the Bank’s and Group’s legal advisers.

b) Capital commitments

As at December 31, 2024, the Bank had capital commitments of ﷼ 315 million (2023: ﷼ 373 million) relating to leasehold improvements and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent unused portions of authorization to extend credit, principally in the form of financing, guarantees or letters of credit. With respect to credit risk relating to commitments to extend credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since 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) Contractual maturity structure of the Group’s commitments and contingencies:

2024 S 000	Less than 3 months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	526,624	1,254,412	4,700	-	1,785,736
Letters of guarantee*	1,363,979	5,004,730	6,675,616	2,402,853	15,447,178
Acceptances	640,554	247,511	-	-	888,065
Irrevocable commitments to extend credit	100,677	389,567	1,349,076	-	1,839,320
Total	2,631,834	6,896,220	8,029,392	2,402,853	19,960,299
2023 S 000	Less than 3 months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	1,045,349	821,356	284,896	-	2,151,601
Letters of guarantee*	1,746,190	4,799,710	5,516,850	2,573,452	14,636,202
Acceptances	565,217	157,912	-	-	723,129
Irrevocable commitments to extend credit	724,181	-	656,566	-	1,380,747
Total	4,080,937	5,778,978	6,458,312	2,573,452	18,891,679

*This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.

The outstanding unused portion of commitments as at December 31, 2024 which can be revoked unilaterally at any time by the Group amounts to ₪ 25.8 billion (2023: ₪ 25.7 billion).

The following tables further explains changes in gross exposure amount for commitments and contingencies:

December 31, 2024 ₪ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2024	17,400,550	1,252,202	238,927	18,891,679
Transfers to Stage 1	152,028	(152,028)	-	-
Transfers to Stage 2	(131,137)	131,137	-	-
Transfers to Stage 3		(35,634)	35,634	-
Net change for the year	1,547,977	(376,192)	(103,165)	1,068,620
Gross exposure amount as at December 31, 2024	18,969,418	819,485	171,396	19,960,299

December 31, 2023 ₪ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Gross exposure amount as at January 1, 2023	12,954,374	1,242,085	294,651	14,491,110
Transfers to Stage 1	33,851	(33,851)	-	-
Transfers to Stage 2	(412,886)	412,886	-	-
Net change for the year	4,825,211	(368,918)	(55,724)	4,400,569
Gross exposure amount as at December 31, 2023	17,400,550	1,252,202	238,927	18,891,679

An analysis of changes in expected credit loss allowance is, as follows:

December 31, 2024 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2024	58,018	12,600	65,329	135,947
Transfers to Stage 1	377	(377)	-	-
Transfers to Stage 2	(439)	439	-	-
Transfers to Stage 3	-	(10,344)	10,344	-
Net (reversal) / charge for the year	(16,089)	11,925	(3,095)	(7,259)
Loss allowance as at December 31, 2024	41,867	14,243	72,578	128,688
December 31, 2023 ﷼ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Loss allowance as at January 1, 2023	50,526	6,161	96,873	153,560
Transfers to Stage 1	5	(5)	-	-
Transfers to Stage 2	(4,169)	4,169	-	-
Net charge / (reversal) for the year	11,656	2,275	(31,544)	(17,613)
Loss allowance as at December 31, 2023	58,018	12,600	65,329	135,947

(ii) Commitments and contingencies by counterparty:

	2024 ﷼ 000	2023 ﷼ 000
Corporate	16,304,668	16,667,822
Financial institutions	2,129,755	2,154,886
Others	1,525,876	68,971
Total	19,960,299	18,891,679

20

INCOME FROM INVESTING AND FINANCING ASSETS

	2024 SAR 000	2023 SAR 000
Income from investments and due from banks and other financial institutions		
Income from bei-ajel with Saudi Central Bank	187,357	196,890
Income from murabaha with banks and other financial institutions	324,950	312,584
Income from sukuk and other investments	957,350	761,099
Income from financing	7,089,619	6,273,209
Total	8,559,276	7,543,782

21

RETURN ON DEPOSITS AND FINANCIAL LIABILITES

	2024 SAR 000	2023 SAR 000
Return on:		
Due to banks, Saudi Central Bank and other financial institutions, deposits and others	3,837,256	3,160,482
Sukuk and others	288,417	273,461
Total	4,125,673	3,433,943

22

FEE AND COMMISSION INCOME, NET

	2024 SAR 000	2023 SAR 000
Fee and commission income		
Remittance	305,795	296,009
ATM and point of sale	494,010	464,343
Letters of credit and guarantee	140,246	123,118
Management fee (mutual fund and others)	158,783	128,411
Brokerage income	61,677	57,274
Others	51,829	29,896
Total fee and commission income	1,212,340	1,099,051
Fee and commission expenses		
ATM and point of sale	331,302	322,611
Brokerage expenses	30,318	26,420
Remittance	20,285	18,090
Others	129,920	110,908
Total fee and commission expenses	511,825	478,029
Fee and commission income, net	700,515	621,022

23

GAIN ON FAIR VALUE THROUGH
STATEMENT OF INCOME (FVSI)
INVESTMENTS, NET

	2024 ﷼ 000	2023 ﷼ 000
Investments	16,405	88,584
Derivatives	(2,249)	(797)
Total	14,156	87,787

24

LARIES AND EMPLOYEE
RELATED EXPENSES

The following table summarizes compensation practices and includes total of fixed and variable compensation paid to employees during the year ended December 31, 2024 and 2023, and the form of such payments:

			Variable compensation paid		
2024	Number of employees	Fixed compensation ﷼ 000	Cash	Shares ﷼ 000	Total
Senior executives	29	49,020	34,801	24,941	59,742
Employees engaged in risk taking activities	340	128,497	45,928	2,318	48,246
Employees engaged in control functions	388	106,121	23,451	1,286	24,737
Other employees	3,010	512,964	87,857	1,385	89,242
Outsourced employees	848	150,740	-	-	-
Total	4,615	947,342	192,037	29,930	221,967

*Variable compensation accrued, and other employees’ related benefits

Total salaries and employee related expenses	495,944
	1,443,286

24

LARIES AND EMPLOYEE
RELATED EXPENSES(continue)

2023	Number of employees	Fixed compensation S 000	Variable compensation paid		
			Cash	Shares S 000	Total
Senior executives	27	45,135	36,856	25,149	62,005
Employees engaged in risk taking activities	333	117,501	37,798	2,635	40,433
Employees engaged in control functions	356	91,582	19,898	1,368	21,266
Other employees	3,071	485,906	75,836	1,311	77,147
Outsourced employees	849	159,853	-	-	-
Total	4,636	899,977	170,388	30,463	200,851

*Variable compensation accrued, and other employees’ related benefits

Total salaries and employee related expenses	428,891
	1,328,868

* Other employees’ related benefits include, insurance, pension, relocation expenses, recruitment expenses, training and development and other employees’ benefits.

24

LARIES AND EMPLOYEE
RELATED EXPENSES(continue)

Employees Compensation
and Benefits

1. Quantitative Disclosure:

This disclosure has to be bifurcated between the following categories, whereby the meaning of each category is mentioned below:

a) Senior executives:

Senior executives are the employees holding key positions such as CEO, CFO (EVP Finance), EVP Shared Services, CRO (EVP Risk Management), EVP Corporate Banking, EVP Retail Banking, EVP Human Resource, etc.

b) Employees engaged in risk taking activities:

This comprises of management staff within various business lines i.e. corporate, retail, treasury, trade services, private banking etc. who are responsible for executing and implementing the business strategy of the bank.

c) Employees engaged in control functions:

This comprises of employees working in divisions that are not involved in risk taking activities but engaged in review functions i.e. risk management, compliance, internal audit, treasury operations, finance, and accounting, etc.

d) Other employees:

All regular employees other than those mentioned in (a) to (c) above.

e) Outsourced employees:

This includes staff employed by various agencies who supply services to the Bank on a full-time basis in non-critical roles. None of these roles require risk undertaking or control.

24

SALARIES AND EMPLOYEE
RELATED EXPENSES(continue)

2. Qualitative Disclosure:

The Bank has developed a Compensation Policy (“Policy”) based on the ‘Rules on Compensation Practices’ issued by Saudi Central Bank as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect.

The Compensation Policy has been approved by the Board of Directors (BOD). The BOD has also delegated Nominations and Remuneration Committee to oversee the implementation of the Policy.

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the Compensation Policy and evaluate its effectiveness in line with the industry practice.

Policy Objectives

The policy sets guidelines for determination of both fixed and variable compensation to be paid to the employees of the Group. The scope of the Policy includes all compensation elements, approval and reporting process, stock options, bonus and its deferral, etc.

The objective of the Policy is to ensure that the compensation is governed by the financial performance evaluation and is linked to the various risks associated, at an overall level. Key staff members of the Bank are eligible to variable compensation which is derived from Risk Adjusted Net Income of the Bank which accounts for significant existing and potential risks in order to protect the Bank’s Capital Adequacy and to mitigate the risk of potential future losses.

Compensation Structure

The compensation structure of the Bank is based on appropriate industry benchmarking and includes both fixed and variable components. The variable component is designed to ensure key employee retention and is based on three-year vesting period.

Fix Components

Provide a competitive salaries or wage according to annual market alignment, including (basic, housing, transportation and fixed allowances) which are written in the employee’s contract.

Variable Components

Taking into account the risk associated with the Bank’s performance & individual performance appraisal, all these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period.

Performance Management
System

The performance of all employees is measured by way of a balance score card methodology taking into consideration, financial, customer, process and people factor with appropriate weightage to each factor based on the respective assignments.

The Bank has following share-based payment plans outstanding at the end of the year. Significant features of these plans are as follows:

Maturity dates	Between January 2025 and December 2027
Total number of shares granted	1,874,248
Vesting period	3 Years
Method of settlement	Equity
Fair value per share on grant date	Average ₹ 37.11

The shares are granted only under service condition with no market condition associated with them.

25

OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2024 ﷲ 000	2023 ﷲ 000
Repair, maintenance and information technology costs	150,749	167,352
Communications and utilities expenses	115,833	125,805
Subscription, publication and advertising	103,526	91,690
Professional and consultancy fees	37,136	41,259
Others	289,482	284,731
Total	696,726	710,837

26

IMPAIRMENT CHARGE FOR EXPECTED CREDIT LOSSES, NET

	Note	2024 ﷲ 000	2023 ﷲ 000
Due from banks and other financial institutions, net	6	(868)	1,648
Investments, net		17,871	(316)
Financing, net	8	119,944	340,111
Commitment and financial guarantee contracts, net	19	(7,259)	(17,613)
Total		129,688	323,830

27

BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2024 and 2023 is calculated by dividing the net income for the year attributable to the equity holders by the weighted average number of outstanding shares 2024: 1,242 million shares (2023: 1,242 million shares – restated due to bonus shares) after accounting for treasury shares.

28

CASH AND CASH EQUIVALENTS

	2024 ﷲ 000	2023 ﷲ 000
Cash and balances with Saudi Central Bank (excluding statutory deposit)	5,236,216	1,535,339
Due from banks and other financial institutions (maturing within ninety days from acquisition)	3,490,818	5,334,138
Total	8,727,034	6,869,477

29

EMPLOYEE BENEFIT OBLIGATION

a. General description

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.

b. The movement in the obligation during the year based on its present value are as follows:

	2024 SAR 000	2023 SAR 000
Defined benefit obligation at the beginning of the year	373,142	351,283
Charge for the year	58,970	54,906
Benefits paid	(21,409)	(21,052)
Unrecognized actuarial loss / (gain)	711	(11,995)
Defined benefit obligation at the end of the year	411,414	373,142

c. Charge for the year

	2024 SAR 000	2023 SAR 000
Current service cost	42,562	44,445
Past service cost	885	-
Finance cost	15,523	10,461
	58,970	54,906

d. Principal actuarial assumptions (in respect of the employee benefit scheme)

	2024 SAR 000	2023 SAR 000
Discount rate	5.35%	5.50%
Expected rate of salary change	3.00%	3.00%
Normal retirement age		
• Male	60 years	60 years
• Female	55 years	55 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

29

EMPLOYEE BENEFIT OBLIGATION
(continue)

e. Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at December 31, 2024 to the discount rate 5.35% (2023: 5.50%), salary escalation rate 3.00% (2023: 3.00%), withdrawal assumptions.

SAR 000			
2024	Impact on defined benefit obligation – increase / (decrease)		
Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(26,250)	29,968
Expected rate of salary change	1%	30,363	(26,982)
Withdrawal assumptions	20%	1,398	(1,981)

SAR 000			
2023	Impact on defined benefit obligation – increase / (decrease)		
Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(24,000)	27,423
Expected rate of salary change	1%	27,815	(24,680)
Withdrawal assumptions	20%	1,174	(1,780)

The above sensitivity analysis is based on a change in an assumption keeping all other assumptions constant.

30

SEGMENTAL INFORMATION

Operating segments, based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) in order to allocate resources to the segments and to assess its performance. The Group’s main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2023.

For management purposes, the Group is divided into the following four operating segments:

Retail banking

Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking

Services and products to corporate customers including deposits, financing and trade services.

Treasury

Money market and treasury services.

Investment banking and brokerage

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

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to other operating segments, based on an approved criterion.

30

SEGMENTAL INFORMATION (continue)

a) The Group's total operating income, expenses, and net income before zakat, for the years ended December 31, 2024 and 2023 for each segment are as follows:

2024 S 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Income from investing and financing assets, net	1,754,100	1,663,828	852,890	162,785	4,433,603
Fee, commission and other income, net	486,365	195,989	313,768	242,154	1,238,276
Total operating income	2,240,465	1,859,817	1,166,658	404,939	5,671,879
Impairment charge/(reversal) for expected credit losses, net	183,550	(70,865)	7,502	9,501	129,688
Depreciation and amortization	228,517	34,923	7,034	2,908	273,382
Total operating expenses	1,926,421	292,505	122,683	201,473	2,543,082
Net income for the year before zakat	314,044	1,567,312	1,043,975	203,466	3,128,797

2023 S 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Income from investing and financing assets, net	1,756,588	1,706,432	522,394	124,425	4,109,839
Fee, commission and other income, net	492,183	156,104	368,249	176,413	1,192,949
Total operating income	2,248,771	1,862,536	890,643	300,838	5,302,788
Impairment charge/(reversal) for expected credit losses, net	136,819	183,994	(4,028)	7,045	323,830
Depreciation and amortization	268,519	21,556	5,197	3,024	298,296
Total operating expenses	1,929,237	479,024	97,823	155,747	2,661,831
Net income for the year before zakat	319,534	1,383,512	792,820	145,091	2,640,957

The Group's total assets and liabilities at December 31, 2024 and 2023, for each segment are as follows:

2024 S 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	66,558,282	56,795,551	30,421,573	1,189,281	154,964,687
Total liabilities	68,458,285	31,149,431	38,433,793	229,948	138,271,457

2023 S 000	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
Total assets	59,606,734	52,043,297	30,430,092	1,025,696	143,105,819
Total liabilities	66,161,722	30,250,481	31,334,756	100,750	127,847,709

b) Credit exposure by operating segments is as follows:

2024 S 000	Retail	Corporate	Treasury	Total
Total assets	52,457,408	56,846,678	28,430,380	137,734,466
Commitments and contingencies	-	14,336,727	-	14,336,727

2023 S 000	Retail	Corporate	Treasury	Total
Total assets	50,165,132	51,914,933	28,736,557	130,816,622
Commitments and contingencies	-	13,989,739	-	13,989,739

Group credit exposure is comprised of due from bank and other financial institutions, investments and financing. The credit equivalent value of commitments and contingencies are included in credit exposure as calculated in accordance with Saudi Central Bank regulations.

31

FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Risk Committee which has the responsibility to monitor the overall risk process within the Bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, limits and review of the policies.

CREDIT RISK

Credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in financing and investment activities. There is also credit risk in off-balance sheet financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Group assesses the probability of default of counterparties using internal rating tools. Also, the Group uses the external ratings of the major rating agency, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group’s risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographical location.

The Group seeks to manage its credit risk exposure through diversification and managing undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant facilities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Group regularly reviews its risk management policies and systems to reflect changes in market products and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counter-party is provided in note 7. For details of the composition of financing refer to note 8. Information on credit risk relating to commitments and contingencies in note 19. The information on Bank’s maximum credit exposure by business segment is given in note 30.

Concentration of risks of financial assets with credit risk exposure and financial liabilities

a. Geographical concentration

The geographical distribution of assets, liabilities, commitments and contingencies and credit risk exposure as of December 31:

2024 SAR 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with Saudi Central Bank	11,248,481	-	-	-	-	-	11,248,481
Cash in hand	1,314,780	-	-	-	-	-	1,314,780
Balances with Saudi Central Bank	9,933,701	-	-	-	-	-	9,933,701
Due from Banks and other financial institutions	998,477	1,307,368	250,146	2,379,194	34,057	130,159	5,099,401
Demand	-	207,298	250,146	279,779	34,057	130,159	901,439
Commodity murabaha	998,477	1,100,070	-	2,099,415	-	-	4,197,962
Investments, net	21,403,400	3,322,551	306,120	-	-	-	25,032,071
FVOCI	8,569,184	193,115	-	-	-	-	8,762,299
FVSI	557,855	511,400	52,966	-	-	-	1,122,221
Amortized cost	12,276,361	2,618,036	253,154	-	-	-	15,147,551
Financing, net	109,304,086	-	-	-	-	-	109,304,086
Retail	52,457,408	-	-	-	-	-	52,457,408
Commercial	56,846,678	-	-	-	-	-	56,846,678
Other assets	1,537,578	-	-	-	-	-	1,537,578
Total	144,492,022	4,629,919	556,266	2,379,194	34,057	130,159	152,221,617

a. Geographical concentration (continue)

CREDIT RISK (continue)

2024 S000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions	2,891,956	2,319,861	-	-	1,125	279,857	5,492,799
Demand	-	132,090	-	-	1,125	7,169	140,384
Direct investment	2,891,956	2,187,771	-	-		272,688	5,352,415
Customer deposits	121,776,215	-	-	-	-	-	121,776,215
Demand	43,177,327	-	-	-	-	-	43,177,327
Direct investment	44,573,389	-	-	-	-	-	44,573,389
Albilad account (Mudarabah)	30,174,831	-	-	-	-	-	30,174,831
Other	3,850,668	-	-	-	-	-	3,850,668
Sukuk and term financing	3,147,121	-	-	-	-	-	3,147,121
Other liabilities	6,995,256	-	-	-	-	-	6,995,256
Total	134,810,548	2,319,861	-	-	1,125	279,857	137,411,391
Commitments and contingencies							
Letters of credit	1,785,736	-	-	-	-	-	1,785,736
Letters of guarantee	15,447,178	-	-	-	-	-	15,447,178
Acceptances	888,065	-	-	-	-	-	888,065
Irrevocable commitments to extend credit	1,839,320	-	-	-	-	-	1,839,320
	19,960,299	-	-	-	-	-	19,960,299
Credit risk*	14,336,727	-	-	-	-	-	14,336,727

*Stated at credit equivalent amounts on commitments and contingencies

a. Geographical concentration (continue)

CREDIT RISK (continue)

2023 S000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Assets							
Cash and balances with Saudi Central Bank	6,983,098	-	-	-	-	-	6,983,098
Cash in hand	1,168,927	-	-	-	-	-	1,168,927
Balances with Saudi Central Bank	5,814,171	-	-	-	-	-	5,814,171
Due from Banks and other financial institutions	6,635,990	987,602	119,663	315,755	68,985	42,099	8,170,094
Demand	-	97,182	119,663	3,223	68,985	42,099	331,152
Commodity murabaha	6,635,990	890,420	-	312,532	-	-	7,838,942
Investments, net	18,583,155	3,221,044	275,719	-	-	-	22,079,918
FVOCI	6,622,850	70,745	-	-	-	-	6,693,595
FVSI	495,087	544,306	22,489	-	-	-	1,061,882
Amortized cost	11,465,218	2,605,993	253,230	-	-	-	14,324,441
Financing, net	102,080,065	-	-	-	-	-	102,080,065
Retail	50,165,132	-	-	-	-	-	50,165,132
Commercial	51,914,933	-	-	-	-	-	51,914,933
Other assets	1,414,299	-	-	-	-	-	1,414,299
Total	135,696,607	4,208,646	395,382	315,755	68,985	42,099	140,727,474

a. Geographical concentration (continue)

CREDIT RISK (continue)

2023 SAR 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions	3,792,439	407,363	-	33,214	831	40,061	4,273,908
Demand	-	109,665	-	33,214	831	11,888	155,598
Direct investment	3,792,439	297,698	-			28,173	4,118,310
Customer deposits	112,831,245	-	-	-	-	-	112,831,245
Demand	42,878,418	-	-	-	-	-	42,878,418
Direct investment	36,641,769	-	-	-	-	-	36,641,769
Albilad account (Mudarabah)	30,410,877	-	-	-	-	-	30,410,877
Other	2,900,181	-	-	-	-	-	2,900,181
Sukuk	3,051,613	-	-	-	-	-	3,051,613
Other liabilities	6,682,221	-	-	-	-	-	6,682,221
Total	126,357,518	407,363	-	33,214	831	40,061	126,838,987
Commitments and contingencies							
Letters of credit	2,151,601	-	-	-	-	-	2,151,601
Letter of guarantee	14,636,202	-	-	-	-	-	14,636,202
Acceptances	723,129	-	-	-	-	-	723,129
Irrevocable commitments to extend credit	1,380,747	-	-	-	-	-	1,380,747
	18,891,679	-	-	-	-	-	18,891,679
Credit risk*	13,989,739	-	-	-	-	-	13,989,739

*Stated at credit equivalent amounts on commitments and contingencies

a. Geographical concentration (continue)

CREDIT RISK (continue)

Credit equivalent amounts reflect the amounts that result from translating the Group's commitments and contingencies into the risk equivalent of financing facilities using credit conversion factors prescribed by Saudi Central Bank. Credit conversion factor is used to capture the potential credit risk resulting from the Group meeting its commitments.

b. The geographical distribution of the impaired financial assets and the allowance for expected credit losses are set out as

2024 SAR 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Non- Performing financing	1,329,832	-	-	-	-	-	1,329,832
Allowance for expected credit losses	2,638,200	-	-	-	-	-	2,638,200

2023 SAR 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
Non- Performing financing	1,432,961	-	-	-	-	-	1,432,961
Allowance for expected credit losses	2,895,861	-	-	-	-	-	2,895,861

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

December 31, 2024 ﷲ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Due from bank and other financial institutions				
Investment grade	4,974,273	-	-	4,974,273
Non-investment grade	112,831	-	-	112,831
Unrated	14,342	-	-	14,342
Gross carrying amount	5,101,446			5,101,446

December 31, 2023 ﷲ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Due from bank and other financial institutions				
Investment grade	8,173,007	-	-	8,173,007
Non-investment grade	-	-	-	-
Gross carrying amount	8,173,007	-	-	8,173,007

Financing to customers at amortized cost

December 31, 2024 ﷲ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Commercial	50,134,530	7,878,447	807,655	58,820,632
Grades 1-15: Low – fair risk	49,637,264	3,033,382	-	52,670,646
Grades 16-20: Watch list	497,266	4,845,065	-	5,342,331
Grades 21: Substandard	-	-	263,523	263,523
Grades 22: Doubtful	-	-	341,251	341,251
Grades 23: Loss	-	-	202,881	202,881
Retail				
Unrated	51,926,573	672,904	522,177	53,121,654
Gross carrying amount	102,061,103	8,551,351	1,329,832	111,942,286

December 31, 2023 ﷲ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Commercial	45,092,129	8,087,412	1,044,658	54,224,199
Grades 1-15: Low – fair risk	44,110,801	2,682,022	-	46,792,823
Grades 16-20: Watch list	981,328	5,405,390	-	6,386,718
Grades 21: Substandard	-	-	599,753	599,753
Grades 22: Doubtful	-	-	108,529	108,529
Grades 23: Loss	-	-	336,376	336,376
Retail				
Unrated	49,940,140	423,284	388,303	50,751,727
Gross carrying amount	95,032,269	8,510,696	1,432,961	104,975,926

Credit quality analysis (continue)

December 31, 2024 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Debt investment securities at amortized cost				
Investment grade	12,583,910	-	-	12,583,910
Non-investment grade	1,301,941	-	-	1,301,941
Unrated	1,282,971	-	-	1,282,971
Gross carrying amount	15,168,822			15,168,822

December 31, 2023 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Debt investment securities at amortized cost				
Investment grade	11,765,521	-	-	11,765,521
Non-investment grade	1,301,417	-	-	1,301,417
Unrated	1,277,216	-	-	1,277,216
Gross carrying amount	14,344,154			14,344,154

Credit quality analysis (continue)

December 31, 2024 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Debt investment securities at FVOCI				
Investment grade	8,038,080	-	-	8,038,080
Unrated	145,348	-	-	145,348
Gross carrying amount	8,183,428			8,183,428

December 31, 2023 SAR' 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Debt investment securities at FVOCI				
Investment grade	6,094,926	-	-	6,094,926
Unrated	147,098	-	-	147,098
Gross carrying amount	6,242,024	-	-	6,242,024

Credit quality analysis (continue)

December 31, 2024 ﷲ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Commitments and contingencies				
Grades 1-15: Low – fair risk	18,029,820	508,398	-	18,538,218
Grades 16-20: Watch list	939,597	311,088	-	1,250,685
Grades 21: Substandard	-	-	20,372	20,372
Grades 22: Doubtful	-	-	892	892
Grades 23: Loss	-	-	150,132	150,132
Gross carrying amount	18,969,417	819,486	171,396	19,960,299

December 31, 2023 ﷲ 000	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
Commitments and contingencies				
Grades 1-15: Low – fair risk	16,796,820	917,038	-	17,713,858
Grades 16-20: Watch list	603,730	335,164	-	938,894
Grades 21: Substandard	-	-	148	148
Grades 22: Doubtful	-	-	-	-
Grades 23: Loss	-	-	238,779	238,779
Gross carrying amount	17,400,550	1,252,202	238,927	18,891,679

Credit quality analysis (continue)

Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The PD at the reporting date; with
- The PD estimated at the time of initial recognition of the exposure.

In addition to the above, other major quantitative consideration include days past due and rating of customer.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The assessment of significant increase in credit risk, is assessed taking on account of:

- Days past due;
- Change in risk of default occurring since initial recognition;
- Expected life of the financial instrument; and
- Reasonable and supportable information, that is available without undue cost or effort that may affect credit risk.

Lifetime expected credit losses are recognized against any material facility which has experienced significant increase in credit risk since initial recognition. There is a rebuttable presumption that recognition of lifetime expected credit losses will be made if any facility is past due for more than 30 days.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit quality analysis (continue)

Credit risk grades

For the wholesale portfolio, the bank allocates each exposure (either through reliance on internal rating or external rating agencies) to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Commercial exposures	Retail exposures	All exposures
<ul style="list-style-type: none">Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes.Data from credit reference agencies, press articles, changes in external credit ratingsActual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activitiesBusiness analysis of the borrower, including business risk, management, financial document and support, stability and behavior.Industry analysis in which the borrower is operating, including the phase of industry growth and industry failure rate.	<ul style="list-style-type: none">Internally collected data and customer behavior – e.g. utilization of credit card facilities.Affordability metrics.External data from credit reference agencies including industry-standard credit.	<ul style="list-style-type: none">Payment record – this includes overdue status as well as a range of variables about payment ratios.Utilization of the granted limitRequests for and granting of forbearance.Existing and forecast changes in business, financial and economic conditions.

CREDIT RISK (continue)

Generating the term structure of PD

Credit risk grades (or for aforementioned bucket created for retail portfolio) are a primary input into the determination of the term structure of PD for exposures.

Using the realized default data for each grade or bucket, the bank employs statistical models to generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The Bank employs following steps in order to generated term structure of the PD:

The Bank first calculates the observed default rates for its portfolios which involves monitoring customer behavior over next 12 months, then classifying default, which is then forecasted using acceptable actuarial method and thereafter adjusted for macroeconomic outlook (see below).

The Bank factors in forward looking information in its PD calibration through macroeconomic models for each portfolio. The impact of macroeconomic variables on default rates has been calculated using a multiple scenario-based modeling framework which factors upturn, downturn and baseline scenarios’ forecast in to the probability of default. This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors. The forecast is used to estimate the impact on the PD over the upcoming years.

The “Point in Time” PD and later adjusted for macroeconomic overlay to make it forward looking. Transition matrix approach is used to forecast grade wise PDs over the upcoming years transition matrix. This provide the grade wise PD over the upcoming years, thus the term structure of the PD.

Definition of ‘Default’

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group actions such as realizing security (if any is held); or
- The borrower is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a borrower is in default. The Bank considers indicators that are:

- Qualitative- e.g. breaches of covenant;
- Quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources; and
- inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

CREDIT RISK (continue)

Modified financial assets

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognized and the renegotiated financing recognized as a new financing at fair value in accordance with the accounting policy.

When the terms of the financial assets are modified that does not result into de-recognition, the Bank will recalculate the gross carrying amount of the asset by discounting the modified contractual cash flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount will be recognized in statement of income for asset modification.

To measure the Significant Increase in Credit Risk (for financial assets not de-recognized during the course of modification), the Bank will compare the risk of default occurring at the reporting date based on modified contract terms and the default risk occurring at initial recognition based on original and unmodified contract terms. Appropriate ECL will be recorded according to the identified staging after asset modification i.e. 12-Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3.

The Bank renegotiates financing to customers in financial difficulties referred to as “forbearance activities” to maximize collection opportunities and minimize the risk of default. Under the Bank’s forbearance policy, financing forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants. Both retail and commercial financing are subject to the forbearance policy.

The asset will be provided appropriate treatment according to the identified staging after asset modification i.e. 12-Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3. No asset modification to be considered if the same were not driven by Credit Distress situation of Obligor.

During the year, no material losses were recognized on modification or restructuring of any facility.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

For the purpose of ECL measurement with respect to the retail and commercial (including SME) portfolios, this is done through application of macroeconomic models which have been developed for the various portfolios of the banks. Through the macroeconomic models the Bank assesses the impact of the macroeconomic variables on the default rates. The forecasts of the variables are gathered from the external sources.

The Bank formulates a «base case» view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by independent external agencies.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The economic scenarios used as at December 31 included the following ranges of key indicators.

Economic Indicators	2024	2023
GDP, oil prices and inflation	Upside 30%	Upside 30%
	Base case 40%	Base case 40%
	Downside 30%	Downside 30%

The Bank has updated its forward-looking variables (key economic drivers).

Probability weightages

The Bank considered the probability weightages 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.

Incorporation of forward-looking information (continued)

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 7 to 10 years. 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 2024 ECL model			Forecast calendar years used in 2023 ECL model		
	2025	2026	2027	2024	2025	2026
GDP (ﷲ in Billions)	3,205	3,279	3,353	3,121	3,200	3,272
Oil prices (USD per barrel)	77.37	75.33	74.98	81.09	72.31	70.53
Inflation (Consumer Price Index)	113.68	116.10	118.59	112.96	115.35	117.78

With respect to the listed, sovereign and Financial Institutions, the bank utilizes a Credit Default Swap based methodology (extracted from independent sources), which incorporates the market’s forward-looking view in order to arrive at the ECL.

Sensitivity of ECL allowance

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates. The table below illustrates the sensitivity of ECL to key factors used in determining it as at the year-end:

Assumptions sensitized	ECL impact 2024 (ﷲ 000)
Macro-economic factors:	
Decrease in \$10 oil price per barrel	344,098
Decrease in \$20 oil price per barrel	688,195
Decrease in GDP growth rate by 0.5%	293,907
Decrease in GDP growth rate by 1%	587,815

Sensitivity of ECL allowance (continued)

Where modeling of a parameter is carried out on a collective basis, the financial instruments are assessed on the basis of shared risk characteristics that include:

- Product type
- Delinquency
- Employer (Government & private segmentation)
- Income (salary & non salary transfer)
- Collateral type;

Measurement of ECL

For retail and commercial (including SME exposures), the key inputs into the measurement of ECL are the term structure of the following variables:

- a) Probability of default (PD);
- b) Loss given default (LGD); and
- c) Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. LGD is calculated on a discounted cash flow basis using the contractual profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Measurement of ECL (continued)

As described above and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance, terminate a financing commitment, or guarantee.

For credit card facilities that include both a financing and an undrawn commitment component, the Bank measures ECL over a period of contractual maturity, as the bank considers that it has the contractual ability to demand repayment and cancel the undrawn commitment. Although these facilities do not have a fixed term or repayment structure and are managed on a collective basis, there is an annual review of the limits, where these can be cancelled.

For portfolios, such as listed exposures, Sovereign and FI exposures, in respect of which the Bank has limited historical data, credit default swap spreads are utilized to determine the expected credit loss amount.

The PD, EAD and LGD models are subject to the Bank’s IFRS 9 model validation policy that stipulates periodic model monitoring, periodic revalidation.

During the year, the Bank has validated and redeveloped some models where necessitates based on updated default data / macroeconomic information.

Economic Sector risk concentration for the financing and allowance for ECL are as follows:

2024 ﷼ 000	Performing	Credit-impaired	Allowance for expected credit losses	Financing, net
Retail	52,599,477	522,177	(664,246)	52,457,408
Real estate and rental	24,148,629	324,817	(632,054)	23,841,392
Industrial	5,064,841	9,584	(403,102)	4,671,323
Electricity, water, gas & health services	4,272,963	3,023	(4,271)	4,271,715
Commercial	4,224,870	190,664	(478,123)	3,937,411
Services	8,167,808	27,364	(95,597)	8,099,575
Building and construction	2,318,725	28,593	(37,989)	2,309,329
Transportation and communication	2,632,975	-	(18,862)	2,614,113
Mining & Quarrying	1,541,925	-	(1,546)	1,540,379
Agriculture and fishing	935,447	-	(1,977)	933,470
Other	4,704,794	223,610	(300,433)	4,627,971
Total	110,612,454	1,329,832	(2,638,200)	109,304,086

2023 ﷼ 000	Performing	Credit-impaired	Allowance for expected credit losses	Financing, net
Retail	50,363,423	388,303	(586,595)	50,165,131
Real estate and rental	22,960,948	448,267	(548,096)	22,861,119
Industrial	5,278,155	33,879	(472,240)	4,839,794
Commercial	4,686,187	4,090	(5,776)	4,684,501
Services	4,265,397	252,638	(506,228)	4,011,807
Electricity, water, gas & health services	3,865,767	7,788	(31,618)	3,841,937
Transportation and communication	3,328,562	67,083	(460,968)	2,934,677
Building and construction	3,094,422	-	(32,697)	3,061,725
Mining & quarrying	1,598,263	-	(3,314)	1,594,949
Agriculture and fishing	1,236,178	-	(10,541)	1,225,637
Other	2,865,663	230,913	(237,788)	2,858,788
Total	103,542,965	1,432,961	(2,895,861)	102,080,065

• Collateral

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

The amount of commercial collateral held as security for financing that are credit-impaired as at December 31, 2024 and 2023 are as follows:

﷼ 000	2024	2023
Total fair value of collateral	456,962	528,311

Financial assets subject to offsetting, netting arrangements

Related amounts not offsetted			
SAR '000 December 31, 2024	Gross assets before offset	Amounts subject to masted netting arrangement	Net amount
Derivative financial instruments	24,479	(25,793)	(1,314)

Related amounts not offsetted			
SAR '000 December 31, 2023	Gross assets before offset	Amounts subject to masted netting arrangement	Net amount
Derivative financial instruments	25,114	(26,366)	(1,252)

32
MARKET RISK

Market risk is the risk that the fair value to future cash flows of the financial instruments will fluctuate due to changes in market variables such as profit rate, foreign exchange rates and equity prices.

a. Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the consolidated financial statements at amortized cost. In addition to this, a substantial portion of the Group’s financial liabilities are non-profit bearing.

b. Foreign exchange rate risk

Foreign exchange rate risk represents the risk of change in the value of financial instruments due to change in exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Group’s management sets limits on the level of exposure by individual currency and in total for intraday positions, which are monitored daily.

The Group had the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2024		2023	
	Saudi Riyal ﷲ 000	Foreign currency ﷲ 000	Saudi Riyal ﷲ 000	Foreign currency ﷲ 000
Assets				
Cash and balances with Saudi Central Bank	11,134,022	114,459	6,917,907	65,191
Due from banks and other financial institutions, net	1,746,352	3,353,049	7,088,350	1,081,744
Investments, net	17,594,405	7,437,666	15,953,952	6,125,966
Financing, net	107,272,131	2,031,955	99,950,410	2,129,655
Other assets	1,902,101	7,812	1,551,655	83,029
Liabilities and equity				
Due to banks, Saudi Central Bank and other financial institutions	3,082,588	2,410,211	2,988,184	1,285,724
Customer deposits	112,597,633	9,178,582	105,640,490	7,190,755
Sukuk and term financing	3,147,121	-	3,051,613	-
Other liabilities	7,783,188	72,134	7,616,699	74,244
Equity	16,693,230	-	15,258,110	-

A substantial portion of the net foreign currency exposure to the Group is in US Dollars, where SAR is pegged to US Dollar. The other currency exposures are not considered significant to the Group’s foreign exchange rate risks and as a result the Group is not exposed to major foreign exchange rate risks.

The Bank has performed a sensitivity analysis over one year time horizon for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.

Currency position

At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2024 S 000 Long/(short)	2023 S 000 Long/(short)
US Dollars	826,877	830,150
UAE Dirham	134,098	2,527
Pakistan Rupees	29,076	12,468
Indian Rupee	29,066	17,860
Bangladeshi Taka	20,130	5,104
Others	249,306	79,889
Total	1,288,553	947,998

c. Investment price risk

Investment risk refers to the risk of change in fair values of equities and mutual funds in the Group’s investment portfolio as a result of possible changes in levels of market indices and the value of individual stocks.

The effect on the Group’s investments due to reasonable possible change in market indices, with all other variables held constant is as follows:

Security types	December 31, 2024		December 31, 2023	
	Change in investment price %	Effect in S 000	Change in investment price %	Effect in S 000
Fair value through other comprehensive income (FVOCI)- Retained earnings Equity				
Quoted	±10	41,793	±10	30,004
Unquoted	±2	3,219	±2	3,031
Fair value through statement of income (FVSI)- Statement of income Equity				
Quoted	±10	9,827	±10	6,726
Mutual Funds				
Quoted	±10	10,209	±10	7,695
Unquoted	±2	18,437	±2	18,353

33 LIQUIDITY RISK

Liquidity risk is the risk that the Group 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, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by Assets Liability Committee (ALCO). Daily reports cover the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by Saudi Central Bank, the Bank maintains a statutory deposit with Saudi Central Bank equal to 7% (2023: 7%) of total monthly average demand deposits and 4% (2023: 4%) of monthly average time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with Saudi Central Bank.

LIQUIDITY RISK (continued)

a. Analysis of discounted financial assets and financial liabilities by expected maturities:

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2024 S 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with Saudi Central Bank	5,236,216	-	-	-	6,012,265	11,248,481
Cash in hand	1,314,780	-	-	-	-	1,314,780
Balances with Saudi Central Bank	3,921,436	-	-	-	6,012,265	9,933,701
Due from Banks and other financial institutions, net	3,500,517	411,356	1,187,528	-	-	5,099,401
Demand	901,439	-	-	-	-	901,439
Commodity murabaha	2,599,078	411,356	1,187,528	-	-	4,197,962
Investments, net	387,841	1,262,272	8,770,189	12,910,677	1,701,092	25,032,071
FVOCI	-	101,191	3,079,827	5,002,410	578,871	8,762,299
FVSI	-	-	-	-	1,122,221	1,122,221
Amortized cost	387,841	1,161,081	5,690,362	7,908,267	-	15,147,551
Financing, net	14,303,386	15,903,731	43,494,514	35,602,455	-	109,304,086
Retail	1,858,978	4,021,928	17,308,173	29,268,329	-	52,457,408
Commercial	12,444,408	11,881,803	26,186,341	6,334,126	-	56,846,678
Other assets	1,018,675	-	-	-	518,903	1,537,578
Total assets	24,446,635	17,577,359	53,452,231	48,513,132	8,232,260	152,221,617

2024 S 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks, Saudi Central Bank and other financial institutions	5,034,985	457,814	-	-	-	5,492,799
Demand	140,384	-	-	-	-	140,384
Direct investment	4,894,601	457,814	-	-	-	5,352,415
Customer deposits	35,066,673	9,404,460	102,256	-	77,202,826	121,776,215
Demand	-	-	-	-	43,177,327	43,177,327
Direct investment	35,066,673	9,404,460	102,256	-	-	44,573,389
Albilad account (Mudarabah)	-	-	-	-	30,174,831	30,174,831
Other	-	-	-	-	3,850,668	3,850,668
Sukuk and term financing	-	-	-	3,147,121	-	3,147,121
Other liabilities	2,922,420	-	-	-	4,072,836	6,995,256
Total liabilities	43,024,078	9,862,274	102,256	3,147,121	81,275,662	137,411,391
Commitments & contingencies*	2,631,834	6,896,220	8,029,392	2,402,853	-	19,960,299

* The cumulative maturities of commitments & contingencies are given in note 19 of the financial statements.

LIQUIDITY RISK (continued)

a. Analysis of discounted financial assets and financial liabilities by expected maturities (continued):

2023 SAR 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with Saudi Central Bank	1,535,339	-	-	-	5,447,759	6,983,098
Cash in hand	1,168,927	-	-	-	-	1,168,927
Balances with Saudi Central Bank	366,412	-	-	-	5,447,759	5,814,171
Due from Banks and other financial institutions, net	5,401,087	1,195,004	1,574,003	-	-	8,170,094
Demand	331,152	-	-	-	-	331,152
Commodity murabaha	5,069,935	1,195,004	1,574,003	-	-	7,838,942
Investments, net	129,183	950,161	6,598,351	12,888,770	1,513,453	22,079,918
FVOCI	14,610	408,880	1,919,286	3,899,248	451,571	6,693,595
FVSI	-	-	-	-	1,061,882	1,061,882
Amortized cost	114,573	541,281	4,679,065	8,989,522	-	14,324,441
Financing, net	10,915,068	17,735,588	41,249,488	32,179,921	-	102,080,065
Retail	1,535,219	4,166,622	16,872,813	27,590,478	-	50,165,132
Commercial	9,379,849	13,568,966	24,376,675	4,589,443	-	51,914,933
Other assets	379,524	-	-	-	1,034,775	1,414,299
Total assets	18,360,201	19,880,753	49,421,842	45,068,691	7,995,987	140,727,474

2023 SAR 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks, Saudi Central Bank and other financial institutions	977,905	1,342,767	1,953,236	-	-	4,273,908
Demand	155,598	-	-	-	-	155,598
Direct investment	822,307	1,342,767	1,953,236	-	-	4,118,310
Customer deposits	24,328,626	11,973,075	340,068	-	76,189,476	112,831,245
Demand	-	-	-	-	42,878,418	42,878,418
Direct investment	24,328,626	11,973,075	340,068	-	-	36,641,769
Albilad account (Mudarabah)	-	-	-	-	30,410,877	30,410,877
Other	-	-	-	-	2,900,181	2,900,181
Sukuk and term financing	-	-	-	3,051,613	-	3,051,613
Other liabilities	2,430,152	-	-	-	4,252,069	6,682,221
Total liabilities	27,736,683	13,315,842	2,293,304	3,051,613	80,441,545	126,838,987
Commitments & contingencies*	4,080,937	5,778,978	6,458,312	2,573,452	-	18,891,679

* The cumulative maturities of commitments & contingencies are given in note 19 of the financial statements.

LIQUIDITY RISK (continued)

b. Analysis of financial liabilities by the remaining undiscounted contractual maturities as at December 31, are as follows:

The table below summarizes the maturity profile of the Bank's financial liabilities at December 31, 2024 and 2023 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As due to banks, Saudi Central Bank and other financial institutions and customers' deposits payments up to contractual maturity are included in the table, totals do not match with the statement of financial position.

2024 S 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks, Saudi Central Bank and other financial institutions	5,229,852	544,060	-	-	-	5,773,912
Customers' deposits	35,131,751	9,791,473	103,568	-	77,202,826	122,229,618

2023 S 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks, Saudi Central Bank and other financial institutions	1,086,102	1,425,179	2,067,614	-	-	4,578,895
Customers' deposits	24,196,428	12,265,092	349,962	-	76,968,944	113,780,426

34
FAIR VALUES
OF FINANCIAL
INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

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

• Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. 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:

		Fair value			
ﷲ 000 December 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Held as FVSI (mutual funds)	1,023,956	102,090	921,866	-	1,023,956
Held as FVSI (equity instruments)	98,265	98,265	-	-	98,265
Held as FVOCI (equity instruments)	578,871	417,931	-	160,940	578,871
Held as FVOCI (debt instruments)	8,183,428	7,670,703	512,725	-	8,183,428
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	5,099,401	-	-	5,099,401	5,099,401
Investments held at amortized cost	15,147,551	9,964,509	4,227,426	-	14,191,935
Financing, net	109,304,086	-	-	109,503,201	109,503,201
ﷲ 000 December 31, 2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Held as FVSI (mutual funds)	994,619	76,946	917,673	-	994,619
Held as FVSI (equity instruments)	67,263	67,263	-	-	67,263
Held as FVOCI (equity instruments)	451,571	300,041	-	151,530	451,571
Held as FVOCI (debt instruments)	6,242,024	5,631,950	610,074	-	6,242,024
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	8,170,094	-	-	8,170,094	8,170,094
Investments held at amortized cost	14,324,441	9,075,916	4,411,371	-	13,487,287
Financing, net	102,080,065	-	-	102,241,157	102,241,157

		Fair value			
ﷲ 000 December 31, 2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value					
Due to banks, Saudi Central Bank and other financial institutions	5,492,799	-	-	5,492,799	5,492,799
Customers' deposits	121,776,215	-	-	121,776,215	121,776,215
Sukuk and term financing	3,147,121	-	-	3,147,121	3,147,121
ﷲ 000 December 31, 2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value					
Due to banks, Saudi Central Bank and other financial institutions	4,273,908	-	-	4,273,908	4,273,908
Customers' deposits	112,831,245	-	-	112,831,245	112,831,245
Sukuk	3,051,613	-	-	3,051,613	3,051,613

The fair values of financial instruments which are not measured at fair value in these consolidated financial statements are not significantly different from the carrying values included in the consolidated financial statements.

Cash and balances with Saudi Central Bank, due from banks with maturity of less than 90 days and other short-term receivable are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature.

The fair values, of profit bearing customer deposits, held at amortized cost investment, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Valuation technique and significant unobservable inputs

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
FVSI investments	Fair value is determined based on the investee fund’s most recent reported net assets value	None	Not applicable
FVOCI equity instruments	Fair value is determined based on the latest financial statements	None	Not applicable

Financing classified as level 3 have been valued using expected cash flows discounted at relevant SIBOR.

During the current year, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

• Reconciliation of level 3 fair values held as FVOCI

	December 31, 2024 S 000	December 31, 2023 S 000
Balance at the beginning of the year	151,530	104,123
Gain / (loss) included in OCI	-	-
Net changes in fair value (unrealised)	9,410	47,407
Balance at the end of the year	160,940	151,530

35
RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of activities, the Group transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and the regulations issued by Saudi Central Bank.

The nature and balances of transactions with the related parties for the years ended December 31 are as follows:

a. Directors, key management personnel, other major shareholders, their affiliates balances and others:

	2024 S 000	2023 S 000
Financing	2,358,334	2,350,374
Commitments and contingencies	132,192	129,069
Deposits	87,998	58,214

b. Group’s mutual funds:

	2024 S 000	2023 S 000
These are the outstanding balances with Group’s mutual funds as of December 31:		
Customers’ deposits	46,371	15,818
Investments - units	413,461	360,807

c. Income and expense:

	2024 S 000	2023 S 000
Directors, Key management personnel, other major shareholders and their affiliates and mutual funds managed by the Group:		
Income	254,354	221,311
Expenses	14,836	15,542

d. The total amount of compensation paid to key management personnel during the year is as follows:

	2024 S 000	2023 S 000
Directors, Key management personnel, other major shareholders and their affiliates and mutual funds managed by the Group:		
Employee benefits	163,611	166,411

36

CAPITAL ADEQUACY

The Group’s objectives when managing capital are to comply with the capital requirements set by Saudi Central Bank; to safeguard the Group’s ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group’s management. Saudi Central Bank requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

SAMA through its Circular Number 391000029731 dated Rabi Al-Awwal 15, 1439H (December 3, 2017), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 shall be transitioned over five years.

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years’ period comprising 2021 and 2023 effective from March 31, 2021 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years.

The Group monitors the adequacy of its capital using ratios established by Saudi Central Bank. These ratios measure capital adequacy by comparing the Group’s eligible capital with its consolidated statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

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

	2024 S 000	2023 S 000
Credit Risk RWA	106,050,880	102,026,814
Operational Risk RWA	6,479,677	6,066,316
Market Risk RWA	2,176,515	2,007,432
Total Pillar-I RWA	114,707,072	110,100,562
Tier I Capital	16,693,230	15,281,887
Tier II Capital	4,324,648	4,273,911
Total Tier I & II Capital	21,017,878	19,555,798
Capital Adequacy Ratio %		
Common Equity Tier I ratio	14.55%	13.88%
Tier I ratio	14.55%	13.88%
Tier I + Tier II ratio	18.32%	17.76%



37

INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary, Albilad Investment Company. These services include the management of 16 public mutual funds (2023: 14 public mutual funds) with assets under management (AUM) totaling SAR 9,539 million (2023: SAR 2,668 million). Albilad Investment Company acts as the fund manager of these funds. All of these funds comply with Shariah rules and are subject to Shariah controls on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors.

The Group also manages private investment portfolios on behalf of its customers amounting to SAR 1,941 million (2023: SAR 1,558 million). The financial statements of these funds and private portfolios are not included in the consolidated financial statements of the Group. However, the transactions between the Group and the funds are disclosed under related party transactions (see note 35).

38

PROFIT SHARING INVESTMENT ACCOUNTS

a) Analysis of PSIA income according to types of financing and investments

As of December 31, 2024, all financing and investments are funded by depositors' pool which includes funds from Unrestricted Investment Account holder.

	2024 S\$ 000	2023 S\$ 000
Bei Ajel	57,365,501	52,779,464
Musharaka financing	1,121,312	1,249,578
Other instruments	5,803,011	6,858,033
Total financing and investments	64,289,824	60,887,075

b) The basis for calculating and allocating profits between the bank and the IAHs;

Computation of pool income is as follows:

	2024 S\$ 000	2023 S\$ 000
Pool income from financing	4,327,055	3,861,292
Income from investments	272,451	272,451
Total pool income	4,599,506	4,133,743
Total amount attributable to Investment Account Holders	2,442,796	1,851,919
Total amount attributable to shareholders	2,156,710	2,281,824

The basis of allocating the profits between IAH and the Bank:

	IAH Share	Bank Share
Profit sharing allocation percentages	73%	27%

c) The equity of the IAHs at the end of the reporting period:

	2024 SAR 000	2023 SAR 000
Investment account holders balance before profit	46,464,062	43,271,598
Add: profit for the IAH during the year	2,442,796	1,851,919
Less: profit paid out during the year	(2,383,309)	(1,750,198)
Total equity for Investment Account Holders	46,523,549	43,373,319

39

MORTGAGE SUPPORT PROGRAM FROM REAL ESTATE DEVELOPMENT FUND ("REDF")

During 2023, the Real Estate Development Fund ("REDF") launched a new program ("the program") to support residential mortgage finance to certain eligible customers at a subsidized profit rate and for a specified period. On November 11, 2023, the Bank became a participant under the program by signing an agreement with REDF.

In accordance with the requirements of IFRS 9, fair value loss arises on the origination of the subsidized mortgage facilities due to the below-market profit rates. The Bank has received compensation from REDF against the fair value losses. The Bank's management has determined that the compensation amount received from REDF qualifies as a government grant under IAS 20, that has been recorded as deferred income and amortised over the average life of the financings to off-set the fair value losses arising on the mortgage facilities.

40

EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on Sha'aban 07, 1446H (corresponding to February 06, 2025) recommended to the Extraordinary General Assembly an issuance of bonus shares of one share for every five shares held, increasing the Bank's capital from SAR 12,500 million to SAR 15,000 million. The increase will be done through capitalization of SAR 1,500 million from the retained earnings and SAR 1,000 million from the statutory reserve. The number of shares outstanding after the bonus issuance will increase from 1,250 million shares to 1,500 million shares.

41

COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

42

BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on Sha'aban 12, 1446 (corresponding to February 11, 2025).