

مصرف الراجحي
alrajhi bank



AL RAJHI BANKING AND INVESTMENT CORPORATION
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2024

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Page Number
Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Income	2
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Changes in Shareholders' Equity	4-5
Consolidated Statement of Cash Flows	6-7
Notes to the Consolidated Financial statements	
1) General	8-10
2) Basis of preparation	10-13
3) Material accounting policies	14-35
4) Cash and balances with Central Banks	36
5) Due from banks and other financial institutions, net	36
6) Investments, net	37-39
7) Shariah compliant derivatives	40-43
8) Financing, net	44-51
9) Other Assets, net	52
10) Investments in associates	52
11) Investment properties, net	52
12) Property, equipment, and right of use assets, net	53
13) Goodwill and other intangibles, net	54
14) Disposal group classified as held for sale	54-55
15) Due to banks, Saudi Central Bank and other financial institutions	55
16) Customers' deposits	55
17) Sukuk Issued	56
18) Other liabilities	56
19) Share capital	56
20) Statutory and other reserves	57-58
21) Equity Sukuk	58-59
22) Commitments and contingencies	59-61
23) Net financing and investment income	62
24) Fee from banking services, net	62
25) Other operating income, net	63
26) Salaries and employees' related benefits	63-64
27) Other general and administrative expenses	64
28) Zakat	65
29) Earnings per share	65
30) Employees' end of service benefits liabilities	66-67
31) Operating segments	67-69
32) Financial risk management	70-90
33) Dividends	91
34) Cash and cash equivalents	91
35) Geographical concentration	92-94
36) Fair values of financial assets and liabilities	95-98
37) Related party transactions	99
38) Special commissions excluded from the consolidated statement of income	99
39) Investment management services	100
40) Capital risk management	100
41) Capital adequacy	100
42) Mudarabah and Wakala based profit sharing investment accounts	101-102
43) Subsequent Event	102
44) Approval of the Board of Directors	102

Independent Auditors' Report

To the Shareholders of Al Rajhi Banking and Investment Corporation (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Rajhi Banking and Investment Corporation (the “Bank”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 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, including 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 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards 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.

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 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 judgment, were of most significance in our audit of the consolidated financial statements for 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 auditors’ opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (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 31 December 2024, the Group's gross financing amounted to SAR 701,915.04 million (2023: SAR 602,930.74 million), against which an expected credit loss ("ECL") allowance of SAR 8,505.32 million (2023: SAR 8,725.94 million) was recorded.</p> <p>We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgment, and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:</p> <ol style="list-style-type: none">1. Categorisation of financing into Stages 1, 2 and 3 based on the identification of:<ol style="list-style-type: none">(a) exposures that have a significant increase in credit risk ("SICR") since their origination; and(b) individually impaired / defaulted exposures.	<ul style="list-style-type: none">• We obtained an understanding of management's assessment of the ECL allowance in respect of financing, including the Group's internal risk rating models, accounting policy and methodology, as well as any key changes made during the year.• We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9: 'Financial Instruments'.• We understood the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) in relation to:<ul style="list-style-type: none">○ the ECL model (including governance over the model, its validation 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; and○ the integrity of data inputs into the ECL model.• For a sample of customers, we tested 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.• 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.

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (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
<i>Expected credit loss allowance against financing (continued)</i>	
<p>2. Assumptions used in the ECL model for determining probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), including, but not limited to, assessment of the financial condition of the counterparties, expected future cash flows, and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios.</p> <p>The application of these judgments continues to result in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at 31 December 2024.</p> <p><i>Refer to the summary of material accounting policies note 3(c)(5) for the impairment of financial assets; note 2(f)(1) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8(e) which contains the disclosure of impairment against financing; and note 32(1)(a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</i></p>	<ul style="list-style-type: none">• We assessed the appropriateness of the Group’s criteria for the determination of definition of default and SICR, and the identification of individually impaired exposures. Furthermore, for a sample of exposures, we tested the appropriateness of the corresponding staging classification of financing facilities.• 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 input data supporting the ECL calculations as at 31 December 2024.• Where required, we involved our specialists to assist us in reviewing the ECL models’ calculations, evaluating interrelated inputs (including EAD, PDs and LGDs) and assessing the reasonableness of assumptions used in the ECL models, particularly around macroeconomic variables and forecasted macroeconomic scenarios.• We evaluated the adequacy of the disclosures in the consolidated financial statements.

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

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

Other Information included in the Bank's 2024 Annual Report

Other information consists of the information included in the Bank's 2024 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in the Bank's annual report. The Bank'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 Bank'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 the IFRS Accounting Standards that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants 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 / Articles of Association, 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.

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (continued)

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- 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 purpose of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report to the Shareholders of Al Rajhi Banking and Investment Corporation (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 communicate to 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 for the current year 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 was not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws / Articles of Association, in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended 31 December 2024.

Ernst & Young Professional Services



Waleed G. Tawfiq
Certified Public Accountant
License no. 437



KPMG Professional Services Company



Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License no. 348



07 Sha'ban 1446 H
(06 February 2025)

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Financial Position
(SAR'000)

As at	Note	31 December 2024	31 December 2023
Assets			
Cash and balances with Central Banks	4	53,244,710	41,767,641
Due from banks and other financial institutions, net	5	19,529,727	9,506,673
Investments, net	6	175,033,587	133,375,565
Positive fair value of Shariah compliant derivatives	7	1,905,903	877,676
Financing, net	8	693,409,723	594,204,806
Other assets, net	9	12,537,842	11,716,865
Investment in associates	10	1,034,262	923,046
Investment properties, net	11	1,358,638	1,362,658
Property, equipment, and right of use assets, net	12	13,894,302	12,852,774
Goodwill and other intangible assets, net	13	1,435,512	1,510,568
Disposal group classified as held for sale	14	1,002,450	-
Total assets		974,386,656	808,098,272
Liabilities and equity			
Liabilities			
Due to banks, Saudi Central Bank and other financial institutions	15	173,434,597	97,246,889
Customers' deposits	16	628,238,501	573,100,607
Negative fair value of Shariah compliant derivatives	7	1,679,043	793,541
Sukuk issued	17	8,450,753	3,789,117
Other liabilities	18	38,598,155	26,408,687
Liabilities associated with disposal group classified as held for sale	14	846,376	-
Total liabilities		851,247,425	701,338,841
Equity			
Share capital	19	40,000,000	40,000,000
Statutory reserve	20	38,373,547	33,442,996
Other reserves	20	(311,814)	(96,606)
Retained earnings		21,417,282	16,913,041
Equity attributable to shareholders of the Bank		99,479,015	90,259,431
Equity sukuk	21	23,553,815	16,500,000
Total equity attributable to equity holders of the Bank		123,032,830	106,759,431
Non-controlling interests		106,401	-
Total equity		123,139,231	106,759,431
Total liabilities and equity		974,386,656	808,098,272

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman



Chief Executive Officer



1

Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Income
(SAR'000)

For the year ended 31 December	Notes	2024	2023
Income			
Gross financing and investment income	23	47,018,123	38,737,616
Gross financing and investment return	23	(22,175,077)	(17,468,497)
Net financing and investment income	23	24,843,046	21,269,119
Fee from banking services, income	24	10,768,382	9,394,600
Fee from banking services, expenses	24	(6,075,655)	(5,168,950)
Fee from banking services, net	24	4,692,727	4,225,650
Exchange income, net		1,292,866	1,246,450
Other operating income, net	25	1,226,664	790,190
Total operating income		32,055,303	27,531,409
Expenses			
Salaries and employees' related benefits	26	3,723,809	3,525,096
Depreciation and amortization	11,12,13	1,981,914	1,578,009
Other general and administrative expenses	27	2,264,941	2,394,841
Total operating expenses before credit impairment charge		7,970,664	7,497,946
Impairment charge for financing and other financial assets, net	8	2,116,744	1,504,178
Total operating expenses		10,087,408	9,002,124
Net income for the year before Zakat		21,967,895	18,529,285
Zakat Expense	28	(2,236,709)	(1,908,126)
Net income for the year		19,731,186	16,621,159
Net income for the year attributable to:			
Equity holders of the Bank		19,722,206	16,621,159
Non-controlling interests		8,980	-
Net income for the year		19,731,186	16,621,159
Basic and diluted earnings per share (SAR)	29	4.67	3.95

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman



Chief Executive Officer



2

Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Comprehensive Income
(SAR'000)

For the year ended 31 December	Notes	2024	2023
Net income for the year		19,731,186	16,621,159
Other comprehensive income			
<i>Items that will not be reclassified to the consolidated statement of income in subsequent periods:</i>			
- Net change in fair value (FVOCI equity investment)	20	(46,180)	(9,369)
- Actuarial gain on re-measurement of employees' end of service benefits liabilities ("EOSB")	20,30	56,421	2,821
- Share in OCI from associate	20	1,360	18,333
<i>Items that may be reclassified to the consolidated statement of income in subsequent periods:</i>			
- FVOCI instrument:			
- Net change in fair value of FVOCI Sukuk and Structured products investments	20	(278,101)	307,054
- Net amounts transferred to the consolidated statement of income	20	30,323	-
- Exchange difference on translating foreign operations	20	55,984	(42,712)
- Cash flow hedge effective portion of change in the fair value	20	2,465	57,788
- Employee share plan reserve	20	(37,110)	-
Total other comprehensive (loss) / income for the year recognized in equity		(214,838)	333,915
Total comprehensive income for the year		19,516,348	16,955,074
Attributable to:			
Equity holders of the Bank		19,506,998	16,955,074
Non-controlling interests		9,350	-
Total comprehensive income for the year		19,516,348	16,955,074

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman



Chief Executive Officer



Chief Financial Officer



AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Changes Equity

(SAR'000)

For the year ended 31 December 2024	Note	Total equity attributable to shareholders of the Bank					Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
		Share capital	Statutory reserve	Other reserves	Retained earnings	Equity sukuk			
Balance at 31 December 2023		40,000,000	33,442,996	(96,606)	16,913,041	90,259,431	16,500,000	106,759,431	- 106,759,431
Net income for the year		-	-	-	19,722,206	19,722,206	-	19,722,206	8,980 19,731,186
Net change in fair value of FVOCI Equity investments	20	-	-	(46,180)	-	(46,180)	-	(46,180)	- (46,180)
Net change in fair value of FVOCI Sukuk investments and Structured products investments	20	-	-	(278,101)	-	(278,101)	-	(278,101)	- (278,101)
Share in OCI from associates	20	-	-	1,360	-	1,360	-	1,360	- 1,360
Actuarial gain on re-measurement of employees' "EOSB"	20	-	-	57,481	-	57,481	-	57,481	(1,060) 56,421
Exchange difference on translation of foreign operations	20	-	-	54,554	-	54,554	-	54,554	1,430 55,984
Cash flow hedge effective portion of change in the fair value	20	-	-	2,465	-	2,465	-	2,465	- 2,465
Net amounts transferred to the consolidated statement of income	20	-	-	30,323	-	30,323	-	30,323	- 30,323
Employee share plan reserve	20	-	-	(37,110)	-	(37,110)	-	(37,110)	- (37,110)
Total other comprehensive loss recognized in equity		-	-	(215,208)	-	(215,208)	-	(215,208)	370 (214,838)
Total comprehensive income for the year		-	-	(215,208)	19,722,206	19,506,998	-	19,506,998	9,350 19,516,348
Equity Sukuk issued	21	-	-	-	-	-	7,053,815	7,053,815	- 7,053,815
Equity Sukuk costs		-	-	-	(1,035,867)	(1,035,867)	-	(1,035,867)	- (1,035,867)
Transfer to statutory reserve	20	-	4,930,551	-	(4,930,551)	-	-	-	-
Dividend for annual year 2023	33	-	-	-	(4,600,000)	(4,600,000)	-	(4,600,000)	- (4,600,000)
Interim dividend for the first half of 2024	33	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)	- (5,000,000)
Other consolidation adjustments		-	-	-	348,453	348,453	-	348,453	97,051 445,504
Balance at 31 December 2024		40,000,000	38,373,547	(311,814)	21,417,282	99,479,015	23,553,815	123,032,830	106,401 123,139,231

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Consolidated Statement of Changes in Equity

(SAR'000)

For the year ended 31 December 2023	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed gross dividends	Total equity attributable to shareholders of the Bank	Equity sukuk	Total equity
Balance at 31 December 2022		40,000,000	29,287,706	(427,569)	9,864,898	5,000,000	83,725,035	16,500,000	100,225,035
Net income for the year		-	-		16,621,159	-	16,621,159	-	16,621,159
Net change in fair value of FVOCI Equity investments	20	-	-	(9,369)	-	-	(9,369)	-	(9,369)
Net change in fair value of FVOCI Sukuk investments and Structured products investments	20	-	-	307,054	-	-	307,054	-	307,054
Share in FVOCI from associates	20	-	-	18,333	-	-	18,333	-	18,333
Actuarial gain on re-measurement of employees' "EOSB"	20	-	-	2,821	-	-	2,821	-	2,821
Exchange difference on translation of foreign operations	20	-	-	(42,712)	-	-	(42,712)	-	(42,712)
Cash flow hedge effective portion of change in the fair value	20	-	-	57,788	-	-	57,788	-	57,788
<u>Total other comprehensive income recognized in equity</u>		-	-	333,915	-	-	333,915	-	333,915
Total comprehensive income for the year		-	-	333,915	16,621,159	-	16,955,074	-	16,955,074
Disposal of FVOCI equity instruments		-	-	(2,952)	2,952	-	-	-	-
Equity Sukuk costs		-	-	-	(820,678)	-	(820,678)	-	(820,678)
Transfer to statutory reserve	20	-	4,155,290	-	(4,155,290)	-	-	-	-
Dividend for annual year 2022	33	-	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Interim dividend for the first half of 2023	33	-	-	-	(4,600,000)	-	(4,600,000)	-	(4,600,000)
Balance at 31 December 2023		40,000,000	33,442,996	(96,606)	16,913,041	-	90,259,431	16,500,000	106,759,431

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Cash Flows
(SAR'000)

For the year ended 31 December	Note	2024	2023
Cash Flows from operating activities			
Net Income before Zakat		21,967,895	18,529,285
Adjustments to reconcile net income before zakat to net cash from operating activities:			
Gain on investments held at fair value through statement of income (FVIS)	25	(66,803)	(32,051)
Depreciation on property, equipment and right of use assets,net	12	1,731,741	1,380,865
Depreciation on investment properties	11	20,734	25,460
Amortization of other intangible assets	13	229,439	171,684
Gain on sale of property and equipment, net	25	(5,217)	(9,851)
Impairment charge for financing and other financial assets, net	8	2,116,744	1,504,178
Share in profit of associates	25	(137,344)	(87,866)
Dividend income	25	(303,162)	(136,884)
Accretion/amortisation relating to Sukuk investments, net		(160,360)	(94,767)
Profit charge against lease obligations		22,904	32,232
Fair value adjustment for Shariah compliant derivatives		(142,725)	(49,397)
Rental income from investment properties	25	(98,543)	(98,077)
Employee share plan reserve	20	(37,110)	-
(Increase) / decrease in operating assets			
Statutory deposit with SAMA and other central banks		(5,250,216)	(2,088,863)
Due from banks and other financial institutions		(4,585,138)	4,759,466
Financing, net		(101,321,661)	(27,370,870)
FVIS investments, net		(2,860,673)	(252,238)
Other assets, net		(878,998)	(3,247,700)
Increase / (decrease) in operating liabilities			
Due to banks, Saudi Central Bank and other financial institutions		76,187,708	26,407,772
Customers' deposits		55,137,894	8,175,919
Other liabilities		13,769,817	1,908,356
Profit payment against lease obligations		(22,904)	(32,232)
Net cash generated from operating activities before Zakat			
Zakat paid	28	(2,725,225)	(1,971,690)
Net cash generated from operating activities			
		52,588,797	27,422,731

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Consolidated Statement of Cash Flows
(SAR'000)

For the year ended 31 December	Note	2024	2023
Cash flows from investing activities			
Purchase of property and equipment	12	(3,029,286)	(3,193,209)
Proceeds from disposal of property and equipment		340,971	441,278
Goodwill and other intangible assets		(527,838)	(467,705)
Purchase of FVOCI investments		(11,809,617)	(14,874,031)
Proceeds from disposal of FVOCI investments		-	11,550
Proceeds from maturities of investments recorded at amortised cost		6,850,808	3,961,479
Purchase of investments held at amortised cost		(33,952,745)	(20,390,840)
Purchase of Investment properties		(16,714)	(23,260)
Dividend income received	25	303,162	136,884
Rental income from investment properties	25	98,543	98,077
Net cash used in investing activities		(41,742,716)	(34,299,777)
Cash flows from financing activities			
Dividends paid	33	(9,600,000)	(9,600,000)
Equity Sukuk costs		(1,035,867)	(820,678)
Equity Sukuk issuance	21	7,053,815	-
Payment against lease obligation		(260,896)	(254,901)
Sukuk issued	17	4,661,636	3,789,117
Net cash generated from / (used in) financing activities		818,688	(6,886,462)
Net increase / (decrease) in cash and cash equivalents		11,664,769	(13,763,508)
Cash and cash equivalents at the beginning of the year		12,435,642	26,199,150
Cash and cash equivalents at end of the year	34	24,100,411	12,435,642
Financing and investment income received during the year		45,188,022	37,849,749
Financing and investment return paid during the year		21,890,213	16,308,742
Supplemental Non-cash transactions:			
ROU assets		89,069	133,075
Lease Liability		111,217	166,677
Net change in fair value of FVOCI investments		(324,281)	297,685
Remeasurement gain on EOSB		57,481	2,821
Disposal group classified as held for sale		1,002,450	-
Liabilities associated with disposal group classified as held for sale		846,376	-

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

1 - General

a) Incorporation and operation

Al Rajhi Banking and Investment Corporation, a Saudi Joint Stock Company, (the "Bank"), was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawal 1407H (corresponding to 23 June 1987).

The Bank operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

Al Rajhi Bank
8467 King Fahd Road - Al Muruj Dist. Unit No 1
Riyadh 12263 - 2743 Kingdom of Saudi Arabia

The objectives of the Bank are to carry out banking and investment activities in accordance with its Articles of Association and By-laws, the Banking Control Law and the Council of Ministers Resolution referred to above. Bank is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia through 550 branches (2023:545) including the branches outside the Kingdom and 23,437 employees (2023: 20,878 employees). The Bank has established certain subsidiary companies (together with the Bank hereinafter referred to as the "Group") in which it owns all of their shares as set out below [Also see Note 2(b)]:

Name of subsidiary	Functional Currency	Shareholding		2024	2023	
Al Rajhi Capital Company – KSA	SAR	100%	100%	A Saudi Closed Joint Stock Company authorized by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, Advising, Arranging, and Custody.		
Management and Development for Human Resources Company – KSA	SAR	100%	100%	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.		
Al Rajhi Bank – Kuwait	KWD	100%	100%	A foreign branch registered with the Central Bank of Kuwait.		
Al Rajhi Bank – Jordan	JOD	100%	100%	A foreign branch operating in Hashemite Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic Shari'a rules and under the applicable banking law.		

1

- General (Continued)

a) Incorporation and operation (Continued)

Name of subsidiaries	Functional Currency	Shareholding		
		2024	2023	
Tuder Real Estate Company – KSA	SAR	100%	100%	A limited liability company registered in Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.
Al Rajhi Corporation Limited – Malaysia	MYR	100%	100%	A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
Emkan Finance Company – KSA	SAR	100%	100%	A closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing.
Tawtheeq Company – KSA	SAR	100%	100%	A closed joint stock company registered in Kingdom of Saudi Arabia providing financial leasing contracts registration to organize contracts data and streamline litigation processes.
Al Rajhi Financial Markets Ltd – Cayman Islands	USD	100%	100%	A Limited Liability Company registered in the Cayman Islands with the objective of managing certain treasury related transactions on behalf of the Bank.
International Digital Solutions Co. (Neoleap) – KSA	SAR	100%	100%	A closed joint stock company owned by the Bank for the purpose of practicing technical work in financial services, digital payment systems, financial settlements and related services.
Ejada Systems Company Limited – KSA	SAR	90%	100%	A Saudi Closed Joint Stock Company owned by the Bank for the purpose of providing professional, scientific, technological activities, information communication services, and system analysis and senior management consultation services.
Drahim Holdings - Cayman Islands	USD	65%	-	A holding company with the objective of offering Open Banking, investment, and financial technology services.

1 - General (Continued)

During June 2024, the Group acquired 65% shareholding in "Drahim Holdings". The subsidiary is based in Cayman Island with the objective of offering open banking, investment and financial technology services. The Group has completed the Purchase Price Allocation exercise and consolidated the subsidiary in these Consolidated Financial statements. The Group completed the process and legal formalities of the acquisition of the shares in Drahim Holding Company for a cash consideration of SAR 83.4 million. As part of the acquisition, the Group has received Drahim Treasury Shares presenting 3.1% shareholding. The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the 'Standard')."

b) Shari'a Authority

As a commitment from the Bank for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Bank has established a Shari'a Authority to ascertain that the Bank's activities are subject to its approval and control. The Shari'a Authority has reviewed the Bank's activities and issued the required decisions thereon.

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

2 - Basis of preparation**(a) Statement of compliance**

The consolidated financial statements of the Group have been prepared

- in accordance with the IFRS Accounting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and
- in compliance with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2023) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management has amended its Articles of Association / By-Laws in its recent annual General Assembly meeting.

(b) Basis of measurement and preparation

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the following items in the consolidated statement of financial position:

- Derivatives are measured at fair value;
- Financial instruments designated as Fair Value through Profit or Loss ("FVIS") are measured at fair value;
- Investments designated as Fair Value through Other Comprehensive Income ("FVOCI") are measured at fair value;
- Employee defined benefit obligations are recognized at the present value of future obligations using the Projected Unit Credit Method, and
- Financial assets or liabilities that are hedged through a fair value hedging relationship, are adjusted to record changes in fair value attributable to the risks that are being hedged.
- The Group presents its consolidated statement of financial position in order of liquidity.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2

- Basis of preparation (Continued)**(d) Basis of consolidation**

These 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 on which control commences until the date that control ceases.

The control indicators set out below are subject to management's judgements that can have a significant effect in the case of the Group's interests in securitisation vehicles and investments funds. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

When the Group has less than majority of the voting or similar rights of an investee entity, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the parent's share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate as would be required if the Group had directly disposed of the related assets or liabilities.

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.

2

- Basis of preparation (Continued)**(e) Functional and presentation currency**

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

(f) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards as endorsed in KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments 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, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Rewards 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 judgments is as follows:

1. Expected Credit Losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group'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 such as Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default rate ("LGD"), that are considered accounting judgements and estimates include selection of an estimation technique or modelling that are considered accounting Judgements as follows:

- The Group's internal credit grading model, which assigns Probability of Default ('PDs') to the individual grades,
- The Group'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,
- The segmentation of financial assets when their ECL is assessed on a collective basis,
- Development of ECL models, including the various formulas and the choice of inputs,
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2. Judgement of equity vs liability for Tier I Sukuk

The determination of equity classification of Tier I Sukuk requires significant judgement as certain clauses of the Offering Circular require interpretation. The Group classifies as part of equity the Tier I Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Group for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions that are under the control of the Group. The related initial costs and distributions thereon are recognized directly in the consolidated statement of changes in equity under retained earnings.

2 - Basis of preparation (Continued)

3. Determination of control and significant influence over investees

The control indicators are subject to management's judgements, and are set out in (notes 3.b and 8).
Investment funds management:

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

4. Employees' end of service benefits liabilities

The Group operates an End of Service Benefit scheme for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit credit method in accordance with the periodic actuarial valuation. For details of assumptionsand estimate refer to (note 30).

Other significant areas where management has used estimates, assumptions or exercised judgments are referd as follows:

- Fair value Measurement (note 36)
- Credit Risk Management (note 32.1.a)
- Credit Risk Measurment (note 32.1.a)
- Classification of Investments at Amortised Cost (note 3.e.1)
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (note 22)
- Judgement of equity vs liability for Tier I Sukuk(note 2.e.i)
- Determination of control and significant influence over investees (note 2.e.iii)

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

3 - Material accounting policies

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

a) Changes 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 annual reporting period beginning on 1 January 2024 and are adopted by the Group, however, they do not have any significant impact on the consolidated financial statements of the year unless otherwise stated below:

Standard, interpretation and 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.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
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.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	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.	subject to endorsement from SOCPA

3

- Material accounting policies (Continued)

a) Changes in accounting policies (Continued)

New standards not yet effective

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 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.	1 January 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	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. 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.	1 January 2026
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.	1 January 2027
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.	1 January 2027

3 - Material accounting policies (Continued)

b) Government grants

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 fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 - Accounting for Government grant. The government grant is recognised in the statement of income on a systematic basis over the period in which the Group recognises as expenses for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

c) Financial assets and financial liabilities

(1) Classification of financial assets

On initial recognition, a financial asset is classified and measured at: Amortized Cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Statement of Income ("FVIS"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Financial Asset at amortised cost:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVIS:

- 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.

Financial Asset at FVOCI:

A Debt and equity instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVIS:

- 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.

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

3

- Material accounting policies (Continued)

c) Financial assets and financial liabilities (Continued)

(1) Classification of financial assets (Continued)

Financial Asset at FVIS:

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVIS.

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

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group 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;
- the performance of the portfolio is evaluated and reported to the Group'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;
- the compensation made to the managers of the business- 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 Group'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 Group's original expectations, the Group 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 FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3

- **Material accounting policies (Continued)**

c) **Financial assets and financial liabilities (Continued)**

(1) **Classification of financial assets (Continued)**

Assessments whether contractual cash flows are solely payments of principal and profit (SPPP)

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 risk 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 Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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 FVIS.

The Group deploys profit based products including Mutajara, installment sales and Murabaha to its customers in compliance with Shari'a rules. The Group classifies its Principal financing and Investment as follows:

Financing: These financings represent facilities granted to customers. These financings mainly constitute four broad categories i.e. Mutajara, Installment sales, Murabaha and credit cards. The Group classifies these financings at amortised cost as they are held to collect contractual cash flow and pass SPPP test.

Due from banks and other financial institutions: These consists of placements with financial Institutions (FIs). The Group classifies these balances due from banks and other financial institutions at amortised cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Murabaha with SAMA): These investments consists of placements with the Saudi Central Bank (SAMA). The Group classifies these investments at amortised cost as they are held to collect contractual cash flows and pass SPPP criterion.

Investments (Sukuk): These investments consists of Investment in various Sukuk. The Group classifies these investments at amortised cost and FVOCI except for those Sukuk which fails SPPP criterion, which are classified at FVIS.

Equity Investments: These are the strategic equity investments which the Group does not expect to sell, for which Group has made an irrevocable election on the date of initial recognition to present the fair value changes in other comprehensive income.

Investments (Mutual Funds): The investments consist of Investments in various Mutual Funds. The Group classifies these investment at FVIS as these investments fail SPPP criterion.

Investments (Structured Products): These investments consists of Investment in various structured products. Structured products are sukuks with an additional embedded feature which could be Range accrual, Credit linked and Floaters. The Group classifies these investments at amortised cost and FVOCI except for those structured products which fails SPPP criterion, which are classified at FVIS.

3

- Material accounting policies (Continued)**c) Financial assets and financial liabilities (Continued)****(2) Classification of financial liabilities**

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Profit Rate "EPR".

All amounts Due to banks, Saudi Central Bank and other financial institutions and customer deposits are initially recognized at fair value less transaction costs. Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss.

(3) Derecognition**Derecognition of financial assets**

The Group 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 Group 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 (debt instrument), 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 Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group 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 Group 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.

Any cumulative gain/loss recognized in OCI, among other reserve, in respect of equity investment securities designated as at FVOCI is not recognized in consolidated statement of income on derecognition of such securities. Cumulative gains and losses recognized in OCI in respect of such equity investment securities are transferred to retained earnings on disposal. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

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.

Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3 - Material accounting policies (Continued)

c) Financial assets and financial liabilities (Continued)

(4) Modifications of financial assets and financial liabilities

Modified financial assets

If the terms of a financial asset are modified, the Group evaluates whether the contractual cash flows of the modified asset are substantially different. If the contractual cash flows are substantially different than it was originated, 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 profit or loss as part of the gain or loss on derecognition.

If the contractual cash flows of the modified asset carried at amortized cost are not substantially different than it was originated, then the modification does not result in derecognition of the financial asset. In this case, the Group 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 the consolidated statement of income. For floating-rate financial assets, the original effective profit rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs of fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset

Modified financial liabilities

The Group derecognizes a financial liability when its terms are modified and the contractual 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.

(5) Impairment of financial assets

The loss allowance is based on the Expected Credit Losses ("ECLs") associated with the Probability of Default ("PD") in the next twelve months unless there has been a Significant Increase in Credit Risk ("SICR") since origination. If the financial asset meets the definition of Purchased or Originated Credit Impaired ("POCI"), the allowance is based on the change in the ECLs over the life of the asset. POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and financing income is subsequently recognised based on a credit-adjusted ("EPR"). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

- Due from banks and other financial institutions;
- financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and
- Financing commitments issued.

No impairment loss is recognized on equity at FVOCL investments.

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- Material accounting policies (Continued)

- c) Financial assets and financial liabilities (Continued)
- (5) Impairment of financial assets (Continued)

The Group 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 Group considers Sukuk to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

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 assets, for which 12-month ECLs are recognized, are referred to as "Stage 1" financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as "Stage 2 financial assets". Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not yet credit-impaired.

Financial assets for which the lifetime ECLs are recognized and that are credit-impaired are referred to as "Stage 3 financial assets".

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. It is 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 Group in accordance with the contract and the cash flows that the Group 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than POCI financial assets and lease receivables: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- Lease receivables: the discount rate used in measuring lease receivables;
- Undrawn financing commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the financing commitment; and
- financial Guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default ("PD"),
- Loss given default ("LGD"), and
- Exposure at default ("EAD").

3

- Material accounting policies (Continued)

- c) Financial assets and financial liabilities (Continued)
- (5) Impairment of financial assets (Continued)

Measurement of ECL(Continued)

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Group categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- Stage 1: Performing assets;
- Stage 2: Underperforming assets; and
- Stage 3: Credit-impaired assets.

The three stage categories of financial assets are more elaborated in (note 32-1-a.v)

To evaluate a range of possible outcomes, the Group formulates various scenarios. For each scenario, the Group derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

For how financial assets and ECLs are allocated among the three credit stages, refer to (note 5) for due from banks and financial institutions, (note 6) for investments, (note 7) for financing facilities, and (note 18) Commitments and contingencies.

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 customer, then an assessment is made of whether the financial asset should be derecognized and then ECLs are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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 customer or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing facility by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financing facility that has been renegotiated due to deterioration in the customer'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 Group considers the following factors.

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

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- **Material accounting policies (Continued)**

c) **Financial assets and financial liabilities (Continued)**

(5) **Impairment of financial assets (Continued)**

Credit-impaired financial assets (Continued)

- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intents, whether there is the capacity to fulfil the required criteria.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Credit cards and other revolving facilities

The Bank's products offering include a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The profit rate used to discount the ECL for credit cards is based on the average effective profit rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged profit. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products.

The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECLs 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;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing commitment component separately from those on the drawn component: the Group 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; and
- financing commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

3 - Material accounting policies (Continued)

- c) Financial assets and financial liabilities (Continued)
- (5) Impairment of financial assets (Continued)

Write-off

Financing and debts securities are written off (either partially or fully) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual assets level.

Recoveries of amounts previously written off are recognised when the cash is received and are included in "Impairment charge for expected credit losses, net" in the consolidated statement of income.

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.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or market securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. 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 repossession

The Group'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, if any, are transferred to their relevant asset category at the fair value, if material. 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 in the consolidated Statement of financial position.

(6) Financial guarantees and financing commitments, letters of credit

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.

The premium received is recognised in the consolidated statement of income in net fees and yield income on a straight line basis over the life of the guarantee.

Financing commitments and letter of credits' are firm commitments under which, over the duration of the commitments, the Bank is required to provide credit under pre-specified terms and conditions. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

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- Material accounting policies (Continued)**c) Financial assets and financial liabilities (Continued)****(6) Financial guarantees and financing commitments, letters of credit (Continued)**

The nominal contractual value of financial guarantees, letters of credit and financing commitments, where the financing agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECL is recorded.

Financial guarantees issued or financing commitments to provide financing at a below market profit rate are initially measured at fair value. Subsequently, they are measured at the higher of the ECL determined in accordance with IFRS 9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principle of IFRS 15.

- The Bank issued no financing commitments that are measured at FVIS.
- Liabilities arising from financial guarantees and financing commitments are included within provisions.

d) Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts, profit rate swaps and FX swaps. These derivatives financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into. These instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. In the ordinary course of business, the Group utilises the following derivative financial instruments for trading purposes:

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 in Gain / (Loss) on FVIS Financial Instruments, net. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

ii. Hedge Accounting

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

The Group 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. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

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.

In order 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 Group 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.

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- Material accounting policies (Continued)**d) Derivative financial instruments (Continued)****ii. Hedge Accounting (Continued)**

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 Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the 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 Group 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 Group 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 consolidated statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the consolidated statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the consolidated statement of income for the period.

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 the consolidated 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. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income. For hedged items measured at amortised cost, where the fair value hedge of a special 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 yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognized immediately in the consolidated statement of income.

3 - Material accounting policies (Continued)**d) Derivative financial instruments (Continued)****iii. 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 on a periodic basis 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, cash flows and profit rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall consolidated 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.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses profit rate swaps and profit rate futures to hedge against the profit rate risk arising from specifically identified fixed profit-rate exposures.

The Bank also uses profit rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Possible sources of ineffectiveness are as follows:

- difference between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- difference in the discounting between the hedge item and hedge instrument, as cash collateralized profit rate swaps are discounted using Overnight Indexed Swaps discount curves, which are not applied to the fixed rate mortgages;
- hedging derivative with a non-zero fair value at the date of initial designation as a hedging instrument;
- counter party credit risk which impacts the fair value of uncollateralized profit rate swaps but not the hedge items; and
- the effects of the forthcoming reforms to USD LIBOR, because these might take effect at a different time and have a different impact on the hedged item e.g. (the fixed-rate mortgages) and the hedging instrument e.g. (the derivatives used to hedge those mortgages).

iv. 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 statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

3 - Material accounting policies (Continued)

e) Intangible assets

i. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Bank's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included under 'intangible assets'. Goodwill on acquisitions of associates and joint ventures is included under 'investments in associates and joint ventures'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment, they are written down if required. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

ii. Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the Group's consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

f) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

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- Material accounting policies (Continued)**f) Impairment of non-financial assets (Continued)**

These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Impairment losses relating to goodwill cannot be reversed in future periods.

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- Material accounting policies (Continued)**g) Investment in an associate**

An associate is an entity over which the Group exercises significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint arrangement.

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in the value of individual investments. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in OCI included in the shareholders' equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distribution received from an investee reduces the carrying amount of the investment.

The previously recognized impairment loss in respect of investment in associate can be reversed through the consolidated statement of income, such that the carrying amount of the investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before provision for impairment) or the recoverable amount. On derecognition the difference between the carrying amount of investment in the associate and the fair value of the consideration received is recognized in the consolidated statement of income.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on an investment in an associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share in earnings of associates in the consolidated statement of income.

Unrealised gains or losses on transactions are eliminated to the extent of the Group's interest in the investee. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3 - Material accounting policies (Continued)**h) Revenue recognition**

The following specific recognition criteria must be met before revenue is recognized.

Income from Mutajara, Murabaha: investments held at amortized cost, Installment sale and credit cards services is recognized based on the effective profit rate basis on the outstanding balances. The effective profit rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective yield, the Group estimates future cash flows considering all contractual terms of the financial instrument but excluding future credit losses. Fees from banking services are recognized when the service has been provided.

Fees that are integral to the effective profit rate on a financial asset or financial liability are included in the effective Gross financing and investment income / return as applicable.

Financing commitment fees: that are likely to be drawn down and other facility related fees are deferred above certain threshold and, together with the related direct cost, are recognized as an adjustment to the yeiled using the effective profit rate on the financing. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognised on a straight-line basis over the commitment period.

Fees from banking services: Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, at a point in time or over the period when the service is being provided i.e. related performance obligation is satisfied.

Fees received for asset management and brokerage activities: wealth Management, financial planning, custody services, capital market trading brokerage 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 i.e. related performance obligation is satisfied. Asset management fees related to investment funds are recognized over the period the service is being provided. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognized. Wealth management and custody services fees that are continuously recognized over a period of time.

Dividend income: is recognised when the right to receive income is established which is generally when the shareholders approve the dividend. Dividends are reflected as a component of net trading income, net income from FVIS financial instruments or other operating income based on the underlying classification of the equity instrument.

Foreign currency exchange income / loss: is recognized when earned / incurred.

Net trading income: results from trading activities and include all realised and unrealised gains and losses from changes in fair value and related gross investment income or expense, dividends for financial assets and financial liabilities held for trading and foreign exchange differences.

3**- Material accounting policies (Continued)****h) Revenue recognition (Continued)****Rendering of services**

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to payment service system, share trading services, remittance business, SADAD and Mudaraba (i.e. subscription, management and performance fees), should be recognized at the point when services are rendered i.e. when performance obligation is satisfied.

i) Customers' deposits

Customer deposits are financial liabilities that are initially recognized at fair value less transaction cost, being the fair value of the consideration received, and are subsequently measured at amortized cost.

j) Repurchase agreements and reverse repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repurchase agreements) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership, and are measured in accordance with related accounting policies for investments. The transactions are treated as a collateralized financing and the counter party liability for amounts received under these agreements is included in Due to banks, Saudi Central Bank and other financial institutions, as appropriate. The difference between the sale and repurchase price is treated as financing and investment expense and recognized over the life of the repurchase agreement on an effective yield basis.

Underlying assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the underlying assets. Amounts paid under these agreements are included in cash and balances with SAMA. The difference between the purchase and resale price is treated as Income from investments and financing and recognized over the life of the reverse repurchase agreement on an effective profit basis.

k) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, 'cash and cash equivalents' include notes and coins on hand, balances with SAMA (excluding statutory deposits) and due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position

l) Share-based payments

The Group's founders had established a share-based compensation plan under which the entity receives services from the eligible employees as consideration for equity instruments of the Group which are granted to the employees.

3

- Material accounting policies (Continued)**m) Foreign Currencies**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is also the Group's functional currency. Each subsidiary determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency.

Transactions in foreign currencies are translated into SAR at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the date of the consolidated statement of financial position.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective profit rate and payments during the year and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

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

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised in OCI. The monetary assets and liabilities of foreign subsidiaries are translated into SAR at rates of exchange prevailing at the date of the consolidated statement of financial position. The statements of income of foreign subsidiaries are translated at the weighted average exchange rates for the year.

n) Day 1 profit or loss

Where a transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable, or when the instrument is derecognized.

3 - Material accounting policies (Continued)**o) Trade date**

All regular way purchases and sales of financial assets are recognized and derecognized on the trade date (i.e. the date on which the Group commits to purchase or sell the assets). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through statement of income) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

p) Offsetting financial instruments

Financial assets and financial liabilities are offset and are reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts, and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

q) Customer loyalty programs

The Group offers customer loyalty programs referred to as reward points, which allows customers to earn points that can be redeemed through certain partner outlets. The Group allocates a portion of the transaction price to the reward points awarded to members, based on estimates of costs of future redemptions. The amount of expense allocated to reward points is charged to the consolidated statement of income with a corresponding liability recognized in other liabilities. The cumulative amount of the liability related to unredeemed reward points is adjusted over time based on actual redemption experience and current and expected trends with respect to future redemptions.

r) Zakat and taxes

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 consolidated statement of income. Zakat is not accounted for as income tax and as such no deferred tax assets and liabilities are calculated relating to Zakat.

- Value Added tax ("VAT")

The Group is a taxpayer for value added tax as per the Saudi law and its responsibility to collect VAT Output from the customers for qualifying services provided, and makes VAT Input payments to its vendors for qualifying payments. On a monthly basis, the 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.

3

- Material accounting policies (Continued)**r) Zakat and taxes (Continued)****- Withholding tax**

Withholding tax is subject to any payment to non-resident vendors for services rendered and goods purchased with certain criteria and rate according to the tax law applicable in Saudi Arabia and are directly paid to the ZATCA on a monthly basis.

s) Investment management services

The Group provides investment management services to its customers, through its subsidiary which include management of certain mutual funds. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the Group's consolidated financial statements. The Group's share of these funds is included under FVIS investments. Fees earned are disclosed in the consolidated statement of income.

t) Bank's products definition

The Group provides its customers with banking products based on interest avoidance concept and in accordance with Shari'a regulations. The following is a description of some of the financing products:

Mutajara financing:

It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price, accordingly the client becomes debtor to the Group with the sale amount and for the period agreed in the contract

Installment sales financing:

It is a financing agreement whereby the Group purchases a commodity or an asset and sells it to the client based on a purchase promise from the client with a deferred price higher than the cash price. Accordingly the client becomes a debtor to the Group with the sale amount to be paid through installments as agreed in the contract.

Murabaha financing:

It is a financing agreement whereby the Group purchases a commodity or asset and sells it to the client with a price representing the purchase price plus a profit known and agreed by the client which means that the client is aware of the cost and profit separately.

u) Profit sharing investment account (PSIA)

The Bank offers unrestricted investment accounts based on fully sharia compliant concept through Mudarabah and Wakala.

In Mudarabah based accounts, the Bank (Mudarib) manages Investment Account holders' ("IAH") funds, along with its own funds, if any. Funds of these pools are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call center.

Under Wakala arrangement, Bank accepts funds from investors (Muwakil) as Wakeel, in addition to its own funds, if any, and invests in Sharia compliant assets. 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 bears the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss is borne by the investor or Muwakil. The Bank may maintain a Profit Equalization Reserve (PER) for the purpose of covering any shortfall in the expected future business assets performance.

Profits earned from the assets allocated to the Pool investments are shared between the Bank and IAH on a pre-agreed basis, while losses (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank relating to PSIA the Pools are charged to the Pools.

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.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

4

- Cash and balances with Central Banks

Cash and balances with Saudi Central Bank ("SAMA") and other central banks comprise of the following:

	2024	2023
Cash in hand	6,681,225	6,502,729
Statutory deposit	40,258,314	35,008,098
Balances with central banks (current accounts)	195,171	256,814
Mutajara with SAMA	6,110,000	-
Total	53,244,710	41,767,641

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other central banks at stipulated percentages of its deposits liabilities calculated on monthly averages at the end of reporting period.

The above statutory deposits are not available to finance the Group's day-to-day operations and therefore are not considered as part of cash and cash equivalents (note 34) when preparing the consolidated statement of cash flows.

All these balances are stage 1.

5

- Due from banks and other financial institutions, net

Due from banks and other financial institutions comprise the following:

	2024	2023
Current accounts	1,639,015	3,179,877
Mutajara	17,892,806	6,331,071
Less: Allowance for expected credit losses	(2,094)	(4,275)
Total	19,529,727	9,506,673

2024	Gross carrying amount	Allowance for expected credit loss	Net carrying amount
Investment grade (credit rating AAA to BBB)	19,389,226	(942)	19,388,284
Non-investment grade (credit rating BB+ to B-)	142,595	(1,152)	141,443
Total	19,531,821	(2,094)	19,529,727

2023	Gross carrying amount	Allowance for expected credit loss	Net carrying amount
Investment grade (credit rating AAA to BBB)	8,920,952	(1,810)	8,919,142
Non-investment grade (credit rating BB+ to B-)	589,996	(2,465)	587,531
Total	9,510,948	(4,275)	9,506,673

The credit quality of due from banks and other financial institutions is managed using external credit rating agencies. The above due from banks and other financial institutions balances are neither past due nor impaired and are classified in stage 1. There were no movements in staging during year.

6

- Investments, net

(a) Investments comprise the following:

	2024	2023
Investments held at amortized cost		
Murabaha with Saudi Government and SAMA	15,022,361	20,067,953
Sukuk	120,971,297	87,962,033
Structured Products	2,200,651	2,941,573
Less: Impairment (Stage 1)	(47,774)	(70,234)
Total investments held at amortized cost	138,146,535	110,901,325
Investments held as FVIS		
Mutual funds	2,931,542	2,525,681
Sukuk	276,612	122,374
Structured Products	3,012,532	785,242
Equity investments	258,890	118,803
Total FVIS investments	6,479,576	3,552,100
FVOCI investments		
Sukuk	19,208,062	14,535,530
Structured Products	2,618,781	1,106,286
Equity investments*	8,584,420	3,282,168
Less: Impairment (Stage 1)	(3,787)	(1,844)
Total FVOCI investments	30,407,476	18,922,140
Investments, net	175,033,587	133,375,565

The Bank, under repurchase agreements, pledges with other banks sukuk securities that include government sukuk. The fair values of those sukuk pledged as collateral with financial institutions as at 31 December 2024 is SAR 78,538 million (31 December 2023: 78,556 million) and the related balances of the repurchase agreements pledge is SAR 49,596 million (31 December 2023: 33,345 million).

The designated FVIS investments included above are designated upon initial recognition as FVIS and are in accordance with the documented risk management strategy of the Group.

*The Group holds SAR 6,800 million (31 December 2023: 2,360 million) in investments in Tier I Sukuk out of the total Equity investments.

All investments held at amortized cost are neither past due nor impaired as of 31 December 2024 and 2023, and are classified in stage 1. There were no movements in staging during year.

The Bank has consolidated two international and one local mutual funds where the Bank owns 100% of the three funds equity. The investments of these funds are included in the above note and accounted for as fair value through income statement.

Equity investment securities designated as at FVOCI

The Group has designated certain investment in equity securities designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

6

- Investments, net (Continued)

- (b) The analysis of the composition of investments as of 31 December is as follows:

2024	Quoted	Unquoted	Total
Murabaha with Saudi Government and SAMA	-	15,022,361	15,022,361
Sukuk	120,156,851	20,247,559	140,404,410
Structured Products	2,618,781	5,213,183	7,831,964
Equity investments	4,868,308	3,975,002	8,843,310
Mutual Funds	421,181	2,510,361	2,931,542
Investments, net	128,065,121	46,968,466	175,033,587
2023	Quoted	Unquoted	Total
Murabaha with Saudi Government and SAMA	-	20,067,953	20,067,953
Sukuk	86,412,338	16,135,521	102,547,859
Structured Products	1,106,286	3,726,815	4,833,101
Equity investments	1,867,370	1,533,601	3,400,971
Mutual Funds	32,373	2,493,308	2,525,681
Investments, net	89,418,367	43,957,198	133,375,565

(c) Credit quality of investments

	2024	2023
Murabaha with Saudi Government and SAMA	15,022,361	20,067,953
Sukuk - Investment grade	129,570,559	91,071,834
Structured Products - Investment grade	7,831,964	4,833,102
Sukuk – Non Investment grade	6,662,326	5,640,904
Sukuk unrated	4,171,525	5,835,121
Total	163,258,735	127,448,914

Investment Grade includes those investments having credit exposure equivalent to rating of AAA to BBB-. Non-investment Grade includes those investments having credit exposure equivalent to rating of BB+ to B+. The unrated category only comprise of unquoted sukuk. Fitch has assigned A+ rating to KSA as a country as at 31 December 2024 (31 December 2023: A+).

As at 31 December 2024, the unrated Sukuk include investment securities of SAR 2,469 million that are internally rated by the Bank, with rating assigned ranging from BB- to A+

(d) The following is an analysis of investments according to counterparties as at 31 December:

	2024	2023
Government and quasi government	130,149,632	103,069,461
Banks and other financial institutions	27,679,787	16,217,496
Companies	14,324,187	11,635,005
Mutual funds	2,931,542	2,525,681
Less: Impairment	(51,561)	(72,078)
Total	175,033,587	133,375,565

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

6

- Investments, net (Continued)

(e) The domestic and international allocation of the Group's investments are summarized as follows:

31 December 2024	Domestic	International	Total
Investments held at amortized cost:			
Fixed-rate Sukuk	100,502,295	13,933,817	114,436,112
Floating-rate Sukuk	21,557,546	-	21,557,546
Structured products	-	2,200,651	2,200,651
Less: Impairment (Stage 1)	(47,415)	(359)	(47,774)
Total investments held at amortized cost	122,012,426	16,134,109	138,146,535
Investments held as FVIS			
Mutual funds	1,295,328	1,636,214	2,931,542
Fixed-rate Sukuk	258,612	-	258,612
Floating-rate Sukuk	18,000	-	18,000
Structured Products	-	3,012,532	3,012,532
Equity investments	254,158	4,732	258,890
Total FVIS investments	1,826,098	4,653,478	6,479,576
Investments held as FVOCI:			
Fixed-rate Sukuk	13,378,920	5,010,893	18,389,813
Floating-rate Sukuk	339,949	478,300	818,249
Structured Products	-	2,618,781	2,618,781
Equity investments	8,041,617	542,803	8,584,420
Less: Impairment (Stage 1)	-	(3,787)	(3,787)
Total FVOCI investments	21,760,486	8,646,990	30,407,476
Investments, net	145,599,010	29,434,577	175,033,587
31 December 2023	Domestic	International	Total
Investments held at amortized cost:			
Fixed-rate Sukuk	71,407,909	10,401,339	81,809,248
Floating-rate Sukuk	26,220,738	-	26,220,738
Structured products	-	2,941,573	2,941,573
Less: Impairment (Stage 1)	(68,634)	(1,600)	(70,234)
Total investments held at amortized cost	97,560,013	13,341,312	110,901,325
Investments held as FVIS			
Mutual funds	1,394,488	1,131,193	2,525,681
Fixed-rate Sukuk	104,374	-	104,374
Floating-rate Sukuk	18,000	-	18,000
Structured Products	-	785,242	785,242
Equity investments	118,803	-	118,803
Total FVIS investments	1,635,665	1,916,435	3,552,100
Investments held as FVOCI:			
Fixed-rate Sukuk	8,977,025	3,806,257	12,783,282
Floating-rate Sukuk	1,381,735	370,513	1,752,248
Structured Products	-	1,106,286	1,106,286
Equity investments	3,261,261	20,907	3,282,168
Less: Impairment (Stage 1)	-	(1,844)	(1,844)
Total FVOCI investments	13,620,021	5,302,119	18,922,140
Investments, net	112,815,699	20,559,866	133,375,565

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

7 - Shariah compliant 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 and Futures

Forwards and futures 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. Foreign currency and profit rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

(c) FX Swaps

FX 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 quoted in the interbank market. 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.

(d) Cash flow hedges:

The Bank is exposed to variability in future yield cash flows on non-trading assets and liabilities which bear yield at a variable rate. The Bank uses profit rate swaps as cash flow hedges of these profit rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and profit rate risks which are hedged with cross currency profit rate swaps. 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.

(e) 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.

2024	Notional amounts by term to maturity						
	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:							
Profit rate swaps	1,742,970	(1,630,279)	46,083,961	150,471	2,458,848	12,496,288	30,978,354
Foreign exchange forward contracts	15,818	(15,019)	2,088,861	1,079,504	1,009,357	-	-
FX Swaps	2,010	(4,383)	15,578,744	12,762,824	2,815,920	-	-
Total Held for trading	1,760,798	(1,649,681)	63,751,566	13,992,799	6,284,125	12,496,288	30,978,354
Held as cash flow hedge:							
Profit rate swaps	27,691	(9,413)	11,073,750	-	655,000	10,418,750	-
Total Held as cash flow hedge	27,691	(9,413)	11,073,750	-	655,000	10,418,750	-
Held as fair value Hedge:							
Profit rate swaps	117,414	(19,949)	25,218,171	-	-	10,645,092	14,573,079
Total Held as fair value Hedge	117,414	(19,949)	25,218,171	-	-	10,645,092	14,573,079
Total Shariah compliant derivatives	1,905,903	(1,679,043)	100,043,487	13,992,799	6,939,125	33,560,130	45,551,433

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

7

Shariah compliant derivatives (Continued)

- (e) Positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity and monthly average(Continued)

2023	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity			
				Within 3 months	3-12 months	1-5 years	Over 5 years
Held for trading:							
Profit rate swaps	840,868	(771,974)	31,646,205	735,000	1,143,073	17,893,603	11,874,529
Foreign exchange forward contracts	2,539	(2,267)	270,863	270,863	-	-	-
FX Swaps	176	(1,020)	10,387,362	6,262,417	4,124,945	-	-
Total Held for trading	843,583	(775,261)	42,304,430	7,268,280	5,268,018	17,893,603	11,874,529
Held as cash flow hedge:							
Profit rate swaps	34,093	(18,280)	8,743,877	-	-	8,743,877	-
Total Held as cash flow hedge	34,093	(18,280)	8,743,877	-	-	8,743,877	-
Total Shariah compliant derivatives	877,676	(793,541)	51,048,307	7,268,280	5,268,018	26,637,480	11,874,529

- (f) The periods when the hedged cash flows are expected to occur and when they are expected to affect the statement of income:

2024	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	186,655	71,412	-	-
2023	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	191,067	280,412	-	-

- (g) 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:

2024 Description of hedged items:	Fair Value	Hedge inception value	Risk	Hedging instrument	Negative fair value	Positive fair value
Fixed profit rate investment	24,902,060	25,218,171	Fair Value	Profit Rate Swaps	(19,949)	117,414
Floating profit rate investments	3,881,120	3,870,000	Cash Flow	Profit Rate Swaps	(9,413)	-
Floating profit rate Deposit	6,151,488	7,203,750	Cash Flow	Profit Rate Swaps	-	27,691
2023 Description of hedged items:	Fair Value	Hedge inception value	Risk	Hedging instrument	Negative fair value	Positive fair value
Floating profit rate investments	4,018,691	4,000,000	Cash flow	Profit rate swaps	(18,280)	5,011
Floating profit rate Deposit	4,714,638	4,743,750	Cash flow	Profit rate swaps	-	29,082

7

Shariah compliant derivatives (Continued)

- (h) The amounts relating items designated as hedging instruments and hedge ineffectiveness at 31 December 2024 were as follows:

2024	Positive fair value	Negative fair value	Notional amount Total	Change in fair value used for calculating hedge ineffectiveness for 2024	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in statement of income	Amount reclassified from the hedge reserve to statement of income
Held as cashflow hedges:							
Profit swaps	27,691	(9,413)	11,073,750	-	2,465	-	35,548
Held as fair value hedges:							
Profit swaps	117,414	(19,949)	25,218,171	-	-	9,001	-
Total	145,105	(29,362)	36,291,921	-	2,465	9,001	35,548

2023	Positive fair value	Negative fair value	Notional amount Total	Change in fair value used for calculating hedge ineffectiveness for 2023	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in statement of income	Amount reclassified from the hedge reserve to statement of income
Held as cashflow hedges:							
Profit swaps	34,093	(18,280)	8,743,750	-	15,813	-	-
Total	34,093	(18,280)	8,743,750	-	15,813	-	-

7

Shariah compliant derivatives (Continued)

(i) The amounts relating to items designated as hedged items were as follows:

2024	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness	Fair value hedge reserve	Cashflow hedge reserve	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied
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Held as cash flow hedges:

Sukuk	Investment at AC Due to Bank & Other Financial Institution	-	-	(9,413)	-
Syndicated Murabaha Facility		-	-	27,691	-

Held as Fair Value Hedges:

Sukuks	Investment at FVOCI	-	30,323	-	-
Total		-	30,323	18,278	-

2023	Line item in the statement of financial position in which hedge item is included	Changes in value used for calculating hedge ineffectiveness	Fair value hedge reserve	Cashflow hedge reserve	Balance remaining in cash flow hedge reserve for hedge relationships for which hedge accounting is no longer applied
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Held as cash flow hedges:

Sukuk	Investment at AC Due to Bank & Other Financial Institution	-	-	(13,269)	-
Syndicated Murabaha Facility		-	-	29,082	-
Total		-	-	15,813	-

8

- **Financing, net**

(a) Net financing held at amortized cost:

2024	Performing	Non-performing	Allowance for impairment	Net financing
Mutajara	191,350,565	2,831,757	(3,513,128)	190,669,194
Installment sale	468,758,698	2,389,013	(4,438,973)	466,708,738
Murabaha	28,101,593	48,185	(352,734)	27,797,044
Credit cards	8,369,748	65,480	(200,481)	8,234,747
Total	696,580,604	5,334,435	(8,505,316)	693,409,723

2023	Performing	Non-performing	Allowance for impairment	Net financing
Mutajara	140,942,388	1,915,703	(2,603,838)	140,254,253
Installment sale	430,775,863	1,840,989	(5,175,817)	427,441,035
Murabaha	21,230,777	501,410	(750,231)	20,981,956
Credit cards	5,683,776	39,837	(196,051)	5,527,562
Total	598,632,804	4,297,939	(8,725,937)	594,204,806

In 2023, the Bank has entered into an arrangement with REDF where REDF will fund the initial down-payment for a qualifying customer when entering into a residential mortgage finance arrangement with the Bank. Under this scheme, the down payment amount may be either SAR 100,000 or SAR 150,000 depending on the salary scale of the customer. The REDF will pay the subsidy to the customer and will receive the amount from the Bank on instalment basis over a period of mortgage term which will be capped at 20 years at a flat profit rate of 1%.

In accordance with the requirements of IFRS 9, a deferred fair value loss being booked on origination of these receivable from REDF to compensate for the below-market rate which will be amortised over the period of the receivable with REDF. The outstanding amount with REDF as at 31 December 2024 is SAR 3,344 million (2023: SAR 271 million).

(b) The net financing by location, inside and outside the Kingdom of Saudi Arabia, as of 31 December is as follows:

2024	Installment sale				Total
	Mutajara		Murabaha	Credit cards	
Inside the Kingdom of Saudi Arabia	192,424,427	465,465,241	19,512,815	8,409,609	685,812,092
Outside the Kingdom of Saudi Arabia	1,757,895	5,682,470	8,636,963	25,619	16,102,947
Gross financing	194,182,322	471,147,711	28,149,778	8,435,228	701,915,039
Allowance for impairment	(3,513,128)	(4,438,973)	(352,734)	(200,481)	(8,505,316)
Net financing	190,669,194	466,708,738	27,797,044	8,234,747	693,409,723

2023	Mutajara	Installment sale	Murabaha	Credit cards	Total
Inside the Kingdom of Saudi Arabia	140,729,593	427,073,984	14,976,580	5,700,726	588,480,883
Outside the Kingdom of Saudi Arabia	2,128,498	5,542,868	6,755,607	22,887	14,449,860
Gross financing	142,858,091	432,616,852	21,732,187	5,723,613	602,930,743
Allowance for impairment	(2,603,838)	(5,175,817)	(750,231)	(196,051)	(8,725,937)
Net financing	140,254,253	427,441,035	20,981,956	5,527,562	594,204,806

8

- Financing, net (Continued)

(c) The table below depicts the categories of financing as per main business segments at 31 December:

2024	Retail	Corporate	Total
Mutajara	9,237,432	184,944,890	194,182,322
Installment sale	458,807,699	12,340,012	471,147,711
Murabaha	3,422,690	24,727,088	28,149,778
Credit cards	8,429,418	5,810	8,435,228
Gross financing	479,897,239	222,017,800	701,915,039
Less: Allowance for impairment	(4,682,061)	(3,823,255)	(8,505,316)
Total	475,215,178	218,194,545	693,409,723
2023	Retail	Corporate	Total
Mutajara	4,742,139	138,115,952	142,858,091
Installment sale	419,695,296	12,921,556	432,616,852
Murabaha	2,520,813	19,211,374	21,732,187
Credit cards	5,694,828	28,785	5,723,613
Gross financing	432,653,076	170,277,667	602,930,743
Less: Allowance for impairment	(5,413,893)	(3,312,044)	(8,725,937)
Total	427,239,183	166,965,623	594,204,806

(c) The table below summarizes financing balances at 31 December that are neither past due nor impaired, past due but not impaired and impaired, as per the main business segments of the Group:

2024	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Allowance for impairment	Net financing
	Retail	Corporate	Total			
Retail	463,329,215	14,860,225	1,707,799	479,897,239	(4,682,061)	475,215,178
Corporate	214,760,805	3,630,359	3,626,636	222,017,800	(3,823,255)	218,194,545
Total	678,090,020	18,490,584	5,334,435	701,915,039	(8,505,316)	693,409,723
2023	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Allowance for impairment	Net financing
Retail	419,979,579	11,219,051	1,454,446	432,653,076	(5,413,893)	427,239,183
Corporate	165,669,997	1,764,177	2,843,493	170,277,667	(3,312,044)	166,965,623
Total	585,649,576	12,983,228	4,297,939	602,930,743	(8,725,937)	594,204,806

Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. 'Neither past due nor impaired' and 'past due but not impaired' comprise total performing financing.

(d) The movement in the allowance for impairment of financing is as follows:

2024	Retail	Corporate	Total
Balance at the beginning of the year	5,413,893	3,312,044	8,725,937
Provided for the year	2,664,282	1,641,549	4,305,831
Bad debt written off	(3,396,114)	(1,130,338)	(4,526,452)
Balance at the end of the year	4,682,061	3,823,255	8,505,316
2023	Retail	Corporate	Total
Balance at the beginning of the year	4,804,384	3,724,492	8,528,876
Provided for the year	3,263,594	18,113	3,281,707
Bad debt written off	(2,654,085)	(430,561)	(3,084,646)
Balance at the end of the year	5,413,893	3,312,044	8,725,937

8 - **Financing, net (Continued)**

(e) The Impairment charge movement

The details of the impairment charge on financing and other financial assets for the year recorded in the consolidated statement of income is as follows:

	2024	2023
Provided for the year for Financing	4,305,831	3,281,707
Reversal for the year for other financing assets & off balance sheet	(20,455)	(151,963)
Recovery of written off financing, net	(2,168,632)	(1,625,566)
Impairment charge for financing and other financial assets, net	2,116,744	1,504,178

(f) The movement of financing by stages is as follows:

	Gross carrying amount as of 31 December 2024			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2024	581,556,627	13,917,065	7,457,051	602,930,743
Transfers:				
Transfer to 12-month ECL	6,378,866	(5,039,952)	(1,338,914)	-
Transfer to Lifetime ECL not credit impaired	(5,848,741)	6,145,648	(296,907)	-
Transfer to Lifetime ECL credit impaired	(2,209,266)	(1,782,603)	3,991,869	-
Write-offs	-	-	(4,526,452)	(4,526,452)
New business/ Other movements	100,033,638	874,968	2,602,142	103,510,748
At 31 December 2024	679,911,124	14,115,126	7,888,789	701,915,039

	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2023	562,049,635	9,576,654	5,240,701	576,866,990
Transfers:				
Transfer to 12-month ECL	2,958,084	(2,520,595)	(437,489)	-
Transfer to Lifetime ECL not credit impaired	(8,380,043)	8,468,850	(88,807)	-
Transfer to Lifetime ECL credit impaired	(3,057,920)	(1,252,129)	4,310,049	-
Write-offs	-	-	(3,084,646)	(3,084,646)
New business/ Other movements	27,986,871	(355,715)	1,517,243	29,148,399
At 31 December 2023	581,556,627	13,917,065	7,457,051	602,930,743

Closing balance of Lifetime ECL credit impaired differs from total reported Non-Performing financing due to IFRS 9 implementation.

8

- Financing, net (Continued)

- (g) The movements of the three credit quality stages of carrying amount of financing held at amortized cost allocated by:

(1) Retail Segment

Retail	Gross carrying amount as of 31 December 2024			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2024	419,544,874	8,764,939	4,343,263	432,653,076
Transfers:				
Transfer to 12-month ECL	6,177,710	(4,855,013)	(1,322,697)	-
Transfer to Lifetime ECL not credit impaired	(3,727,722)	4,007,282	(279,560)	-
Transfer to Lifetime ECL credit impaired	(1,351,631)	(835,874)	2,187,505	-
Write-offs	-	-	(3,396,114)	(3,396,114)
New business/ Other movements	49,047,031	(527,791)	2,121,037	50,640,277
At 31 December 2024	469,690,262	6,553,543	3,653,434	479,897,239

Retail	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2023	426,179,423	5,328,999	3,311,790	434,820,212
Transfers:				
Transfer to 12-month ECL	2,503,265	(2,097,977)	(405,288)	-
Transfer to Lifetime ECL not credit impaired	(6,341,031)	6,418,160	(77,129)	-
Transfer to Lifetime ECL credit impaired	(1,721,325)	(774,729)	2,496,054	-
Write-offs	-	-	(2,654,085)	(2,654,085)
New business/ Other movements	(1,075,458)	(109,514)	1,671,921	486,949
At 31 December 2023	419,544,874	8,764,939	4,343,263	432,653,076

8

- Financing, net (Continued)

- (h) The movements of the three credit quality stages of carrying amount of financing held at amortized cost allocated by: (Continued)

(2) Corporate Segment

Corporate	Gross carrying amount as of 31 December 2024			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2024	162,011,753	5,152,126	3,113,788	170,277,667
Transfers:				
Transfer to 12-month ECL	201,156	(184,939)	(16,217)	-
Transfer to Lifetime ECL not credit impaired	(2,121,019)	2,138,366	(17,347)	-
Transfer to Lifetime ECL credit impaired	(857,635)	(946,729)	1,804,364	-
Write-offs	-	-	(1,130,338)	(1,130,338)
New business/ Other movements	50,986,607	1,402,759	481,105	52,870,471
At 31 December 2024	210,220,862	7,561,583	4,235,355	222,017,800

Corporate	Gross carrying amount as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2023	135,870,212	4,247,655	1,928,911	142,046,778
Transfers:				
Transfer to 12-month ECL	454,819	(422,618)	(32,201)	-
Transfer to Lifetime ECL not credit impaired	(2,039,012)	2,050,690	(11,678)	-
Transfer to Lifetime ECL credit impaired	(1,336,595)	(477,400)	1,813,995	-
Write-offs	-	-	(430,561)	(430,561)
New business/ Other movements	29,062,329	(246,201)	(154,678)	28,661,450
At 31 December 2023	162,011,753	5,152,126	3,113,788	170,277,667

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

8

- Financing, net (Continued)

- (i) The movement in ECL allowances for impairment of financing by stages is as follows :

	Credit loss allowance as of 31 December 2024			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2024	2,523,903	1,695,065	4,506,969	8,725,937
Transfers:				
Transfer to 12-month ECL	1,286,101	(583,296)	(702,805)	-
Transfer to Lifetime ECL not credit impaired	(89,570)	248,804	(159,234)	-
Transfer to Lifetime ECL credit impaired	(299,232)	(221,208)	520,440	-
Write-offs	-	-	(4,526,452)	(4,526,452)
Net Charge for the year	(939,442)	560,109	4,685,164	4,305,831
At 31 December 2024	2,481,760	1,699,474	4,324,082	8,505,316

	Credit loss allowance as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2023	3,276,243	1,714,791	3,537,842	8,528,876
Transfers:				
Transfer to 12-month ECL	570,806	(305,258)	(265,548)	-
Transfer to Lifetime ECL not credit impaired	(142,704)	198,965	(56,261)	-
Transfer to Lifetime ECL credit impaired	(69,182)	(274,180)	343,362	-
Write-offs	-	-	(3,084,646)	(3,084,646)
Net Charge for the year	(1,111,260)	360,747	4,032,220	3,281,707
At 31 December 2023	2,523,903	1,695,065	4,506,969	8,725,937

8

- Financing, net (Continued)

- (j) The ECL movements of the three credit quality stages of financing held at amortized cost allocated by:

(1) Retail Segment:

Retail	Credit loss allowance as of 31 December 2024				Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		
ECL allowances for impairment of financing					
At 1 January 2024	1,838,820	1,169,417	2,405,656		5,413,893
Transfers:					
Transfer to 12-month ECL	1,224,188	(532,557)	(691,631)		-
Transfer to Lifetime ECL not credit impaired	(59,156)	206,996	(147,840)		-
Transfer to Lifetime ECL credit impaired	(257,422)	(132,330)	389,752		-
Write-offs	-	-	(3,396,114)		(3,396,114)
Net Charge for the year	(1,079,968)	241,709	3,502,541		2,664,282
At 31 December 2024	1,666,462	953,235	2,062,364		4,682,061

Retail	Credit loss allowance as of 31 December 2023				Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		
ECL allowances for impairment of financing					
At 1 January 2023	1,886,754	892,694	2,024,936		4,804,384
Transfers:					
Transfer to 12-month ECL	511,499	(262,456)	(249,043)		-
Transfer to Lifetime ECL not credit impaired	(89,389)	138,776	(49,387)		-
Transfer to Lifetime ECL credit impaired	(35,188)	(199,895)	235,083		-
Write-offs	-	-	(2,654,085)		(2,654,085)
Net Charge for the year	(434,856)	600,298	3,098,152		3,263,594
At 31 December 2023	1,838,820	1,169,417	2,405,656		5,413,893

8

- Financing, net (Continued)

- (j) The ECL movements of the three credit quality stages of financing held at amortized cost allocated by: (Continued)
- (2) Corporate Segment:

Corporate	Credit loss allowance as of 31 December 2024			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2024	685,083	525,648	2,101,313	3,312,044
Transfers:				
Transfer to 12-month ECL	61,913	(50,739)	(11,174)	-
Transfer to Lifetime ECL not credit impaired	(30,414)	41,808	(11,394)	-
Transfer to Lifetime ECL credit impaired	(41,810)	(88,878)	130,688	-
Write-offs	-	-	(1,130,338)	(1,130,338)
Net Charge for the year	140,526	318,400	1,182,623	1,641,549
At 31 December 2024	815,298	746,239	2,261,718	3,823,255

Corporate	Credit loss allowance as of 31 December 2023			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
ECL allowances for impairment of financing				
At 1 January 2023	1,389,489	822,097	1,512,906	3,724,492
Transfers:				
Transfer to 12-month ECL	59,307	(42,802)	(16,505)	-
Transfer to Lifetime ECL not credit impaired	(53,315)	60,189	(6,874)	-
Transfer to Lifetime ECL credit impaired	(33,994)	(74,285)	108,279	-
Write-offs	-	-	(430,561)	(430,561)
Net Charge for the year	(676,404)	(239,551)	934,068	18,113
At 31 December 2023	685,083	525,648	2,101,313	3,312,044

- (k) Installment sale under financing includes finance lease receivables, which are as follows:

	2024	2023
Gross receivables from finance leases		
Less than 1 year	186,025	252,224
1 to 2 years	2,694,324	1,326,965
2 to 3 years	2,449,760	3,159,702
3 to 4 years	2,544,439	2,480,894
4 to 5 years	21,360,933	18,350,749
Over 5 years	10,900,978	10,285,552
Total	40,136,459	35,856,086
Unearned future finance income on finance leases	(4,511,241)	(4,641,683)
Expected credit loss from finance leases	(788,254)	(823,840)
Net receivables from finance leases	34,836,964	30,390,563

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

9 - Other Assets, net

Other assets, net comprise the following:

	2024	2023
Receivables, net	2,934,899	2,078,794
Value added taxes (VAT)	690,227	1,036,736
Prepaid expenses	1,154,075	900,584
Assets in transit subject to financing	1,558,274	3,219,499
Accrued income	850,356	860,352
Cheques under collection	626,418	923,923
Advance payments	48,164	65,800
Other real estate	372,006	35,655
Others, net	4,303,423	2,595,522
Total	12,537,842	11,716,865

10 - Investments in associates

	2024	2023
Investment in associate	923,046	820,717
Balance at the beginning of the year	-	(3,870)
Dividends during the year	(27,488)	-
Reclassified to disposal group classified as held for sale	138,704	106,199
Balance at end of the Year	1,034,262	923,046

The Group owns 35% (31 December 2023: 35%) shares of Al Rajhi Company for Cooperative Insurance, a Saudi Joint Stock Company. The market value as of 31 December 2024 is SAR 6,006 million (31 December 2023: 2,503 million).

11 - Investment properties, net

	Land	Buildings	Total
<u>COST</u>			
At 1 January 2023	894,424	651,810	1,546,234
Additions	-	23,587	23,587
Disposals	-	(327)	(327)
At 31 December 2023	894,424	675,070	1,569,494
Additions	-	16,714	16,714
Disposals	-	-	-
At 31 December 2024	894,424	691,784	1,586,208
<u>ACCUMULATED DEPRECIATION</u>			
At 1 January 2023	-	181,376	181,376
Charge for the year	-	25,460	25,460
At 31 December 2023	-	206,836	206,836
Charge for the year	-	20,734	20,734
At 31 December 2024	-	227,570	227,570
<u>Net Book Value</u>			
At 31 December 2024	894,424	464,214	1,358,638
At 31 December 2023	894,424	468,234	1,362,658

The fair value of the investment properties as at 31 December 2024 is SAR 1.5 billion (31 December 2023: SAR 1.5 Billion)

12

- Property, equipment, and right of use assets, net

Property, equipment, and right of use assets net comprises the following as of 31 December:

	Land	Buildings	Leasehold land & buildings improvements	Equipment and furniture	Right-of- Use assets	Total
COST						
At 1 January 2023	2,617,568	4,900,886	287,696	9,153,577	1,675,592	18,635,319
Additions	45,752	300,873	256,617	2,589,967	145,434	3,338,643
Disposals	-	(118)	(339,443)	(171,485)	(12,359)	(523,405)
At 31 December 2023	2,663,320	5,201,641	204,870	11,572,059	1,808,667	21,450,557
Additions	45,046	360,782	409,068	2,214,390	142,807	3,172,093
Disposals	(4,001)	(1,491)	(340,279)	(36,935)	(24,945)	(407,651)
Reclassified to disposal group classified as held for sale	-	-	-	(28,717)	(23,202)	(51,919)
At 31 December 2024	2,704,365	5,560,932	273,659	13,720,797	1,903,327	24,163,080
ACCUMULATED DEPRECIATION						
At 1 January 2023	-	1,003,201	37,137	5,327,631	928,568	7,296,537
Charge for the year	-	162,049	3,306	982,124	233,386	1,380,865
Disposals	-	(1)	-	(79,367)	(251)	(79,619)
At 31 December 2023	-	1,165,249	40,443	6,230,388	1,161,703	8,597,783
Charge for the year	-	170,768	3,045	1,309,766	248,162	1,731,741
Disposals	-	(1,060)	(1,285)	(23,363)	(10,622)	(36,330)
Reclassified to disposal group classified as held for sale	-	-	-	(19,385)	(5,031)	(24,416)
At 31 December 2024	-	1,334,957	42,203	7,497,406	1,394,212	10,268,778
Net Book Value						
At 31 December 2024	2,704,365	4,225,975	231,456	6,223,391	509,115	13,894,302
At 31 December 2023	2,663,320	4,036,392	164,427	5,341,671	646,964	12,852,774

Leasehold land & buildings improvements include work-in-progress amounting to SAR 185 million as at 31 December 2024 (2023: SAR 135 million).

Right-of-use assets include land and buildings for ATMs and Branches.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

13

- **Goodwill and other intangibles, net**

	Goodwill	Intangibles*	Total
<u>COST</u>			
At 1 January 2023	248,733	1,444,614	1,693,347
Additions	-	471,745	471,745
Disposals	-	(4,100)	(4,100)
At 31 December 2023	248,733	1,912,259	2,160,992
Additions	55,065	519,525	574,590
Disposals	-	(52,425)	(52,425)
Reclassified to disposal group classified as held for sale	(248,733)	(192,437)	(441,170)
At 31 December 2024	55,065	2,186,922	2,241,987
<u>ACCUMULATED AMORTISATION</u>			
At 1 January 2023	-	478,800	478,800
Charge for the year	-	171,684	171,684
Disposals	-	(60)	(60)
At 31 December 2023	-	650,424	650,424
Charge for the year	-	229,439	229,439
Disposals	-	(5,673)	(5,673)
Reclassified to disposal group classified as held for sale	-	(67,715)	(67,715)
At 31 December 2024	-	806,475	806,475
<u>Net Book Value</u>			
At 31 December 2024	55,065	1,380,447	1,435,512
At 31 December 2023	248,733	1,261,835	1,510,568

*Intangible assets includes software and website related costs.

14

- **Disposal group classified as held for sale**

The Board of Directors has approved a plan to lose control over Ejada Systems Limited Company ("Ejada"), a wholly owned subsidiary, through a sequenced series of arrangements. The subsidiary meets the criteria to be classified as held for sale for the following reasons:

- Ejada is available for immediate sale and can be sold in its current condition;
- There is an active program to proceed with private placements and an IPO, where the sale plan is expected to be completed within one year from the date of initial classification; and
- The Group is committed to follow all steps required for the sale arrangements to be executed in line with the approved plan.

The Group has classified and presented the assets and liabilities of Ejada (the "disposal group") as "held for sale" in the Group's statement of financial position in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". As the business of Ejada does not meet the definition of discontinued operations under IFRS 5, the results for the period have not been classified as discontinued / discontinuing operations in the consolidated statement of comprehensive income.

During the year, the Group has disposed off 10% stake in Ejada through private placement. This has resulted in sale of minority stake in a subsidiary. As per the requirements of IFRS 10 – Consolidated financial statements, the Group has recognized non-controlling interest in these consolidated financial statements.

As at 31 December 2024, the Group has obtained the necessary public offering regulatory approval, where the process of the IPO will be concluded during 2025.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

14

- Disposal group classified as held for sale (Continued)

As at 31 December 2024, the disposal group was stated at carrying value, which is lower than the fair value less costs to sell and comprised of the following assets and liabilities:

	As of 31 December 2024
Assets classified as held for sale	
Goodwill and other intangibles, net	373,455
Cash and balances with Central Banks	40,264
Investment In Associate*	27,488
Property, equipment, and right of use assets, net	27,503
Other assets, net	533,740
Total assets classified as held for sale	1,002,450
Liabilities directly associated with assets classified as held for sale	
Other liabilities	846,376
Total liabilities directly associated with assets classified as held for sale	846,376

*The Group owns 32.7% (31 December 2023: 32.7%) shares of Versatile Solutions Company Limited.

15

- Due to banks, Saudi Central Bank and other financial institutions

Due to banks, Saudi Central Bank and other financial institutions comprise the following:

	2024	2023
Current accounts	1,791,827	568,771
Banks' time investments	171,642,770	96,678,118
Total	173,434,597	97,246,889

16

- Customers' deposits

Customers' deposits by type comprises the following:

	2024	2023
Demand deposits and call accounts	446,437,107	352,107,825
Customers' time investments	167,091,393	207,981,393
Other customer accounts	14,710,001	13,011,389
Total	628,238,501	573,100,607

All Customers' time investments are subject to Murabaha contracts and therefore are non-interest.

	2024	2023
Saudi Arabian Riyals	592,398,619	533,473,301
Foreign currencies	35,839,882	39,627,306
Total	628,238,501	573,100,607

17

- Sukuk Issued

During March 2024, the Bank successfully issued U.S. dollar denominated senior unsecured sustainable Sukuk, amounting to USD 1 billion (SAR 3.75 billion) with 5-years maturity and a profit rate of 5.047% and redeemable prior to scheduled maturity date in certain cases. The Sukuk represents Al Rajhi Bank's second issuance in the USD international capital markets via a USD 4 billion Sukuk programme. The sustainable Sukuk is listed on the London Stock Exchange's International Securities Market and could be sold in light of applicable acts and regulations.

During April 2023, the Bank successfully issued U.S. dollar denominated senior unsecured sustainable Sukuk, amounting to USD 1 billion (SAR 3.75 billion) with 5-years maturity and a profit rate of 4.75% and redeemable prior to scheduled maturity date in certain cases. The Sukuk represents Al Rajhi Bank's first issuance in the USD international capital markets via a USD 4 billion Sukuk programme that has a multi-issuance variability of one or more tranches of senior unsecured or tier 2 subordinated Sukuk. The sustainable Sukuk is listed on the London Stock Exchange's International Securities Market and could be sold in light of applicable acts and regulations.

18

- Other liabilities

Other liabilities, net comprise the following:

	2024	2023
Payable to developers	14,317,690	4,902,655
Accounts payable	7,431,114	5,990,981
Accrued expenses	3,383,705	2,330,997
Zakat payable (note 28)	2,232,292	2,759,104
Cheque under collection	1,201,379	1,366,311
Margin payable	1,123,553	308,905
Employees' end of service benefits liabilities (note 30)	1,010,991	1,145,578
Lease liability	485,218	634,898
Loss allowance on financial commitments and financial guarantees	255,780	253,537
Value added taxes (VAT)	174,285	482,959
Special commission income excluded from the consolidated financial statements (note 38)	15,954	1,891
Other	6,966,194	6,230,871
Total	38,598,155	26,408,687

The loss allowance on financial commitments and financial guarantees are further depicted in Commitments and Contingencies (note 22 - c).

19

- Share capital

The authorized, issued and fully paid share capital of the Bank consists of 4,000 million shares of SAR 10 each as of 31 December 2024 (31 December 2023 4,000 million shares of SAR 10 each).

The ownership of the Bank's share capital is as follows:

	2024	2023
Saudi shareholders	84.22%	86.13%
Foreign shareholders	15.78%	13.87%

20

Statutory and other reserves

In accordance with Saudi Arabian Banking Control Law and the By-laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 4,931 million has been transferred from 2024 net income (2023: SAR 4,155 million). The statutory reserve is not currently available for distribution.

Other reserves includes FVOCI investments reserve, foreign currency translation reserve, employee share plan reserve, cash flow hedge reserve, re-measurement of employees' end of service benefits and share in OCI from associate. The movements are summarized as follows:

2024	FVOCI investments	Foreign currency translation	Employee share plan reserve	Cash flow hedge	Re-measurement of employees' end of service benefits	Share in OCI from associate	Total
Balance at beginning of the year	4,738	(243,425)	37,110	15,813	45,465	43,693	(96,606)
Net change in fair value (FVOCI Equity investments)	(46,180)	-	-	-	-	-	(46,180)
Exchange difference on translation of foreign operations	-	54,554	-	-	-	-	54,554
Re-measurement of employees' end of service benefits	-	-	-	-	57,481	-	57,481
Share in OCI from associate	-	-	-	-	-	1,360	1,360
Net change in fair value (FVOCI Sukuk investment and Structured products investments)	(278,101)	-	-	-	-	-	(278,101)
Cash flow hedge effective portion of change in the fair value	-	-	-	2,465	-	-	2,465
Net amounts transferred to the consolidated statement of income	30,323	-	-	-	-	-	30,323
Employee share plan reserve	-	-	(37,110)	-	-	-	(37,110)
Balance at the end of the year	(289,220)	(188,871)	-	18,278	102,946	45,053	(311,814)

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

20

Statutory and other reserves (Continued)

2023	FVOCI investments	Foreign currency translation	Employee share plan reserve	Cash flow hedge	Re-measurement of employees' end of service benefits	Share in OCI from associate	Total
Balance at beginning of the year	(289,995)	(200,713)	37,110	(41,975)	42,644	25,360	(427,569)
Net change in fair value (FVOCI Equity investments)	(9,369)	-	-	-	-	-	(9,369)
Exchange difference on translation of foreign operations	-	(42,712)	-	-	-	-	(42,712)
Re-measurement of employees' end of service benefits (note 30)	-	-	-	-	2,821	-	2,821
Share in OCI from associate	-	-	-	-	-	18,333	18,333
Net change in fair value (FVOCI Sukuk investment) and Structured products investments)	307,054	-	-	-	-	-	307,054
Cash flow hedge effective portion of change in the fair value	-	-	-	57,788	-	-	57,788
Disposal of FVOCI equity instruments	(2,952)	-	-	-	-	-	(2,952)
Balance at the end of the year	4,738	(243,425)	37,110	15,813	45,465	43,693	(96,606)

21

Equity Sukuk

In October 2024, Emkan Finance Company completed issuance of SAR 705.4 million in new perpetual Sukuk. The Sukuk has no fixed maturity, the Sukuk are callable in one year after the date of issuance.

In August 2024, Emkan Finance Company completed issuance of SAR 330 million in new perpetual Sukuk. The Sukuk has no fixed maturity, the Sukuk are callable in one year after the date of issuance.

In May 2024, the Bank has issued its first international sustainable Tier I Sukuk denominated in USD totaling USD 1 billion by way of an offer to eligible investors in the Kingdom of Saudi Arabia and internationally. These Sukuk are perpetual securities with no fixed redemption dates, the Sukuk also have an undivided ownership interest of the Sukuk-holders in the Sukuk assets without any preference or priority among those Sukuk-holders. The entire units of such Sukuk are unsecured, conditional and subordinated obligation of the Bank and classified under equity. However, the Bank has the exclusive option to redeem or call all of the Sukuk on 16 May 2029 or any periodic distribution date thereafter, subject to the terms and conditions stipulated in the Sukuk agreement. The Sukuk will be listed on the London Stock Exchange's International Securities Market. The Sukuk may be sold in reliance on Regulations under the US Securities Act of 1933, as amended.

In February 2024, Emkan Finance Company completed issuance of SAR 2.27 billion in new perpetual Sukuk. The Sukuk has no fixed maturity, the Sukuk are callable in one year after the date of issuance.

22 - Commitments and contingencies**a) Legal proceedings**

As at 31 December 2024, there were certain legal proceedings outstanding against the Group in the normal course of business including those relating to the extension of credit facilities. Such proceedings are being reviewed by the concerned parties.

Provisions have been made for some of these legal cases based on the assessment of the Group's legal advisors.

The Bank was named as one of many defendants in certain lawsuits initiated in the US commencing in 2002. The Bank was successful in defending the claims, all of which were finally dismissed by the relevant courts. With respect to new lawsuits commencing in 2016, however, the most recent dismissal was reversed by the court of appeals to permit limited jurisdictional discovery, which commenced in 2021. The Bank's management believes that the claims will be defended successfully, although note that there are inherent uncertainties in litigation.

b) Capital commitments

As at 31 December 2024, the Group had capital commitments of SAR 1,050 million (2023: SAR 1,156 million) relating to contracts for computer software update and development, and SAR 649 million (2023: SAR 407 million) relating to building new workstations, and development and improvement of new and existing branches.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required. Credit related commitments and contingencies mainly comprise letters of guarantee, standby letters of credit, acceptances and unused commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financing.

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 collateralized by the underlying shipments of goods to which they relate, and therefore, carry 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.

22

- Commitments and contingencies (Continued)**c) Credit related commitments and contingencies (Continued)**

Cash requirements under guarantees and letters of credit are considerably less than the amount of the commitment because the Group does not expect the third party to necessarily draw funds under the agreement.

Commitments to extend credit represent unused portions of authorization to extended credit, principally in the form of financing, guarantees and letters of credit. With respect to credit risk relating to commitments to extend unused credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The likely amount of 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 without being funded.

1. The contractual maturities of the Group's commitments and contingent liabilities are as follows:

2024	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Letters of credit	6,203,588	2,899,891	186,720	-	9,290,199
Acceptances	1,839,171	725,401	7,449	-	2,572,021
Letters of guarantee	31,169,562	-	-	-	31,169,562
Irrevocable commitments to extend credit	19,897,404	-	-	-	19,897,404
Total	59,109,725	3,625,292	194,169	-	62,929,186

2023	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Letters of credit	5,006,794	1,784,655	581,680	-	7,373,129
Acceptances	1,640,079	182,721	-	-	1,822,800
Letters of guarantee	22,703,348	-	-	-	22,703,348
Irrevocable commitments to extend credit	12,275,623	-	-	-	12,275,623
Total	41,625,844	1,967,376	581,680	-	44,174,900

2. Commitments and contingencies that may result in credit exposure

The table below shows the gross carrying amount and ECL allowance of the financing commitments and financial guarantees.

2024	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
Gross carrying amount					
Stage 1 - (12-months ECL)	9,246,996	2,508,802	29,924,495	19,700,609	61,380,902
Stage 2 - (lifetime ECL not credit impaired)	41,013	54,793	879,231	190,067	1,165,104
Stage 3 - (lifetime ECL for credit impaired)	2,190	8,426	365,836	6,728	383,180
Total outstanding balance at end of the period	9,290,199	2,572,021	31,169,562	19,897,404	62,929,186

22

- Commitments and contingencies (Continued)

c) Credit related commitments and contingencies (Continued)

2. Commitments and contingencies that may result in credit exposure (Continued)

	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
2024					
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 - (12-months ECL)	46,744	1,923	35,496	5,170	89,333
Stage 2 - (lifetime ECL not credit impaired)	237	923	15,823	86	17,069
Stage 3 - (lifetime ECL for credit impaired)	218	8,078	141,035	47	149,378
Total	47,199	10,924	192,354	5,303	255,780

	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
2023					
Gross carrying amount					
Stage 1 - (12-months ECL)	7,357,683	1,815,730	21,233,413	12,176,257	42,583,083
Stage 2 - (lifetime ECL not credit impaired)	15,063	243	1,126,382	97,561	1,239,249
Stage 3 - (lifetime ECL for credit impaired)	383	6,827	343,553	1,805	352,568
Total outstanding balance at end of the period	7,373,129	1,822,800	22,703,348	12,275,623	44,174,900

	Letter of Credit	Acceptance	Letter of guarantees	Irrevocable commitments to extend credit	Total
2023					
Credit loss allowance of the financing commitments and financial guarantees					
Stage 1 - (12-months ECL)	47,739	1,975	30,335	3,483	83,532
Stage 2 - (lifetime ECL not credit impaired)	263	3	29,122	244	29,632
Stage 3 - (lifetime ECL for credit impaired)	69	6,827	133,470	7	140,373
Total	48,071	8,805	192,927	3,734	253,537

3. The analysis of commitments and contingencies by counter-party is as follows:

	2024	2023
Corporates	58,594,694	40,116,996
Banks and other financial institutions	4,334,492	4,057,904
Total	62,929,186	44,174,900

23

- Net financing and investment income

Net financing and investment income for the years ended 31 December comprises the following:

	2024	2023
Financing		
Corporate Mutajara	9,245,266	7,834,281
Installment sale	28,237,720	23,760,066
Murabaha	2,296,592	1,932,361
Investments and other		
Murabaha with SAMA	3,617,477	2,715,899
Mutajara with banks	583,591	397,010
Income from sukuk	3,037,477	2,097,999
Gross financing and investment income	47,018,123	38,737,616
Return on customers' time investments	(10,468,451)	(10,107,091)
Return on due to banks and financial institutions' time investments	(11,706,626)	(7,361,406)
Gross financing and investment return	(22,175,077)	(17,468,497)
Net financing and investment income	24,843,046	21,269,119

In 2023, the Real Estate Development Fund ("REDF") launched a new programme ("the programme") in line with their mandate to facilitate home ownership by eligible Saudi nationals in the Kingdom of Saudi Arabia. In September 2023, the Bank has signed agreement time with REDF to become a party to this Programme and in 2024 addendums to main agreement to agree the advance payments to execute fixed number of contracts. Since the inception of the Programme, the Bank has received an total of advance payment of SAR 3,189 million (2023: SAR 1,000 million) for executing a fixed number of discounted real estate financing contracts.

In accordance with the requirements of IFRS 9, the programme results in a fair value loss being booked on origination of these mortgage facilities on day one due to the below-market profit rate. The Bank's management has determined that the amount received from REDF qualifies as a government grant under IAS 20, which will be recognized as income on a systematic basis.

24

- Fee from banking services, net

Fee from banking services, net for the years ended 31 December comprise the following:

	2024	2023
Fee income:		
Remittance Business	557,040	412,698
Wholesale Business	640,354	522,375
Payment & Electronic Service Channels	7,766,145	6,691,934
Brokerage Business	1,283,658	862,338
Others	521,185	905,255
Total fee income	10,768,382	9,394,600
Fee expenses:		
Wholesale Business	(67,448)	(39,992)
Payment & Electronic Service Channels	(5,707,802)	(4,881,531)
Brokerage Business	(300,405)	(247,427)
Total fee expenses	(6,075,655)	(5,168,950)
Fee from banking services, net	4,692,727	4,225,650

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

25 - Other operating income, net

Other operating income, net for the years ended 31 December comprises the following:

	2024	2023
Dividend income	303,162	136,884
Gain on sale of property and equipment, net	5,217	9,851
Rental income from investment properties	98,543	98,077
Share in profit of an associate	137,344	87,866
Gain on investments held at fair value through statement of income (FVIS)	66,803	32,051
Other income, net	615,595	425,461
Total	1,226,664	790,190

26 - Salaries and employees' related benefits

The following tables provide an analysis of the salaries and employees' related benefits for the years ended 31 December:

2024	Number of employees	Fixed and variable compensation	Variable compensations paid	
			Cash	Shares
Executives	27	62,740	31,723	82,025
Employees engaged in risk taking activities	1,884	618,299	221,631	44,100
Employees engaged in control functions	582	237,875	50,857	37,966
Other employees	20,931	2,075,259	471,550	62,539
Total	23,424	2,994,173	775,761	226,630
Accrued compensations in 2024	-	262,280	-	-
Other employees' costs	-	467,356	-	-
Gross total	23,424	3,723,809	775,761	226,630

2023	Number of employees	Fixed and variable compensation	Variable compensations paid	
			Cash	Shares
Executives	26	61,015	29,338	77,531
Employees engaged in risk taking activities	1,863	598,839	196,498	42,417
Employees engaged in control functions	545	220,382	46,242	35,694
Other employees	18,444	1,928,200	337,098	58,537
Total	20,878	2,808,436	609,176	214,179
Accrued compensations in 2023	-	256,852	-	-
Other employees' costs	-	459,808	-	-
Gross total	20,878	3,525,096	609,176	214,179

Salaries and employees' related benefits include end of services, social insurance, business trips, training and other benefits.

As the Kingdom of Saudi Arabia is part of the G-20, instructions were given to all financial institutions by SAMA, the Saudi Arabia Financial regulator, to comply with the standards and principles of Basel II and the Financial Stability Board, specially with regard to compensation.

In light of the above SAMA's regulations, the Group issued fixed and variable compensation policy which was implemented after the Board of Directors approval.

The scope of this policy is extended to include all permanent and temporary employees of the Group and its subsidiary companies (local and international) that are operating in the financial services sector.

26

- Salaries and employees' related benefits (Continued)

For consistency with other banking institutions in the Kingdom of Saudi Arabia, the Group has used a combination of fixed and variable compensation to attract and maintain talent. The fixed compensation is assessed on a yearly basis by comparing it to other local banks in the Kingdom of Saudi Arabia including the basic salaries, allowances and benefits which is related to the employees' ranks. The variable compensation is related to the employees' performance and their compatibility to achieve the agreed-on objectives. It includes incentives, performance bonus and other benefits. Incentives are mainly paid to branches' employees whereby the performance bonuses are paid to head office employees and others who do not qualify for incentives. These bonuses and compensation are approved by the Board of Directors as a percentage of the Group's net income.

The overall 2024 staff headcount increase is driven mainly by creation and acquisition of new subsidiaries and organic growth of businesses.

27

- Other general and administrative expenses

Other general and administrative expenses for the years ended 31 December comprises the following:

	2024	2023
Communications and utilities expenses	694,037	622,090
Maintenance and security expenses	331,459	349,100
Cash feeding and transfer expenses	195,582	209,791
Software and IT support expenses	321,020	313,612
Auditors' remuneration*	22,744	17,225
Other operational expenses	700,099	883,023
Total	2,264,941	2,394,841

Auditors' remuneration for the years ended 31 December comprises the following:

	2024	2023
Audit fee of the Bank	11,080	10,450
Audit fee of the subsidiaries	4,517	3,780
Fee for assurance engagement of the Bank	3,247	1,748
Fee for assurance engagement of subsidiaries	3,623	716
Fee for Non-audit services of the Bank	-	211
Fee for Non-audit services of subsidiaries	277	320
Total	22,744	17,225

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

28

- **Zakat**

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 consolidated statement of income. Zakat is not accounted for as income tax, and as such no deferred tax is calculated relating to zakat.

- (a) **Provisions for Zakat and Income tax for the years ended December 31 is summarized as follows:**

	2024	2023
Beginning balance for Zakat Provision	2,759,104	2,836,371
Provided during the year	2,236,709	1,908,126
Zakat Adjustment	(38,296)	(13,703)
Payments made during the year	(2,725,225)	(1,971,690)
Provisions for Zakat and Income tax	2,232,292	2,759,104

The Group has filed the required Zakat returns with the ZATCA which are due on April 30 each year. The Group's Zakat calculations and corresponding accruals and payments for Zakat are based on the ownership of the Bank to each of its subsidiaries.

On March 14, 2019, the ZATCA published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Group has provided for Zakat for the year ended December 31, 2024 and 2023 on the basis of the Group's understanding of these rules.

29

- **Earnings per share**

Basic and diluted earnings per share is calculated by dividing net income adjusted for equity Sukuk costs by weighted average number of the issued and outstanding shares as set out below:

	2024	2023
Net income for the period attributable to shareholder of the Bank	19,722,206	16,621,159
Less: equity Sukuk Costs	(1,035,867)	(820,678)
Net income after equity Sukuk payments	18,686,339	15,800,481
Number of outstanding shares	4,000,000	4,000,000
Basic and diluted earning per share (in SAR)	4.67	3.95

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

30

- Employees' end of service benefits liabilities

(a) General description

The Group operates an End of Service Benefit Plan for its employees based on the applicable Labor Laws in the country in which they are employed. Accruals are made in accordance with the actuarial valuation under the projected unit credit method, while the benefit payments liabilities are discharged as and when they fall due.

(b) The amounts recognized in the consolidated statement of financial position and movement in the liabilities during the year based on its present value are as follows:

	2024	2023
Employees' end of service benefits liabilities at the beginning of the year	1,145,578	1,191,573
Past Service Cost/(Gain)	2,579	(6,627)
Current service cost	124,873	106,549
Financing cost	57,544	52,947
Benefits paid including pending to be paid for the period	(102,242)	(194,407)
Benefits acquired/ transferred to be transferred to/ (from) sister companies	-	(1,636)
EOSB reclassified to liabilities associated with disposal group classified as held for sale	(160,920)	-
Remeasurement gain	(56,421)	(2,821)
Employees' end of service benefits liabilities at the end of the year	1,010,991	1,145,578

(c) Charge for the year

	2024	2023
Current service cost	124,873	106,549
Past Service cost / (gain)	2,579	(6,627)
Total	127,452	99,922

(d) Re-measurement recognised in other comprehensive income

	2024	2023
Loss from change in experience assumptions	22,058	11,725
Loss from change in demographic assumptions	-	95
Gain from change in financial assumptions	(78,479)	(14,641)
Total	(56,421)	(2,821)

(e) Income principal actuarial assumptions (in respect of the employee benefit scheme)

	2024	2023
Discount rate	5.90%	5.05%
Expected rate of salary increase	3.00%	3.00%
Attrition Rate	5% - 14% (based on the age band)	5% - 14% (based on the age band)

30

- Employees' end of service benefits liabilities (Continued)

(f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the employees' end of service benefits liabilities valuation to the discount rate, salary increase rate and attrition rate assumptions.

2024		Impact on defined benefit obligation – Increase / (Decrease)		
Base Scenario		Change in assumption	Increase in assumption	Decrease in assumption
Discount rate		+/- 100 basis points	(82,421)	95,142
Expected rate of salary increase		+/- 100 basis points	97,034	(85,367)
Attrition Rate		Increase or decrease by 20%	15,843	(19,237)

2023		Impact on defined benefit obligation – Increase / (Decrease)		
Base Scenario		Change in assumption	Increase in assumption	Decrease in assumption
Discount rate		+/- 100 basis points	(88,413)	108,895
Expected rate of salary increase		+/- 100 basis points	110,675	(91,429)
Attrition Rate		Increase or decrease by 20%	17,701	(14,912)

(e) Expected maturity						
At 31 December	Discounted liability	Less than a year	1-2 years	2-5 years	Over 5 years	Total
2024	1,010,991	106,037	110,916	379,557	3,466,096	4,062,606
2023	1,145,578	125,621	127,212	402,336	3,608,677	4,263,846

31

- Operating segments

The Group identifies operating segments on the basis of internal reports about the activities of the Group that are regularly reviewed by the chief operating decision maker, principally the Chief Executive Officer, in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

For management purposes, the Group is organized into the following four main businesses segments:

Retail segment:	Includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts), fees from banking services and remittance business, payment services.
Corporate segment:	Incorporates deposits of VIP, corporate customers' deposits, credit facilities, and debit current accounts (overdrafts).
Treasury segment:	Includes treasury services, Murabaha with SAMA and international Mutajara portfolio.
Investment services, brokerage and other segments:	Includes investments of individuals and corporates in mutual funds, local and international share trading services, investment portfolios and others.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

31

- Operating segments (Continued)

(a) The Group's total assets and liabilities, together with its total operating income and expenses, and net income, as of and for the years ended 31 December for each segment are as follows:

	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
2024					
Total Assets	506,310,931	218,415,822	240,492,269	9,167,634	974,386,656
Total Liabilities	322,621,704	329,123,631	198,118,377	1,383,713	851,247,425
Financing and investment income from external customers	25,348,246	13,920,986	7,543,140	205,751	47,018,123
Inter-segment operating income /(expense)	(7,598,945)	5,983,951	1,614,994	-	-
Gross financing and investment income	17,749,301	19,904,937	9,158,134	205,751	47,018,123
Gross financing and investment return	(1,811,592)	(13,153,915)	(7,209,570)	-	(22,175,077)
Net financing and investment income	15,937,709	6,751,022	1,948,564	205,751	24,843,046
Fee from banking services, net	2,658,337	789,432	256,825	988,133	4,692,727
Exchange income, net	651,532	252,214	389,120	-	1,292,866
Other operating income, net	546,868	20,304	399,768	259,724	1,226,664
Total operating income	19,794,446	7,812,972	2,994,277	1,453,608	32,055,303
Depreciation and amortization	(1,547,437)	(322,199)	(47,577)	(64,701)	(1,981,914)
Impairment charge for financing and other financial assets, net	(981,237)	(1,169,800)	34,293	-	(2,116,744)
Other operating expenses	(4,841,464)	(897,453)	(182,782)	(67,051)	(5,988,750)
Total operating expenses	(7,370,138)	(2,389,452)	(196,066)	(131,752)	(10,087,408)
Income before Zakat	12,424,308	5,423,520	2,798,211	1,321,856	21,967,895
2023					
Total Assets	455,417,583	166,231,760	179,279,472	7,169,457	808,098,272
Total Liabilities	294,229,757	271,709,235	134,641,890	757,959	701,338,841
Financing and investment income from external customers	22,380,591	10,717,736	5,465,684	173,605	38,737,616
Inter-segment operating income /(expense)	(6,868,762)	5,895,025	973,737	-	-
Gross financing and investment income	15,511,829	16,612,761	6,439,421	173,605	38,737,616
Gross financing and investment return	(809,754)	(10,369,837)	(6,288,906)	-	(17,468,497)
Net financing and investment income	14,702,075	6,242,924	150,515	173,605	21,269,119
Fee from banking services, net	2,087,303	843,214	680,221	614,912	4,225,650
Exchange income, net	566,701	281,124	398,625	-	1,246,450
Other operating income, net	135,317	3,703	301,875	349,295	790,190
Total operating income	17,491,396	7,370,965	1,531,236	1,137,812	27,531,409
Depreciation and amortization	(1,296,577)	(210,876)	(40,500)	(30,056)	(1,578,009)
Impairment charge for financing and other financial assets, net	(2,163,894)	707,550	(47,834)	-	(1,504,178)
Other operating expenses	(4,905,858)	(659,166)	(210,840)	(144,073)	(5,919,937)
Total operating expenses	(8,366,329)	(162,492)	(299,174)	(174,129)	(9,002,124)
Income before Zakat	9,125,067	7,208,473	1,232,062	963,683	18,529,285

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

31 - Operating segments (Continued)

(b) The Group's credit exposure by business segments as of 31 December follows:

2024	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
Consolidated balance sheet assets	475,215,178	218,194,545	236,763,172	5,533,331	935,706,226
Commitments and contingencies excluding irrevocable commitments to extend credit	-	43,031,782	-	-	43,031,782
2023	Retail segment	Corporate segment	Treasury segment	Investment services, brokerage and other segments	Total
Consolidated balance sheet assets	427,239,183	166,965,623	178,723,227	3,863,069	776,791,102
Commitments and contingencies excluding irrevocable commitments to extend credit	-	31,899,277	-	-	31,899,277

32

- Financial risk management

The Group's activities are exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Group reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

Risk management is performed by the Credit and Risk Management Groups ("CRMG") under policies approved by the Board of Directors. The CRMG identifies and evaluates financial risks in close co-operation with the Group's operating units. The most important types of risks identified by the Group are credit risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk, operational risk and price risk.

(1) Credit risk

Credit risk is considered to be the most significant and pervasive risk for the Group. The Group takes on exposure to credit risk, which is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Group to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the CRMG, which sets parameters and thresholds for the Group's financing activities.

(a) Credit risk measurement

- i) Financing

The Group provides financial products which are in accordance with Shariah law in order to meet the customers demand. These products are all classified as financing assets in the Group's consolidated statement of financial position. In measuring credit risk of financing at a counterparty level, the Group considers the overall credit worthiness of the customer based on a proprietary risk methodology.

This risk rating methodology utilizes a 10 point scale based on quantitative and qualitative factors with seven performing categories (rated 1 to 7) and three non-performing categories (rated 8-10). The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

ii) Credit risk grades

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 customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates, 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 corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of corporate exposure involves use of the following data.

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the customer or in its business activities

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its customers analyzed by segment as well as by credit risk grading.

32

- Financial risk management (Continued)

- (1) Credit risk (Continued)
 - (a) Credit risk measurement (Continued)
 - iii) Generating the term structure of PD

The Group employs analytical techniques incorporating internal default estimates backed by transition matrices published by external agencies to construct PD term structures that can be applied to each exposure based on its remaining lifetime. These PD term structures are then adjusted to incorporate the impact of macroeconomic outlook to arrive at a forward looking estimate of PD across the lifetime.

For retail exposure, customer and financing specific information collected at the time of application, repayment behavior etc. are used to construct risk based segmentation using statistical techniques such as Logistic Regression, Chi-square Automatic Interaction Detection (CHAID) (or Decision Tree) etc.. Risk segments are constructed to identify and aggregate customers with similar risk characteristics. For each risk segment thus formed, PD term structures are constructed using historical data that can be applied to each exposure based on its remaining lifetime.

Based on consideration of a variety of external actual and forecast information from published sources, the Group formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

Bank has a master rating scale in place that comprises of 22 risk rating grades in total which is further split into 19 performing grades and 3 non-performing grades. Below table provides the further details around the Bank's master rating scale:

Type	Rating Grade	Description	Modifiers	PD Range
Performing				
Investment Grade	1	Exceptional - Obligors of unquestioned credit standing at the pinnacle of credit quality.	None	0% to 0.42%
	2	Excellent - Obligors of the highest quality, presently and prospectively. Virtually no risk in financing to this class. Cash flows reflect exceptionally large and stable margins of protection. Projected cash flows including anticipated credit extensions indicate strong liquidity levels and debt service coverage. Balance Sheet parameters are strong, with excellent asset quality in terms of value and liquidity.	3	
	3	Superior - Typically obligors at the lower end of the high quality range with excellent prospects. Very good asset quality and liquidity. Consistently strong debt capacity and coverage. There could however be some elements, which with a low likelihood might impair performance in the future.	3	
	4	Good - Typically obligors in the high end of the medium range who are definitely sound with minor risk characteristics. Elements of strength are present in such areas as liquidity, stability of margins, cash flows, diversity of assets, and lack of dependence on one type of business.	3	
Sub Investment Grade	5	Satisfactory - These are obligors with smaller margins of debt service coverage and with some elements of reduced strength. Satisfactory asset quality, liquidity, and good debt capacity and coverage. A loss year or declining earnings trend may occur, but the customers have sufficient strength and financial flexibility to offset these issues.	3	0.42% to 99.9%
	6	Adequate - Obligors with declining earnings, strained cash flow, increasing leverage and/ or weakening market fundamentals that indicate above average risk, such customers have limited additional debt capacity, modest coverage, average or below average asset quality and market share. Present customer performance is satisfactory, but could be adversely affected by developing collateral quality/ adequacy etc.	3	
	7	Very high risk - Generally undesirable business constituting an undue and unwarranted credit risk but not to the point of justifying a substandard classification. No loss of principal or profit has taken place. Potential weakness might include a weakening financial condition, an unrealistic repayment program, inadequate sources of funds, or a lack of adequate collateral, credit information or documentation. The entity is undistinguished and mediocre. No new or incremental credits will generally be considered for this category.	3	

32

- Financial risk management (Continued)

(1) Credit risk (Continued)

(a) Credit risk measurement (Continued)

iii) Generating the term structure of PD (Continued)

Non Performing					
Sub-Standard	8	Substandard - Obligors in default and 90 Days Past Due on repayment of their obligations. Unacceptable business credit. Normal repayment is in jeopardy, and there exists well defined weakness in support of the same. The asset is inadequately protected by the current net worth and paying capacity of the obligor or pledged collateral. Specific provision raised as an estimate of potential loss.	None		
Doubtful	9	Doubtful - Obligors in default and 180 Days Past Due (DPD) on their contracted obligations, however in the opinion of the management recovery/ salvage value against corporate and real estate obligors is a possibility, and hence write-off should be deferred. Full repayment questionable. Serious problems exist to the point where a partial loss of principle is likely. Weaknesses are so pronounced that on the basis of current information, conditions and values, collection in full is highly improbable. Specific provision raised as an estimate of potential loss. However, for retail obligors (except real estate) and credit cards, total loss is expected. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.	None		100%
Loss	10	Loss - Obligors in default and 360 Days Past Due (DPD) on their obligations. Total loss is expected. An uncollectible asset which does not warrant classification as an active asset. A 100% Specific Provisioning must be triggered followed by the write-off process should be effected as per Al Rajhi Bank write-off policy.	None		

iv) ECL - Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group 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 Group's historical experience and expert credit assessment and including forward-looking information.

For Corporate portfolio, the Group's assessment of significant increase in credit risk is based on counterparty. Significant increase in credit risk assessment for retail financing is carried out at customer level within the same product family. All the exposures which are considered to have significantly increased in credit risk are subject to lifetime ECL.

The Group considers all investment grade Sukuk issued by sovereigns including Gulf Corporation Council (GCC) countries to have low credit risk.

v) Determining whether credit risk has increased significantly

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings, quantitative changes in PDs, delinquency status of accounts, expert credit judgement and, where possible, relevant historical experience.

For Corporate portfolio, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition based on quantitative assessment (including, but not limited to, significant changes in ratings reflecting deterioration in credit quality, days past due, watch-listing, and macroeconomic outlook) and / or using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

For Retail portfolio, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the customer.

32

- Financial risk management (Continued)

- (1) Credit risk (Continued)
 - (a) Credit risk measurement (Continued)
 - v) Determining whether credit risk has increased significantly (Continued)

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).

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected behavioral maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 90 or more is assumed to be stage 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the customer. 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:

Non-retail exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> 1- 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. 2- Data from credit reference agencies, press articles, changes in external credit ratings 3- Quoted Sukuk and credit default swap (CDS) prices for the customer where available 4- Actual and expected significant changes in the political, regulatory, and technological environment of the customer or in its business activities 	<ul style="list-style-type: none"> 1- Internally collected data and customer behavior – e.g., utilization of credit card facilities 2- Affordability metrics 3- External data from credit reference agencies including industry-standard credit scores 	<ul style="list-style-type: none"> 1- Payment record – this includes overdue status as well as a range of variables about payment ratios 2- Utilization of the granted limit 3- Existing and forecast changes in business, financial and economic conditions

vi) 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 with terms have been modified may be derecognized and the renegotiated finance recognized as a new financing at fair value in accordance with the accounting policy

The Group renegotiates finances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, finance 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.

32

- Financial risk management (Continued)

- (1) Credit risk (Continued)
 - (a) Credit risk measurement (Continued)
 - vi) Modified financial assets (Continued)

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

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/ in default.

vii) Definition of 'Default'

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

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

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a customer is in default. the Group 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 Group; and
- based on data developed internally and obtained from external sources.

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 for the Group for regulatory purposes.

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

viii) Incorporation of forward looking information

The Group considers macroeconomic forecasts for next 5 years (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. The forward-looking PD curve would account for the changing expectation of macroeconomic environment over time Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios (namely upturn and downturn), adjustments are made to base case forecasts based standard deviation of the macroeconomic factors.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

32

- **Financial risk management (Continued)**

(1) Credit risk (Continued)

(a) Credit risk measurement (Continued)

viii) Incorporation of forward looking information (Continued)

The Group has in place suite of macroeconomic models pertaining to specific portfolios that are used to incorporate the forward-looking information. The Group chose to adopt a macroeconomic regression-based approach to determine the link function between historical default rates (up to 10 years) and prevalent macroeconomic condition. Key factors used across different macroeconomic models being: Change in Oil price, Government net lending and Investments as percentage of GDP, Current Account Balance, Gross National Savings and Government Revenue.

The Group 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		
	2025	2026	2027
	(10.40)%	(3.60)%	(2.40)%
Yearly Growth in Oil Price			
General Government Net Lending (% of GDP)	(3.44)%	(3.23)%	(3.14)%
Investment (% of GDP)	31.15%	31.21%	31.34%
Crude Oil Production Avg Daily (million barrel)	9.7	10.2	10.5
Gross National Savings to GDP (YoY) Growth	(4.60)%	0.00%	(0.90)%
Yearly Growth in GDP Per Capita	1.20%	3.40%	3.20%
General Government Revenue (% of GDP)	29.20%	29.10%	28.50%

The table below shows the change in economic indicators to the ECL computed under three different scenarios used by the Group:

31 December 2024	Due from Bank and other financial institutions	Off Balance Sheet Items			Total
		Investment	Financing	Sheet Items	
Most likely (Base case)	2,094	51,561	8,505,316	255,780	8,814,751
More optimistic (Upside)	1,482	35,251	7,648,323	215,062	7,900,118
More pessimistic (Downside)	2,801	70,551	9,497,281	304,184	9,874,817

ix) Measurement of ECL

The Group measures an ECL at an individual instrument level taking into account the projected cash flows, PD, LGD, CCF and discount rate.

The key inputs into the measurement of ECL are the term structure of the following variables:

- i. probability of default (PD);
- ii. loss given default (LGD);
- iii. 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 and estimated prepayment rates.

32

- **Financial risk management (Continued)**

- (1) Credit risk (Continued)
- (a) Credit risk measurement (Continued)
- ix) Measurement of ECL (Continued)

For Corporate and Retail portfolio, bank uses internal LGD models to arrive at the LGD estimates.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For financing 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. The period of exposure limits the period over which possible defaults are considered and thus affects the determination of PDs and measurement of ECLs (especially for Stage 2 accounts with lifetime ECL).

x) **Financings**

- a) The following table sets out information about the credit quality of financings measured at amortized cost as at 31 December:

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total		
2024						
Carrying amount distribution by Grades						
Grade 1-3 / (Aaa - A3)	58,307,222	-	-	58,307,222		
Grade (4-6) / (Baa1 - B3)	151,683,672	4,476,519	-	156,160,191		
Grade 7- Watch list / (Caa1 – C)	229,968	3,085,064	-	3,315,032		
Credit Impaired	-	-	4,235,355	4,235,355		
Total Corporate performing and non-performing	210,220,862	7,561,583	4,235,355	222,017,800		
Total Retail (un-rated)*	469,690,262	6,553,543	3,653,434	479,897,239		
Total Gross carrying amount	679,911,124	14,115,126	7,888,789	701,915,039		
 2023						
Carrying amount distribution by Grades						
Grade 1-3 / (Aaa - A3)	45,609,795	-	-	45,609,795		
Grade (4-6) / (Baa1 - B3)	116,401,958	2,221,570	-	118,623,528		
Grade 7- Watch list / (Caa1 – C)	-	2,930,556	-	2,930,556		
Credit Impaired	-	-	3,113,788	3,113,788		
Total Corporate performing and non-performing	162,011,753	5,152,126	3,113,788	170,277,667		
Total Retail (un-rated)*	419,544,874	8,764,940	4,343,262	432,653,076		
Total Gross carrying amount	581,556,627	13,917,066	7,457,050	602,930,743		

*For credit quality of retail exposure, please refer note 8g(1), where stage 1 represents (0-30 days), stage 2 (31-90 days) and stage 3 represents (90+days).

- a) The following table sets out information about the credit quality of commitments and contingencies measured at amortized cost as at 31 December:

	2024	2023
Carrying amount distribution by Grades		
Grade 1-3 / (Aaa - A3)	3,851,906	6,079,559
Grade (4-6) / (Baa1 - B3)	57,593,988	36,762,364
Grade 7- Watch list / (Caa1 – C)	1,100,112	980,409
Credit Impaired	383,180	352,568
Total Carrying amount	62,929,186	44,174,900

32

- Financial risk management (Continued)**(1) Credit risk (Continued)****(a) Credit risk measurement (Continued)****x) Financings (Continued)**

- a) The net financing concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2024	Performing	Non-Performing	Allowance for impairment	Net financing
Description				
Government	45,798,991	-	-	45,798,991
Commercial	62,612,585	2,248,343	(1,103,584)	63,757,344
Industrial	41,784,075	534,577	(289,319)	42,029,333
Building and construction	9,142,752	198,470	(115,762)	9,225,460
Consumer	478,189,440	1,707,799	(1,197,887)	478,699,352
Services	30,939,193	539,924	(263,296)	31,215,821
Agriculture and fishing	1,537,753	2,997	(1,476)	1,539,274
Finance, Insurance & Investments	14,135,788	1,273	(627)	14,136,434
Others	12,440,026	101,053	(57,798)	12,483,281
Total	696,580,603	5,334,436	(3,029,749)	698,885,290
12 month and life time ECL not credit impaired*	-	-	(5,475,567)	(5,475,567)
Balance	696,580,603	5,334,436	(8,505,316)	693,409,723

*The amount includes stage 3 balances which are in curing period.

2023	Performing	Non-Performing	Allowance for impairment	Net financing
Description				
Government	33,772,658	-	-	33,772,658
Commercial	45,095,136	1,472,523	(760,074)	45,807,585
Industrial	36,869,650	1,011,036	(993,776)	36,886,910
Building and construction	7,812,382	9,976	(5,013)	7,817,345
Consumer	431,198,630	1,454,446	(876,773)	431,776,303
Services	22,724,169	318,850	(166,229)	22,876,790
Agriculture and fishing	1,489,504	855	(503)	1,489,856
Finance, Insurance & Investments	14,640,139	526	(273)	14,640,392
Others	5,030,536	29,727	(16,041)	5,044,222
Total	598,632,804	4,297,939	(2,818,682)	600,112,061
12 month and life time ECL not credit impaired*	-	-	(5,907,255)	(5,907,255)
Balance	598,632,804	4,297,939	(8,725,937)	594,204,806

*The amount includes stage 3 balances which are in curing period.

- b) The table below sets out gross balances of individually impaired financing, together with the fair value of related collateral held by the Group as at 31 December:

2024	Total
Individually impaired financing	5,334,435
Fair value of collateral	950,319
<hr/>	
2023	Total
Individually impaired financing	4,297,939
Fair value of collateral	916,683

32

- Financial risk management (Continued)

(1) Credit risk (Continued)

(a) Credit risk measurement (Continued)

x) Financings (Continued)

- c) The banks in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the financings. 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 consumer financings and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting year, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. The outstanding credit impaired financing facility balances, that are covered by collateral, as of December 31 is as follows:

	2024	2023
Less than 50%	49,573	32,983
51-70%	37,928	55,153
More than 70%	671,561	788,358
Total exposure	759,062	876,494

d) Financial liabilities subject to offsetting

2024	Gross Amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of recognized financial liabilities in the statement of financial position
Repurchase agreements	49,595,542	-	49,595,542
2023	Gross Amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of recognized financial liabilities in the statement of financial position
Repurchase agreements	33,344,937	-	33,344,937

For collaterals for above financial liabilities, please refer note 6(a).

(a) Settlement risk

The Group is also exposed to settlement risk in its dealings with other financial institutions. This risk arises when the Group pays its side of the transaction to the other bank or counterparty before receiving payment from the third party. The risk is that the third party may not pay its obligation. While these exposures are short in duration, they can be significant. The risk is mitigated by dealing with highly rated counterparties, holding collateral and limiting the size of the exposures according to the risk rating of the counterparty.

(b) Risk limit control and mitigation policies

The responsibility for credit risk management is enterprise-wide in scope. Strong risk management is integrated into daily processes, decision making and strategy setting, thereby making the understanding and management of credit risk the responsibility of every business segment.

The following business units within the Group assist in the credit control process:

- Corporate Credit Unit.
- Credit Administration, Monitoring and Control Unit.
- Remedial Unit.
- Credit Policy Unit.
- Retail Credit Unit.

The monitoring and management of credit risk associated with these financing are made by setting approved credit limits. The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual customers and groups, and to industries and countries.

32

- Financial risk management (Continued)

- (1) Credit risk (Continued)
- (a) Credit risk measurement (Continued)
- x) Financings (Continued)

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, 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 risks indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors.

The Group manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the executive committee.

Exposure to credit risk is also managed through regular analysis on the ability of customers and potential customers to meet financial and contractual repayment obligations and by revising credit limits where appropriate.

Some other specific control and mitigation measures are outlined below:

The Group implements guidelines on the level and quality of specific classes of collateral, The principal collateral types are:

- Mortgages over residential and commercial properties.
- Cash, shares, and general assets for customer.
- Shares for Murabaha (collateralized share trading) transactions.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as traditional banking products of the Group.

Documentary and commercial 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 collateralized by the underlying goods to which they relate, and therefore, risk is partially mitigated.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of further financing products, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards

32

- Financial risk management (Continued)**(1) Credit risk (Continued)****xi) Credit quality analysis**

The table below sets out the maximum exposure to credit risk at the reporting date without considering collateral or other credit enhancements and includes the off-balance sheet financial instruments involving credit risks as at 31 December:

On-balance sheet items	2024	2023
Investments, net:		
Cash and balances with Central Banks	53,244,710	41,767,641
Murabaha with Saudi Government and SAMA	15,022,361	20,067,953
Sukuk	141,134,410	102,547,859
Structured Products	7,831,964	4,833,101
Due from banks and other financial institutions	19,529,727	9,506,673
Financing, net		
Corporate	218,194,545	166,965,623
Retail	475,215,178	427,239,183
Other financial assets		
Receivables, net	4,056,557	2,078,794
Accrued income	850,356	860,352
Cheques under collection	626,418	923,923
Total on-balance sheet items	935,706,226	776,791,102
Off-balance sheet items:		
Letters of credit and acceptances	11,862,220	9,195,929
Letters of guarantee	31,169,562	22,703,348
Irrevocable commitments to extend credit	19,897,404	12,275,623
Total off-balance sheet items	62,929,186	44,174,900
Maximum exposure to credit risk	998,635,412	820,966,002

The exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

(2) Liquidity risks

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and financing parties and fulfill financing commitments. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. Diverse funding sources available to the Group help mitigate this risk. Assets are managed with liquidity in mind, maintaining a conservative balance of cash and cash equivalents.

Liquidity risk management process

The Group's liquidity management process is as monitored by the Group's Asset and Liabilities Committee (ALCO), and includes:

- Day-to-day funding, managed by Treasury to ensure that requirements can be met, and this includes replenishment of funds as they mature or are invested;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Maintaining diversified funding sources; and
- Liquidity management and asset and liability mismatching.

Monitoring and reporting take the form of analyzing cash flows of items with both contractual and non-contractual maturities. The net cash flows are measured to ensure that they are within acceptable ranges. The Treasury / ALCO also monitors the level and type of undrawn financing commitments, usage of overdraft facilities and the potential impact of contingent liabilities such as standby letters of credit and guarantees may have on the Group's liquidity position.

The tables below summarizes the maturity profile of the Group's assets and liabilities, on the basis of the remaining maturity as of the consolidated statement of financial position date to the contractual maturity date.

32

- Financial risk management (Continued)**(2) Liquidity risks (Continued)**

Management monitors the maturity profile to ensure that adequate liquidity is maintained. Assets available to meet liabilities and to cover outstanding financing commitments include cash, balances with SAMA and due from banks. Further, in accordance with the Banking Control Law and Regulations issued by SAMA, the Group maintains a statutory deposit equal to a sum not less than 7% of total customers' deposits, and 4% of total other customers' accounts. In addition to the statutory deposit, the Group maintains a liquid reserve of not less than 20% of the deposit liabilities, in the form of cash, gold or assets which can be converted into cash within a period not exceeding 30 days. Also, the Group has the ability to raise additional funds through special financing arrangements with SAMA including deferred sales transactions.

2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets						
Cash and balance with SAMA and other central banks	6,110,000	-	-	-	47,134,710	53,244,710
Due from banks and other financial institutions	12,148,968	4,560,547	1,181,197	-	1,639,015*	19,529,727
Financing, net						
Mutajara	47,921,704	53,904,890	47,682,201	41,160,399	-	190,669,194
Installment sale	11,807,815	44,705,349	194,421,402	215,774,172	-	466,708,738
Murabaha	5,847,531	6,382,804	8,617,859	6,948,850	-	27,797,044
Credit cards	2,223,382	2,470,424	3,540,941	-	-	8,234,747
Investments, net						
Investment in an associate	-	-	-	-	1,034,262	1,034,262
Investments held at amortized cost	3,187,750	3,379,951	44,024,674	87,554,160	-	138,146,535
FVIS investments	10,588	-	2,450,638	498,400	3,519,950	6,479,576
FVOCI investments	3,557,560	-	13,798,561	11,266,489	1,784,866	30,407,476
Positive fair value of derivatives	10,730	18,566	533,726	1,342,881	-	1,905,903
Total	92,826,028	115,422,531	316,251,199	364,545,351	55,112,803	944,157,912
Liabilities						
Due to banks, Saudi Central Bank and other financial institutions	96,403,512	57,174,210	13,465,668	4,599,380	1,791,827*	173,434,597
Demand deposits and call accounts	-	-	-	-	446,437,107*	446,437,107
Customers' time investments	91,753,888	41,906,957	12,206,451	21,224,097	-	167,091,393
Other customer accounts	-	-	-	-	14,710,001*	14,710,001
Negative fair value of derivatives	12,926	18,391	431,834	1,215,892	-	1,679,043
Sukuk issued	-	359,884	8,090,869	-	-	8,450,753
Total Liabilities	188,170,326	99,459,442	34,194,822	27,039,369	462,938,935	811,802,894
Gap	(95,344,298)	15,963,089	282,056,377	337,505,982	(407,826,132)	132,355,018

* These are all receivable / payable on demand

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

32

Financial risk management (Continued)

(2) Liquidity risks (Continued)

2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets						
Cash and balance with SAMA and other central banks	-	-	-	-	41,767,641	41,767,641
Due from banks and other financial institutions	3,027,314	1,616,094	1,683,388	-	3,179,877*	9,506,673
Financing, net						
Mutajara	24,567,170	29,004,621	52,232,333	34,450,129	-	140,254,253
Installment sale	13,364,258	41,573,047	173,988,125	198,515,605	-	427,441,035
Murabaha	5,668,525	3,267,070	7,036,864	5,009,497	-	20,981,956
Credit cards	2,183,563	1,229,353	1,672,477	442,169	-	5,527,562
Investments, net						
Investment in an associate	-	-	-	-	923,046	923,046
Investments held at amortized cost	12,223,481	2,340,446	39,900,131	56,437,267	-	110,901,325
FVIS investments	-	-	576,377	33,493	2,942,230	3,552,100
FVOCI investments	-	1,132,415	5,237,057	10,089,786	2,462,882	18,922,140
Positive fair value of derivatives	2,715	8,989	210,138	655,834	-	877,676
Total	61,037,026	80,172,035	282,536,890	305,633,780	51,275,676	780,655,407
Liabilities						
Due to banks, Saudi Central Bank and other financial institutions	56,722,318	27,990,243	11,636,807	328,750	568,771*	97,246,889
Demand deposits and call accounts	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	111,032,228	61,691,663	13,702,134	21,555,368	-	207,981,393
Other customer accounts	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	2,657	9,304	182,438	599,142	-	793,541
Sukuk issued	-	-	3,789,117	-	-	3,789,117
Total Liabilities	167,757,203	89,691,210	29,310,496	22,483,260	365,687,985	674,930,154
Gap	(106,720,177)	(9,519,175)	253,226,394	283,150,520	(314,412,309)	105,725,253

* These are all receivable / payable on demand

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

32

Financial risk management (Continued)

(2) Liquidity risks (Continued)

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2024 and 2023 based on contractual undiscounted repayment obligations. As profit payments up to contractual maturity are included in the table, totals do not match with the statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the Statement of financial position date to the contractual maturity date and do not consider the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay, and the table does not affect the expected cash flows indicated by the Bank's deposit retention history.

2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Due to banks, Saudi Central Bank and other financial institutions	97,650,664	59,370,728	16,914,495	5,778,113	1,791,827*	181,505,827
Demand deposits and call accounts	-	-	-	-	446,437,107*	446,437,107
Customers' time investments	93,003,392	43,619,024	15,531,000	27,004,692	-	179,158,108
Other customer accounts	-	-	-	-	14,710,001*	14,710,001
Negative fair value of derivatives	12,926	18,391	431,834	1,215,892	-	1,679,043
Sukuk Issued	-	675,222	9,349,462	-	-	10,024,684
Total	190,666,982	103,683,365	42,226,791	33,998,697	462,938,935	833,514,770

* These are all payable on demand

The cumulative maturities of commitments and contingencies are given in note 18-c-1 of the consolidated financial statements.

2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Due to banks, Saudi Central Bank and other financial institutions	59,243,641	29,123,940	12,339,896	655,663	568,771*	101,931,911
Demand deposits and call accounts	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	116,112,310	65,298,796	16,385,929	22,687,316	-	220,484,351
Other customer accounts	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	2,657	9,304	182,438	599,142	-	793,541
Sukuk Issued	-	-	4,548,121	-	-	4,548,121
Total	175,358,608	94,432,040	33,456,384	23,942,121	365,687,985	692,877,138

* These are all payable on demand

The cumulative maturities of commitments and contingencies are given in note 22-c-1 of the consolidated financial statements.

32

- Financial risk management (Continued)**(3) Market risks**

The Group is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks arise on profit rate products, foreign currency and mutual fund products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and quoted market prices.

Market risk exposures are monitored by Treasury / Credit & Risk department and reported to ALCO on a monthly basis. ALCO deliberates on the risks taken and ensures that they are appropriate.

(a) Market risks - Trading Book

In order to manage the market risk in trading book, the Bank periodically applies a VAR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Bank uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VAR that the bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The Bank's VaR related information for the year ended December 31, 2024 and 2023 are as under. All the figures are in million SAR:

2024			
	Foreign exchange risk	Profit rate risk	Overall
VAR as at December 31, 2024	3.63	2.82	6.46

2023			
	Foreign exchange risk	Profit rate risk	Overall
VAR as at December 31, 2023	5.59	0.65	5.42

32

- Financial risk management (Continued)**(3) Market risks (Continued)****(b) Market risks - Non-Trading or Banking Book**

Market risk on non-trading or banking positions mainly arises from the commission rate, foreign currency exposures and equity price changes.

(c) Market risks - banking operations**• 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 financial statements at amortized cost. In addition to this, a substantial portion of the Group's financial liabilities are non-profit bearing.

Profit rate risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of the financial instruments. The Group monitors its positions to ensure it is in line with Bank's risk management strategy.

The following table depicts the sensitivity to a reasonably possible change in profit rates, with other variables held constant, on the Bank's consolidated statement of income or shareholders' equity. The sensitivity of the income is the effect of the assumed changes in profit rates on the net income for one year, based on the gross financing and investment assets held as at 31 December 2024 and 2023. All the banking book exposures are monitored and analyzed in currency concentrations, and relevant sensitivities are disclosed in SAR million.

2024		SAR in Million			
Currency	Increase in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average	Maximum	Minimum
SAR	+25	497	463	497	442

Currency		Decrease in basis points	Sensitivity of gross financing and investment income			
			As at 31 December	Average	Maximum	Minimum
SAR		-25	(497)	(463)	(497)	(442)

2023		SAR in Million			
Currency	Increase in basis points	Sensitivity of gross financing and investment income			
		As at 31 December	Average	Maximum	Minimum
SAR	+25	437	428	440	412

Currency		Decrease in basis points	Sensitivity of gross financing and investment income			
			As at 31 December	Average	Maximum	Minimum
SAR		-25	(437)	(428)	(440)	(412)

32

Financial risk management (Continued)

- (3) Market risks (Continued)
- (c) Market risks - banking operations (Continued)
 - Profit rate risk (Continued)

Profit rate movements affect reported consolidated shareholders' equity through retained earnings, i.e. increases or decreases in financing and investment income.

Yield sensitivity of assets, liabilities and off balance sheet items:

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market profit rates on its financial position and cash flows.

The Board sets limits on the level of mismatch of profit rate repricing that may be undertaken, which is monitored daily by Bank Treasury.

The table below summarizes the Group's exposure to profit rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

32

- Financial risk management (Continued)

(3) Market risks (Continued)

(c) Market risks - banking operations (Continued)

• Profit rate risk (Continued)

Yield sensitivity of assets, liabilities and off balance sheet items: (Continued)

2024	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets							
Cash and balance with SAMA and other central banks	6,110,000	-	-	-	-	47,134,710	53,244,710
Due from banks and other financial institutions	13,123,925	1,139,449	2,446,141	1,181,197	-	1,639,015*	19,529,727
Investments, net							
Investment in an associate	-	-	-	-	-	1,034,262	1,034,262
Investments held at amortized cost	21,604,195	2,688,083	1,304,863	27,315,504	85,233,890	-	138,146,535
FVIS investments	10,588	-	-	2,450,638	498,400	3,519,950	6,479,576
FVOCI investments	1,558,643	1,329,279	-	11,515,746	14,218,942	1,784,866	30,407,476
Financing, net							
Mutajara	82,690,058	33,593,826	30,176,884	25,433,150	18,775,276	-	190,669,194
Installment sale	26,955,689	26,043,219	48,408,411	194,319,915	170,981,504	-	466,708,738
Murabaha	21,536,490	3,303,546	1,925,074	43,782	988,152	-	27,797,044
Credit cards	2,223,382	823,475	1,646,949	3,540,941	-	-	8,234,747
Positive fair value of derivatives	474,513	-	78,201	180,743	1,172,446	-	1,905,903
Total Assets	176,287,483	68,920,877	85,986,523	265,981,616	291,868,610	55,112,803	944,157,912
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions	114,238,809	26,067,302	25,527,019	920,914	4,888,726	1,791,827*	173,434,597
Demand deposits and call accounts	-	-	-	-	-	446,437,107*	446,437,107
Customers' time investments	101,564,729	14,872,730	25,735,678	3,939,931	20,978,325	-	167,091,393
Other customer accounts	-	-	-	-	-	14,710,001*	14,710,001
Negative fair value of derivatives	356,111	-	69,213	176,580	1,077,139	-	1,679,043
Sukuk Issued	-	-	359,884	8,090,869	-	-	8,450,753
Total Liabilities	216,159,649	40,940,032	51,691,794	13,128,294	26,944,190	462,938,935	811,802,894
Shareholders' equity							
Gap	(39,872,166)	27,980,845	34,294,729	252,853,322	264,924,420	(530,965,363)	9,215,787
Profit Rate Sensitivity - On Consolidated Statement of Financial Position	(39,872,166)	27,980,845	34,294,729	252,853,322	264,924,420	(530,965,363)	9,215,787
Profit Rate Sensitivity - Off Consolidated Statement of Financial Position	652,727	88,877	273,991	227,811	15,179	-	1,258,585
Total Profit Rate Sensitivity Gap	(40,524,893)	27,891,968	34,020,738	252,625,511	264,909,241	(530,965,363)	7,957,202
Cumulative Profit Rate Sensitivity Gap	(40,524,893)	(12,632,925)	21,387,813	274,013,324	538,922,565	7,957,202	-

* These are all receivable / payable on demand

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

32

- Financial risk management (Continued)

(3) Market risks (Continued)

(c) Market risks - banking operations (Continued)

• Profit rate risk (Continued)

Yield sensitivity of assets, liabilities and off balance sheet items: (Continued)

2023	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	No Fixed Maturity	Total
Assets							
Cash and balance with SAMA and other central banks	-	-	-	-	-	41,767,641	41,767,641
Due from banks and other financial institutions	1,722,847	99,741	2,294,018	2,210,190	-	3,179,877*	9,506,673
Investments, net							
Investment in an associate	-	-	-	-	-	923,046	923,046
Investments held at amortized cost	27,059,436	2,901,687	127,080	16,027,541	64,785,581	-	110,901,325
FVIS investments	-	-	542,381	33,996	33,493	2,942,230	3,552,100
FVOCI investments	736,130	358,787	256,275	4,500,927	10,607,139	2,462,882	18,922,140
Financing, net							
Mutajara	61,749,377	25,896,517	13,369,431	26,337,879	12,901,049	-	140,254,253
Installment sale	27,308,833	24,922,425	45,920,414	172,429,171	156,860,192	-	427,441,035
Murabaha	9,531,676	8,743,010	1,812,036	451,804	443,430	-	20,981,956
Credit cards	2,183,563	413,052	816,301	1,672,477	442,169	-	5,527,562
Positive fair value of derivatives	501,769	251,068	41,294	66,782	16,763	-	877,676
Total Assets	130,793,631	63,586,287	65,179,230	223,730,767	246,089,816	51,275,676	780,655,407
Liabilities							
Due to banks, Saudi Central Bank and other financial institutions	56,646,470	13,337,574	14,650,891	11,636,807	406,376	568,771*	97,246,889
Demand deposits and call accounts	-	-	-	-	-	352,107,825*	352,107,825
Customers' time investments	112,517,382	27,320,724	32,885,785	13,702,134	21,555,368	-	207,981,393
Other customer accounts	-	-	-	-	-	13,011,389*	13,011,389
Negative fair value of derivatives	71,961	-	10,738	121,942	588,900	-	793,541
Sukuk Issued	-	-	-	3,789,117	-	-	3,789,117
Total liabilities	169,235,813	40,658,298	47,547,414	29,250,000	22,550,644	365,687,985	674,930,154
Shareholders' equity	-	-	-	-	-	106,759,431	106,759,431
Gap	(38,442,182)	22,927,989	17,631,816	194,480,767	223,539,172	(437,551,540)	(17,413,978)
Profit Rate Sensitivity - On Consolidated Statement of Financial Position	(38,442,182)	22,927,989	17,631,816	194,480,767	223,539,172	(437,551,540)	(17,413,978)
Profit Rate Sensitivity - Off Consolidated Statement of Financial Position	369,501	123,690	277,921	114,576	6,163	-	891,851
Total Profit Rate Sensitivity Gap	(38,811,683)	22,804,299	17,353,895	194,366,191	223,533,009	(437,551,540)	(18,672,563)
Cumulative Profit Rate Sensitivity Gap	(38,811,683)	(16,007,384)	1,346,511	195,712,702	419,245,711	(18,672,563)	-

* These are all receivable / payable on demand

32 - Financial risk management (Continued)

- (3) Market risks (Continued)
 - (c) Market risks - banking operations (Continued)
 - Foreign currency risks

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group management has set limits on positions by currencies, which are regularly monitored to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at 31 December 2024 and 2023, on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonably possible movements of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity. A positive effect shows a potential increase in the consolidated statement of income or consolidated shareholders' equity, whereas a negative effect shows a potential net reduction in the consolidated statement of income or consolidated statement of changes in shareholders' equity.

(SAR in '000)

Currency Exposures As at 31 December 2024	Change in Currency Rate in %	Effect on Net Income	Effect on Equity
US Dollar	+/-2	12,301	12,301
Emirati Dirham	+/-2	4,560	4,560
Malaysian Ringgit	+/-5	65,430	65,430
Jordanian Dinar	+/-2	12,540	12,540
Kuwaiti Dinar	+/-5	26,229	26,229

(SAR in '000)

Currency Exposures As at 31 December 2023	Change in Currency Rate in %	Effect on Net Income	Effect on Equity
US Dollar	+/-2	84,480	84,480
Emirati Dirham	+/-2	2,238	2,238
Malaysian Ringgit	+/-5	70,468	70,468
Jordanian Dinar	+/-2	11,943	11,943
Kuwaiti Dinar	+/-5	22,029	22,029

Currency position

The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2024 Long/(Short)	2023 Long/(Short)
US Dollar	615,055	4,223,983
Emirati Dirham	228,017	111,917
Malaysian Ringgit	1,308,594	1,409,358
Jordanian Dinar	627,013	597,154
Kuwaiti Dinar	524,585	440,571
Others	501,284	448,413
Total	3,804,548	7,231,396

32

- **Financial risk management (Continued)**

(3) **Market risks (Continued)**

(d) **Price risk**

The Group has certain investments which are carried at fair value through the income statement (FVIS) and fair value through other comprehensive income (FVOCI). Price risk arises due to changes in these investments.

As these investments are in a limited number of funds and are not significant to the total investment portfolio, the Group monitors them periodically and determines the risk of holding them based on changes in market prices.

Other investments have little or no risks as these are bought for immediate sales. Investments are made only with a confirmed sale order, and therefore involve minimal risk.

- **Equity price risk**

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's equity investments held as FVOCI due to reasonably possible changes in equity indices, with all other variables held constant, as at 31 December is as follows:

	2024		2023		
	Local Market Indices	Change in Equity price %	Effect in SAR Million	Change in Equity price %	
Equity investments		+ /- 10	+ /- 178,487	+ /- 10	+ /- 86,696

(e) **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events.

Operational risk is inherent in most of the Group's activities. This necessitates an integrated approach to the identification, measurement and monitoring of operational risk.

An Operational Risk Management Unit (ORMU) has been established within the Credit and Risk Management Group, which facilitates the management of Operational Risk within the Group. ORMU facilitates the management of Operational Risk by setting policies, developing systems, tools and methodologies, overseeing their implementation and use within the business units and providing ongoing monitoring and guidance across the Group.

The three primary operational risk management processes in the Group are Risk Control Self-Assessment, Operational Loss Database and eventual implementation of Key Risk Indicators which are designed to function in a mutually reinforcing manner.

33

- Dividends

The Board of Directors has decided on 04 August 2024, distribution of cash dividends to shareholders for the first half of 2024, amounting to SAR 5,000 million, being SAR 1.25 per share after deduction of Zakat. The Bank has obtained no-objection from the Saudi Central Bank on the Board of Directors' decision to distribute cash dividends to shareholders for the first half of 2024. These dividends were paid on 26 August 2024.

The Board of Directors proposed on 24 January 2024, distribution of final dividends to shareholders for the second half of the financial year 2023, amounting to SAR 4,600 million, being SAR 1.15 per share after deduction of Zakat. The proposed final dividends for the second half of the financial year 2023 was approved by the Annual General Assembly in its meeting held on 24 March 2024. These dividends were paid on 3 April 2024.

On 23 July 2023, the Bank's Board of Directors approved a distribution of cash dividends to the shareholders for the first half of 2023, amounting to SAR 4,600 million (SAR 1.15 per share), these dividends were paid on 14 August 2023.

The Board of Directors proposed on 15 January 2023, distribution of final dividends to shareholders for the year ended 31 December 2022, amounting to SAR 5,000 million, being SAR 1.25 per share after deduction of Zakat. The proposed final dividends for 2022 was approved by the Annual General Assembly in its meeting held on 21 March 2023. These dividends were paid on 2 April 2023.

34

- Cash and cash equivalents

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

	2024	2023
Cash in hand	6,681,225	6,502,729
Due from banks and other financial institutions maturing within 90 days from the date of purchased	11,114,015	5,676,099
Balances with SAMA and other central banks (current accounts)	195,171	256,814
Mutajara with SAMA	6,110,000	-
Total	24,100,411	12,435,642

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

35

- Geographical concentration

(a) The distribution by the geographical region of the major categories of assets, liabilities, commitments, contingencies and credit exposure accounts as of 31 December is as follows:

2024	Kingdom of Saudi Arabia	Other GCC and Middle East	North America	South East Asia	Other Countries	Total
Assets						
Cash and balances with SAMA and other central banks	52,478,123	60,505	581,158	6,747	118,177	53,244,710
Due from banks and other financial institutions	6,473,576	10,350,874	128,524	625,380	1,951,373	19,529,727
Financing, net						
Mutajara	188,953,493	1,715,701	-	-	-	190,669,194
Installment sale	461,137,638	4,004,259	-	1,566,841	-	466,708,738
Murabaha	19,204,571	1,212,313	-	7,380,160	-	27,797,044
Credit cards	8,209,234	25,471	-	42	-	8,234,747
Investments, net						
Investment in an associate	1,034,262	-	-	-	-	1,034,262
Investments held at amortized cost	122,012,426	7,412,018	3,719,945	1,592,813	3,409,333	138,146,535
FVIS Investments	1,826,098	1,640,946	-	-	3,012,532	6,479,576
FVOCI investments	21,760,486	3,379,147	-	2,477,776	2,790,067	30,407,476
Total assets	883,089,907	29,801,234	4,429,627	13,649,759	11,281,482	942,252,009
Liabilities						
Due to banks, Saudi Central Bank and other financial institutions	143,100,050	19,589,116	-	1,488,805	9,256,626	173,434,597
Customer deposits	607,442,847	7,594,698	-	12,943,115	257,841	628,238,501
Total liabilities	750,542,897	27,183,814	-	14,431,920	9,514,467	801,673,098
Commitments and contingencies	55,530,211	2,233,106	-	2,539,980	2,625,889	62,929,186
Credit exposure (stated at credit equivalent value)	16,573,694	304,671	-	3,019,039	-	19,897,404

35

- Geographical concentration (Continued)

- (a) The distribution by the geographical region of the major categories of assets, liabilities, commitments, contingencies and credit exposure accounts as of 31 December is as follows: (Continued)

2023	Kingdom of Saudi Arabia	Other GCC and Middle East	North America	South East Asia	Other Countries	Total
Assets						
Cash and balances with SAMA and other central banks	39,800,473	806,836	501,739	236,119	422,474	41,767,641
Due from banks and other financial institutions	842,044	3,131,503	1,467,494	1,637,502	2,428,130	9,506,673
Financing, net						
Mutajara	138,160,222	2,094,031	-	-	-	140,254,253
Installment sale	422,022,173	3,795,455	-	1,623,407	-	427,441,035
Murabaha	14,262,858	272,134	-	6,446,964	-	20,981,956
Credit cards	5,504,750	22,736	-	76	-	5,527,562
Investments, net						
Investment in an associate	923,046	-	-	-	-	923,046
Investments held at amortized cost	97,560,013	6,615,356	757,961	2,525,436	3,442,559	110,901,325
FVIS Investments	1,635,665	1,131,194	-	-	785,241	3,552,100
FVOCI investments	13,620,021	2,869,525	-	1,437,691	994,903	18,922,140
Total assets	734,331,265	20,738,770	2,727,194	13,907,195	8,073,307	779,777,731
Liabilities						
Due to banks, Saudi Central Bank and other financial institutions	94,586,369	1,188,292	-	1,472,228	-	97,246,889
Customer deposits	556,310,037	6,723,368	-	10,067,202	-	573,100,607
Total liabilities	650,896,406	7,911,660	-	11,539,430	-	670,347,496
Commitments and contingencies	38,892,876	1,229,082	-	4,052,942	-	44,174,900
Credit exposure (stated at credit equivalent value)	8,431,254	254,785	-	3,589,584	-	12,275,623

35

- Geographical concentration (Continued)

(b) The distributions by geographical concentration of non-performing financing and allowance for impairment of financing are as follows:

2024	Kingdom of Saudi Arabia	GCC and Middle East	South East of Asia	Total
<u>Non-performing</u>				
Mutajara	2,798,208	33,549	-	2,831,757
Installment sale	2,320,069	47,183	21,761	2,389,013
Murabaha	26,804	19,587	1,794	48,185
Credit cards	65,480	-	-	65,480
Allowance for impairment of financing				
Mutajara	(3,470,935)	(42,193)	-	(3,513,128)
Installment sale	(4,327,602)	(62,253)	(49,118)	(4,438,973)
Murabaha	(308,244)	(6,185)	(38,305)	(352,734)
Credit cards	(200,375)	(106)	-	(200,481)
2023	Kingdom of Saudi Arabia	GCC and Middle East	South East of Asia	Total
<u>Non-performing</u>				
Mutajara	1,893,156	22,547	-	1,915,703
Installment sale	1,765,443	54,340	21,206	1,840,989
Murabaha	501,410	-	-	501,410
Credit cards	39,837	-	-	39,837
Allowance for impairment of financing				
Mutajara	(2,569,371)	(34,467)	-	(2,603,838)
Installment sale	(5,051,811)	(65,881)	(58,125)	(5,175,817)
Murabaha	(713,722)	-	(36,509)	(750,231)
Credit cards	(195,976)	(75)	-	(196,051)

Refer to Note 7-1a for performing financing.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

36

- Fair values of financial assets and liabilities

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or additions).

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.

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

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

- 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.

2024	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds					
FVIS Sukuk	2,931,542	421,181	500,059	2,010,302	2,931,542
FVIS Structured Products	276,612	-	276,612	-	276,612
FVIS - Equity investments	3,012,532	-	2,714,905	297,627	3,012,532
FVOCI Sukuk	258,890	243,890	15,000	-	258,890
FVOCI Structure Products	19,208,062	12,357,889	6,850,173	-	19,208,062
FVOCI - Equity investments	2,618,781	2,618,781	-	-	2,618,781
Positive fair value Shariah compliant derivatives	8,584,420	4,624,418	3,935,580	24,422	8,584,420
Total	1,905,903	-	1,905,903	-	1,905,903
Financial assets not measured at fair value:					
Due from banks and other financial institutions	19,529,727	-	-	19,651,276	19,651,276
Investments held at amortized cost:					
Murabaha with Saudi Government and SAMA	15,022,361	-	15,087,088	-	15,087,088
Sukuk	120,971,297	15,504,002	97,654,620	-	113,158,622
Structured Products	2,200,651	-	2,168,270	-	2,168,270
Financing, net	693,409,723	-	-	684,663,049	684,663,049
Total	889,930,501	35,770,161	131,108,210	706,646,676	873,525,047
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	1,679,043	-	1,679,043	-	1,679,043
Financial liabilities not measured at fair value:					
Due to banks, Saudi Central Bank and other financial institutions	173,434,597	-	-	172,880,208	172,880,208
Customers' deposits	628,238,501	-	-	632,493,461	632,493,461
Total	803,352,141	-	1,679,043	805,373,669	807,052,712

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)

Notes to the Consolidated Financial Statements

For the years ended 31 December 2024 and 2023 (SAR'000)

36

- Fair values of financial assets and liabilities (Continued)

2023	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value:					
FVIS Investments – Mutual funds	2,525,681	217,047	500,000	1,808,634	2,525,681
FVIS Sukuk	122,374	37,782	84,592	-	122,374
FVIS Structured Products	785,242	-	529,157	256,085	785,242
FVIS - Equity investments	118,803	118,803	-	-	118,803
FVOCI Sukuk	14,535,530	9,107,571	5,425,191	2768	14,535,530
FVOCI Structured Products	1,106,286	1,106,286	-	-	1,106,286
FVOCI - Equity investments	3,282,168	1,349,407	1,908,412	24,349	3,282,168
Positive fair value Shariah compliant derivatives	877,676	-	877,676	-	877,676
Financial assets not measured at fair value:					
Due from banks and other financial institutions	9,506,673	-	-	9,704,922	9,704,922
Investments held at amortized cost:					
Murabaha with Saudi Government and SAMA	20,067,953	-	20,275,002	-	20,275,002
Sukuk	87,962,033	12,903,257	69,073,906	-	81,977,163
Structured Products	2,941,573	-	2,941,573	-	2,941,573
Financing, net	594,204,806	-	-	589,449,280	589,449,280
Total	738,036,799	24,840,153	101,615,509	601,246,038	727,701,700
Financial liabilities					
Financial liabilities measured at fair value:					
Negative fair value Shariah compliant derivatives	793,541	-	793,541	-	793,541
Financial liabilities not measured at fair value:					
Due to banks, Saudi Central Bank and other financial institutions	97,246,889	-	-	97,018,458	97,018,458
Customers' deposits	573,100,607	-	-	576,794,255	576,794,255
Total	671,141,037	-	793,541	673,812,713	674,606,254

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at December 31, 2024 and 2023, as well as the significant unobservable inputs used:

Item	Technique applied	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVSI mutual funds investments categorized as Level 2.	Based on the latest reported net assets value (NAV) as at the date of statement of consolidated financial position.	None	Not applicable
FVIS mutual funds investments categorized as level 3.	Based on the latest reported net assets value (NAV) as at the date of statement of consolidated financial position.	None	Not applicable

36

- Fair values of financial assets and liabilities (Continued)

Valuation technique and significant unobservable inputs(Continued)

Item	Technique applied	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVOCI Sukuk investments categorized as level 2.	<p>The Bank seeks an active market inputs include quoted prices for similar Sukuk bonds, yield curves, credit spreads, and benchmark profit rates. When direct price discovery is limited, valuation techniques such as discounted cash flow models are employed, incorporating market-based risk-free rates and issuer-specific credit spreads to approximate fair value.</p> <p>The use of Level 2 inputs enhances valuation reliability while acknowledging that Sukuk pricing may be influenced by factors such as market liquidity, trading frequency, and prevailing credit conditions.</p>	None	Not applicable
FVIS structured products investments categorized as level 2.	<p>For structured investments with embedded optionality classified under Level 2 fair value measurement, valuation relies on observable active market inputs, including profit rate curves, credit spreads, and implied volatilities. Market-calibrated models, are used to estimate fair value, provided key inputs remain directly observable. Adjustments for liquidity, counterparty credit risk, and bid-ask spreads ensure valuations reflect prevailing market conditions while maintaining classification within Level 2.</p>	None	Not applicable
Derivatives categorized as Level 2 are comprised of over the counter profit rate swaps, cross currency swaps, and forward foreign exchange contracts.	<p>These instruments are fair valued using the Group's proprietary valuation models that are based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.</p>	None	Not applicable
Held at amortized cost Due from banks and other financial institutions categorized as level 3.	<p>Based on cost-based spread techniques using yield curve and deal inputs.</p>	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable

36

- Fair values of financial assets and liabilities (Continued)

Valuation technique and significant unobservable inputs(Continued)

Item	Technique applied	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Held at amortized cost Murabaha with Saudi Government and SAMA categorized as level 2.	Based on simple discounted cash flow techniques that use referenced observable inputs, such as profit rates and yield curves.	None	Not applicable
Held at amortized cost Sukuk categorized as level 2.	<p>The Bank seeks an active market inputs include quoted prices for similar Sukuk bonds, yield curves, credit spreads, and benchmark profit rates. When direct price discovery is limited, valuation techniques such as discounted cash flow models are employed, incorporating market-based risk-free rates and issuer-specific credit spreads to approximate fair value.</p> <p>The use of Level 2 inputs enhances valuation reliability while acknowledging that Sukuk pricing may be influenced by factors such as market liquidity, trading frequency, and prevailing credit conditions.</p>	None	Not applicable
Held at amortized cost Financing categorized as level 3.	Discounted cash flow techniques that rely on referenced but unobservable inputs, including new business (discount) rates, portfolio rates, and assumptions about prepayment behavior.	New business (discount) rates, portfolio rates, and assumptions about prepayment behavior.	<p>The relationship between inputs and fair value is inverse or direct, depending on the input:</p> <ul style="list-style-type: none"> Discount Rates: Higher new business rates than portfolio rates decrease the fair value of the financing book, as future cash flows are discounted more steeply. Conversely, lower discount rates increase fair value. Prepayment Rates: Higher prepayment rates shorten the portfolio's duration, leading to earlier cash flow realization. If the portfolio rate exceeds the discount rate, prepayments reduce fair value as the lender loses higher-yielding cash flows. Conversely, if the discount rate exceeds the portfolio rate, prepayments increase fair value since the lender can reinvest at a higher yield.

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

37

- Related party transactions

In the ordinary course of business, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions are at arm's length between the parties as at and for the year ended 31 December are as follows:

	2024	2023
Related parties		
Members of the Board of Directors		
Financing	236,487	249,972
Current accounts	849,089	576,049
Companies and establishments guaranteed by members of the Board of Directors*		
Financing	4,561,137	5,496,633
Contingent liabilities**	2,219,133	837,537
Associate		
Contributions payable	67,399	111,608
Receivable against claims	400,240	522,390
Bank balances	656,413	401,627

*This is in addition to the requirements of IAS 24.

**Off balance sheet items.

Income and expenses pertaining to transactions with related parties included in the consolidated financial statements for the years ended 31 December are as follows:

	2024	2023
Net income from financing and other financial assets	428,474	209,644
Mudaraba Fees	324,130	135,395
Employees' salaries and benefits (air tickets)	2,167	2,683
Rent and premises related expenses	1,106	541
Contribution – policies written	6,756,555	679,227
Claims incurred and notified during the year	946,779	422,076
Claims paid	1,070,214	250,747
Board of Directors' remunerations	6,115	6,125

The amounts of compensations recorded in favor of or paid to the Board of Directors and the executive management personnel during the years ended 31 December are as follows:

	2024	2023
Short-term benefits	176,488	167,883
Provision for employees' end of service benefits	4,709	3,367

The executive management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

38

- Special commissions excluded from the consolidated statement of income

The following represents the movements in charities account, which is included in other liabilities (see note 15) for the year ended 31 December:

	2024	2023
Balance at beginning of the year	1,891	6,075
Additions during the year	27,686	8,676
Payments made during the year	(13,623)	(12,860)
Balance at end of the year	15,954	1,891

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

39

- Investment management services

The Group offers investment services to its customers. The Group has established a number of Mudaraba funds in different investment aspects. These funds are managed by the Group's Investment Department, and a portion of the funds is also invested in participation with the Group. The Group also offers investment management services to its customers through its subsidiary, which include management of funds with total assets under management of SAR 123,319 million (2023: SAR 76,342 million). The mutual funds are not controlled by the Group and neither are under significant influence to be considered as associates / subsidiaries. Mutual funds' financial statements are not included in the consolidated financial statements of the Group. The Group's share of investments in these funds is included under investments. Funds invested by the Group in those investment funds amounted to SAR 1,020 million at 31 December 2024 (2023: SAR 827 million).

40

- Capital risk management

The Bank actively manages its capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Bank's regulator, SAMA. The Basel III capital ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its interim consolidated statement of financial position, commitments and contingencies to reflect their relative risks.

41

- Capital adequacy

In line with SAMA and the internationally agreed timeline set by the Basel Committee on Banking Supervision (BCBS), the global standard-setter for the prudential regulation of banks, the Group started reporting Capital-Adequacy Ratios (CAR) as per Basel III: Finalizing post-crisis reforms regulations issued by SAMA through its Circular Number 44047144 effectively from January 1, 2023. The group complies within the regulatory requirements of capital adequacy ratios.

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

	2024	2023
Credit risk weighted assets	553,958,302	471,038,148
Operational risk weighted assets	47,008,909	38,443,216
Market risk weighted assets	10,471,553	10,848,214
Total Pillar I - risk weighted assets	611,438,764	520,329,578
Tier I capital	117,952,821	106,151,971
Tier II capital	5,636,168	5,846,939
Total tier I & II capital	123,588,989	111,998,910

Capital Adequacy Ratio %

Tier I ratio	19.29%	20.40%
Tier I & II ratio	20.21%	21.52%

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

42

Mudarabah and Wakala based profit sharing investment accounts

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

PSIA Assets that have been allocated and managed by the Bank through Financing, Investments, Due from financial institutions and other liquid assets of the combined pools (including Bank's contributions if any).The balances of the combined pools at the year end are as follows:

	2024	2023
Financing:		
Instalment sale mutajara	62,392,940	34,502,006
Credit cards mutajara	5,699,669	4,456,950
	18,680,283	12,123,560
Investments:		
Murabaha with Saudi Government and SAMA investments	15,022,361	-
Due from financial institutions and other liquid assets	29,500,784	4,984,675
Total pools' assets	131,296,037	56,067,191

Investment account holders and Bank's own contributions position at year end are as follows:

	2024	2023
Mudarabah and Wakalah customers contributions	131,296,037	50,349,525
Bank's contribution in PSIA funds	-	5,717,666
Total pool's contributions at year end	131,296,037	56,067,191

(b) The basis for calculating and allocating profits between IAHs and the Bank:

Computation of combined pools' income is as follows:

	2024	2023
Pool Income from Financing	6,042,502	3,515,269
Income from Investments	1,530,070	761,849
Total pools' Income	7,572,572	4,277,118

Allocated between IAHs and the Bank as follows:

Mudarib fee	2,563,634	1,433,050
Movement from PER	5,760	120,548
Total amount paid to IAH Mudarabah	5,003,178	2,272,265
Return on Bank's contribution in PSIA funds	-	451,255
Total pools' income allocated	7,572,572	4,277,118

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

	IAH Share	Bank Share
Profit Sharing Allocation Percentages	66%	34%

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

	2024	2023
Investment account holders balance before profit	131,296,037	50,349,525
Add: Profit for the IAH during the year	5,003,178	2,272,265
Less: Profit paid out during the year	(4,334,603)	(1,950,808)
Net value of Investment Account Holders	131,964,612	50,670,982

AL RAJHI BANKING AND INVESTMENT CORPORATION (A SAUDI JOINT STOCK COMPANY)
Notes to the Consolidated Financial Statements
For the years ended 31 December 2024 and 2023 (SAR'000)

42

- **Mudarabah and Wakala based profit sharing investment accounts
(Continued)**

(d) Basis for determining PER and changes that have occurred during the reporting year

Profit equalization reserve (PER) is determined and created by the Bank through appropriating an amount out of the profits earned on the pools' assets.

PER allows the Bank to mitigate considerably its exposure to displaced commercial risk. While the purpose of this reserve is to enhance the profit payout to IAH and the Bank in periods when the assets have underperformed.

With regard to the PER, IAHs agree in advance in the contract that regulates their relationship with Bank, on the proportion of their income that may be appropriated to PER. This amount is determined by the management of the Bank at their discretion.

(e) Displaced commercial risk

Rate of return risk can give rise to displaced commercial risk. To mitigate displaced commercial risk, the Bank may decide to waive its portion of profits to increase the returns for the IAH.

(f) Movement of PER

	2024	2023
Beginning Balance	134,279	13,731
Addition	5,760	213,144
Transferred	-	(92,596)
Closing Balance	140,039	134,279

43

- **Subsequent Event**

Subsequent to the reporting date, on 28 January 2025, the Bank's Board of Directors recommended a distribution of cash dividends to the shareholders for the second half of 2024, amounting to SAR 5,840 million (SAR 1.46 per share).

44

- **Approval of the Board of Directors**

The consolidated financial statements were approved by the Board of Directors on 05 Shaban 1446 H (corresponding to 04 February 2025).